Jian ePayment Systems Limited

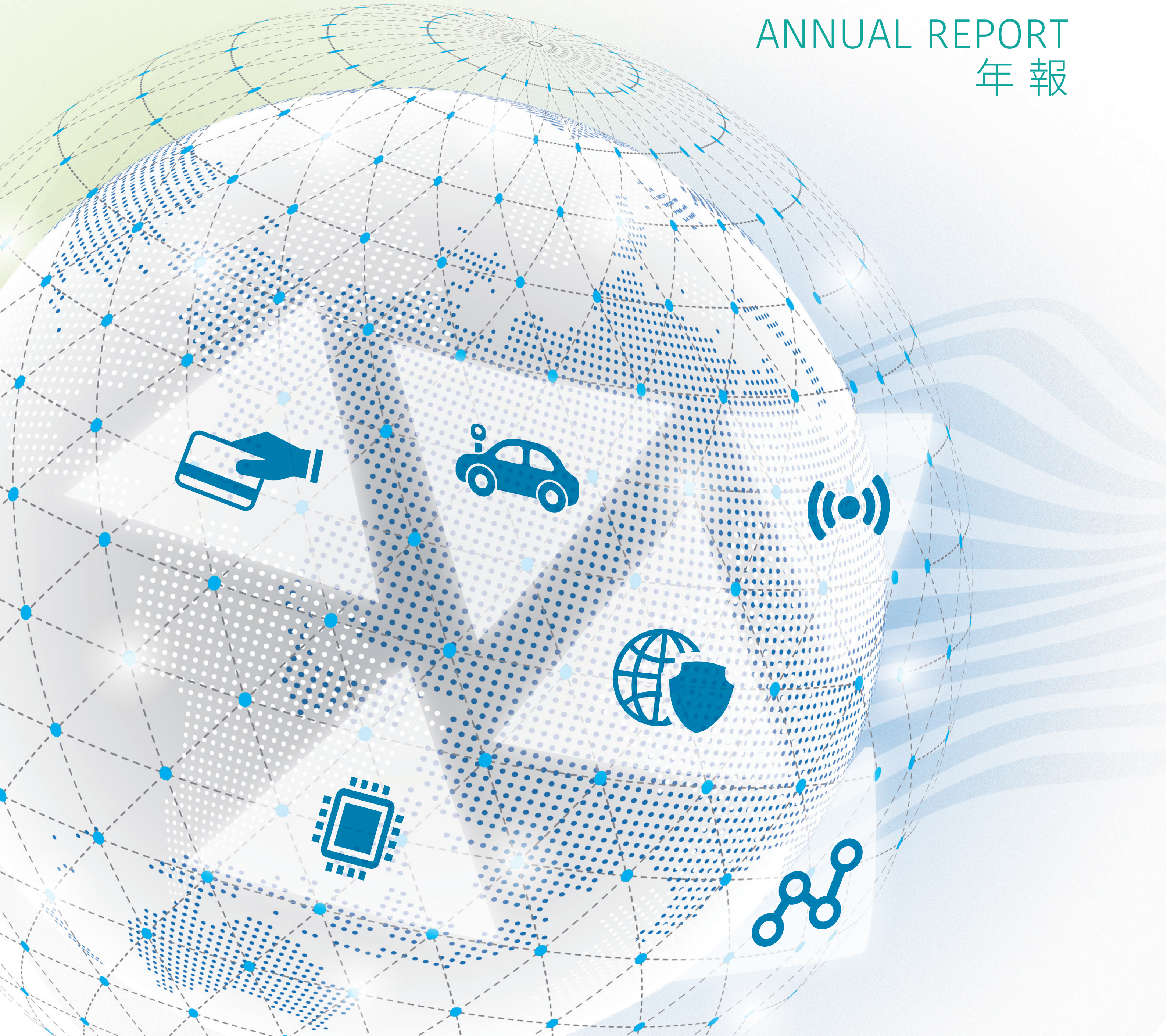
華普智通系統有限公司

(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

2019 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.

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

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Corporate Information

NON-EXECUTIVE DIRECTORS

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

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
Mr. Huang Zhang Hui**

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

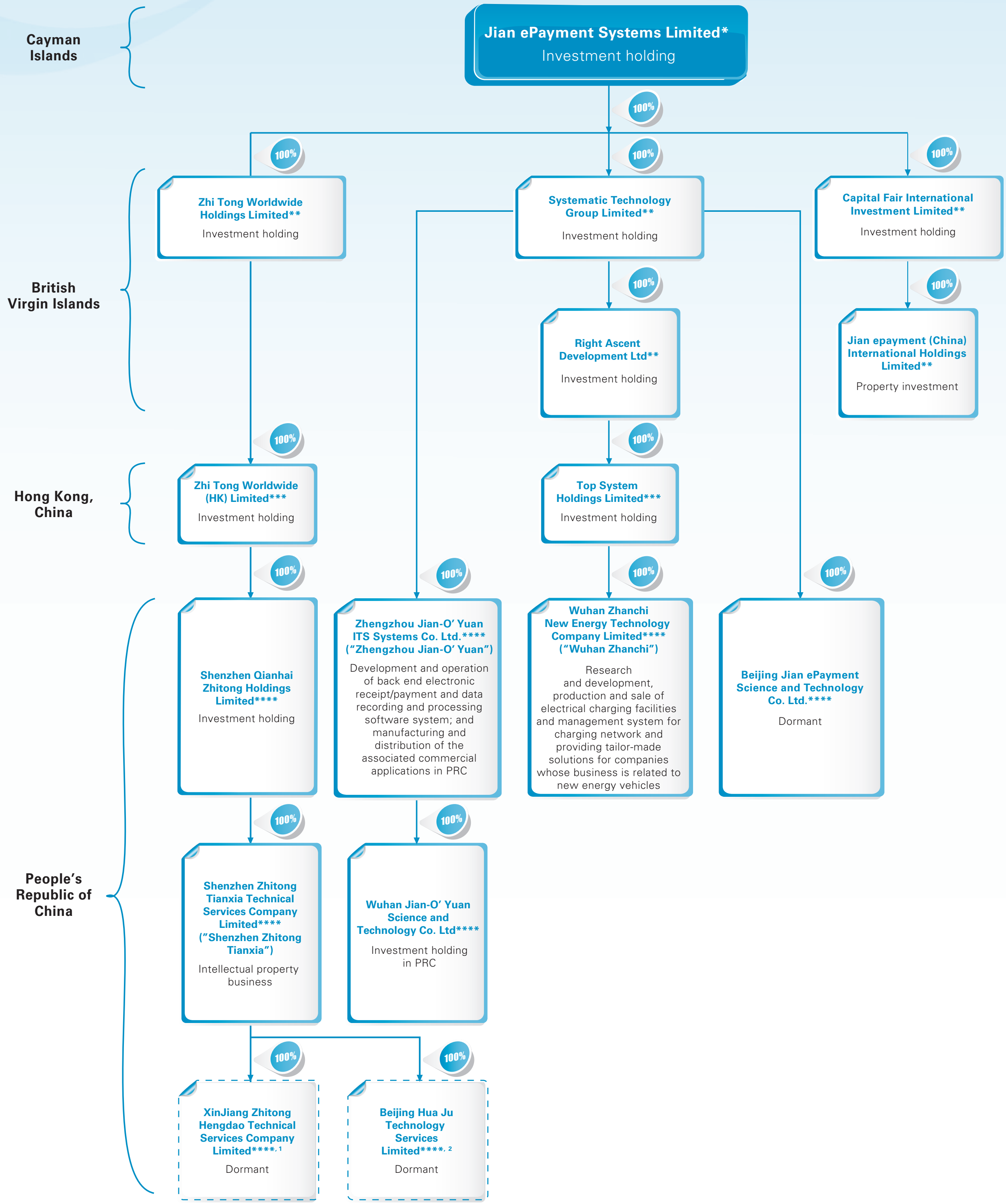
COMPANY WEBSITE

www.jianepayment.com

* Retired on 17 May 2019
** Appointed as the member of the Audit Committee, Remuneration Committee and Nomination Committee on 17 May 2019

Corporate Structure

As at the 31 December 2019



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

1	Deregistered on 18 February 2019
2	Deregistered on 3 July 2019

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 2019.

BUSINESS REVIEW AND OUTLOOK

During the year 2019, the Company continued its efforts on a major corporate re-organization and preparation for a new listing application on the Hong Kong Stock Exchange ("the Exchange").

On March 2019, the Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal on or before 31 May 2019. The Company submitted a new listing application on 29 May, 2019. On the same day, the Circular is also submitted to the Exchange and the Securities and Futures Commission ("SFC" or "Executives") for their reviews and comments. However, the Listing Application submitted had lapsed on 29 November, 2019.

Subsequent to the year under review, on 28 February 2020, the Company re-submitted the listing application to list on the Exchange.

With respect to the business operations of the Group during the year under review, the Group focused its resources on the resumption of trading of its Shares exclusively and had ceased its former business activities. Upon resumption, the enlarged Group will be engaged in the business of the target companies and its subsidiaries (the "Target Group"). The Target Group principally engages in (i) the operation of the 4S dealership Store of the Automobile Brand in Nanjing, Jiangsu province, the PRC (ii) the trading of new parallel-imported automobiles in the PRC, (iii) the trading of preowned automobiles in the PRC and (iv) the distribution of IMSA-tuned automobiles in the PRC.

Looking forward, the Company holds a positive outlook on the business of the Target Group after the completion of the re-organization.

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

15 May 2020

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group recorded a revenue of approximately RMB91,000 (2018: RMB4,092,000), representing a decrease of 98% over the last year. Loss and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB24,275,000 (2018: RMB5,330,000), representing an increase of 355%. This was due to the Group ceased trading activities and concentrated its efforts in planning and execution of a major reorganization following the suspension of its share trading in the Stock Exchange since 15 May 2018. Essentially, the Group continued to focused on the preparation of a resumption proposal (the "Resumption Proposal"). Further, the Group continued in exercising stringent and prudent cost control measures on all aspects of its operations and expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had total assets of approximately RMB19,440,000 (2018: RMB34,282,000) and net current liabilities of approximately RMB8,944,000 (2018: net current assets of RMB4,707,000). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.47 (2018: 1.48).

The Group generally finances its operations with borrowings and existing financial resources. As at 31 December 2019, the Group had bank and cash balances of approximately RMB492,000 (2018: RMB4,460,000) and borrowings of RMB19,240,000 (2018: RMB8,816,000).

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. In view of the knowledge of certain external fund borrowing arrangements in place, the directors believe that the Group shall have adequate fund for its continual operation and development.

CHARGE ON GROUP'S ASSETS

Save as disclosed in note 19 to the consolidated financial statements, the Group did not have other charge on its assets as at 31 December 2019.

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 credit for the year ended 31 December 2019 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 2019.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Prior to the year under review, on 14 May 2018, from the Review Committee of the Stock Exchange delivered its decision to uphold the Listing Division's Decision to suspend trading in the Company's shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules. The Review Committee considered that the Company had failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under GEM Listing Rule 17.26 to warrant the continued listing of the Company's shares. The Company has until the end October of 2018 to submit a resumption proposal to demonstrate that it has a sufficient level of operations or assets as required by GEM Listing Rule 17.26.

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 (the "Shares"). The Resumption Proposal involves the acquisition of the entire issued share capital of a company primarily engaged in the sale of imported premium brand vehicles (the "Acquisition"). Upon completion of the Acquisition, it is expected that the Company will satisfy the requirements under Rule 17.26 of the GEM Listing Rules. The Acquisition will constitute a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the GEM Listing Rules.

During 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 on or before 31 May 2019.

An application has been made by the Company to Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director (the "Executive") pursuant to Rule 8.2 of the Takeovers Code for the Executive's consent to extend the latest date for despatch of the circular in relation to the new listing application (the "Circular") to 31 October 2019 to allow more time for the Company in relation to the new listing application. The Executive granted such extension on 2 May 2019.

The Company submitted a new listing application (the "First New Listing Application") in connection with the Resumption Proposal on 29 May 2019. On the same day, the Circular was also submitted to the Stock Exchange and the Executive for their review and comment. However, the First New Listing Application submitted to the Stock Exchange lapsed on 29 November 2019.

Further, subsequent to the year under review, on 28 February 2020, the Company re-submitted the listing application to continue its application to list on the Stock Exchange.

With respect to the business operations of the Group, the Group is currently focusing its resources on the resumption of trading of its Shares (the "Resumption"). Upon Resumption, the enlarged Group will be engaged in the business of the target companies and its subsidiaries (the "Target Group"). The Target Group principally engages in (i) the operation of the 4S dealership Store of the Automobile Brand in Nanjing, Jiangsu province, the PRC (ii) the trading of new parallel-imported automobiles in the PRC, (iii) the trading of preowned automobiles in the PRC and (iv) the distribution of IMSA-tuned automobiles in the PRC.

Looking forward, the Company holds a positive outlook on the business of the Target Group after the completion of the re-organisation.

Management Discussion and Analysis

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 31 December 2019, the Group employed approximately 15 employees (2018: 17 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 2019.

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 2019, 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 2019. During the year ended 31 December 2019, 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 50, has been appointed as a non-executive director since 1 June 2016 and elected as the Chairman of the board on 25 May 2017. Further, he has been appointed as a member of the audit, remuneration and nomination committees respectively on 17 May, 2019. 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 22 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 48, 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 12 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 42, 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 63, 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 46, was an independent non-executive director of the Group and retired on 17 May, 2019. 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 54, is an independent non-executive director of the Group and chairman of the Audit Committee, Nomination 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 64, is an independent non-executive director of the Group and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee. 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 62, 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 63, 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 48, 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 23 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 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 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 31.

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 33 and note 28 to the consolidated financial statements.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 December 2019 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 2019, the Company has no reserve (2018: 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 purpose of the share option scheme is to reward persons who have contributed to the Group and/or provide incentive to them to contribute 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 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 2019
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.134	– (Note)
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

Note: All the 78,705,070 options lapsed on 18 May 2019

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

	2019		2018	
	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**	235,351,407	0.139
Lapsed during the year	**(78,705,070)**	**0.134**	–	N/A
Outstanding at the end of the year	**156,646,337**	**0.142**	235,351,407	0.139
Exercisable at the end of the year	**156,646,337**	**0.142**	235,351,407	0.139

Name or category of participant	At 1 January 2019 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Reclassified during the year '000	At 31 December 2019 '000
	Number of Share Options					
Directors						
Hu Hai Yuan	11,291	–	–	(3,472)	–	7,819
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	–	–	(4,630)	–	30,501
Other participants						
In aggregate	127,981	–	–	(70,603)	20,316	77,694
	235,351	–	–	(78,705)	–	156,646

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

* Retired on 17 May 2019

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 35 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 2019, 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 2019
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 2019	Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2019
Hu Hai Yuan	Personal	7,818,741	0.34%
Wang Jiang Wei	Personal	20,316,027	0.87%
Huang Zhang Hui	Personal	20,316,027	0.87%
Guo Shi Zhan *(Note)*	Personal	20,316,027	0.87%
Li Sui Yang	Personal	10,185,362	0.44%

Note: Retired on 17 May 2019.

Save as disclosed above, as at 31 December 2019, 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 2019, 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	10,185,362	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 10,185,362 Share Options for subscription of the Shares.

Save as disclosed above, as at 31 December 2019, 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	100%
— Five largest customers combined	100%

CONNECTED TRANSACTIONS

The significant related party transactions entered by the Group during the year ended 31 December 2019, 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.

Report of the Directors

COMPETING INTERESTS

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

AUDITOR

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
15 May 2020

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 2019

The Company only held one general meeting, that is its annual general meeting on 17 May 2019, during the year ended 31 December 2019.

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 one non-executive Directors (namely Mr. Hu Hai Yuan) were unable to attend the general meetings of the Company held on 17 May 2019. 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 2019, 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.

Corporate Governance Report

BOARD OF DIRECTORS

Composition

At the end of the year, the Board of the Company comprised 6 directors. Mr. Huang Zhang Hui served as Chairman of the Board. Mr. Wang Jiang Wei and Mr. Wang Tie Jian served as executive directors. Two non-executive Directors are Mr. Hu Hai Yuan and Mr. Huang Zhang Hui and two independent non-executive Directors are Mr. Luo Ze Min and Dr. Xia Ting Kang. The number of independent non-executive Directors is below the minimum number required under Rule 5.05(1) of the GEM Listing Rules while such requirement is expected to be re-complied with upon completion of the re-organization of the Group.

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

*: Retired on 17 May 2020

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 2019

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 7 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. Wang Jiang Wei	7/7
Mr. Wang Tie Jian	6/7
Mr. Huang Zhang Hui	7/7
Mr. Hu Hai Yuan	3/7
Mr. Guo Shi Zhan (i)	2/3
Mr. Luo Ze Min	7/7
Dr. Xia Ting Kang	4/7

(i) Retired on 17 May, 2019

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 2019, 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	1/1
Non-executive Directors	
Mr. Huang Zhang Hui	1/1
Mr. Hu Hai Yuan	0/1
Independent Non-executive Directors	
Mr. Guo Shi Zhan (i)	0/1
Dr. Xia Ting Kang	0/1
Mr. Luo Ze Min	0/1

(i) Retired on 17 May 2019

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	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 (i)	A, B, C
Dr. Xia Ting Kang	A, B, C
Mr. Luo Ze Min	A, B, C

(i) Retired on 17 August 2019

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.

Corporate Governance Report

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 2019 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 31 December 2019, the audit committee comprises two independent non-executive Directors, namely Mr. Luo Ze Min, Dr. Xia Ting Kang and one non-executive Director, Mr. Huang Zhang Hui.

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*	0/2
Dr. Xia Ting Kang	4/4
Mr. Huang Zhang Hui**	2/4

The audit committee has reviewed the audited results of the Group of the year and proposed adoption of the same by the Directors.

* Retired on 17 May 2019
** Appointed as the member of the Audit Committee on 17 May 2019

REMUNERATION COMMITTEE

As at 31 December 2019, the remuneration committee comprises two independent non-executive Directors, namely, Dr. Xia Ting Kang, Mr. Luo Ze Min and one non-executive Director, Mr. Huang Zhang Hui.

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
Mr. Huang Zhang Hui**	1/1

* Retired on 17 May 2019

** Appointed as the member of the Remuneration Committee on 17 May 2019

The remuneration policy for year 2019 for Board members and senior management was the same as those adopted in 2018.

NOMINATION COMMITTEE

As at 31 December 2019, the nomination committee comprises two independent non-executive Directors namely, Dr. Xia Ting Kang, Mr. Luo Ze Min and one non-executive Director, Mr. Huang Zhang Hui, 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
Dr. Xia Ting Kang	1/1
Mr. Guo Shi Zhan*	0/1
Mr. Luo Ze Min (Chairman)	1/1
Mr. Huang Zhang Hui**	1/1

* Retired on 17 May 2019
** Appointed as the member of the Nomination Committee on 17 May 2019

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 2019, 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	366
Non-audit services	180

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)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Jian ePayment Systems Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 95, which comprise the consolidated statement of financial position as at 31 December 2019, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As detailed in note 2 in the consolidated financial statements, the Group incurred a net loss of approximately RMB16,445,000 during the year ended 31 December 2019 and had net current liabilities and net liabilities of approximately RMB8,944,000 and RMB8,693,000 respectively as at 31 December 2019. The Group maintained cash and cash equivalents of RMB492,000 as at 31 December 2019. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the success of the trading resumption proposals and new listing applications as detailed in notes 1 and 37(a) to the consolidated financial statements. However, we were unable to satisfy ourselves that the undrawn financing facilities of RMB22,371,000 described in note 29 to the consolidated financial statements would continue to be made available to the Group and hence that the Group would be able to successfully execute these transactions.

Should the Group be unable to continue as a going concern, and adjustments would have to be made to write down the carrying 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 and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

Independent Auditor's Report

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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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

15 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000
Revenue	*9(a)*	**91**	4,092
Cost of goods sold and services rendered		**–**	(1,530)
Gross profit		**91**	2,562
Other income	*9(b)*	**3,699**	232
Allowance for trade and other receivables		**(5,585)**	(670)
Administrative expenses		**(13,389)**	(9,681)
Other operating expenses		**(1,360)**	–
Loss from operations		**(16,544)**	(7,557)
Finance costs	*11*	**(1,338)**	(178)
Loss before tax		**(17,882)**	(7,735)
Income tax credit/(expense)	*12*	**1,437**	(192)
Loss for the year	*13*	**(16,445)**	(7,927)
Other comprehensive income after tax for the year:			
Item that will not be reclassified to profit or loss:			
Fair value changes of financial assets at FVTOCI		**(7,830)**	2,597
Loss and total comprehensive income for the year attributable to owners of the Company		**(24,275)**	(5,330)
		RMB cents	RMB cents
Loss per share			
Basic	*17*	**(0.71)**	(0.34)
Diluted	*17*	**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	*18*	**–**	185
Investment properties	*19*	**10,276**	9,661
Right-of-use assets	*20*	**–**	–
Intangible assets	*22*	**–**	472
Trade receivables	*23*	**–**	621
Financial assets at FVTOCI	*21*	**1,100**	8,930
		11,376	19,869
Current assets			
Trade and other receivables	*23*	**7,572**	9,953
Bank and cash balances	*24*	**492**	4,460
		8,064	14,413
Current liabilities			
Lease liabilities	*30*	**525**	–
Trade and other payables	*25*	**7,534**	8,259
Borrowings	*29*	**8,949**	–
Current tax liabilities		**–**	1,447
		17,008	9,706
Net current (liabilities)/assets		**(8,944)**	4,707
Total assets less current liabilities		**2,432**	24,576
Non-current liabilities			
Lease liabilities	*30*	**299**	–
Trade and other payables	*25*	**535**	178
Borrowings	*29*	**10,291**	8,816
		11,125	8,994
NET (LIABILITIES)/ASSETS		**(8,693)**	15,582
Capital and reserves			
Share capital	*26*	**103,880**	103,880
Reserves	*28*	**(112,573)**	(88,298)
TOTAL (DEFICIENCY)/EQUITY		**(8,693)**	15,582

Approved by the Board of Directors on 15 May 2020 and signed on its behalf by:

Luo Ze Min
Director

Wang Jiang Wei
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	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/ (deficiency) RMB'000
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	–	–	–	–	–	–	–	1,333	–	1,333
Restated balance as 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
At 1 January 2019	**103,880**	**71,520**	**6,976**	**2,870**	**1,435**	**11,688**	**4,260**	**3,930**	**(190,977)**	**15,582**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**(2,957)**	**–**	**–**	**2,957**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,830)**	**(16,445)**	**(24,275)**
Changes in equity for the year	**–**	**–**	**–**	**–**	**–**	**(2,957)**	**–**	**(7,830)**	**(13,488)**	**(24,275)**
At 31 December 2019	**103,880**	**71,520**	**6,976**	**2,870**	**1,435**	**8,731**	**4,260**	**(3,900)**	**(204,465)**	**(8,693)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(17,882)**	(7,735)
Adjustments for:			
Depreciation of property, plant and equipment		**107**	355
Depreciation of right-of-use assets		**104**	–
Amortisation of other intangible asset		**26**	51
Fair value gains on investment properties		**(615)**	(69)
Allowance for trade and other receivables		**5,585**	670
Interest income		**(5)**	(9)
Imputed interest income		**(74)**	(67)
Loss on disposal of property, plant and equipment		**25**	–
Finance costs		**1,338**	178
Written back of trade and other payables		**(2,740)**	–
Impairment loss on intangible assets		**446**	–
Impairment loss on property, plant and equipment		**53**	–
Impairment loss on right-of-use assets		**836**	–
Operating loss before working capital changes		**(12,796)**	(6,626)
Increase in trade and other receivables		**(2,509)**	(6,852)
Increase/(decrease) in trade and other payables		**1,045**	(68)
Cash used in operations		**(14,260)**	(13,546)
Income taxes paid		**(10)**	(52)
Interest on lease liabilities		**(11)**	–
Net cash used in operating activities		**(14,281)**	(13,598)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**5**	9
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings raised	*32*	**10,424**	8,816
Principal elements of lease payments	*32*	**(116)**	–
Net cash generated from financing activities		**10,308**	8,816
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,968)**	(4,773)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**4,460**	9,233
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**492**	4,460
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**492**	4,460

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 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$279,845,857, 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 4,338,695,455 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.

On 29 May 2019, the Company submitted the new listing application (the "First New Listing Application") in form of a reverse takeover in relation to the Resumption Proposal. The First New Listing Application subsequently lapsed on 29 November 2019 as the process of the First New Listing Application was taken more than six months since the submission.

On 28 February 2020, the Company has re-submitted the new listing application (the "Second New Listing Application") to the Stock Exchange for seeking its approval for the resumption of trading in the shares of the Company. Details are set out in note 37(a) to the consolidated financial statements.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group reported a loss attributable to the owners of the Company of approximately RMB16,445,000 during the year and had net current liabilities and net liabilities of approximately RMB8,944,000 and RMB8,693,000 respectively as at 31 December 2019. The Group maintained cash and cash equivalents of RMB492,000 as at 31 December 2019. These conditions indicate 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 consolidated financial statements have been prepared on a going concern basis, the validity of which depends on whether the Group is able to utilise the financing facilities as detailed in note 29 to the consolidated financial statements, at a level sufficient to finance the working capital requirements of the Group, and the success of the trading resumption proposal and new listing applications as detailed in notes 1 and 37(a) to the consolidated financial statements. After considering the working capital forecast of the Group for the next twelve months, the available financing facilities as disclosed in note 29 to the consolidated financial statements and the impact of the trading resumption proposal and new listing applications as detailed in notes 1 and 37(a) to the consolidated financial statements, 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, and adjustments would have to be made to write down the carrying 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 and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in these consolidated financial statements.

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 new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

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

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

HKFRS 16 Leases *(Continued)*

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases, the Group has applied the incremental borrowing rates of the relevant group entities at the commencement date of the lease. The weighted average incremental borrowing rate applied is 3.88%.

To ease the transition to HKFRS 16, the Group applied the practical expedient at the date of initial application of HKFRS 16.

The Group has elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 33 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	626
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(617)
— leases of low-value assets	(9)
Lease liabilities recognised as at 1 January 2019	–

Electing not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment) and short-term leases and applying the practical expedient of the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of leases term at transition, there is no impact on the consolidated financial statements.

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

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

HKFRS 16 Leases *(Continued)*

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 32(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (note 32(b)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 RMB'000	**Add back: HKFRS 16 impairment, depreciation and interest expense** RMB'000	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operations	**(16,544)**	**940**	**(108)**	(15,712)	(7,557)
Finance costs	**(1,338)**	**11**	**–**	(1,327)	(178)
Loss before tax	**(17,882)**	**951**	**(108)**	(17,039)	(7,735)
Loss for the year	**(16,445)**	**951**	**(108)**	(15,602)	(7,927)

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

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

HKFRS 16 Leases *(Continued)*

(c) Impact of the financial results and cash flows of the Group *(Continued)*

	2019			2018
	Amounts reported under HKFRS 16 RMB'000	**Estimated amounts related to operating leases as if under HKAS 17 RMB'000**	**Hypothetical amounts for 2019 as if under HKAS 17 RMB'000**	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(14,260)**	**(108)**	**(14,368)**	(13,546)
Interest element of lease rentals paid	**(11)**	**11**	**–**	–
Net cash used in operating activities	**(14,281)**	**(97)**	**(14,378)**	(13,598)
Capital element of lease rentals paid	**(116)**	**116**	**–**	–
Net cash generated from financing activities	**10,308**	**116**	**10,424**	8,816

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(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.

(d) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (upon application of HKFRS 16 at 1 January 2019, the interest in leasehold land was reclassified to "right-of-use assets", see note 3) 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal residual values and annual depreciation rates are as follows:

	Residual value	Annual depreciation rate
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 to earn rentals and/or for capital appreciation. An owned 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.

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. Rental income from investment properties is accounted for as described in note 9(b).

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(i) The Group as a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separately account for lease and non-lease component(s).

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily IT equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are note capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(i) The Group as a lessee *(Continued)*

Policy applicable from 1 January 2019 *(Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 January 2019

Leases which did not transfer substantially all the risk and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(g) 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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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 fair value through profit or loss ("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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses ("ECL").

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

(r) 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.

(s) Borrowing costs

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Taxation *(Continued)*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

(u) 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.

(v) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in trade receivables. The amount of ECL 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 ECL for trade receivables. The ECL 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk *(Continued)*

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 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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 90 days 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)*

(v) 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)*

(w) 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.

(x) 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 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.

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

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) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amount of property, plant and equipment and right-of-use assets was nil (2018: RMB185,000).

(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 2019 was approximately RMB10,276,000 (2018: RMB9,661,000).

(c) Allowance for trade receivables

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 2019, the carrying amount of trade receivables was nil (net of allowance for doubtful debts of RMB10,767,000) (2018: RMB5,511,000 (net of allowance for doubtful debts of RMB5,182,000)).

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

Key sources of estimation uncertainty *(Continued)*

(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 21 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of Shenzhen MallParking.

The carrying amount of the investments as at 31 December 2019 was RMB1,100,000 (2018: RMB8,930,000).

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 2019, 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 RMB710,431 (2018: RMB397,179) 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 RMB710,431 (2018: RMB397,179) 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.

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

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.

No additional impairment for trade and other receivables as at 31 December 2019 is recognised as the amount of additional impairment measured in accordance with HKFRS 9 is insignificant, except an allowance of RMB5,585,000 (2018: RMB570,000) for trade receivables was made for the year ended 31 December 2019 regarding significant increase in credit risk for the same amount being past due for more than 30 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.

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.

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	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 2019					
Trade and other payables	**7,534**	**535**	**–**	**–**	**8,069**
Borrowings	**8,949**	**10,291**	**–**	**–**	**19,240**
Lease liabilities	**541**	**324**	**–**	**–**	**865**
At 31 December 2018					
Trade and other payables	8,259	178	–	–	8,437
Borrowings	–	8,816	–	–	8,816

(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

	2019 RMB'000	2018 RMB'000
Financial assets:		
Financial assets measured at amortised cost	**825**	10,480
Financial assets at FVTOCI	**1,100**	8,930
Financial liabilities:		
Financial liabilities at amortised cost	**27,309**	17,253

(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 2019

Description	Fair value measurements as at 31 December 2019 Level 3 RMB'000
Recurring fair value measurements:	
Financial assets at FVTOCI	
Unlisted equity securities	**1,100**
Investment properties	
Residential units — Hong Kong	**10,276**
Total	**11,376**

8. FAIR VALUE MEASUREMENT *(Continued)*

(a) Disclosure of level in fair value hierarchy at 31 December 2019 *(Continued)*

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
Recurring fair value measurements:	
Investment properties	
Residential units — Hong Kong	9,661
Total	18,591

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

	Financial assets at FVTOCI		Investment properties	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
At 1 January	**8,930**	–	**9,661**	9,592
Adjustments on initial application of HKFRS 9	**–**	6,333	**–**	–
At 1 January, restated	**8,930**	6,333	**9,661**	9,592
Total gains or losses recognised:				
in profit or loss	**–**	–	**615**	69
in other comprehensive income	**(7,830)**	2,597	**–**	–
At 31 December	**1,100**	8,930	**10,276**	9,661

The total gains or losses recognised in other comprehensive income are presented in investment valuation gain in the consolidated 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 2019:

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:

— Net assets (derived from the unaudited financial information of the issuer of the equity securities)

— Revenue (derived from the unaudited financial information of the issuer of the equity securities)

— Discount for lack of marketability

— Recent transaction price

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

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 2019 RMB'000	31 December 2018 RMB'000
Unlisted equity securities classified as financial assets at FVTOCI	Market approach	Net assets multiple	2.82 (2018: 1.99)	Increase	**1,100**	8,930
		Revenue multiple	4.87 (2018: 3.98)	Increase		
		Discount for lack of marketability	30% (2018: 30%)	Decrease		
		Recent transaction price	N/A	Increase		
Investment properties	Direct comparison approach	Market price per square foot	RMB14,000–RMB16,000 (2018: RMB13,000–RMB15,000)	Increase	**10,276**	9,661

9. REVENUE AND OTHER INCOME

(a) Revenue

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

	2019 RMB'000	2018 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	**91**	181
— Sales of patents and provision of intellectual property services	**–**	3,911
	91	4,092

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 2019 and 2018.

(b) Other income

	2019 RMB'000	2018 RMB'000
Imputed interest income on trade receivables	**74**	67
Interest income	**5**	9
Fair value gains on investment properties	**615**	69
Rental income	**265**	87
Written back of trade and other payables	**2,740**	–
	3,699	232

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 2019			
Revenue from external customers	91	–	91
Segment profit/(loss)	2,709	(6,275)	(3,566)
Interest revenue	–	5	5
Depreciation and amortisation	9	40	49
Income tax credit	–	1,437	1,437
Other material non-cash item:			
Allowance for trade and other receivables	–	5,585	5,585
Impairment loss on intangible assets	–	446	446
Impairment loss on property, plant and equipment	–	24	24
Written back of trade and other payables	2,740	–	2,740
As at 31 December 2019			
Segment assets	90	397	487
Segment liabilities	983	791	1,774

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 2018			
Revenue 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)*

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

	2019 **RMB'000**	2018 RMB'000
Profit or loss		
Total loss of operating segments	**(3,566)**	(547)
Unallocated amounts:		
Other income	**878**	157
Corporate expenses	**(12,419)**	(7,359)
Finance costs	**(1,338)**	(178)
Consolidated loss for the year	**(16,445)**	(7,927)
Assets		
Total assets of operating segments	**487**	6,738
Unallocated amounts:		
Other receivables and other assets	**17,361**	14,154
Financial assets at FVTOCI	**1,100**	8,930
Bank and cash balances	**492**	4,460
Consolidated total assets	**19,440**	34,282
Liabilities		
Total liabilities of operating segments	**1,774**	4,657
Unallocated amounts:		
Other liabilities	**7,119**	3,780
Borrowings	**19,240**	8,816
Current tax liabilities	**–**	1,447
Consolidated total liabilities	**28,133**	18,700

10. SEGMENT INFORMATION *(Continued)*

Geographical information

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

	Revenue		Non-current assets	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Hong Kong	**–**	–	**10,276**	9,761
PRC except Hong Kong	**91**	4,092	**–**	557
Consolidated total	**91**	4,092	**10,276**	10,318

Revenue from major customers

	2019 RMB'000	2018 RMB'000
Car parking systems segment:		
Customer A	**91**	181
Intellectual property services segment:		
Customer B	**–**	2,830

Revenue from one customer of the Group's car parking systems segment represents approximately RMB91,000 (2018: RMB181,000) of the Group's total revenue.

11. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**11**	–
Interest on borrowings	**1,327**	178
	1,338	178

12. INCOME TAX (CREDIT)/EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax — PRC Enterprise Income Tax		
Provision for the year	–	192
Over-provision in prior years	(1,437)	–
	(1,437)	192

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 2019 and 2018.

No provision for PRC Enterprise Income Tax in PRC are required as the Group has no assessable profit arising in or derived from this jurisdictions for the year ended 31 December 2019. 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 for the year ended 31 December 2019.

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

	2019 RMB'000	2018 RMB'000
Loss before tax	(17,882)	(7,735)
Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%)	(4,471)	(1,933)
Tax effect of income that is not taxable	(138)	(156)
Tax effect of expenses that are not deductible	3,023	1,506
Tax effect of temporary differences not recognised	(20)	17
Tax effect of utilisation of tax losses not previously recognised	(664)	–
Tax effect of tax losses not recognised	3	138
Effect of different tax rates	2,267	620
Over-provision in prior years	(1,437)	–
Income tax (credit)/expense	(1,437)	192

The details of unprovided deferred taxation as at 31 December 2019 are stated in note 33 to the consolidated financial statements.

13. LOSS FOR THE YEAR

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

	2019 RMB'000	2018 RMB'000
Amortisation of other intangible assets(included in administrative expenses)	**26**	51
Depreciation of property, plant and equipment	**107**	355
Depreciation of right-of-use assets	**104**	–
Loss on disposal of property, plant and equipment	**25**	–
Fair value gains on investment properties	**(615)**	(69)
Operating lease charges for land and buildings	**538**	1,183
Direct operating expenses of investment properties that generate rental income	**39**	113
Auditor's remuneration		
Current	**366**	351
Under-provision in prior year	**–**	–
	366	351
Foreign exchange losses/(gains), net	**423**	(44)
Allowance for trade and other receivables	**5,585**	670
Impairment loss on intangible assets	**446**	–
Impairment loss on property, plant and equipment	**53**	–
Impairment loss on right-of-use assets	**836**	–

14. EMPLOYEE BENEFITS EXPENSE

	2019 RMB'000	2018 RMB'000
Staff cost, excluding directors' emoluments:		
Salaries, bonuses and allowances	**2,522**	2,168
Retirement benefit scheme contributions	**78**	92
	2,600	2,260

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 (2018: one) director whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2018: four) individuals are set out below:

	2019 **RMB'000**	2018 RMB'000
Basic salaries and benefits	**1,822**	1,951
Retirement benefit scheme contributions	**21**	66
	1,843	2,017

The emoluments of the remaining four (2018: four) individual fell within the following bands:

	Number of individuals	
	2019	2018
Nil–HK$1,000,000	**4**	4
HK$1,000,000–HK$1,500,000	**–**	–
	4	4

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	360	–	–	–	360
Mr. Wang Tie Jian *(note i)*	360	–	–	–	360
Non-executive directors:					
Mr. Hu Hai Yuan	120	–	–	–	120
Mr. Huang Zhang Hui	120	–	–	–	120
Independent non-executive directors:					
Mr. Guo Shi Zhan *(note ii)*	50	–	–	–	50
Mr. Luo Ze Min	120	–	–	–	120
Dr. Xia Ting Kang	120	–	–	–	120
Total for 2019	1,250	–	–	–	1,250

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. Wang Jiang Wei	360	–	–	30	390
Mr. Wang Tie Jian *(note i)*	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 *(note ii)*	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

Notes:

(i) Appointed on 20 August 2018

(ii) Resigned 17 May 2019

No directors waived any emoluments during the years ended 31 December 2019 and 2018.

(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 (2018: Nil).

17. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately RMB16,445,000 (2018: RMB7,927,000) and the weighted average number of ordinary shares of approximately 2,324,301,136 (2018: 2,324,301,136) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

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 2018, 31 December 2018 and 1 January 2019	779	25,875	414	2,934	30,002
Disposals	–	–	(52)	–	(52)
At 31 December 2019	779	25,875	362	2,934	29,950
Accumulated depreciation and impairment					
At 1 January 2018	378	25,875	275	2,934	29,462
Charge for the year	319	–	36	–	355
At 31 December 2018 and 1 January 2019	697	25,875	311	2,934	29,817
Charge for the year	82	–	25	–	107
Disposals	–	–	(27)	–	(27)
Impairment losses	–	–	53	–	53
At 31 December 2019	779	25,875	362	2,934	29,950
Carrying amount					
At 31 December 2019	–	–	–	–	–
At 31 December 2018	82	–	103	–	185

19. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At 1 January	**9,661**	9,592
Fair value gains	**615**	69
At 31 December	**10,276**	9,661

Investment properties were revalued at 31 December 2019 and 2018 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.

At 31 December 2019, the carrying amount of investment properties pledged as security for the loan agreement which the Company entered into with an independent third party for a non-revolving financing facility on 26 March 2019 amounted to approximately RMB22,371,000 (equivalent to HK$25,000,000) (2018: Nil) as disclosed in note 29 to the consolidated financial statements.

20. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
At 1 January 2019 *(note 4)*	–
Additions	**940**
Depreciation	**(104)**
Impairment	**(836)**
At 31 December 2019	–

	2019 RMB'000
Depreciation expenses on right-of-use assets	**104**
Interest expense on lease liabilities (included in finance cost)	**11**
Expenses relating to short-term lease (included in administrative expenses)	**533**
Expenses relating to leases of low value assets (included in administrative expenses)	**5**

For both years, the Group leases office properties for its operations. Lease contracts are entered into for fixed term of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Being affected by unfavourable news about the listing status of the Company since the trading suspension of the Company's shares, negotiation with potential customers became more difficult and the Group maintains minimal levels of business operations. Based on the current status of the Group, full impairment loss of approximately RMB836,000 was recognised on the right-of-use assets of the Group during the year ended 31 December 2019.

The recoverable amounts of the right-of-use assets have been determined on the value in use. The calculation uses cash flow projections based on cash flow forecast prepared by management covering a three-year period at a discount rate of 11.73%. Based on the cash flow projections, recoverable amount of the right-of-use assets is nil. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include estimated income and expenses. Such estimation is based on past performance and management's expectations for the future development of the Group.

21. FINANCIAL ASSETS AT FVTOCI

	2019 RMB'000	2018 RMB'000
Unlisted equity securities, at FVTOCI	**1,100**	8,930

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

22. INTANGIBLE ASSETS

	Patents RMB'000	Software RMB'000	Total RMB'000
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	483	75	558
Accumulated amortisation			
At 1 January 2018	27	8	35
Amortisation for the year	44	7	51
At 31 December 2018 and 1 January 2019	71	15	86
Amortisation for the year	22	4	26
Impairment loss	390	56	446
At 31 December 2019	483	75	558
Carrying amount			
At 31 December 2019	–	–	–
At 31 December 2018	412	60	472

The average remaining amortisation periods of the patents and software are 8.3 years (2018: 9.3 years) and 7 years (2018: 8 years) respectively.

Being affected by unfavourable news about the listing status of the Company since the trading suspension of the Company's shares, negotiation with potential customers became more difficult and the Group maintains minimal levels of business operations. Based on the current status of the Group, full impairment loss of approximately RMB446,000 was recognised on the intangible assets of the Group during the year ended 31 December 2019.

The recoverable amounts of the intangible assets have been determined on the value in use. The calculation uses cash flow projections based on cash flow forecast prepared by management covering a three-year period at a discount rate of 11.73%. Based on the cash flow projections, recoverable amount of the intangible assets is nil. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include estimated income and expenses. Such estimation is based on past performance and management's expectations for the future development of the Group's intellectual property services segment.

23. TRADE AND OTHER RECEIVABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables	*(a)*	–	5,511
Other receivables	*(b)*	**7,572**	5,063
		7,572	10,574
Analysed as			
— Current		**7,572**	9,953
— Non-current		–	621
		7,572	10,574

(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 or contract date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 6 months	–	3,000
Within 6 to 12 months	–	630
Over 1 year	**10,767**	7,063
	10,767	10,693
Allowance for trade receivables	**(10,767)**	(5,182)
	–	5,511

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

(b) Other receivables

	2019 RMB'000	2018 RMB'000
Prepaid expenses	**7,239**	4,554
Rental and utility deposits	**99**	269
Others	**234**	240
	7,572	5,063

No allowance (2018: RMB100,000) was made for estimated irrecoverable other receivables for the years ended 31 December 2019.

24. BANK AND CASH BALANCES

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB442,000 (2018: RMB2,689,000). 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

	Notes	**2019** **RMB'000**	2018 RMB'000
Trade payables	*(a)*	**–**	841
Other payables	*(b)*	**8,069**	7,596
		8,069	8,437
Analysed as			
— Current		**7,534**	8,259
— Non-current		**535**	178
		8,069	8,437

(a) Trade payables

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

	2019 **RMB'000**	2018 RMB'000
Over 1 year	**–**	841

(b) Other payables

	2019 **RMB'000**	2018 RMB'000
Accruals for operating expenses	**2,765**	2,578
Accrued interest	**1,504**	178
Other tax payable	**737**	738
Provision for staff and workers' bonus and welfare fund	**291**	298
Salaries and welfare payables	**1,716**	1,797
Others	**1,056**	2,007
	8,069	7,596

26. SHARE CAPITAL

	2019		2018	
	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

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 2019 was 152% (2018: 55%).

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 2019, 67% (2018: 67%) 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	
	Notes	**2019 RMB'000**	2018 RMB'000
Non-current assets			
Property, plant and equipment		**–**	101
Right-of-use assets		**–**	–
Investment in subsidiaries		**–**	–
		–	101
Current assets			
Other receivables and prepayments		**7,081**	4,376
Due from subsidiaries		**–**	14,022
Bank and cash balances		**50**	1,769
		7,131	20,167
Current liabilities			
Lease liabilities		**525**	–
Trade and other payables		**5,183**	3,023
Due to subsidiaries		**4,450**	3,859
Borrowings		**8,949**	–
		19,107	6,882
Net current (liabilities)/assets		**(11,976)**	13,285
Total assets less current liabilities		**(11,976)**	13,386
Non-current liabilities			
Lease liabilities		**299**	–
Trade and other payables		**535**	178
Borrowings		**10,291**	8,816
		11,125	8,994
NET (LIABILITIES)/ASSETS		**(23,101)**	4,392
Capital and reserves			
Share capital	*26*	**103,880**	103,880
Reserves	*27(b)*	**(126,981)**	(99,488)
TOTAL (DEFICIENCY)/EQUITY		**(23,101)**	4,392

The Company's statement of financial position was approved by the Board of Directors on 15 May 2020 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 2018	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)
Lapse of share options	–	–	–	(2,957)	2,957	–
Total comprehensive income for the year	–	–	–	–	(27,493)	(27,493)
Changes in equity for the year	–	–	–	(2,957)	(24,536)	(27,493)
At 31 December 2019	**71,520**	**672**	**23,996**	**8,731**	**(231,900)**	**(126,981)**

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 2019 when the loan was drawn by the Company.

28. RESERVES *(Continued)*

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

(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.

(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(s) 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 2019 and 2018, 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(j) to the consolidated financial statements.

29. BORROWINGS

	2019 RMB'000	2018 RMB'000
Unsecured borrowings from an independent third party	**19,240**	8,816
The borrowings are repayable as follows:		
Within one year	**8,949**	–
Between one to two years	**10,291**	8,816
	19,240	8,816
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(8,949)**	–
Amount due for settlement after 12 months	**10,291**	8,816

The carrying amounts of all the Group's borrowings as at 31 December 2019 are denominated in Hong Kong dollars.

The borrowings of RMB19,240,000 (equivalent to HK$21,500,000) (2018: RMB8,816,000 (equivalent to HK$10,000,000)) 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 RMB22,371,000 (equivalent to HK$25,000,000) by an independent third party for the purpose of financing professional fees incurred in executing the Resumption Proposal.

On 26 March 2019, the Company has entered into another loan agreement with the independent third party for a further non-revolving financing facility of RMB22,371,000 (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. This financing facility is secured by the investment property of the Group of RMB10,276,000 as disclosed in note 19 to the consolidated financial statements.

At 31 December 2019, the Group had an undrawn limit of approximately RMB25,502,000 (equivalent to HK$28,500,000) (2018: RMB13,141,000 (equivalent to HK$15,000,000)) available under the facilities. Subsequent to 31 December 2019, approximately RMB3,131,000 (equivalent to HK$3,500,000) has been drawn and RMB22,371,000 (equivalent to HK$25,000,000) is available under the facilities thereafter.

30. LEASE LIABILITIES

	Minimum lease payments 2019 RMB'000	Present value of minimum lease payments 2019 RMB'000
Within one year	**541**	**525**
In the second to fifth years, inclusive	**324**	**299**
	865	**824**
Less: Future finance charges	**(41)**	**N/A**
Present value of lease obligations	**824**	**824**
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(525)**
Amount due for settlement after 12 months		**299**

31. 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.

31. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

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

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

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

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

31. 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 2019	Lapsed during the year *(Note)*	Balance at 31 December 2019
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

Note: All the 78,705,070 options were lapsed on 18 May 2019.

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

	2019		2018	
	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**	235,351,407	0.139
Lapsed during the year	**(78,705,070)**	**0.134**	–	N/A
Outstanding at the end of the year	**156,646,337**	**0.142**	235,351,407	0.139
Exercisable at the end of the year	**156,646,337**	**0.142**	235,351,407	0.139

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.9 years (2018: 3.9 years) and the exercise prices are ranging from HK$0.127 to HK$0.148 (2018: HK$0.127 to HK$0.148).

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 2019 RMB'000	Additions RMB'000	Cash flows RMB'000	Interest expenses RMB'000 *(note)*	Exchange difference RMB'000	31 December 2019 RMB'000
Borrowings *(note 29)*	8,816	–	9,989	–	435	19,240
Lease liabilities *(note 30)*	–	940	(108)	11	(19)	824
	8,816	940	9,881	11	416	20,064

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

Note:

Interest for borrowings of approximately RMB1,327,000 (2018: RMB178,000) has been incurred for the year ended 31 December 2019 and classified as other payables.

(b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2019 **RMB'000**	2018 RMB'000
Within operating cash flows	**530**	1,183
Within financing cash flows	**116**	–
	646	1,183

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Total cash outflow for leases *(Continued)*

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rental paid	**646**	1,183

33. DEFERRED TAXATION

At the end of the reporting period the Group has unused tax losses and other deductible temporary differences of approximately RMB6,838,000 and RMB118,000 respectively (2018: RMB7,814,000 and RMB18,000 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 2020 to 2024 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 RMB439,000 (2018: RMB423,000). 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.

34. OPERATING LEASE ARRANGEMENTS

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
Within one year	623
In the second to fifth years inclusive	3
	626

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

34. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

Property rental income earned for the year ended 31 December 2018 was approximately RMB87,000. 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
Within one year	263
In the second to fifth years inclusive	176
	439

Operating leases relate to investment property owned by the Group with lease terms of 2 years. All operating lease contracts contain market review clauses in the vent that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2019 **RMB'000**
Within year 1	**176**

The following table presents the amounts reported in profit or loss:

	2019 **RMB'000**
Lease income on operating leases	**265**

35. 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) Balances with related parties

	2019 **RMB'000**	2018 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 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.

(c) The details of the remuneration paid to the key management personnel are set out in note 15 to the consolidated financial statements.

36. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 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

36. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Particulars of registered/ issued capital	Interest held Directly	Interest held Indirectly	Principal activities and place of operation
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
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 and Zhitong Tianxia are domestic enterprises established in the PRC.

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

37. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 February 2020, the Company has re-submitted the Second New Listing Application to the Stock Exchange for seeking its approval for the resumption of trading in the shares of the Company. In support of the Second New Listing Application, the Company has proposed following new arrangements:

(i) The Company has proposed to implement a capital reorganisation as follows:

(A) the credit amount of the share premium account of the Company will be cancelled to set off against part of accumulated losses;

(B) every ten issued shares of HK$0.05 each will be consolidated into one issued consolidated share of the Company of HK$0.50 each (the "Consolidated Share(s)"); as a result, there will be a total of 232,430,113 Consolidated Shares in issue upon the completion of the share consolidation; and the nominal value of the issued Consolidated Shares will be reduced from HK$0.50 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.49 each.

(ii) Both two conditional share purchase agreements with two collective independent third parties dated 26 October 2018 as disclosed in note 1 to the consolidated financial statements would be revised, pursuant to which the Company will acquire, at an aggregate consideration of HK$279,845,857, the entire issued share capital of two companies incorporated in the British Virgin Islands from the two independent third parties respectively after the group reorganisation and the aggregate consideration will be satisfied by the Company's issue of 1,301,608,637 Consolidated Shares at the issue price of HK$0.215 per Consolidated Share.

(iii) Upon completion of the Acquisitions and pursuant to the new arrangement proposal of the Second New Listing Application, the Company proposes to offer a total 306,925,568 Consolidated Shares (the "Offer Shares") for subscription at the offer price of HK$0.215 per Offer Share. 153,462,784 Offer Shares are available for subscription by the public and 153,462,784 Offer Shares are available for subscription by the qualifying shareholders of the Company to be determined.

(b) After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 15 May 2020.

Financial Summary

CONSOLIDATED PROFIT OR LOSS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
Revenue	3,703	2,626	13,106	4,092	**91**
Operating (loss)/profit	(11,593)	(25,672)	2,320	(7,557)	**(16,544)**
Subsidy income	24	211	–	–	**–**
Interest income	46	38	1	–	**–**
Interest expenses	–	(1,201)	(608)	(178)	**(1,338)**
(Loss)/profit before tax	(11,523)	(26,624)	1,713	(7,735)	**(17,882)**
Income tax (expense)/credit	–	(149)	(1,201)	(192)	**1,437**
(Loss)/profit for the year	(11,523)	(26,773)	512	(7,927)	**(16,445)**
Item that will not be classified to profit and loss:					
Fair value changes of equity investments at FVTOCI	–	–	–	2,597	**(7,830)**
(Loss)/profit attributable to owners of the Company	(11,523)	(26,773)	512	(5,330)	**(24,275)**

CONSOLIDATED FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	At 31 December				
	2015	2016	2017	2018	**2019**
Non-current assets	4,912	9,186	16,209	19,869	**11,376**
Net current assets/(liabilities)	8,205	(8,538)	3,370	4,707	**(8,944)**
Total assets less current liabilities	13,117	648	19,579	24,576	**2,432**
Representing:					
Financed by					
Non-current liabilities	9,328	–	–	8,994	**11,125**
Share capital	86,973	92,441	103,880	103,880	**103,880**
Reserves	(83,184)	(91,793)	(84,301)	(88,298)	**(112,573)**
	13,117	648	19,579	24,576	**2,432**

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