

Jian ePayment Systems Limited

華普智通系統有限公司

(incorporated in the Cayman Islands with limited liability)



ANNUAL REPORT 2001

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability.

Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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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CONSOLIDATED INCOME STATEMENTS

(Amounts expressed in thousands of Renminbi)

	Years ended 31 December		
	1999	2000	2001
Turnover	–	23,818	40,008
Operating (loss) profit	(10,014)	13,716	15,294
Subsidy income	–	–	5,161
Interest income	–	22	106
Interest expense	–	–	(444)
(Loss) profit before taxation	(10,014)	13,738	20,117
Taxation	–	–	–
(Loss) profit after taxation			
but before minority interests	(10,014)	13,738	20,117
Minority interests	338	(56)	(215)
(Loss) profit attributable to shareholders	(9,676)	13,682	19,902

CONSOLIDATED BALANCE SHEETS

(Amounts expressed in thousands of Renminbi)

	As at 31 December		
	1999	2000	2001
Fixed assets, net	312	780	891
Goodwill, net	–	1,986	1,777
Net current (liabilities) assets	(8,526)	3,078	50,520
Minority interests	–	(72)	(287)
Net (liabilities) assets	(8,214)	5,772	52,901
Representing:			
Share capital	–	–	21,208
Reserves	(8,214)	5,772	31,693
Shareholders' equity	(8,214)	5,772	52,901

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Chairman's Statement



To Become

A Leading Nationwide

ELECTRONIC

PAYMENT SYSTEM OPERATOR

in the PRC

For and on behalf of the Board of Directors (the "Board") of Jian ePayment Systems Limited (the "Company") together with its subsidiaries (the "Group"), I am pleased to announce the audited results of the Company for the year ended 31st December, 2001 (the "Year").

Business Review

The Year was a landmark year for the Group. On 10th December, 2001, the Company was listed on the Growth Enterprise Market ("GEM"), representing a milestone in the development of the Company's business.

For the year ended 31st December, 2001, the Group's turnover amounted to RMB40,008,000, representing a 68% increase against the previous year. Profits attributable to shareholders amounted to RMB19,902,000, a 45% rise against last year. Basic earnings per share amounted to RMB0.06. The high gross profit margin reflects the high value-added characteristics of the Group's high tech products.

Business Development

The Group aims to establish the Jian ePayment System as the leading electronic payment system in the PRC. The Group has been commissioned to build its roadside car parking fee collection sub-system in a number of districts in eight cities in the PRC. The systems provided by the Group for use in Wuhan, Haikou and Guangzhou were successfully implemented and began to generate substantial sales revenues from hardware and software, income from systems integration and steady transaction levies.

With the successful operation of its roadside car parking fee collection sub-system in various cities,

recognition for the Jian ePayment System has been improving. Circulation of Jian Smart Passes has reached 94,000, compared to 45,000 Jian Smart Passes as at 20th November, 2001.

The Company is of the opinion that, with the PRC's accession to WTO and the technological

evolution, contactless smart card technology will be used for countless purposes, in response to the demand for every-day convenience with the automation of increasing applications in commercial operations. With the popularization of Jian Smart Passes, the Group is also exploring other uses for the card. During the Year, the Group installed and commenced operations of its fast food retail sub-system at seven branches of Yong He Dou Jiang 永和豆浆 in Wuhan.

Currently, the Group has established a strategic alliance with the Agricultural Bank of China in Wuhan, gaining access to its extensive branch network to distribute Jian Smart Passes and provide Jian Initializer and Jian Recharger services. The Group is confident that this alliance will enhance the recognition and circulation of Jian Smart Passes.

Research and Development

The Group continues to develop its high caliber research and development team to enhance product and business development. During the Year, developments in the Group's public transportation sub-systems were completed and are now ready for operation. Technology developments for the highway toll sub-system have also been completed and will



Jian ePayment System in 永和豆浆

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Chairman's Statement



Parking meters adopting Jian ePayment's contactless Smart Card technology are installed in Dong Hu Xi Lu in Guangzhou, the PRC



soon commence testing. At the same time, developments in other public transportation fee collection sub-system and studies in applying wireless communication technology and electronic settlement for the Group's products are underway. The Group is also seeking to further expand the commercial applications of its Jian Smart Passes.

Prospects

The Group is committed to the development of smart card e-payment systems in the PRC. The Directors

believe that there are tremendous prospects for development in its markets as there are very few competitors in this field in the PRC. The Directors have full confidence in the prospects of the e-payment industry in the PRC. As more cities in the PRC move to adopt e-payment systems, the Directors believe there is huge opportunity for the expansion of the Jian ePayment System business. In the foreseeable future, Jian Smart Passes are expected to become widely used throughout the major cities in the PRC and to become an integral part of daily life.

Appreciation

I would like to express my sincere thanks to the management and staff without whose efforts the Year's positive results would not have been possible. I

would also like to extend my thanks to our shareholders, investors, business partners, customers and suppliers for their support and encouragement in the past year.

Chin Ying Hoi
Chairman

Hong Kong, 22 March, 2002



* incorporated in the Cayman Islands

** incorporated in the British Virgin Islands

*** established in the PRC

Management Discussion & Analysis

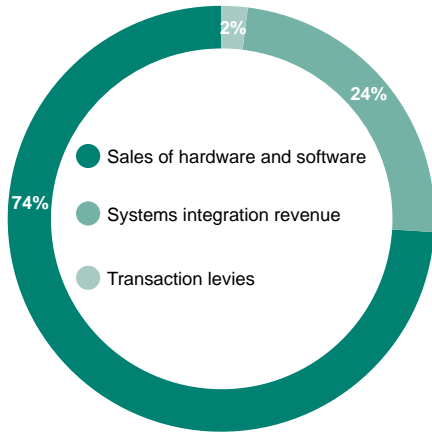
Geographical Coverage of Jian ePayment System



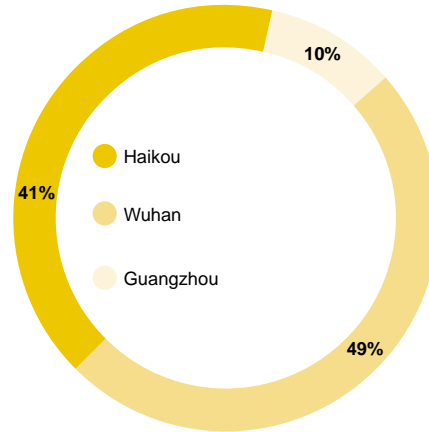
- ▲ Operation commenced
- Set-up commenced but not yet in operation
- Signed but set-up and operation not yet commenced

Year 2001

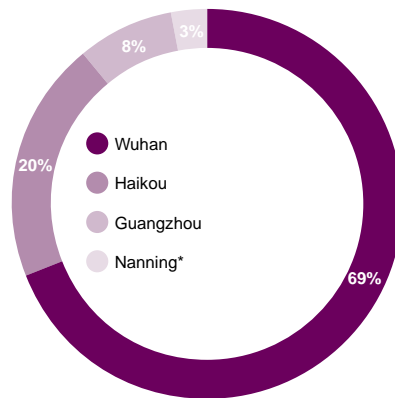
Turnover by Product



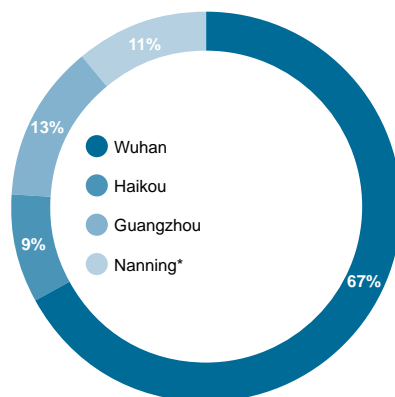
Turnover by Geographical Location



Smart Card Reader in Operation by Geographical Location



Smart Card Circulation by Geographical Location



* The Nanning Project is under trial-operation only.

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Management Discussion & Analysis

Financial Highlights

	2001 RMB'000	2000 RMB'000	Change
Turnover	40,008	23,818	+68%
Operating Expenses	11,999	7,200	+67%
Profit attributable to shareholders	19,902	13,682	+45%
Basic earnings per share (RMB)	0.06	0.05	+20%

Financial Review

During the year, the Group posted a revenue of RMB40,008,000, representing an increase of 68% over the previous year. Profit attributable to shareholders for the year was RMB19,902,000, while basic earnings per share were RMB0.06.

The Group's operations grew significantly during the year. Revenues were mainly generated from 3 PRC cities, namely Wuhan, Haikou and Guangzhou, two more cities as compared to the previous year. Due to the increase in the Group's operations and the number of customers, the Group's turnover and operating expenses both increased. The expansion of the Group also had positive impacts on profit attributable to shareholders and basic earnings per share comparing to last year.

Turnover by Product

	2001 RMB'000	2000 RMB'000	Change
Sales of hardware and software	29,511	6,900	+328%
Provision of systems integration services	9,730	16,212	-40%
Transaction levies	767	706	+9%
Total	<u>40,008</u>	<u>23,818</u>	+68%

During the year, the Group's major revenue was derived from sales of hardware and software products related to roadside car parking fee collection system, accounting for 74% of its total revenue. Revenue from systems integration was mainly attributable to the design and implementation of the roadside car parking fee collection sub-system project in Haikou, in particular. Revenue for systems integration for 2000 was totally attributable to the design and implementation of the roadside car parking fee collection sub-system project in Wuhan. With the rising popularity of Jian Smart Passes, commercial application sub-systems in the various areas have also been contributing stable revenue to the Group in the form of transaction levies.

Turnover by Geographical Location

	2001 RMB'000	2000 RMB'000	Change
Cities in China			
Central China			
Wuhan	19,649	23,818	-18%
Southern China			
Haikou	16,504	–	N/A
Guangzhou	3,855	–	N/A
Total	40,008	23,818	+68%

The revenue for the Year was mainly derived from customers in three PRC cities, namely Wuhan, Haikou and Guangzhou, two more cities as compared to only one city in the previous year, and was mainly attributable to sales revenue from hardware and software products for roadside car parking fee collection sub-system in various areas and systems integration. The revenues from Wuhan, located in Central China, decreased for the year as system integration work in Wuhan was substantially completed in 2000, while the construction of roadside car parking sub-systems in Haikou and Guangzhou, both located in Southern China, were commenced during the Year, generating revenue for the Group for the first time.

Financial Condition

	As at 31st December 2001 RMB'000	As at 31st December 2000 RMB'000	Change
Cash and cash equivalents	22,329	3,548	+529%
Total Assets	80,931	53,048	+53%
Shareholders' funds	52,901	5,772	+817%
Short-term loans	10,850	–	N/A
Current ratio (Times)	2.82	1.07	+164%

The Company was successfully listed on GEM on 10th December, 2001 by way of placing of 100,000,000 new shares of the Company, which accounted for 25% of its enlarged issued share capital of the Company. The net proceeds raised by the Group amounted to approximately HK\$21,192,000, resulting in a substantial increase in its cash balance at the end of 2001.

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Management Discussion & Analysis

Total assets for 2001 increased 53% to RMB80,931,000 mainly comprising fixed assets of RMB891,000, goodwill of RMB1,777,000, inventories of RMB13,225,000, accounts receivable and other receivables of RMB22,761,000, prepayments and deposits of RMB16,181,000 and cash and cash equivalents of RMB22,329,000.

Exchange Rate Exposure

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, US dollar or Renminbi. As the exchange rates of Hong Kong dollar, US dollar and Renminbi were relatively stable during the year, the Group was not exposed to material foreign exchange risk.

Liquidity and Financial Resources

Save for the listing proceeds, the Group generally finances its operations with internally generated cash flows. During the year, total short-term bank loans of RMB10,850,000 were outstanding and applied as working capital for the Group's business operations. Among the short-term bank loans, a loan of RMB2,850,000 was secured by a bank deposit of USD360,000 and bore interest of 6.14% per annum, while a loan of RMB8,000,000 was secured by certain land and building of a related company and a corporate guarantee provided by the related company, and bore interest of 6.435% per annum. The Group currently has cash and cash equivalents of RMB22,329,000, while the current ratio has improved from 1.07 times for 2000 to 2.82 times for the year and the gearing ratio, representing the ratio of total debt to total assets, has improved from 89% for 2000 to 34% for the year.

As at the date of this annual report, the Group has no material capital commitments except for those disclosed in note 27(a) of the financial statements.

Human Resources

	As at 31st December 2001	As at 31st December 2000
	Total number of staff	Total number of staff
Management	9	7
Sales and Marketing	18	9
Purchasing and Supplies	8	5
Production	40	33
Research and Development	20	12
Finance and Administration	13	6
	<hr/>	<hr/>
Total (Staff)	<u>108</u>	<u>72</u>

As at 31st December 2001, the Group had 108 (2000: 72) full-time employees, representing an increase of 36 employees or 50%. Although the headcount increase was 50%, salary and wages only increased by 10% to RMB1,669,000 (2000: RMB1,523,000).

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group also provides statutory Mandatory Provident Fund benefits to its employees in Hong Kong and the Statutory Retirement Scheme to its employees in the PRC.

The Group recognises the importance of staff training. Apart from on-the-job training, the Group regularly provided internal and external training for its staff to enhance their technical or product knowledge during the year.

Contingent liability

As at 31 December, 2001, the Group had no outstanding contingent liabilities.

Significant Investments

Save for our Company's investments in its subsidiaries, the Group did not hold any significant investments during the year.

Save for the corporate reorganisation of the companies comprising the Group in preparation of the listing of the shares of the Company on GEM, the Group did not make any material acquisitions and disposals of any of its subsidiaries and affiliated Companies during the Year.

Intended Use of Net Proceeds from Listing

On 10 December, 2001, the shares of the Company were listed on GEM. The future business plans of the Group are set out in the Prospectus. The net proceeds from the listing were approximately HK\$21,192,000.

The Group intends to apply such proceeds as follows:

- research and development of contactless smart card technological know-how and commercial applications, such as highway toll collection and public transportation;
- research and development of automated Jian Rechargers and related peripheral equipment;
- expanding the Group's operations in the major cities in the PRC by way of establishment of offices and organising promotional activities in those major cities; and
- additional working capital for the Group.

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Comparison of Business Objectives with Actual Business Progress

In accordance with the requirements of GEM Listing Rules, Jian ePayment Systems Limited hereby sets out the comparison between the Group's business objectives as contained in the IPO prospectus dated 27th November, 2001 (the "Prospectus") and its actual business progress from the Latest Practicable Date for the purpose of the prospectus dated 27th November, 2001 to 31st December, 2001 (the "Period").

Business Objectives as set out in the Prospectus

Actual Business Progress in the Period

Research and development

Continue the development of public transportation sub-system

Completed the design and development of customized products for use in public transportation vehicles. Completed a comprehensive management platform supporting its application system. The product can be commercially produced and is ready for on-site installation.

Commence trial operation of the highway toll sub-system

Completed business negotiations for the use of the Jian ePayment Toll System for the Yangtze River Bridge No. 2. System designing and products testing are accomplished, and ready for engineering procedure.

Continue the trial operation of smart card value chargers at branches and sub-branches of The Agricultural Bank of China in Wuhan

13 rechargers have been installed and are being used in branches and sub-branches of the Agricultural Bank of China in Wuhan.

Continue research and development of the application of the latest technologies in the Group's products, such as wireless communication technologies and electronic settlement technologies

Completed a number of research and development projects in the new technologies, including GSM MODEM technology, new application technologies for contactless IC card read and write modules. The research on CDPD and GPRS is also underway.

Explore new commercial application sub-systems

Completed the research and development of commercial applications on related terminal devices. The POS terminal has been verified by the Henan Science Committee (河南省科委).

Applications status

	Number of cities with which the Group has agreements to develop commercial applications (Accumulated figures not less than)		Number of cities where commercial applications are in operation (Accumulated figures not less than)		Number of cities where the development of commercial applications are in progress (Accumulated figures not less than)		Number of operating smart card readers (Accumulated figures not less than)	
	Business Objectives	Actual Business Progress	Business Objectives	Actual Business Progress	Business Objectives	Actual Business Progress	Business Objectives	Actual Business Progress
Roadside car parking	8	8	4	3	4	5	6,000	7,000 (Note 1)
Retail – fast food restaurants	1	1	1	1	-	-	10	7 (Note 2)
Public transportation	1	0	-	-	1	0	-	- (Note 3)
Highway tolls	1	0	-	-	1	0	-	- (Note 4)

(Note 1) By the end of year 2001, 7,000 smart card readers, 1,000 more than expected, have been installed and operating in three cities, namely Wuhan, Guangzhou and Haikou. The set up of the roadside car parking system in Qingdao was also in the final stage subject to the testing and acceptance by the Qingdao municipal government. The testing and acceptance was deferred by the Qingdao municipal government due to the rescheduling of the implementation of the city's traffic management policy.

(Note 2) As the Group's customers delayed the opening of its new stores, only seven smart card readers in the retail application system were installed and operating, against 10 smart card readers as expected.

(Note 3) The Group has agreed in principle with a customer in respect of the adoption of the public transportation application system. As some of the technical specifications of the system were still being contemplated by the customers, such system was not commenced set up. The establishment of this system is expected to commence as soon as the specifications are finalised by the customer.

(Note 4) The Group entered into an agreement with the operator of Wuhan Yangtze River Bridge No. 2 to set up a highway toll application system in January 2002. The set up of such system was commenced in March 2002 as some of technological specifications in respect of the system were only finalised by the customer in March 2002.

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Comparison of Business Objectives with Actual Business Progress

Business Objectives as set out in the Prospectus	Actual Business Progress in the Period	
<i>Marketing</i>		
Continue to promote the Jian ePayment System to municipal governments and merchants	In addition to setting up branches in Wuhan and Guangzhou, marketing efforts also strengthened in Haikou, Qingdao, Harbin, Shanghai and other cities. Marketing activities progressed and are well on schedule.	
Continue to place print advertisements and participate in trade shows, seminars and exhibitions to arouse public interest in the Jian ePayment System	Continued marketing activities such as print advertisements and participation in trade shows, seminars and exhibitions.	
Expand the marketing team and establish service centres in PRC cities, such as Wuhan, Haikou and Guangzhou, to serve customers and promote the Jian ePayment System	Customer service centres in Wuhan, Guangzhou and Haikou supported the branches and marketing teams in the various districts by providing satisfactory services to clients. Branches in Haikou, Qingdao and Nanning are being established and related customer service centres have begun preliminary operations.	
<i>Card circulation</i>		
A total of not less than 94,000 Jian Smart Passes in circulation	94,000 Jian Smart Paesses were in circulation.	
<i>Human resources</i>		
Number of full-time staff expected to increase to 120	Number of full-time staff increased to 108.	
<i>Use of proceeds</i>		
For the period from 20th November, 2001 to 31st December, 2001, the net proceeds from the issue of new shares of the Company were applied pursuant to the proposed use as stated in the Prospectus as follows:		
	Amount utilised up to 31 December 2001	
	HK\$'000	RMB'000
Research and development of contactless smart card technological know-how and commercial applications	200	212
Research and development of automated Jian Rechargers and related peripheral equipment	300	318
Marketing	200	212
Additional working capital	100	106
	800	848

Executive Directors

Mr. Chin Ying Hoi (Chairman)
Mr. Guo Yan Hong
Mr. Liu De Fu
Mr. Li Sui Yang
Ms. Wang Yan

Independent non-executive Directors

Mr. Zhang Xiao Jing
Ms. Tung Fong

Registered office

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

Head office and principal place of business

17th Floor
Huapu International Plaza
19 Chaoyangmen Wai Dajie
Beijing
The PRC

Hong Kong liaison office

Unit 1214, 12th Floor
China Merchants Tower
Shun Tak Centre
No. 168-200 Connaught Road Central
Central
Hong Kong

Compliance Officer

Mr. Li Sui Yang

Qualified Accountant and Company Secretary

Mr. Cheung Siu Leong AHKSA, ACCA

Authorised Representatives

Mr. Chin Ying Hoi
Ms. Wang Yan

Members of The Audit Committee

Mr. Zhang Xiao Jing
Ms. Tung Fong

Principal share registrar

Bank of Butterfield International (Cayman) Ltd
Butterfield House
P. O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office

Hong Kong Registrars Limited
2nd Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

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Corporate Information

Principal bankers

Guangdong Development Bank
 No. 43 Huang He Street
 Zhengzhou
 Henan Province
 The PRC

The Hong Kong and Shanghai Banking Corporation
 1 Queen's Road Central
 Hong Kong

Sponsor

Oriental Patron Asia Limited
 42nd Floor, COSCO Tower
 183 Queen's Road Central
 Hong Kong

Legal advisers to the Company

As to Hong Kong law

Richards Butler
 20th Floor, Alexandra House
 16-20 Chater Road
 Hong Kong

As to PRC law

Commerce and Finance Law Offices
 714, Huapu International Plaza
 19 Chaoyangmen Wai Dajie
 Beijing
 The PRC

Auditors

Arthur Andersen & Co
 Certified Public Accountants
 21st Floor, Edinburgh Tower
 The Landmark
 15 Queen's Road Central
 Hong Kong

Directors

Executive Directors

Mr. Chin Ying Hoi (翦英海), aged 40, is the chairman, the general manager and the founder of the Group. Mr. Chin is responsible for the overall strategic planning of the Group. He is a researcher of 現代化進程研究中心 (Research Centre of the Development and Modernization of the PRC) at Peking University. He has over 14 years' experience in strategic planning. He is a member of Chinese People's Political Consultative Conference. He is also an executive member of Beijing Federation of Industry and Commerce and a member of All-China Overseas Federation.

Mr. Guo Yan Hong (郭彥洪), aged 51, is the vice-chairman and a deputy general manager of the Group. Mr. Guo joined the Group in July 1993 and is responsible for the business development of the Group. He graduated from faculty of mechanical manufacturing, Tsinghua University in 1977. Mr Guo has worked at Shanxi Mechanical College. He has over 20 years' experience in the area of mechanical engineering in electronics industry in the PRC.

Mr. Liu De Fu (劉德富), aged 70, is a deputy general manager of the Group. Mr. Liu joined the Group in August 1994 and is responsible for the finance management of the Group. He graduated from China Central Financial and Monetary Institute in 1982. He is a Senior Economist and a member of Chinese Monetary Society. He has over 10 years' experience in the field of banking and corporate finance in the PRC.

Mr. Li Sui Yang (李隨洋), aged 45, is a deputy general manager of the Group. Mr. Li joined the Group in October 1996 and is responsible for overall market development of the Group. He holds a master's degree of economic administration from North-west China University. He was a lecturer at Xian Statistics College. He has over ten years' experience in market development in retail, real estate and electronics industry in the PRC.

Ms. Wang Yan (王研), aged 47, joined the Group in July 1998 and is responsible for public affairs of the Group. Ms. Wang holds a bachelor's degree of Science from Beijing Teacher's Institute. She has over five years' experience in public relation particularly in electronics industry.

Independent non-executive Directors

Mr. Zhang Xiao Jing (張曉京), aged 47, holds a bachelor's degree of engineering from Beijing Science and Technology University. He is the managing director of Beijing CNT Manhattan Building Co. Ltd.. He was appointed as independent non-executive director on 26th October, 2001.

Ms. Tung Fong (董芳), aged 55, holds a bachelor's degree of international trade from Beijing Foreign Trade Institute. She is the chairman of Grand Rise Investment Ltd. She was appointed as independent non-executive director on 26th October, 2001.

Audit Committee

The audit committee have two members, namely, Zhang Xiao Jing and Tung Fong, both being independent non-executive Directors.

Profile of Directors and Senior Management

Senior management

Mr. Teng Jing Xin (滕景新), aged 50, is a deputy general manager of the Group. Mr. Teng joined the Group in March 1994 and is responsible for overall market development of the Group. He holds a bachelor's degree in political administration from Beijing Teacher's Institute. He has over twenty years' experience in marketing in electronics industry in the PRC.

Mr. Zheng Wen Xue (鄭文學), aged 38, joined the Group in April 2001. He oversees the development and quality control of the Jian Smart Passes. He holds a Bachelor's degree of industrial engineering from Da Lian Marine Transportation College. He has six years' experience in the application of smart card technology in the PRC.

Mr. Li Yan Nan (李燕南), aged 39, joined the Group in April 1999. He is the chief engineer of the Group and responsible for the development and design of smart card application. He holds a bachelor's degree in laser technology from Nanjing Technology Institute. He has over ten years' experience in electronics engineering industry in the PRC.

Mr. Guo Bo (郭波), aged 34, joined the Group in November 1998 and is responsible for the overall technological development of the Group. He holds a bachelor's degree in English literature from Southwest Normal University. He has over four years' experience in the development of smart card technology in the PRC.

Ms. Peng Han Ying (彭漢英), aged 36, joined the Group in February 1998 and is responsible for the financial planning and control of the Group. She holds a bachelor's degree in economics from Hubei Economic Management University. She has over 10 years' experience in finance in airline and real estate industry in the PRC.

Mr. Chen Yong Sheng (陳永生), aged 39, is the production manager of the Group. Mr. Chen joined the Group in March 1999 and oversees the manufacturing of the Group's products. He studied wireless communication at Beijing Radio & Television University. He has over 20 years' experience in the designing, developing and production of electronic instruments.

Mr. Min Hang (閔航), aged 26, is the quality control manager of the Group. He holds a bachelor's degree in communication from Communication Engineering Institute. Mr. Min joined the Group in June 2000 and oversees the quality control of the Group's products and services. He has about five years' experience in designing electronic products.

Mr. Cheung Siu Leong, (張小亮), aged 29, is the financial controller, qualified accountant and company secretary of the Group. He has seven years of experience in auditing. Prior to joining the Group in December 2001, Mr. Cheung had worked for an international accounting firm in Hong Kong. Mr. Cheung holds a bachelor's degree in accounting from The Hong Kong Polytechnic University, and is an associate member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

(Amounts expressed in Renminbi Yuan unless otherwise stated)

The directors are pleased to present their report together with the audited financial statements of Jian ePayment Systems Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2001.

Group Reorganisation and Basis of Presentation

The Company was incorporated in the Cayman Islands on 30 November 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group on 19 November 2001. The Company’s shares have been listed on the GEM of the Stock Exchange since 10 December 2001.

Details of the group reorganisation scheme and the basis of presentation of the financial statements are set out in Note 1 to the financial statements.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the development and operation of a back end electronic receipt/payment and data recording and processing software system (“Jian ePayment System”) and manufacturing and distribution of the associated commercial applications.

An analysis of the Group’s turnover by product category for the year ended 31 December 2001 is as follows:

	2001	2000
	RMB’000	RMB’000
Sales of hardware and software	29,511	6,900
Provision of systems integration services	9,730	16,212
Transaction levies	767	706
	40,008	23,818

For the year ended 31 December 2001, substantially all the turnover and trading results of the Group were attributable to the sales of hardware and software, provision of systems integration services and transaction levies in the People’s Republic of China (the “PRC”).

Report of the Directors

Major Customers and Suppliers

For the year ended 31 December 2001, three customers of the Group accounted for 100% (2000: one customer, 100%) of the Group's turnover with the largest customer accounted for approximately 50%. The largest five suppliers accounted for approximately 53% (2000: 69%) of the Group's total purchases, with the largest supplier accounted for approximately 18% (2000: 32%).

At at 31 December 2001, a director of the Comapny had interests in the following major customers of the Group:

Director	Name of customers	Interests hold
Mr. Chin Ying Hoi	廣州電子泊車管理有限公司 Guangzhou Electronic Parking Management Co. Ltd.	49%
Mr. Chin Ying Hoi	海口華普立得泊車管理有限公司 Haikou Huapu Lide Parking Management Co. Ltd.	49%

Save as disclosed herein, none of the directors, their associates, or any shareholders, which to the knowledge of the directors owned more than 5% of the Company's share capital, had a beneficial interest in the Company's three largest customers and five largest suppliers.

Results and Appropriations

The results of the Group for the year ended 31 December 2001 are set out on page 32 of the financial statements.

The directors do not recommend the payment of a dividend.

Reserves

Movements in reserves of the Group and the Company during the year are set out in Note 23 to the financial statements.

Financial Summary

A summary of the results and assets and liabilities of the Group for the three years ended 31 December 2001 is set out on page 3 of this report.

Share Capital

Details of movement in share capital of the Company are set out in Note 22 (a) to the financial statements.

Share Option Scheme

Details of the Company's share option scheme are set out in Note 22 (b) to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws in the Cayman Islands.

Purchase, Sale or Redemption of Shares

Since the listing of the Company's shares on GEM, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

Directors

The directors who held office during the year and up to the date of this report are:

Executive Directors:

Mr. Chin Ying Hoi (<i>Chairman</i>)	(Appointed on 17 January 2001)
Mr. Guo Yan Hong (<i>Vice-Chairman</i>)	(Appointed on 26 October 2001)
Mr. Liu De Fu	(Appointed on 26 October 2001)
Mr. Li Sui Yang	(Appointed on 26 October 2001)
Ms. Wang Yan	(Appointed on 17 January 2001)

Independent Non-executive Directors:

Mr. Zhang Xiao Jing	(Appointed on 26 October 2001)
Ms. Tung Fong	(Appointed on 26 October 2001)

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

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Report of the Directors

Directors' Service Contracts

None of the directors and directors being proposed for election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.

Directors' Interest in Shares, Warrants and Share Options

As at 31 December 2001, a director had or was deemed to have interests in the shares of the Company within the meaning of the SDI Ordinance as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance which are required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or any interests which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein. The relevant details are as follows:

Director	Name of company	Number of shares hold		
		Personal interests	Family interests	Corporate interests
Mr. Chin Ying Hoi	The Company	–	–	286,800,000 shares representing 71.7% of the shares then issued (Note)

Note: These shares were held through Union Perfect International Limited, which is beneficially owned as to 80% by Mr. Chin Ying Hoi and as to 20% by Ms Ya Zhen Quan, mother of Mr. Chin.

The Company has a share option scheme under which it may grant options to executive directors and employees of the Group to subscribe for shares in the Company. Details of the scheme are set out in Note 22(b) to the financial statements.

Save as disclosed above, the Company has no notice of any interest to be recorded under Section 29 of the SDI Ordinance as at 31 December 2001.

At no time during the year was the Company, its subsidiaries or holding company 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 or any other body corporate.

Substantial Shareholders

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had a beneficial interest of 10 per cent or more in the issued share capital of the Company:

Name	Number of shares held	Percentage of shareholding
Union Perfect International Limited	286,800,000	71.7%

Save as disclosed above, the Company has no notice of any interests to be recorded under Section 16(1) of the SDI ordinance as at 31 December 2001.

Interests in Contracts

Save for the related party transactions set out in Note 3 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any directors or members of the management or the controlling shareholder 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.

Retirement Scheme, Personnel and Payroll

The Group employed approximately 108 staff (2000: 72 staff) in Hong Kong and in the Mainland China. Total salaries, wages, bonuses and pension contribution for the year amounted to approximately RMB1,745,000 (2000: RMB1,579,000).

Particulars of the Retirement Scheme of the Group are set out in Note 10 to the accompanying financial statements.

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2001 are set out in Notes 12 to the financial statements.

Fixed Assets

Movement in fixed assets of the Group during the year are set out in Note 11 to the financial statements.

Bank Borrowings and Overdrafts

Particulars of bank borrowings and overdrafts of the Group and the Company as at 31 December 2001 are set out in Note 21 to the financial statements.

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Report of the Directors

Competing Interest

None of the directors or management shareholders (as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules")) of the Company have any interest in any business which competes with or may compete with the business of the Group.

Sponsor's Interest

Oriental Patron Asia Limited ("Oriental Patron"), its directors, employee or associates (as referred in note 3 of rule 6.35 of the GEM Listing Rules) are interested in 13,200,000 shares of the Company as at 31 December 2001.

Pursuant to an agreement dated 26 November 2001 entered into between the Company and Oriental Patron, Oriental Patron is entitled to receive a fee respect of the appointment by the Company as sponsor of the Company as required under the GEM Listing Rules for the period from 10 December 2001 to 31 December 2003.

Compliance with the GEM Listing Rules

The Company has complied with the GEM Listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 10 December 2001.

Audit Committee

Pursuant to the GEM Listing Rules, the Company has established an audit committee in December 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, namely Mr. Zhang Xiao Jing and Ms Tong Fung.

Since its establishment, the audit committee has met once, reviewing the Company's reports and accounts, and providing advice and recommendations to the Board of Directors.

Transactions between Members of the Group

On 2 November 2001, Systematic Technology Group Limited ("Systematic Technology"), a wholly owned subsidiary of the Company, and Beijing Jian-Tech Co. Ltd. ("Jian-Tech"), both being the shareholders of Zhengzhou Jian-O'Yuan ITS System Co. Ltd. ("Jian-O'Yuan"), entered into an agreement to the effect that within one year of 2 November 2001, Systematic Technology undertakes to apply an amount from the net proceeds raised from the Placing of not more than HK\$38 million as registered capital for Jian-O'Yuan and Jian-Tech will contribute the proportionate amount in order to maintain its present equity interest of 1%. As a result, Systematic Technology's and

Jian-Tech's share of the registered capital in Jian-O'Yuan will be maintained at 99% and 1% respectively. The use of the proceeds from the Placing will be effected under the said agreement executed prior to the listing of the Shares on GEM. Should the agreement be completed or the agreement cannot be completed within one year of 2 November 2001, an announcement will be made. As at 31 December 2001, the procedures for increasing registered capital in Jian-O'Yuan were still in progress. The above agreement constituted a contract of significance between the Company and its subsidiary under Chapter 18.26 of the GEM Listing Rules.

Connected Transactions

The related party transactions disclosed in Note 3 to the financial statements constituted the connected transactions under Chapter 20 of the GEM Listing Rules.

As at 31 December 2001, a short-term bank loan of RMB8,000,000 borrowed by Jian-O'Yuan was secured by a mortgage over land and buildings of Beijing Jian Enterprise and a corporate guarantee provided by Beijing Jian Enterprise. The Group has received an agreement in principle from the relevant bank to the effect that upon listing of the Company's shares on GEM, the mortgage and corporate guarantee provided by Beijing Jian Enterprise will be released and substituted by a corporate guarantee from the Company. As at 31 December 2001, the procedures for the release of the mortgage and corporate guarantee provided by Beijing Jian Enterprise were still in progress.

The directors of the Company are of the opinion that the above transactions with related parties were conducted under normal commercial terms in the usual course of business.

The independent non-executive directors of the Company have reviewed the above transactions and confirmed that the above transactions (during the period where they constituted connected transactions under the GEM Listing Rules, where applicable):

- (a) have been entered into by the Group in the ordinary and annual course of its business;
- (b) have been entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to independent parties; and
- (c) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

Report of the Directors

The auditors to the Company have reviewed the transactions and have confirmed to the Company in writing that:

- (a) the transactions have been approved by the Board;
- (b) the transactions are in line with the pricing policies of the Group;
- (c) the transactions have been entered into in accordance with the relevant agreements between the Group and relevant parties; and
- (d) the transactions have not exceeded the relevant cap amounts.

With regard to the connected transactions of the Company referred to above, the Company confirms that to the extent required under Chapter 20 of the GEM Listing Rules:

- (i) it has set out the requisite details in this annual report; and/or
- (ii) details of such transactions have been published in previous announcements in certain newspapers in Hong Kong; and/or
- (iii) such transactions have already been approved by the independent shareholders of the Company at shareholders' meeting of the Company; and/or
- (iv) such transactions are subject to the waivers from compliance with relevant connected transactions requirements previously granted by the Stock Exchange.

Use of Proceeds

The net proceeds from the issue of new shares for the listing on GEM of the Stock Exchange, after deduction of share issuance expenses and have been applied as follows:

	Original plan		Amount utilised up to 31 December 2001	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Research and development of contact less smart card technological know-how and commercial applications	8,500	9,014	200	212
Research and development of automated Jian Rechargers and related peripheral equipment	5,500	5,832	300	318
Marketing and promotional activities	6,000	6,362	200	212
Additional working capital	1,192	1,264	100	106
	21,192	22,472	800	848

Auditors

The financial statements have been audited by Arthur Andersen & Co. A resolution for the re-appointment of Arthur Andersen & Co as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

Chin Ying Hoi

Chairman

Hong Kong, 22 March 2002

Auditors' Report



Arthur Andersen & Co

21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF JIAN ePAYMENT SYSTEMS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 32 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2001, and of the profit and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong, 22 March 2002.

Consolidated Income Statement

For the Year Ended 31 December 2001
Expressed in Renminbi Yuan

	Notes	2001 RMB'000	2000 RMB'000
Turnover	3, 4	40,008	23,818
Cost of sales		(12,715)	(2,902)
Gross profit		27,293	20,916
Distribution expenses		(2,992)	(435)
Research and development costs		(777)	(1,074)
General and administration expenses		(8,230)	(5,691)
Profit from operations		15,294	13,716
Subsidy income	4, 16(c)	5,161	–
Interest income	4	106	22
Interest expense		(444)	–
Profit before taxation	5	20,117	13,738
Taxation	6	–	–
Profit after taxation but before minority interests		20,117	13,738
Minority interests		(215)	(56)
Profit attributable to shareholders		19,902	13,682
Dividends		–	–
Earnings per share	8		
– basic		RMB0.06	RMB0.05
– diluted		N/A	N/A

As at 31 December 2001
(Expressed in Renminbi Yuan)

	Notes	Consolidated		Company	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
ASSETS					
Non-current assets					
Fixed assets, net	11	891	780	–	–
Goodwill, net	13	1,777	1,986	–	–
Investments in subsidiaries	12	–	–	46,725	–
Total non-current assets		2,668	2,766	46,725	–
Current assets					
Inventories	14	13,225	21,739	–	–
Accounts receivable	3, 15	19,670	–	–	–
Due from a related company	3	–	6,050	–	–
Prepayments and deposits	16	16,181	17,928	565	1,910
Other receivables	17	3,091	24	288	–
Other current assets	18	787	993	–	–
Pledged bank deposit	21	2,980	–	–	–
Cash and cash equivalents	24	22,329	3,548	–	–
Total current assets		78,263	50,282	853	1,910
Total assets		80,931	53,048	47,578	1,910
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	22	21,208	–	21,208	–
Reserves	23	31,693	5,772	24,681	–
Total capital and reserves		52,901	5,772	45,889	–
Minority interests		287	72	–	–
Current liabilities					
Accounts payable	19	6,687	11,124	–	–
Due to related companies	3	1,957	171	–	1,910
Due to the ultimate holding company	3	140	4,612	19	–
Deposits from customers	3	2,039	29,684	–	–
Accruals and other payables	20	6,070	1,613	1,670	–
Short-term bank loans	21	10,850	–	–	–
Total current liabilities		27,743	47,204	1,689	1,910
Total equity and liabilities		80,931	53,048	47,578	1,910

Approved by the Board of Directors on 22 March 2002 and signed on behalf of the Board by:

Chin Ying Hoi
Director

Li Sui Yang
Director

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Consolidated Statement of Recognised Gains and Losses

For the Year Ended 31 December 2001
(Expressed in Renminbi Yuan)

	2001 RMB'000	2000 RMB'000
Exchange difference on translation of the financial statements of foreign entities	5	-
Gains not recognised in the consolidated income statement	5	-
Profit attributable to shareholders	19,902	13,682
Total recognised gains	19,907	13,682

For the Year Ended 31 December 2001
(Expressed in Reminbi Yuan)

	Notes	2001 RMB'000	2000 RMB'000
Net cash (outflow) inflow from operating activities	24(a)	(11,215)	1,056
Returns of investments and servicing of finance			
Interest received		106	22
Interest paid		(444)	–
Net cash (outflow) inflow from returns of investments and servicing of finance		(338)	22
Cash flows from investing activities			
Purchases of fixed assets		(291)	(513)
Effect of foreign exchange difference		5	–
Increase in pledged bank deposits		(2,980)	–
Net cash outflow from investing activities		(3,266)	(513)
Net cash (outflow) inflow before financing		(14,819)	565
Cash flows from financing activities	24(c)		
Proceeds from issue of ordinary shares		34,993	–
Shares issuance expenses		(12,521)	–
New bank loans		10,850	–
Additional capital injection by former owners of a subsidiary		–	1,200
Return of capital to former owners of a subsidiary		–	(2,970)
Advances from the ultimate holding company		278	4,612
Net cash inflow from financing activities		33,600	2,842
Increase in cash and cash equivalents		18,781	3,407
Cash and cash equivalents, beginning of year		3,548	141
Cash and cash equivalents, end of year	24(b)	22,329	3,548

Notes to the Financial Statements

31 December 2001
(Amounts expressed in Renminbi Yuan unless otherwise stated)

1. OPERATIONS, GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 30 November 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 10 December 2001.

The directors of the Company consider Union Perfect International Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company. The shareholders of Union Perfect International Limited are Mr. Chin Ying Hoi and Ms Ya Zhen Quan, mother of Mr. Chin Ying Hoi.

On 19 November 2001, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (the “Reorganisation”) which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the financial statements have been prepared as if the Group had been in existence throughout the year ended 31 December 2001. The comparative figures as at and for the year ended 31 December 2000 have been presented on the same basis.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the development and operation of a back end electronic receipt/payment and data recording and processing software system (“Jian ePayment System”) and manufacturing and distribution of the associated commercial applications.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on historical cost convention and in accordance with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong (“HK GAAP”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

31 December 2001

(Amounts expressed in Renminbi Yuan unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Adoption of new/revised Statements of Standard Accounting Practice

Effective from 1 January 2001, the Group has adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP9 (revised)	Event after the balance sheet date
SSAP14 (revised)	Leases
SSAP26	Segment reporting
SSAP28	Provisions, contingent liabilities and contingent assets
SSAP29	Intangible assets
SSAP30	Business combination
SSAP31	Impairment of assets
SSAP32	Consolidated financial statements and accounting for investments in subsidiaries

The Group has disclosed segment information in Note 26 to the financial statements. Except for this change, the adoption of the above new/revised SSAPs had no material effect on amounts reported in prior year.

(b) Basis of consolidation

The consolidated financial statements of the Group include the accounts of the Company and the enterprises that it controls. This control is normally evidenced when the Group has the power to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired or disposed of during the year (other than those included in the Reorganisation described in Note 1 above) are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders' interests are shown separately in the Group's balance sheet and income statement, respectively.

Significant intra-group transactions and balances have been eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

In the Company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. The results of the subsidiaries are included in the income statement to the extent of dividends received and receivable.

Notes to the Financial Statements

31 December 2001
(Amounts expressed in Renminbi Yuan unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) **Turnover**

Turnover represents gross invoiced sales (excluding value-added tax), net of discounts and returns.

(d) **Revenue recognition**

Provided it is probable that the economic benefits associated with a transaction will flow to the company and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following basis:

(i) *Sales of hardware, software and systems integration*

Revenue from sales of hardware, software and systems integration is 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.

(ii) *Transaction levies*

Transaction levies are recognised based on a percentage of revenue generated from the operations of the Jian ePayment System by the customers.

(iii) **Interest income**

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(e) **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of the fixed asset.

31 December 2001

(Amounts expressed in Renminbi Yuan unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Fixed assets and depreciation (Continued)

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost, after taking into account of the estimated residual value, of each asset over its expected useful life. The annual rates are as follows:

Machinery	14%-19%
Office equipment	14%-19%
Leasehold improvements	20%

The useful lives of assets and depreciation method are reviewed periodically.

(f) Cash and cash equivalents

Cash represents cash on hand and deposits with banks which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(g) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably.

Internally generated intangible assets are charged against income in the period incurred except for development costs which comply with the following criteria:

- (i) the product or process is clearly defined and the costs are separately identified and measured reliably;
- (ii) the technical feasibility of the product or process can be demonstrated;
- (iii) the product or process will be sold or used in-house;

Notes to the Financial Statements

31 December 2001
 (Amounts expressed in Renminbi Yuan unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

- (iv) a potential market exists for the product or process or its usefulness in the case of internal use, is demonstrated; and
- (v) adequate technical, financial and other resources required, for completion of the product or process are available.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and can be measured and attributed to the asset reliably in which case it will be added to the cost of the intangible asset.

After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year end. The estimated useful lives are as follows:

Development costs	5 years
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During the year ended 31 December 2001, no development costs were capitalised as they did not meet the criteria for capitalisation.

(h) Goodwill

The excess of the cost of an acquisition over the Group's interest in the fair value of the net identifiable assets acquired as of the date of the acquisition is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life of 10 years. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

31 December 2001

(Amounts expressed in Renminbi Yuan unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Operating leases

Leases of assets under which substantially all the rewards and risks of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expenses on a straight-line basis over the lease term.

(k) Provisions

A provision is recognised when an enterprise has a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(l) Taxation

Individual companies comprising the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Notes to the Financial Statements

31 December 2001
(Amounts expressed in Renminbi Yuan unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Taxation (Continued)

Deferred taxation is provided under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future. A deferred tax asset is not recognised unless the related benefits are expected to crystallise in the foreseeable future.

(m) Foreign currencies

(i) Foreign currency translations

Individual companies comprising the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of individual companies, transactions in other currencies during the year are translated into the respective functional currencies at exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into the respective functional currencies at rates of exchange prevailing at the balance sheet date. Exchange differences are recognised in the income statement in the period in which they arise.

(ii) Foreign entities

The majority of foreign consolidated entities are regarded as foreign entities since they are financially, economically and organisationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated entities are translated to Renminbi Yuan ("RMB") at year-end exchange rates with respect to the balance sheet, and at an average rate for the year with respect to the income statement. All resulting translation differences are included in the translation reserve included in equity.

Exchange differences on transactions which hedge the Group's net investment in a foreign entity are charged or credited directly to the translation reserve in equity.

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(Amounts expressed in Renminbi Yuan unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Borrowing costs

Borrowing costs include interest charges and other borrowing costs, including amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are recognised as an expense in the year incurred.

(o) Retirement benefits

The cost of retirement benefits are recognised as an expense in the year in which they are incurred.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employees are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

The Group's subsidiary incorporate in the PRC make contributions to the basic old age insurance for the Group's local staff monthly Pursuant to PRC laws and regulations to a government agency based on 25% to 26% of the standard salary set by the provincial government, of which 19% to 20% is borne by the Group and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Group accounts for these contributions on an accrual bases.

(p) Impairment of assets

Assets including fixed assets and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Notes to the Financial Statements

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2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Impairment of assets (Continued)

Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in the income statement.

(q) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(r) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(s) Segment reporting

For management purposes the Group is organised on a world-wide basis into one major operating business. The divisions are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented in Note 26.

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3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other or exercise significant influence over the other party in making financial and operating decision. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Name and relationship of related parties:

Name	Relationship with the Company
北京華普產集團有限公司 Beijing Jian Enterprise (Group) Co. Ltd. ("Beijing Jian Enterprise")	A company ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan
廣州電子泊車管理有限公司 Guangzhou Electronic Parking Management Co. Ltd. ("Guangzhou Project Company")	Being 49% owned by Beijing Jian Enterprise
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 49% owned by Beijing Jian Enterprise
南寧華普正方泊車建設管理有限公司 Nanning Huapu Zhengfang Parking Construction and Management Co., Ltd. ("Nanning Project Company")	Being 30% owned by Beijing Jian Enterprise
北京華普科技企業有限公司 Beijing Jian-Tech Co. Ltd. ("Jian-Tech")	Subsidiary of Beijing Jian Enterprise
北京華普國際大廈有限公司 Beijing Huapu International Plaza Co. Ltd. ("Beijing Huapu")	Subsidiary of Beijing Jian Enterprise

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3. RELATED PARTY TRANSACTIONS (Continued)

Name	Relationship with the Company
青島華普商務會館有限公司 Qingdao Huapu Business Union Building Co. Ltd. ("Qingdao Huapu")	A company ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan

(b) Significant related party transactions

The Group had the following material transactions with related parties, which the directors considered were in the normal course of business:

	2001 RMB'000	2000 RMB'000
(i) Sales of hardware and software, provision of system integration services and transaction levies		
– Haikou Project Company	16,504	–
– Guangzhou Project Company	3,855	–
	20,359	–
(ii) Operating leases rentals paid/payable to:		
– Beijing Huapu	937	937
– Qingdao Huapu	60	–
	997	937

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(Amounts expressed in Renminbi Yuan unless otherwise stated)

3. RELATED PARTY TRANSACTIONS (Continued)**(b) Significant related party transactions (Continued)**

	2001	2000
	RMB'000	RMB'000
(iii) Purchases of equipment and inventories from:		
– Jian-Tech	–	434
	–	434

(c) Balances with related companies are:

	Consolidated	
	2001	2000
	RMB'000	RMB'000
Balances from trading activities:		
Included in accounts receivable		
– Guangzhou Project Company	3,493	–
– Haikou Project Company*	4,294	–
	7,787	–
Included in deposits from customers		
– Nanning Project Company	1,000	–

* Shareholders of the project company have provided guarantees to Jian-O'Yuan in relation to the recoverability of this balance.

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3. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related companies are: (Continued)

	Consolidated		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Balances from other activities:				
Due from a related company				
– Jian Tech	–	6,050	–	–
Due to related companies				
– Jian-Tech	1,897	–	–	–
– Qingdao Huapu	60	–	–	–
– Beijing Jian Enterprise	–	171	–	–
– Systematic Technology Group Limited (“Systematic”), subsidiary	–	–	–	1,370
– Zhengzhou Jian-O’Yuan ITS Systems Co. Ltd. (“Jian-O’Yuan”), subsidiary	–	–	–	540
	1,957	171	–	1,910
Due to the ultimate holding company	140	4,612	19	–

As at 31 December 2001, the amount due from Guangzhou Project Company and Haikou Project Company were derived from the sales of software and hardware and provision of systems integration services, which were unsecured, non-interest bearing and will be repayable before 30 June 2002.

The deposits from a related company as at 31 December 2001 were cash received before the goods were delivered or services were provided to Nanning Project Company. Such amount was unsecured, non-interest bearing and will be offset against the related sales consideration receivable upon the goods or services are delivered and the quality inspection process is completed.

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(Amounts expressed in Renminbi Yuan unless otherwise stated)

3. RELATED PARTY TRANSACTIONS (Continued)

Balances with related companies and the ultimate holding company as at 31 December 2001 and 2000 were unsecured, non-interest bearing and repayable on demand.

On 19 November 2001, an amount of approximately RMB4,750,000 due to the ultimate holding company was capitalised by the allotment and issue of 1 share of the Company with a par value HK\$0.05 each, credited as fully paid (see Note 22).

(d) Guarantee provided by a related company

As at 31 December 2001, a short-term bank loan of RMB8,000,000 borrowed by a subsidiary of the Group was secured by a mortgage over leasehold land and buildings of Beijing Jian Enterprise and a corporate guarantee provided by Beijing Jian Enterprise. The Group has received an agreement in principle from the relevant bank to the effect that upon listing of the Company's shares on GEM, the mortgage and corporate guarantee provided by Beijing Jian Enterprise will be released and substituted by a corporate guarantee from the Company. As at 31 December 2001, the procedures for the release of the mortgage and corporate guarantee provided by Beijing Jian Enterprise were still in progress.

(e) Relationship between the Jian Enterprise Group and certain customers of the Group

The Jian Enterprise Group, which consists of a group of companies ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan (excluding the Group and its ultimate holding company), entered into co-operative arrangements with certain customers of the Group whereby the Jian Enterprise Group agreed to invest in such customers for the implementation of Jian ePayment System. In return, the Jian Enterprise Group can share the revenue from the operations of Jian ePayment Systems with the customers. Such customers are independent third parties as the Jian Enterprise Group does not have any equity interests in those customers and is not involved in the operations of Jian ePayment System.

The sales from the above customers during the year ended 31 December 2001 were as follows:

	2001	2000
	RMB'000	RMB'000
武漢市停車計時收費表管理辦公室		
Parking Meter Administration Office of Wuhan		
Municipal Government ("Wuhan Project Company")	19,649	23,818

Notes to the Financial Statements

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3. RELATED PARTY TRANSACTIONS (Continued)

(e) Relationship between the Jian Enterprise Group and certain customers of the Group (Continued)

As at 31 December 2001, the balances with the above customers were as follows:

	Consolidated	
	2001 RMB'000	2000 RMB'000
Included in accounts receivable		
– Wuhan Project Company	11,883	–
Included in deposits from customers		
– Wuhan Project Company	–	1,804
– 北京市朝陽區建築工程公司(市政工程公司) Beijing Municipal Chaoyang District Construction Engineering Company (Municipal Engineering Company) ("Beijing Project Company")	290	15,990
– 青島市停車場管理辦公室 Car Parking Administration Office of Qingdao Municipal Government ("Qingdao Project Company")	690	11,890
	980	29,684

4. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2001 RMB'000	2000 RMB'000
Turnover:		
Sales of hardware and software	29,511	6,900
Provision of systems integration services	9,730	16,212
Transaction levies	767	706
	40,008	23,818
Revenue:		
Subsidy income (see Note 16(c))	5,161	–
Interest income	106	22
	45,275	23,840

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4. TURNOVER AND REVENUE (Continued)

The turnover for the year ended 31 December 2001 were all derived from three customers, namely Wuhan Project Company, Guangzhou Project Company and Haikou Project Company (2000: one customer, Wuhan Project Company).

5. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after crediting and charging the following:

	2001	2000
	RMB'000	RMB'000
Crediting:		
Interest income on bank deposits	106	22
Exchange gain, net	-	3
	106	25
Charging:		
Staff cost (including directors' emoluments)		
– Salaries and wages	1,669	1,523
– Provision for staff and workers' bonus and welfare fund	-	817
– Contribution to retirement scheme (see Note10)	76	56
	1,745	2,396
Cost of inventories	12,715	2,902
Exchange loss, net	24	-
Research and development costs	777	1,074
Interest expense on bank loans repayable within five years	444	-
Depreciation of fixed assets	180	45
Amortisation of goodwill	209	104
Operating lease rentals on premises	1,396	1,315
Auditors' remuneration	725	68

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6. TAXATION

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

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been provided for as the Group has no assessable profit arising in or derived from those jurisdictions during the year ended 31 December 2001 (2000: Nil).

The Group's subsidiary, Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ("Jian-O' Yuan"), is subject to the PRC enterprise income tax ("EIT") at a rate of 33%. However, Jian-O' Yuan is qualified as a newly established software enterprise and is entitled to full exemption from EIT for the first two years and a 50% reduction for the next three years, commencing from the first profitable year. The first profitable year of Jian-O'Yuan was 2000.

There was no significant unprovided deferred taxation for the year ended 31 December 2001.

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a loss of approximately RMB791,000 (2000: Nil) dealt with in the financial statements of the Company.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2001 is based on the profit attributable to shareholders of approximately RMB19,902,000 (2000: RMB13,682,000) and the weighted average number of 307,123,288 shares (2000: 300,000,000 shares) deemed to be in issue during the year, on the basis of presentation relating to the Reorganisation as described in Note 1.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares in issue during the year ended 31 December 2001 (2000: Nil).

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9. DIRECTORS, AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of the emoluments paid/payable to the directors of the Company were as follows:

	2001	2000
	RMB'000	RMB'000
Fees for executive directors	-	-
Fees for non-executive directors	1	-
Other emoluments for executive directors		
-Salaries, allowances and benefits in kind	417	228
-Retirement benefits	13	10
Other emoluments for non-executive directors	-	-
	431	238

The individual emoluments of the directors were within the following bands:

	2001	2000
Executive directors		
Nil to RMB1,070,000 (equivalent to HKD1,000,000)	5	5
Non-executive directors		
Nil to RMB1,070,000 (equivalent to HKD1,000,000)	2	-

The five executive directors received individual emoluments of approximately RMB114,000 (2000: RMB79,000), RMB108,000 (2000: RMB66,000), RMB87,000 (2000: RMB36,000), RMB83,000 (2000: RMB33,000) and RMB38,000 (2000: RMB24,000) and the two non-executive directors received emoluments of approximately RMB1,000 in total for the year ended 31 December 2001 (2000: Nil).

Pursuant to service contracts entered between the executive and non-executive directors and the Company dated 19 November 2001, the directors together will be entitled to a fixed salary or fee of approximately RMB774,000 per annum in aggregate and any further performance related bonus shall be determined by the Company having taken into consideration the operating results of the Group.

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9. DIRECTORS, AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(b) The five individuals whose emoluments were the highest in the Group (including directors and senior executives) were as follows:

	2001	2000
Number of directors	4	2
Number of senior executives	1	3
	5	5

Details of the emoluments of the five highest paid individuals (including directors and senior executives) were as follows:

	2001	2000
Fees	-	-
Salaries, allowances and benefits in kind	463	312
Retirement benefits	11	9
	474	321

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

	2001	2000
Nil to RMB1,070,000 (equivalent to HKD1,000,000)	5	5

31 December 2001

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9. DIRECTORS, AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

No directors waived any emolument during the year ended 31 December 2001.

During the year ended 31 December 2001, no emoluments were paid to the five highest paid individuals (including directors and senior executive) nor any other directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. RETIREMENT SCHEME

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employees are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

As stipulated by rules and regulations in the PRC, Jian-O'Yuan is required to contribute to a state-sponsored retirement plan for all of its employees in Mainland China at rates ranging from 19% to 20% of the basic salary of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the annual contributions.

The details of the pension contributions made by the Group were as follows:

	2001	2000
	RMB'000	RMB'000
Contributions to retirement scheme	76	56

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11. FIXED ASSETS, NET

	Consolidated				2000 Total RMB'000
	2001	Office equipment	Leasehold improvements	Total	
	Machinery RMB'000	RMB'000	RMB'000	RMB'000	
COST					
Beginning of year	498	327	-	825	312
Additions	50	190	51	291	513
End of year	548	517	51	1,116	825
ACCUMULATED DEPRECIATION					
Beginning of year	26	19	-	45	-
Provision for the year	92	82	6	180	45
End of year	118	101	6	225	45
NET BOOK VALUE					
End of year	430	416	45	891	780
Beginning of year	472	308	-	780	312

12. INVESTMENTS IN SUBSIDIARIES

In the balance sheet of the Company, investments in subsidiaries comprised:

	Company	
	2001 RMB'000	2000 RMB'000
Unlisted shares, at cost	24,208	-
Due from subsidiaries	22,517	-
	46,725	-

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12. INVESTMENTS IN SUBSIDIARIES (Continued)

Amounts due from subsidiaries were unsecured, non-interest bearing and with no fixed repayment terms.

The directors are of the opinion that the underlying value of investments in subsidiaries is not less than the carrying value as at 31 December 2001.

The following is a list of the principal subsidiaries:

Name	Country and date of incorporation	Percentage of equity interests attributable to the Company		Issued and fully paid-up capital	Principal activities
		Directly	Indirectly		
Systematic Technology Group Limited ("Systematic")	The British Virgin Islands 27 June 2000	100%	–	USD5	Investment holding
Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ("Jian-O'Yuan")*	The PRC 26 April 1999	–	99%	USD360,000	Development and operation of Jian ePayment System and manufacturing and distribution of the associated commercial applications in the PRC

* Jian-O'Yuan was incorporated in the PRC as a privately owned limited liability company on 26 April 1999. Upon incorporation, 82% equity interests of Jian-O'Yuan were held by Jian – Tech and 18% equity interests of Jian-O'Yuan were held by Zhengzhou-O'Yuan Electronic Technology Limited ("Zhengzhou-O'Yuan"), an independent third party. On 18 April 2000, the 18% equity interests of Jian-O'Yuan held by Zhengzhou-O'Yuan were acquired by Beijing Jian Enterprise. According to an agreement between Jian-Tech, Beijing Jian Enterprise and Systematic dated 18 July 2000, Systematic agreed to pay Jian-Tech and Beijing Jian Enterprise cash consideration of USD356,400 to acquire 99% of the equity interests of Jian-O'Yuan. The funding of the acquisition was sourced from the advances from Chin Ying Hoi to Systematic. Jian-O'Yuan was then converted into a sino-foreign equity joint venture and the advances from Chin Ying Hoi were subsequently capitalised (see Note 3).

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13. GOODWILL, NET

	Consolidated	
	2001 RMB'000	2000 RMB'000
Cost		
Beginning of year	2,090	–
Additions	–	2,090
End of year	2,090	2,090
Amortisation		
Beginning of year	(104)	–
Charge for the year	(209)	(104)
End of year	(313)	(104)
Net book value		
End of year	1,777	1,986
Beginning of year	1,986	–

Goodwill was recognised upon the acquisition of 18% equity interest in Jian-O'Yuan. The directors are of the opinion that the recoverable amount of goodwill was not less than its carrying amount as at 31 December 2001.

14. INVENTORIES

	Consolidated	
	2001 RMB'000	2000 RMB'000
Raw materials	1,389	2,681
Work-in-progress	11,836	19,058
	13,225	21,739

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15. ACCOUNTS RECEIVABLE

The credit terms for accounts receivable of the Group range from 120 to 180 days. Aging analysis of accounts receivable was as follows:

	Consolidated	
	2001 RMB'000	2000 RMB'000
0-30 days	10,482	-
31-60 days	2,868	-
61-90 days	85	-
91-120 days	2,460	-
121-180 days	3,186	-
181-365 days	589	-
	19,670	-

16. PREPAYMENTS AND DEPOSITS

	Consolidated		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Prepayment of enterprise income tax ("EIT") (a)	9,121	1,658	-	-
Prepayments to suppliers (b)	6,457	12,885	565	-
Value added tax recoverable (c)	603	1,475	-	-
Prepayments for listing expenses	-	1,910	-	1,910
	16,181	17,928	565	1,910

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16. PREPAYMENTS AND DEPOSITS (Continued)

- (a) Before Jian-O' Yuan obtained the confirmation from the local tax bureau for the preferential tax treatment stated in Note 6, it was required to place deposits against the potential EIT liabilities in 2000 and 2001. Such deposits for EIT will be refunded after Jian-O' Yuan obtained the approval from the tax bureau in 2001. During the year ended 31 December 2001, Jian-O' Yuan obtained the refund of EIT deposits amounted to RMB 6,500,000. The remaining deposits of RMB 9,121,000 will be refunded in 2002.
- (b) Prepayments to suppliers mainly represented the deposits paid to suppliers for the purchase of raw materials.
- (c) Jian-O'Yuan is subject to output value added tax ("VAT") on its sales in Mainland China, which is levied at the general rate of 17% on the gross selling price upon sales of goods. Input VAT paid on purchases of raw materials, semi-finished products, etc. would be used to offset the output VAT payable on sales to determine the net VAT prepayment or VAT payable.

Pursuant to Cai Shui [2000] No.25 issued by the State Tax Bureau on 22 June 2000, software enterprises are entitled to a preferential taxation treatment and any actual VAT paid related to the sales of software exceeding 3% of the revenue from the sales of software will be refunded. During the year ended 31 December 2001, the Group obtained such refund amounted to RMB5,161,000 (2000: Nil) and such refund was recognised as subsidy income.

17. OTHER RECEIVABLES

	Consolidated		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Advances to staff	2,242	–	–	–
Others	849	24	288	–
	3,091	24	288	–

The advances to staff were unsecured, non-interest bearing and repayable on demand.

18. OTHER CURRENT ASSETS

Other current assets as at 31 December 2001 represented the cost of smart cards provided by the Group to customers for the operations of Jian ePayment Systems.

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19. ACCOUNTS PAYABLE

The aging analysis of accounts payable was as follows:

	Consolidated	
	2001 RMB'000	2000 RMB'000
0-30 days	459	5,915
31-60 days	67	2,816
61-90 days	99	300
91-120 days	140	146
121-180 days	385	9
181-365 days	5,537	1,938
	6,687	11,124

20. ACCRUALS AND OTHER PAYABLES

	Consolidated		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Advances from a government institution (a)	1,080	—	—	—
Payable for listing expenses	990	—	990	—
Provision for staff and workers' bonus and welfare fund (see Note 23)	817	817	—	—
Accruals for operating expenses	2,166	553	680	—
Salary and welfare payable	1,017	243	—	—
	6,070	1,613	1,670	—

- (a) Advances from a government institution were funds injected by a government institution to finance the research and development projects of the Group in 2002. Such advances will be recognised as a subsidy income after the projects are completed in 2002.

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21. SHORT-TERM BANK LOANS

Among the short-term bank loans, a loan of RMB2,850,000 (2000: Nil) was secured by a bank deposit of USD360,000 (equivalent to approximately RMB2,980,000), and bore interest of 6.14% per annum, while a loan of RMB8,000,000 (2000: Nil) was secured by certain land and buildings of Beijing Jian Enterprise and a corporate guarantee provided by Beijing Jian Enterprise, and bore interest of 6.435% per annum.

22. SHARE CAPITAL AND SHARE OPTIONS

(a) Share Capital

		Number of shares	Nominal value HK\$	Nominal value RMB
Authorised share capital upon incorporation (HK\$0.10 each):				
Upon incorporation on 30 November 2000	(i)	3,800,000	380,000	402,952
Authorised share capital after 19 November 2001 (HK\$0.05 each):				
Share split on 19 November 2001	(ii)	7,600,000	380,000	402,952
Subsequent increase on 19 November 2001	(iii)	1,192,400,000	59,620,000	63,221,048
		1,200,000,000	60,000,000	63,624,000
Issued and fully paid upon incorporation (HK\$0.10 each):				
Issue of shares on 17 January 2001	(i)	10	1	1
Issued and fully paid after 19 November 2001 (HK\$0.05 each):				
Share split on 19 November 2001	(ii)	20	1	1
Issue of shares for the Reorganisation on 19 November 2001	(iv)	3,999,980	199,999	212,079
Issue of shares through a placing	(v)	100,000,000	5,000,000	5,302,000
Capitalisation of share premium	(vi)	282,800,000	14,140,000	14,994,056
Issue of shares for remuneration	(vii)	13,200,000	660,000	699,864
		400,000,000	20,000,000	21,208,000

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22. SHARE CAPITAL AND SHARE OPTIONS (Continued)**(a) Share Capital (Continued)**

- (i) Upon incorporation of the Company, the authorised share capital was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On 17 January 2001, ten share was allotted and issued, credited as fully paid.
- (ii) On 19 November 2001, each issued and unissued share of HK\$0.10 each in the share capital of the Company was subdivided into two shares. The authorised share capital of the Company then became 7,600,000 shares of HK\$0.05 each.
- (iii) On 19 November 2001, the authorised share capital was increased to HK\$60,000,000 by the creation of a further 1,192,400,000 shares of HK\$0.05 each.
- (iv) On 19 November 2001, 3,999,979 shares of HK\$0.05 each were issued, credited as fully paid, in exchange for the acquisition by the Company of the entire issued share capital of Systematic Technology. On the same day, an amount of RMB4,750,000 which was capitalised by the allotment and issue of 1 share of HK\$0.05 credited as fully paid.
- (v) On 5 December 2001, 100,000,000 shares of HK\$0.05 each were issued at HK\$0.33 per share through a placing, resulting in cash proceeds (net of share issuance expenses) of approximately HK\$21,192,000 (equivalent to approximately RMB22,472,000).
- (vi) Immediately after the aforementioned placing, share premium of HK\$14,140,000 (equivalent to approximately RMB14,994,000) was capitalised for the issuance of 282,800,000 shares of HK\$0.05 each to Company's shareholders immediately before the placing.
- (vii) Immediately after the aforementioned placing, 13,200,000 shares of HK\$0.05 each were issued, credited as fully paid, to a fellow subsidiary of Oriental Patron Asia Limited ("Oriental Patron"), the sponsor of the Company, being the consideration shares for the services provided by Oriental Patron in connection with the listing of the Company's shares on the GEM.

Notes to the Financial Statements

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22. SHARE CAPITAL AND SHARE OPTIONS (Continued)

(b) Share Option Scheme

Pursuant to the share option scheme of the Company adopted on 19 November 2001 (the "Share Option Scheme"), the Company may grant options to the participants of the Share Option Scheme to subscribe for shares of the Company. The participants include any employees (including directors) and certain consultants, suppliers or customers of the Group 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 Share Option 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 Share Option 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 grant date and (iii) the nominal value of the shares on the grant date.

No options have been granted or agreed to be granted since the adoption of the Share Option Scheme.

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23. RESERVES

	Share premium	Capital reserve	General reserve fund	Enterprise expansion fund	Contributed surplus	Cumulative translation adjustment	(Accumulated deficit)	Total
							Retained earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated								
Balances, as at								
1 January 2000	-	-	-	-	-	-	(9,676)	(9,676)
Reserves arising from								
acquisition of shares								
of Jian-O'Yuan	-	1,766	-	-	-	-	-	1,766
Profit attributed to shareholders	-	-	-	-	-	-	13,682	13,682
Appropriation to reserve								
fund and enterprise								
expansion fund								
	-	-	1,362	681	-	-	(2,043)	-
Balances, as at								
31 December 2000	-	1,766	1,362	681	-	-	1,963	5,772
Capitalisation of amount								
due to the ultimate								
holding company by a subsidiary								
	-	4,750	-	-	-	-	-	4,750
Premium on issue of shares	29,691	-	-	-	-	-	-	29,691
Share issuance expenses	(12,521)	-	-	-	-	-	-	(12,521)
Capitalisation of share premium	(14,994)	-	-	-	-	-	-	(14,994)
Effect of reorganisation	-	(212)	-	-	-	-	-	(212)
Issuance of remuneration shares	(700)	-	-	-	-	-	-	(700)
Foreign exchange adjustment	-	-	-	-	-	5	-	5
Profit attributed to shareholders	-	-	-	-	-	-	19,902	19,902
Balances, as at								
31 December 2001	1,476	6,304	1,362	681	-	5	21,865	31,693

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23. RESERVES (Continued)

	Share premium	Capital reserve	General reserve fund	Enterprise expansion fund	Contributed surplus	Cumulative translation adjustment	(Accumulated deficit) Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company								
Balances, as at								
31 December 2000	-	-	-	-	-	-	-	-
Premium on issue of shares	29,691	-	-	-	-	-	-	29,691
Share issuance expenses	(12,521)	-	-	-	-	-	-	(12,521)
Capitalisation of share premium	(14,994)	-	-	-	-	-	-	(14,994)
Effect of reorganisation	-	-	-	-	23,996	-	-	23,996
Issuance of remuneration shares	(700)	-	-	-	-	-	-	(700)
Loss attributed to shareholders	-	-	-	-	-	-	(791)	(791)
Balances, as at								
31 December 2001	1,476	-	-	-	23,996	-	(791)	24,681

Jian-O'Yuan needs to follow the laws and regulations of the PRC and its articles of association. It is required to provide for certain statutory funds, namely, general reserve fund, enterprise expansion fund, staff and workers' bonus and welfare fund which are appropriated from net profit after taxation but before dividend distribution based on its statutory accounts prepared in accordance with the accounting principles and relevant financial regulations applicable to enterprises established in the PRC (the "PRC GAAP"). These funds are created for specific purposes and appropriations to these funds are at the discretion of the company's directors. The general reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff and workers' bonus and welfare fund can only be used for special bonus or collective welfare of its employees, and assets acquired through this fund shall not be treated as assets of the Group. Staff and workers' bonus and welfare fund are charged to expenses as incurred and recorded as a liability in the balance sheet under HK GAAP.

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23. RESERVES (Continued)

When the statutory reserve fund is not sufficient to compensate for any losses of Jian-O'Yuan from previous years, current year net profit shall be used to make good for the losses before allocations are set aside for the reserve fund, enterprise expansion fund or the statutory staff and worker's bonus and welfare fund.

Contributed surplus 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 Reorganisation (see Note 1).

Under the Companies Law of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, capital redemption reserve and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its share capital account.

As at 31 December 2001, the Company's reserves available for distribution to shareholders amounted to approximately RMB24,681,000, computed in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association. This includes the Company's share premium of approximately RMB1,476,000 and contributed surplus of approximately RMB23,996,000, less accumulated deficit of approximately RMB791,000, which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

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24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash (outflow) inflow from operating activities:

	2001	2000
	RMB'000	RMB'000
Profit before taxation	20,117	13,738
Adjustments for:		
Depreciation of fixed assets	180	45
Amortisation of goodwill	209	104
Interest income	(106)	(22)
Interest expenses	444	–
Decrease (Increase) in inventories	8,514	(5,683)
Increase in accounts receivable	(19,670)	–
Decrease (Increase) in prepayments and deposits	1,747	(14,674)
Increase in other receivables	(3,067)	(24)
Decrease (Increase) in due from related companies	6,050	(6,050)
Decrease (Increase) in other current assets	206	(993)
Decrease in accounts payable	(4,437)	(5,100)
Increase (Decrease) in due to related companies	1,786	(11,436)
(Decrease) Increase in deposit from customers	(27,645)	29,684
Increase in accruals and other payables	4,457	1,467
Net cash (outflow) inflow from operating activities	(11,215)	1,056

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24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(b) Analysis of cash and cash equivalents**

	2001	2000
	RMB'000	RMB'000
Cash on hand	138	67
Cash at banks	22,191	3,481
	22,329	3,548

(c) Analysis of changes in financing:

	Share capital and share premium	Short-term bank loans	Due to the ultimate holding company	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2000	1,800	-	-	-	1,800
Additional capital injection from Jian-Tech and Beijing Jian Enterprise	1,200	-	-	-	1,200
Advance from ultimate holding company	-	-	4,612	-	4,612
Return of capital to Jian-Tech and Beijing Jian Enterprise	(3,000)	-	-	30	(2,970)
As at 31 December 2000	-	-	4,612	30	4,642
Advance from ultimate holding company	-	-	278	-	278
Capitalisation of amount due to ultimate holding company	4,750	-	(4,750)	-	-
Issuance of ordinary shares	34,993	-	-	-	34,993
Share issuance expenses	(12,521)	-	-	-	(12,521)
New bank borrowings	-	10,850	-	-	10,850
As at 31 December 2001	27,222	10,850	140	30	38,242

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25. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 December 2001, the Group had banking facilities of RMB10,850,000 (2000: Nil) for bank loans. As at that date, all banking facilities were utilised.

These facilities were secured by:

- a. certain land and buildings of Beijing Jian Enterprise and a corporate guarantee provided by Beijing Jian Enterprise; and
- b. charge over a fixed deposit of USD360,000 (equivalent to approximately RMB2,980,000)

26. SEGMENT REPORTING

(a) Business segments

The Group conducts its business within one business segment-the business of development and operation of Jian ePayment System and manufacturing and distribution of the associated commercial applications in the PRC.

(b) Geographical segments

The Group's activities are mainly conducted in the Southern China, Northern China, Central China, Eastern China and Northeastern China in the PRC. An analysis by geographical segment is as follows:

	Southern China		Northern China		Central China		Eastern China		Northeastern China		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	20,359	-	-	-	19,649	23,818	-	-	-	-	40,008	23,818
Segment assets	9,402	2,779	3,117	7,645	13,496	7,553	720	357	2,654	484	29,389	18,818
Unallocated assets											51,542	34,230
Total assets											80,931	53,048
Contribution to net income	14,833	-	-	-	12,460	20,916	-	-	-	-	27,293	20,916

Substantially all the capital expenditures of the Group are in the Northern China segment.

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27. COMMITMENTS

(a) Capital commitments

As at 31 December 2001, the Group had the following capital commitments:

- Purchase of software and equipment amounting to approximately RMB3,000,000.

Capital commitments outstanding at 31 December 2001 not provided for in the accounts are summarised as follows:

	Consolidated	
	2001	2000
	RMB'000	RMB'000
Contracted	400	-
Authorised but not contracted	2,600	-
	3,000	-

(b) Operating lease commitments

The Group leases plant and office premises under operating leases. The leases typically run for an initial period of three to four years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually adjusted annually to reflect market rentals. None of the leases includes contingent rentals.

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27. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

As at 31 December 2001, the total future minimum lease payments payable under non-cancelable operating leases of the Group are as follows:

	Consolidated	
	2001	2000
	RMB'000	RMB'000
Amount payable		
– within one year	1,424	1,236
– between one year to two years	1,424	1,424
– between two years to five years	–	1,424
	2,848	4,084

The amount payable in the next twelve months, analysed according to the period in which the leases expire, is as follows:

	Consolidated	
	2001	2000
	RMB'000	RMB'000
Leases expiring within a period		
– more than one year but not exceeding five years	1,424	1,236

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2002.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Jian ePayment Systems Limited (the "Company") will be held at Room 1214, 12/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 26th April, 2002 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31st December 2001.
2. To re-elect the retiring directors and to authorize the board of directors to fix their remuneration.
3. To re-appoint auditors of the Company and to authorize the board of directors to fix their remuneration.
4. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:

"THAT:

- (A) subject to paragraph (C) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of options granted under any of the Company's share option schemes or any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time) additional shares in the share capital of the Company and to make or grant any offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorization given to the directors and shall authorize the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant any offers, agreements and options which would or might require the exercise of such powers either during or after the end of the Relevant Period (as hereinafter defined);

Notice of Annual General Meeting

- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (A) above shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (D) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

“rights issue” means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the laws of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities.

5. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (A) subject to paragraph (B) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) of all the powers of the Company to repurchase the issued shares of the Company on The Stock Exchange of Hong Kong

Limited (the "Stock Exchange") or any other stock exchange on which shares in the capital of the Company may be listed and which is recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved; and

(B) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (A) of this resolution during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this resolution, and the said approval shall be limited accordingly."

6. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:

"**THAT** conditional upon the passing of resolutions Nos. 4 and 5 (as set out in the Notice of this Meeting), the unconditional general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to resolution No. 4 (as set out in the Notice of this Meeting) be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such unconditional general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 5 (as set out in the Notice of this Meeting), provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution."

By Order of the Board of
Jian ePayment Systems Limited
Chin Ying Hoi
Chairman

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Notice of Annual General Meeting

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing a Member who is an individual or a member which is a corporation shall be entitled to exercise the same power on behalf of the member he or they represent as such member could exercise.
2. The instrument appointing a proxy and (if require by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, shall be delivered to the Company's branch share registrar, Hong Kong Registrars Limited, 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
3. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting concerned and in such event, the instrument appointing a proxy shall be deemed to be revoked.