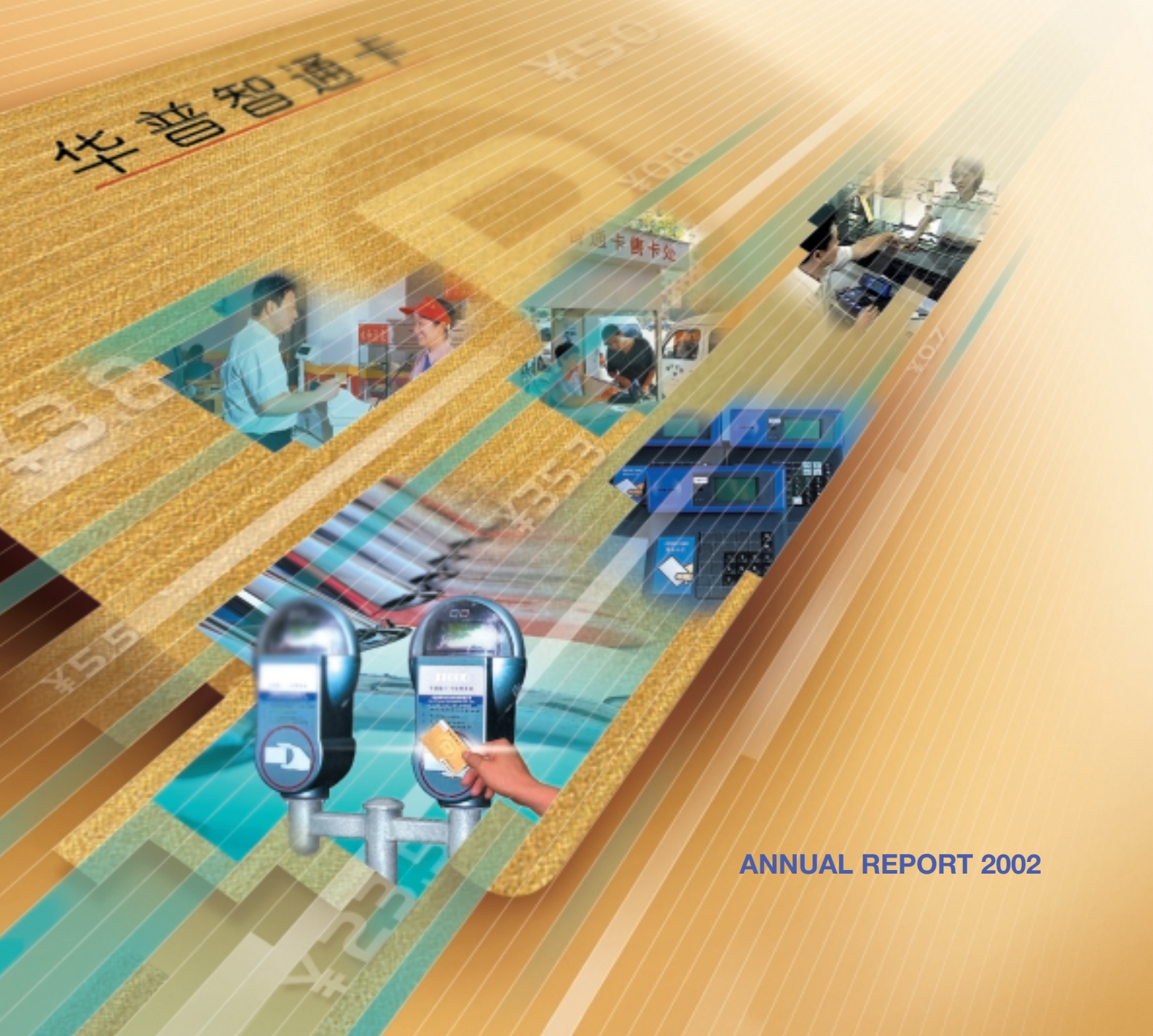


**Jian ePayment Systems Limited**

**華普智通系統有限公司**

*(incorporated in the Cayman Islands with limited liability)*



**ANNUAL REPORT 2002**



## **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.

Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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



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**CONSOLIDATED PROFIT AND LOSS ACCOUNTS**

(Amounts expressed in thousands of Renminbi)

	Years ended 31 December			
	1999	2000	2001	2002
Turnover	–	23,818	40,008	<b>60,688</b>
Operating (loss) profit	(10,014)	13,716	15,294	<b>23,957</b>
Subsidy income	–	–	5,161	<b>1,620</b>
Interest income	–	22	106	<b>112</b>
Interest expense	–	–	(444)	<b>(1,308)</b>
(Loss) profit before taxation	(10,014)	13,738	20,117	<b>24,381</b>
Taxation	–	–	–	–
(Loss) profit after taxation				
but before minority interests	(10,014)	13,738	20,117	<b>24,381</b>
Minority interests	338	(56)	(215)	<b>(45)</b>
(Loss) profit attributable to shareholders	(9,676)	13,682	19,902	<b>24,336</b>

**CONSOLIDATED BALANCE SHEETS**

(Amounts expressed in thousands of Renminbi)

	As at 31 December			
	1999	2000	2001	2002
Fixed assets, net	312	780	891	<b>57,466</b>
Goodwill, net	–	1,986	1,777	<b>1,568</b>
Net current (liabilities) assets	(8,526)	3,078	50,520	<b>28,801</b>
Minority interests	–	(72)	(287)	–
Total assets less current liabilities	(8,214)	5,772	52,901	<b>87,835</b>
Representing:				
Non-current liabilities	–	–	–	<b>10,611</b>
Share capital	–	–	21,208	<b>21,208</b>
Reserves	(8,214)	5,772	31,693	<b>56,016</b>
Shareholders' equity	(8,214)	5,772	52,901	<b>87,835</b>





To Become

A Leading Nationwide

**ELECTRONIC**

PAYMENT SYSTEM OPERATOR

**in the PRC**

## Business Review

The Year 2002 (the "Year") was the first full financial year of operations after the Company was listed on the Growth Enterprise Market. The Group has successfully launched the "One Pass Multiple Uses" Scheme (the "Scheme") in Wuhan which has laid a solid foundation for future developments of the Group.



Jian ePayment System in Wuhan

For the Year, the Group's turnover amounted to RMB60,688,000, representing a 52% increase against that of the previous year. Profits attributable to shareholders amounted to RMB24,336,000, representing a 22% rise against that of the previous year. Basic earnings per share was RMB0.06.

The Group has consistently aimed to establish the Jian ePayment System as the leading electronic payment system in the People's Republic of China (the "PRC"). The number of cities in which the Group's roadside car parking fee collection sub-system was in operation has increased from three in the previous year to ten in the Year. The roadside car parking fee collection sub-system continued to generate revenues for the Group from the sales of hardware and software, provision of systems integration services and transaction levies.

## Business development

During the Year, the Group focused on marketing the Scheme in Wuhan, the PRC. Apart from the original public applications such as the Group's roadside car parking fee collection system, the Company was the pioneer in applying the Scheme to retail businesses and significant progress has been made in Wuhan. Smart card readers for retail commercial use were mainly used in businesses such as catering, pharmaceutical store, supermarket, convenient stores

etc.. A total of approximately 3,200 merchant customers have entered into contracts with the Group and approximately 1,000 sets of Jian Smart Pass readers for retail commercial use have been installed during the Year. 42 district data collection points have been established and points of service can be found throughout the 8 districts of Wuhan City.

The Group made major efforts to promote the Jian ePayment System for multiple applications. Besides the roadside car parking fee collection system and the retail commercial use system, the Group has also developed other systems such as the public transportation system, highway and bridge toll system and residential zone integrated fee collection system. The Group has entered into negotiations with customers in respect of commencement of operations for such systems and has begun to install them for testing and trial run.

In the Year, the number of Jian Smart Pass in circulation amounted to 400,000, representing a growth of 3.26 times as compared with that of the previous year end (2001: 94,000 in circulation).



## 6 Chairman's Statement

On the basis of strengthening its alliance with the Agricultural Bank of China, the Group has established cooperative relationship with China Unionpay Co., Ltd. (中國銀聯) and agreed to link up the Jian ePayment System in Wuhan and Hainan on a trial basis with China Unionpay Co., Ltd.'s platform which is capable to link up with all commercial banks in the PRC via the settlement platform of China Unionpay Co., Ltd.. In this way, the channels for issuing Jian Smart Passes, providing card readers and valued-added services may be increased by utilizing the extensive network of these banks. More importantly, the Group may be able to establish more extensive and stable merchant customer information network and links with the aid of the banks and China Unionpay Co., Ltd. so as to keep increasing the number of merchant and other customers of the Jian ePayment System.



Jian Smart Pass

### Research and development

The Group continued to invest in its high calibre research and development team to enhance product and business development and design. During the Year, automatic vending machines were launched in the market upon completion of research and development and they are ready for commercial production. Development of self-service value re-chargers was completed in December 2002 and pre-application function test is in progress. Research and development of other related products proceed as scheduled.

In 2002, the Scheme was implemented in Wuhan. The business mode and management system of the Scheme required the integrated data management system of the Group to possess strong ability in data processing, settlement, data protection, real time customer service and multiple applications project

management. Therefore, it was necessary to implement higher level planning and upgrades in respect of the functions and services of the Group's data management centre. As a result, in the third quarter of the Year, the Group spent substantial resources to establish two operation centres in Wuhan and Beijing, and both operation centres are equipped with a new integrated data management system.

Through thorough market research, demand analysis and technical proof, the overall design of the Group's integrated data management system and the design and development of its components such as security and protection, communication, settlement, customer service and data management have been completed. Initial establishment of the data management system was completed in October 2002 and the system had commenced trial operation in Wuhan. The data management system has provided a foundation for the launching and operation of the Group's "One Pass Multiple Uses" business.

## Prospects

The Group will continue to develop the markets for Jian ePayment System in the PRC so that the number of cities using Jian Smart Passes will continue to grow and the scope of applications of the Jian Smart Passes in each city will gradually expand, resulting in vertical expansion in terms of the number of cities using the Jian Smart Passes and horizontal expansion in terms of the scope of commercial applications and finally resulting in significant increase in the number of users and amount of Jian Smart Passes related consumption in each city. In the coming year, the Group will strengthen its cooperation with banks and various enterprises in order to jointly open up markets for its products. The Directors of the Group believe that the Jian Smart Passes will become a convenient payment card widely owned and used by the people of several cities in the PRC.

## Acknowledgement

For and on behalf of the Board of Directors, I would like to extend my thanks to the management and staff to whom the Group's excellent results for the year are owed. I also extend my thanks to the shareholders, investors, business partners, customers and suppliers for their support and encouragement in the past year, and to the sponsors, lawyers, accountants, public relations consultants for their efforts and assistance offered.

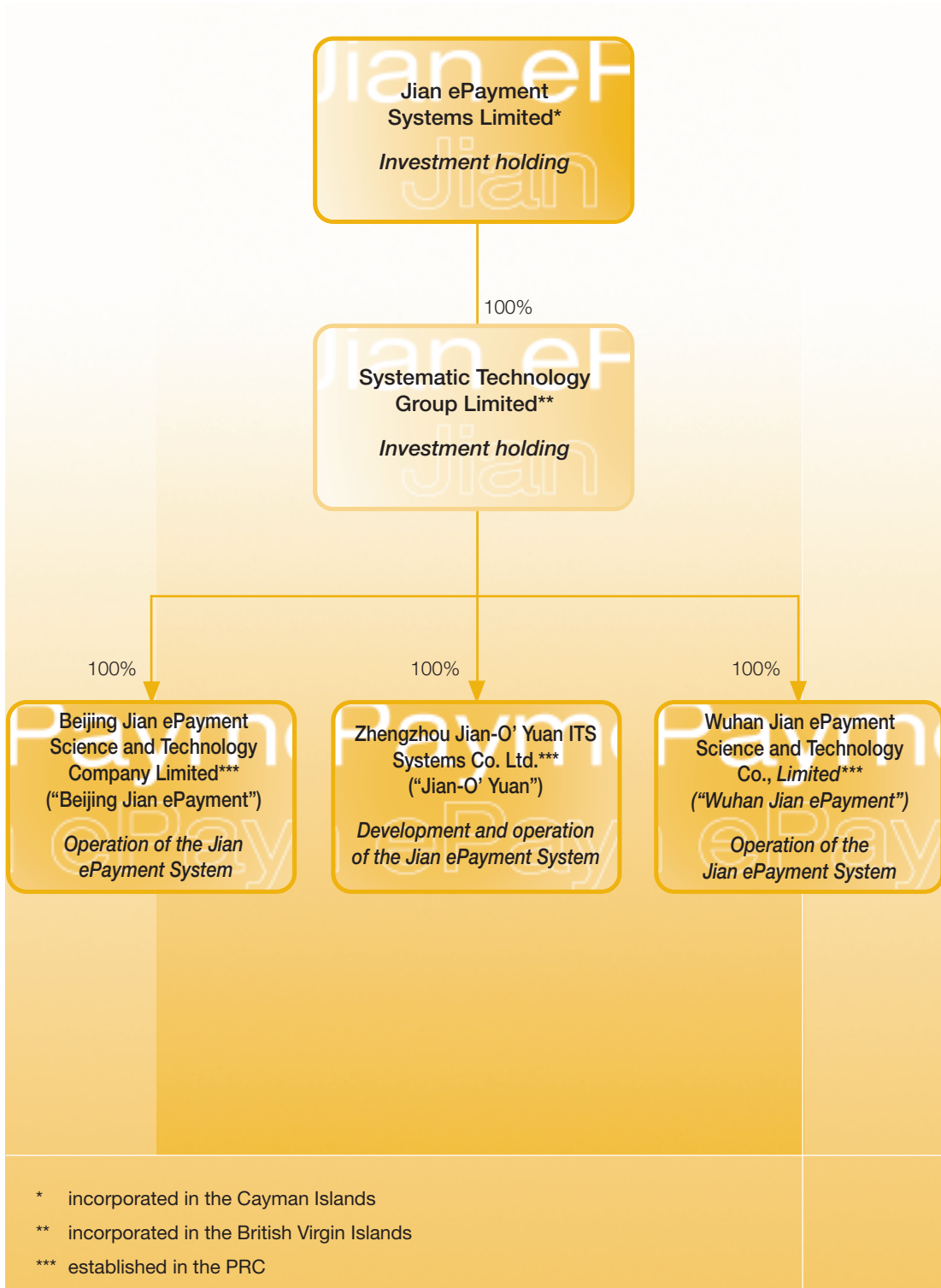
## Chin Ying Hoi

*Chairman*

Beijing, 28 March, 2003



## 8 Corporate Structure



## Geographical Coverage of Jian ePayment System



● Cities Operating Jian ePayment Systems: Wuhan, Beijing, Haikou, Nanning, Guangzhou, Nanchang, Yichang, Zhengzhou, Weihai, Harbin

■ City of "One Pass Multiple Uses": Wuhan



## 10 Management Discussion & Analysis

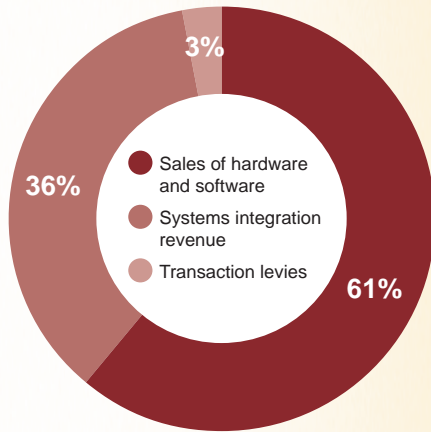
### Coverage of Jian ePayment System's commercial applications



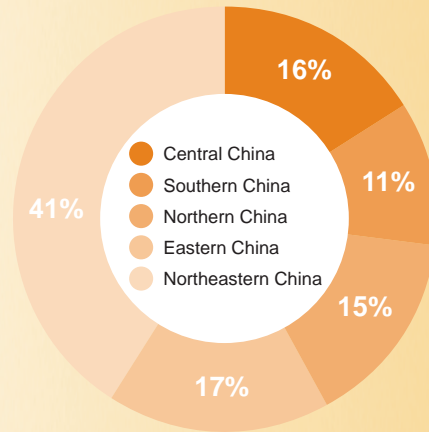
**Note:** Research and development of commercial applications are completed, but not yet launched to the market. Other commercial applications are launched in the PRC market.

## Year 2002

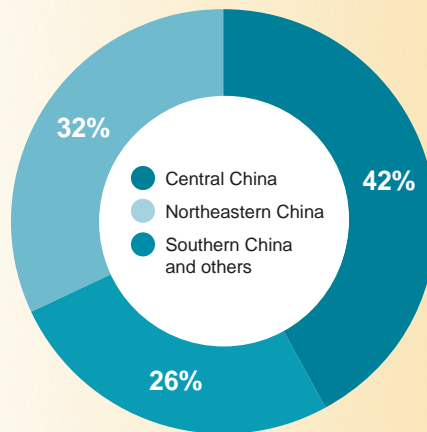
### Turnover by Product



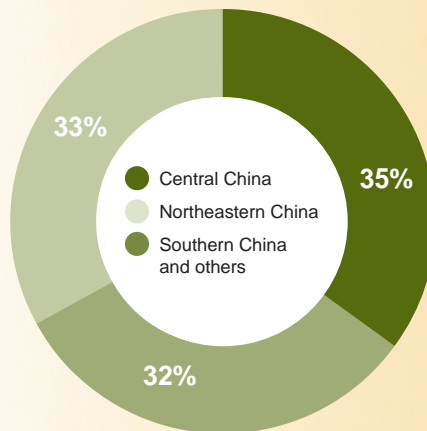
### Turnover by Geographical Location



### Smart Card Reader in Operation by Geographical Location



### Smart Card Circulation by Geographical Location





## 12 Management Discussion & Analysis

### Financial Highlights

	<b>2002</b>	2001	
	<b>RMB'000</b>	RMB'000	Change
Turnover	<b>60,688</b>	40,008	+52%
Operating Expenses	<b>23,434</b>	11,999	+95%
Profit attributable to shareholders	<b>24,336</b>	19,902	+22%
Basic earnings per share (RMB)	<b>0.06</b>	0.06	–

### Financial Review

For the year under review, the Group recorded a total revenue of RMB60,688,000, representing an increase of approximately 52% over that of the previous year. Profit attributable to shareholders for the Year was RMB24,336,000, representing an increase of approximately 22% over that of the previous year while basic earnings per share were RMB0.06.

The Group's business maintained a rapid growth in the Year and the number of cities that have adopted Jian ePayment System has increased from three to ten, namely Harbin, Beijing, Wuhan, Nanchang, Guangzhou, Nanning, Haikou, Weihai, Yichang and Zhengzhou.

With the increased number of merchant customers and the all-round promotion of "One Pass Multiple Uses" Scheme in Wuhan in August 2002 and the recruitment of additional staff for the two operating centres in Beijing and Wuhan, both the distribution expenses and general and administration expenses increased significantly. Meanwhile, the expansion of the Group's business has also resulted in a positive effect in profit attributable to shareholders.

### Turnover by Product

	<b>2002</b>	2001	
	<b>RMB'000</b>	RMB'000	Change
Sales of hardware and software	<b>36,968</b>	29,511	+25%
Provision of systems integration services	<b>22,154</b>	9,730	+128%
Transaction levies	<b>1,566</b>	767	+104%
Total	<b>60,688</b>	40,008	

During the Year, the Group's major revenue was derived from the sales of hardware and software products related to Jian ePayment System, accounting for 61% of its total revenue, which was the result of rapid growth in the number of cities in which the Jian ePayment System has been installed. The revenue generated from systems integration services for the Year amounted to RMB22,154,000, representing approximately 36% of the total revenue. With the rising popularity of Jian Smart Passes, coupled with the all-round marketing campaign of "One Pass Multiple Uses" Scheme conducted in Wuhan in August 2002, revenue in the form of transaction levies totalled RMB1,566,000, rising approximately 104% as compared with the previous year.

The turnover for the Year rose approximately 52% as compared with the previous year. This was caused by the increase in the sales of parking meters and the growth of the number of cities in which the Jian ePayment system has been installed.

#### Turnover by Geographical Location

	<b>2002</b>	2001	
	<b>RMB'000</b>	RMB'000	Change
Regions in China			
Central China	<b>9,854</b>	19,649	-50%
Southern China	<b>6,894</b>	20,359	-66%
Northern China	<b>8,991</b>	–	N/A
Eastern China	<b>10,169</b>	–	N/A
Northeastern China	<b>24,780</b>	–	N/A
	<b>60,688</b>	40,008	

With the increasing number of cities in which the Jian ePayment System has been installed, the revenue-generating regions of the Group have further expanded from Central and Southern China in the previous year to Northern and Northeastern China this Year. For the Northeastern region, the revenue generated in Harbin amounted to RMB24,780,000, accounting for approximately 41% of the total revenue. In addition, Beijing, which is in the Northern region, had commenced to contribute a revenue of RMB8,991,000 for the Group, representing approximately 15% of the total revenue. The total revenue generated from Southern, Central and Eastern China amounted to RMB26,917,000, representing approximately 44% of the Group's total revenue.

#### Profit Margin

The profit margin for the Year was approximately 78%, an approximately 15% increase as compared with that of the previous year. The growth was due to the increasing revenue generated from the provision of system integration services, which enjoyed a higher profit margin as compared to the sales of hardware and software.

#### Profit attributable to Shareholders

Profit attributable to shareholders for the Year was approximately RMB24,336,000, an approximately 22% increase as compared with that of the previous year. The Wuhan's operation centre was newly established during the second half of the Year, more staff were employed and the scale of the operation of the Group was expanded significantly, resulting in an increase of general and administration expenses and distribution expenses as compared with that of the previous year. The establishment of the Wuhan and Beijing operation centre has provided a foundation for marketing of the Group's "One Pass Multiple Uses" business in future.



## 14 Management Discussion & Analysis

### Financial Condition

	<b>As at 31st December 2002</b>	As at 31st December 2001	Change
	<b>RMB'000</b>	RMB'000	
Cash and cash equivalents	<b>13,272</b>	22,329	-41%
Total Assets	<b>126,192</b>	80,931	+56%
Shareholders' funds	<b>77,224</b>	52,901	+46%
Short-term loans	<b>9,306</b>	10,850	-14%
Long-term liabilities	<b>10,611</b>	–	N/A
Current ratio (Times)	<b>1.75</b>	2.82	-38%

### Total assets

The Group's total assets in the Year increased 56% to RMB126,192,000 mainly comprising fixed assets of RMB57,466,000 and current assets (including cash) of RMB67,158,000. The new Group's system integrated data management systems of Beijing and Wuhan operation centres were tested and accepted in December 2002, giving rise to an increase in this year's fixed assets of RMB41,950,000. The two integrated data management systems were partly financed by the proceeds of listing and partly financed by the Group's internally generated funds.

### Liquidity and Financial Resources

Save for the listing proceeds, the Group generally finances its operations with internally generated cashflow. The Group issued a HK\$10,000,000 of convertible note in November for the purpose of establishing subsidiaries and operation centres in Beijing and Wuhan, and acquiring the remaining 1% equity interest of Zhengzhou Jian O'Yuan ITS Systems Co. Ltd ("Jian O' Yuan"). The balance of the proceeds of the convertible note will be used as working capital.

The Group also has outstanding short-term loans, comprising a secured, interest bearing bank loan of RMB4,000,000 and unsecured, interest bearing borrowings of HK\$5,000,000 for the purpose of working capital.

The Group currently has cash and cash equivalents of RMB13,272,000, while the current ratio has changed from 2.82 times for 2001 to 1.75 times for the Year and the gearing ratio, defined as the ratio of total debt to total assets, has changed from 34% for 2001 to 39% for the Year.

As at 31 December 2002, the Group has no material capital commitments other than those disclosed in note 23(a) to the accounts.

### Charges on Assets

As at 31 December 2002, the Group did not have any charge on its assets.

### 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.

### Human Resources

	<b>As at 31st December 2002</b>	As at 31st December 2001
	<b>Total number of staff</b>	Total number of staff
Management	<b>34</b>	9
Sales and Marketing	<b>77</b>	18
Purchasing and Supplies	<b>4</b>	8
Production	<b>109</b>	40
Research and Development	<b>28</b>	20
Finance and Administration	<b>41</b>	13
	<hr/>	<hr/>
Total (Staff)	<b>293</b>	108
	<hr/> <hr/>	<hr/> <hr/>

*Note: The number of staff employed in 2002 was 133 more than planned because Wuhan Jian ePayment Science and Technology Co., Limited ("Wuhan Jian ePayment"), the Group's newly established wholly owned subsidiary in Wuhan, employed 141 new staff in October 2002. The production staff includes 56 technical staff responsible for the maintenance of front-line technology and equipments.*

## 16 Management Discussion & Analysis

As at 31 December 2002, the Group had 293 (2001: 108) full-time employees, representing an increase of 185 employees or 171%. With the headcount increase, salaries and wages for the staff also increased by 502% to RMB10,049,000 (2001: RMB1,669,000). The increase in headcount was mainly contributed from additional employees in management, production and finance and administration department.

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

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

### 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 of the Group (including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the board of directors (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 are other share option schemes must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. Options granted under the Share Option Scheme may be exercised at any time during a period which shall be notified by the Board and expiring on the date following 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 date of grant, (ii) the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the shares on the date of grant.

### Contingent liability

As at 31 December, 2002, the Group had no outstanding contingent liabilities.

### Significant Investments

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

After the completion of the acquisition of the remaining 1% of equity interest in Jian O'Yuan in December, Jian O'Yuan became a wholly-owned subsidiary of the Group. Save as disclosed, the Group did not make any material acquisitions and disposals of any of its subsidiaries and affiliated companies during the Year.



**Disclosure under Chapter 17 of the GEM Listing Rules**

As of 31 December 2002, an account receivable in the sum of approximately RMB21 million, derived from the sales of car parking meters and related software to Harbin Priority Electronic Meters Company Limited ("Harbin Meters") (哈爾濱優先電子咪表有限公司), an independent third party and not connected with the directors of the Company, management shareholders or substantial shareholders of the Company or any of their associate (as such terms defined under the GEM Listing Rules), was still outstanding. Harbin Meters has neither pledged any collateral nor paid interest on the outstanding balance. Further details are set out in the Company's announcement dated 25 March 2003. This balance, representing approximately 41% of the Company's consolidated audited net tangible assets as at 31 December 2001, had exceeded 25% of the Company's consolidated audited net tangible assets as at 31 December 2001.

Save as disclosed above, the Directors have confirmed that as at 31 December 2002, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## 18 Comparison of Business Objectives with Actual Business Progress

In accordance with the requirements of GEM Listing Rules, Jian ePayment Systems Limited hereby sets out a summary of 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 for the period from 1 July 2002 to 31st December, 2002 (the "Period"). The summary of the comparison between the Group's business objectives and its actual business progress for the period from 1 January 2002 to 30 June 2002 was disclosed in the Group's Interim Result Announcement dated 12 August 2002.

### Business Objectives as set out in the Prospectus

### Actual Business Progress in the Period

#### *Research and development*

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Complete the development and commence the trial production of the self service Jian Smart Pass value re-chargers and initializers</li> </ul>   | <p>Development and model formation of J-1000Q recharger (for re-charging IC card) were completed in June 2002 and trial use has commenced in eight cities including Beijing, Wuhan and Guangzhou;</p> <p>Development and model formation of IC automatic vending machine (for automatic vending card) were completed in November 2002;</p> <p>Development and trial production of sample of J-1000Z self-service value re-chargers were completed in December 2002.</p> |
| <ul style="list-style-type: none"> <li>• Complete the development and the trial operation of public transportation sub-system</li> </ul>  | <p>Product development, design and model formation of public transportation system were completed in early 2002. Operation has not yet commenced for marketing reasons.</p>   |
| <ul style="list-style-type: none"> <li>• 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</li> </ul> | <p>Design of the upgraded version of back-end management software was completed in May 2002 and the upgraded version has been in use in cities such as Beijing, Wuhan and Haikou;</p> <p>Development and model formation of PDA data collector were completed in June 2002 and trial use has commenced in five cities including Beijing and Wuhan;</p>  |

Design of commercial card reader system management software was completed in October 2002 and the software has been in use in Wuhan;

Design of driver penalty system management software was completed in November 2002. Design of GPRS wireless network system management software has been completed in November 2002 and the software has been in use in Beijing;

The design of automatic vending machine management software was completed in December 2002. In the same month, trial production of sample GPRS data collector and production of 30 sets GPRS data collector have been completed.

- Explore new commercial application sub-systems

Development and model formation of J-2000B retail POS reader were completed in April 2002 and the machine has been in use in Wuhan;

Development and model design of gasoline refueling IC card reader were completed in June 2002;

Development and model formation of J-2000A retail POS reader were completed in August 2002 and the machine has been in use in Wuhan;

Development and model design of IC card automatic vending machine were completed in October 2002;

Development and trial production of sample of mobile terminal for traffic police were completed in December 2002;



## 20 Comparison of Business Objectives with Actual Business Progress

### Marketing

- Continue to promote the Jian ePayment System to municipal governments and merchants  
In addition to cities where marketing of Jian ePayment System was conducted in 2001, operation of the system has also been commenced in cities such as Weihai, Yichang, Zhengzhou, Nanchang and Beijing; marketing of roadside car parking system has been conducted in over ten cities such as Lianyungang, Jingzhou; Marketing of “One Pass Multiple Uses” Scheme was conducted in cities such as Beijing and Haikou.
- Continue to place printed advertisements and participate in trade shows, seminars and exhibitions to raise public interest in the Jian ePayment System  
Participated in the eParking Technology Exchange Fair of Guangzhou Transportation Commission held in April 2002;  
Participated in the system exhibition of the 6th Western Region Trade Fair held in Xi’an in April 2002;  
Participated in the 5th International Intelligent Transportation and Facilities Exhibition held in Shanghai in December 2002.
- Expand the marketing team and establish service centre in the PRC cities, such as Nanchang, to serve customers and promote the Jian ePayment System  
Two wholly-owned subsidiaries have been established in Wuhan and Beijing engaging in the marketing of “One Pass Multiple Uses” Scheme and provision of system operation services in the two cities. The services may cover the peripheral areas of the two cities and enhances the marketing and service systems in these two cities.
- Seek alliance with banks other than The Agricultural Bank of China to issue affinity cards encompassing dual functions of being a bank card and a smart card operable on the Jian ePayment System  
The Group had separately entered into cooperative agreement with China Unionpay Co., Ltd. in Hubei and Hainan for promoting Joint Bank Jian Smart Pass. The Jian Multiple Uses Smart Pass using the common platform of the Agricultural Bank of China and China Unionpay Co., Ltd. was launched in Wuhan.

## *Card circulation*

- A total of not less than 400,000 Jian Smart Passes in circulation. Jian Smart Passes have been issued and in circulation in ten cities including Wuhan and Harbin which has reached 400,000.

## *Human Resources*

- The total number of full-time staff is expected to be increased to 160. The total number of full-time staff increased to 293. The number of new staff is in excess of the planned number by 133 because of the establishment of an operating centre in Wuhan during the third quarter of the Year, in which staff are recruited for the operation of the centre.

## 22 Comparison of Business Objectives with Actual Business Progress

Applications status from 27 November 2001 to 31 December 2002

	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)		Note
	Actual Business Objectives	Actual Business Progress	Actual Business Objectives	Actual Business Progress	Actual Business Objectives	Actual Business Progress	Actual Business Objectives	Actual Business Progress	
Roadside car parking	11	11	9	10	2	1	12,000	15,399	1
Retail terminals	2	1	2	1	-	1	40	1,003	2
Public transportation	2	0	1	0	1	0	600	0	3
Highway tolls	1	0	1	0	-	1	500	0	4
Wireless communication	-	1	-	1	-	1	-	-	5
Electronic settlement technology	-	2	-	2	-	2	-	-	6

*Note 1* The roadside car parking fee collection system commenced operation in one more city than originally scheduled as the customer's project company has accelerated the progress. The number of roadside car parking fee collection has accelerated by 3,399 sets accordingly.

*Note 2* The retail terminals actually commenced operation in one less city than as planned mainly because of adjustment to the Group's strategies. The key to success of the project is to achieve certain economies of scale and therefore the Group adjusted its strategy to concentrate on marketing activities in Wuhan. The number of smart card readers in operation is also therefore nearly 1,000 sets more than as originally planned. With the experience gained in Wuhan, the original target is expected to be realised in 2003.

*Note 3* The planned target of the public transportation system has not been realized because customers cannot enter into contract with the Group for commercial reasons. It is expected that implementation of the system will be postponed to the second half of 2003.

*Note 4* The Group continues to concentrate on developing the highway toll system in cities and their peripheral areas. The system has been used on the Yangtze River Bridge in Wuhan on trial basis but the project was suspended as the Wuhan government gradually cancelled the bridge tolls. The Group plans to fulfil its target in 2003.

*Note 5* As a result of technological improvement, wireless communication equipment was installed on the roadside parking system in Beijing. Electronic transmission can therefore be used to replace manual collection in conducting backstage data collection. The cost was lowered while efficiency was raised.

*Note 6* It is a set objective of the Group to advance from “one pass one use” to “one pass multiple uses”. Therefore, the Group established operation centres in Wuhan and Beijing to support the “One Pass Multiple Uses” Scheme. Such centres utilize the electronic settlement technology developed by the Group and are supported by the “One Pass multiple uses” electronic payment platform.

#### Use of proceeds

For the year ended 31 December, 2002, 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:

	<b>Amount utilised for the year ended 31 December 2002</b>			
	<b>Planned Use</b>		<b>Actual Use</b>	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Research and development of contactless smart card technological know-how and commercial applications	6,800	7,215	6,800	7,215
Research and development of automated Jian Rechargers and related peripheral equipment	5,200	5,518	5,200	5,518
Marketing	4,800	5,093	4,800	5,093
Additional working capital	400	424	400	424
Total	<u>17,200</u>	<u>18,250</u>	<u>17,200</u>	<u>18,250</u>



## 24 Comparison of Business Objectives with Actual Business Progress

On 18 November 2002, the Company entered into a subscription agreement to issue a Convertible Note (the “First Convertible Note”) for HK\$10 million with an option for the subscriber to subscribe, within 6 months, for another Convertible Note for HK\$10 million (the “Second Convertible Note”) from the date of subscription agreement. The planned use of the net proceeds of HK\$19,250,000 is set out below. The First Convertible Note of HK\$10 million was subscribed and the net proceeds HK\$9,500,000 from the issue of First Convertible Note of the Company were applied pursuant to the proposed use as stated in the Circular dated 16 December 2002 as follows:

	Planned Use		Actual amount utilised up to the year ended 31 December 2002	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Establishment of new subsidiaries and establishment of operation centres in Wuhan and Beijing PRC	15,000	15,917	6,600	7,003
Acquisition of the remaining 1% interest in Jian O'Yuan	500	531	509	540
General working capital	3,750	3,979	617	655
	<u>19,250</u>	<u>20,427</u>	<u>7,726</u>	<u>8,198</u>

The remaining balance of approximately HK\$1.77 million from the first convertible note is expected to be used as the general working capital of the Group. The Second Convertible Notes was not yet subscribed as at year ended 31 December 2002.

## **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  
Shop 1901-1905  
19th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## 26 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

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building  
Central  
Hong Kong

## Directors

### Executive Directors

**Mr. Chin Ying Hoi (翦英海)**, aged 41, 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 52, 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 71, 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 46, 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 48, 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 48, 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 56, 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.



## 28 Profile of Directors and Senior Management

### Senior management

**Mr. Chen Wei Min (陳為民)**, aged 46, is a deputy general manager of the Group. Mr. Chen joined the Group in September 2001 and is responsible for overall Research and Development of the Group. He holds a bachelor's degree from XiDian University XiAn China, obtained honor as a professor grade worker. He was vice president of 27th institute of Communication & Industry of China and General Manager of ZhongZhi transport electronics group, He has over twenty years' experience in Chinese electronics area.

**Mr. Wang Bing Li (王秉利)**, aged 38, is a deputy general manager of the Group. Mr. Wang joined the Group in January 2002 and is responsible for equity and financial management of the Group. He graduated from Beijing Business Institute. He has over twenty years' experience in managing equity and financial area of Chinese enterprise.

**Mr. Zheng Wen Xue (鄭文學)**, aged 39, 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 40, 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.

**Ms. Peng Han Ying (彭漢英)**, aged 37, 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 40, 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. Cheung Siu Leong (張小亮)**, aged 30, 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 submit their report together with the audited accounts of Jian ePayment Systems Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2002.

### Principal activities and geographical analysis of operations

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 2002 is as follows:

	<b>2002</b>	2001
	<b>RMB’000</b>	RMB’000
Sales of hardware and software	<b>36,968</b>	29,511
Provision of systems integration revenue	<b>22,154</b>	9,730
Transaction levies	<b>1,566</b>	767
	<b>60,688</b>	40,008

For the year ended 31 December 2002, substantially all the turnover and trading results of the Group were attributable to the sales of hardware and software, provision of systems integration and transaction levies in the People’s Republic of China (the “PRC”).

### Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 40.

The directors do not recommend the payment of a dividend.

### Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 21 to the accounts.

### Fixed assets

Details of the movements in fixed assets of the Group are set out in Note 11 to the accounts.

## 30 **Report of the Directors**

### **Share capital**

Details of the movements in share capital of the Company are set out in Note 20 to the accounts.

### **Distributable reserves**

As at 31 December 2002, the Company's reserves of approximately RMB20,595,000 (2001: RMB24,681,000) were available for distribution to its shareholders.

### **Pre-emptive rights**

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

### **Financial summary**

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 3.

### **Purchase, sale or redemption of shares**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### **Convertible notes**

The Company issued a convertible note of HK\$10,000,000 (equivalent to RMB10,611,000) to an independent third party (the "Subscriber") on 30 November 2002. The convertible note is convertible into 4,000,000 shares of the Company at an initial conversion price of HK\$2.50 per share (subject to adjustment). The Subscriber also has an option to subscribe a second convertible note of HK\$10,000,000 with an initial conversion price of HK\$3.00 per share within 6 months after 18 November 2002, the date of subscription agreement. No Subscriber has exercised its option to subscribe the second convertible note as at 31 December 2002.

The maturity date for each convertible note is the second anniversary date of its issue. The conversion rights could be exercised after a period of 12 months from the respective dates of issue of the convertible notes and each conversion shall be in the integral multiples of HK\$2,000,000.

The interest of the convertible note is at a rate per annum equal to one per cent over the prime lending rate for Hong Kong Dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited to its customers on the last business day of the relevant interest period on the principle amount of the note outstanding.

## Share Options

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 Growth Enterprise Market ("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 date of grant.

Details of the share options outstanding as at 31 December 2002 which have been granted under the scheme are as follows:

	Options held at 1 January 2002	Options granted during year	Options exercised during year	Options held at 31 December 2002	Exercise Price	Grant Date	Exercisable from	Exercisable until	Closing price of the Company's share before date of grant
Directors	-	4,600,000	-	4,600,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Employees	-	14,200,000	-	14,200,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants, suppliers or customers	-	13,200,000	-	13,200,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants, suppliers or customers	-	3,000,000	-	3,000,000	HK\$2.03	16 Aug 2002	16 Aug 2002	16 Aug 2007	HK\$2.025
		<u>35,000,000</u>		<u>35,000,000</u>					

None of the above options were exercised, lapsed or cancelled during the year ended 31 December 2002.

## 32 Report of the Directors

The directors consider that it is not appropriate to state the value of all the share options that were granted during the year end 31 December 2002 under the new share options scheme given that the variable which are critical for the calculation of the value of such share options cannot be determined. The variables which are critical for the determination of the value of such share options included, the subscription price for the shares upon the exercise of the subscription rights attaching to the share options which may be adjusted under certain circumstances and whether or not such share options will be exercised by the grantees. In view of the length of the option period and the possibility that the subscription price and the number of shares that may be subscribed thereunder may be adjusted prior to the exercise of the subscription rights attaching to such share options, the Director are of the view that the value of the share options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Director believe that any calculation of the value of the options will not be meaningful and may be misleading to shareholders in the circumstances.

### Directors

The directors during the year were:

#### Executive Directors:

Mr. Chin Ying Hoi (Chairman)

Mr. Guo Yan Hong (Vice-Chairman)

Mr. Liu De Fu

Mr. Li Sui Yang

Ms. Wang Yan

#### Independent Non-executive Directors:

Mr. Zhang Xiao Jing

Ms. Tung Fong

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



### Directors' service contracts

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

### Directors' and controlling shareholder's interests in contracts

Save for the related party transactions set out in Note 24 to the accounts, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company was a party and in which a director or controlling shareholders of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on page 27.

### Directors' interests in equity or debt securities

At 31 December 2002, the interests of the directors and chief executive in the shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI ordinance")), as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

- (a) ordinary shares of HK 0.05 each in the Company

	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Chin Ying Hoi	–	–	286,800,000 shares representing 71.7% of shares then issued (Note)	–	286,800,000

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, Mr. Chin's mother.

## 34 Report of the Directors

- (b) Pursuant to the Company's Share Option Scheme adopted by the Company on 19 November 2001, the following directors of the Company have personal interests in options to subscribe for ordinary shares in the Company of HK\$0.05 each which have been granted to them at consideration of HK\$1 as follows:

Name of Director	Date of grant	Exercise price per share	Outstanding number of share under option as at 31 December 2002
Mr. Chin Ying Hoi	31 May 2002	HK\$2.35	2,000,000
Mr. Liu De Fu	31 May 2002	HK\$2.35	700,000
Mr. Guo Yan Hong	31 May 2002	HK\$2.35	400,000
Mr. Li Sui Yang	31 May 2002	HK\$2.35	1,000,000
Ms. Wang Yan	31 May 2002	HK\$2.35	500,000
			4,600,000

### Substantial shareholders

As at 31 December 2002, 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 2002.

### Management contracts

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

### Major customers and suppliers

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

#### Purchases

– the largest supplier	22%
– five largest suppliers combined	86%

#### Sales

– the largest customer	41%
– five largest customers combined	83%

As at 31 December 2002, a director of the Company had interests in the following customers of the Group:

Director	Name of customers	Interests held
Mr. Chin Ying Hoi	廣州電子泊車管理有限公司 Guangzhou Electronic Parking Management Co. Ltd. ("Guangzhou Project Company")	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. ("Haikou Project Company")	49%
Mr. Chin Ying Hoi	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")	30%
Mr. Chin Ying Hoi	威海天創電子智能系統有限公司 Weihai TianChuang Electronic System Co., Ltd.	20%
Mr. Chin Ying Hoi	鄭州道康電子泊車管理有限公司 Zhengzhou Daokang Electronic Parking Management Co., Ltd.	20%
Mr. Chin Ying Hoi	宜昌武華電子泊車管理有限公司 Yichang Wuhua Electronic Parking Management Co., Ltd.	20%

## 36 Report of the Directors

Other than those disclosed above, none of the directors, their associates, or any shareholders, which to the knowledge of the director owns more than 5% of the Company's share capital, had a beneficial interest in the Company's five largest customers and five largest suppliers.

### Connected transactions

Certain related party transactions entered by the Group during the year ended 31 December 2002, which constitute connected transactions under the Rules Governing the Listing of Securities on the GEM ("Listing Rules"), are disclosed in Note 24 to the accounts are as follows:

**(1) Revenue from sales of hardware and software, provision of systems integration services and transaction levies from connected parties**

	<b>2002</b>
	<b>RMB'000</b>
- Haikou Project Company	427
- Guangzhou Project Company	324
- Nanning Project Company	6,143
	<hr/>
	<b>6,894</b>
	<hr/> <hr/>

**(2) Operating leases rentals paid/payable to connected parties:**

	<b>2002</b>
	<b>RMB'000</b>
- Beijing Huapu International Plaza Co., Ltd.	937
- Qingdao Huapu Business Union Building Co., Ltd.	60
- Mr. Chin Ying Hoi	382
	<hr/>
	<b>1,379</b>
	<hr/> <hr/>

**(3) Guarantee provided by a related company**

As at 31 December 2002, a short-term bank borrowing of RMB4,000,000 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 had 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 2002, the procedures for the release of the mortgage and corporate guarantee provided by Beijing Jian Enterprise was still in progress. As the Group expects to be able to repay the underlying loan on or before 30 June, 2003, the Group does not see any commercial benefit in pursuing a release of the aforesaid mortgage and corporate guarantee. As the Group had not provided any security to Beijing Jian Enterprise, the mortgage and corporate guarantee constitutes financial assistance from a connected person but this is exempt from announcement and other obligations under Rule 20.52(2) of the GEM Listing Rules.

**(4) Acquisition of equity interest in a subsidiary from a related party**

According to the agreement dated 18 May, 2002 between Systematic and Jian-Tech, Systematic agreed to pay Jian-Tech cash consideration of approximately RMB547,000 to acquire 1% equity interests of Jian O'Yuan held by Jian-Tech. Jian O'Yuan was then wholly-owned by Systematic.

**(5) Free office premises provided by a subsidiary to the Company**

During the year ended 31 December 2002, Systematic provided free office premises to the Company.

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 usual 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 their parties; and
- (c) on terms that are fair and reasonable so far as the shareholders of the company are concerned; and



## 38 Report of the Directors

### Corporate Governance

Throughout the year, the Company was in compliance with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

### 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 and outstanding options of 3,000,000 underlying shares of nominal value of HK\$0.05 granted on 16 August 2002 at consideration and at an exercise price of HK\$2.03 per share as at 31 December 2002.

Pursuant to an agreement dated 26 November 2001 entered into between the Company and Oriental Patron, Oriental Patron is entitled to receive a fee in 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.

Pursuant to an agreement dated 28 October 2002 entered into between the Company and Oriental Patron, Oriental Patron is entitled to receive a fee in respect of the appointment by the Company as placing agent for the Convertible notes.

### Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Zhang Xiao Jing and Ms. Tong Fung. Four meetings were held during the current financial year.

### Directors' interest in competing business

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.

### Auditors

The accounts have been audited by PricewaterhouseCoopers (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Arthur Andersen & Co in July 2002, who retire and, being eligible, offer themselves for re-appointment).

On behalf of the Board

**Chin Ying Hoi**

*Chairman*

Beijing, 28 March 2003



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF

**JIAN ePAYMENT SYSTEMS LIMITED**

*(incorporated in Cayman Islands with limited liability)*

We have audited the accounts on pages 40 to 89 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 accounts which give a true and fair view. In preparing accounts 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 accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the Group, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 March 2003

## Consolidated Profit and Loss Account

For the year ended 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
Turnover	2	60,688	40,008
Cost of sales		(13,418)	(12,715)
Gross profit		47,270	27,293
Other revenues	2	1,741	5,161
Distribution costs		(4,718)	(2,992)
Administrative expenses		(18,716)	(9,007)
Operating profit	3	25,577	20,455
Finance costs	4	(1,196)	(338)
Profit before taxation		24,381	20,117
Taxation	5	-	-
Profit after taxation		24,381	20,117
Minority interests		(45)	(215)
Profit attributable to shareholders	6	24,336	19,902
Dividends	7	-	-
Basic earnings per share	8	RMB0.06	RMB0.06
Diluted earnings per share	8	N/A	N/A

As at 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
<b>Non-current assets</b>			
Goodwill, net	10	1,568	1,777
Fixed assets	11	57,466	891
		<b>59,034</b>	2,668
<b>Current assets</b>			
Inventories	13	4,521	13,225
Trade and other receivables	14	47,298	38,942
Due from a related company	24	45	–
Other current assets	15	2,022	787
Pledged bank deposits	17	–	2,980
Cash and bank balances		13,272	22,329
		<b>67,158</b>	78,263
<b>Current liabilities</b>			
Trade and other payables	16	27,831	12,757
Due to related companies	24	14	1,957
Due to the ultimate holding company	24	906	140
Deposits from customers		300	2,039
Short-term borrowings	17	9,306	10,850
		<b>38,357</b>	27,743
Net current assets		<b>28,801</b>	50,520
Total assets less current liabilities		<b>87,835</b>	53,188
<b>Financed by:</b>			
Share capital	20	21,208	21,208
Other reserves	21	12,077	9,828
Retained earnings	21	43,939	21,865
Shareholders' funds		<b>77,224</b>	52,901
Minority interests		–	287
Non-current liabilities			
Convertible notes	18	10,611	–
		<b>87,835</b>	53,188

**Chin Ying Hoi**  
Director

**Li Sui Yang**  
Director

## 42 Balance Sheet

As at 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
Non-current assets			
Investment in subsidiaries	12	58,473	46,725
Current assets			
Trade and other receivables	14	1,075	853
Current liabilities			
Due to the ultimate holding company	24	–	19
Trade and other payables	16	1,828	1,670
Short-term borrowings	17	5,306	–
		7,134	1,689
Net current liabilities		(6,059)	(836)
Total assets less current liabilities		52,414	45,889
Financed by:			
Share capital	20	21,208	21,208
Other reserves	21	25,472	25,472
Accumulated losses	21	(4,877)	(791)
Shareholders' funds		41,803	45,889
Non-current liabilities			
Convertible notes	18	10,611	–
		52,414	45,889

**Chin Ying Hoi**  
Director

**Li Sui Yang**  
Director



For the year ended 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
Total equity as at 1 January		<b>52,901</b>	5,772
Exchange differences arising on translation of the accounts of foreign subsidiaries	21	<b>(13)</b>	5
Issue of shares	20	-	21,208
Capitalisation of amount due to the ultimate holding company by a subsidiary	21	-	4,750
Premium on issue of shares	21	-	29,691
Capitalisation of share premium	21	-	(14,994)
Effect of reorganisation	21	-	(212)
Issue of shares for services	21	-	(700)
Share issue expenses	21	-	(12,521)
Profit attributable to shareholders	21	<b>24,336</b>	19,902
Total equity as at 31 December		<b>77,224</b>	52,901

## 44 Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
Net cash inflow (outflow) from operating activities	22(a)	<b>35,892</b>	(11,659)
Investing activities			
Purchases of fixed assets		<b>(56,998)</b>	(291)
Decrease (Increase) in pledged bank deposit		<b>2,980</b>	(2,980)
Acquisition of a subsidiary	24(e)	<b>(547)</b>	–
Interest received		<b>112</b>	106
Net cash outflow from investing activities		<b>(54,453)</b>	(3,165)
Net cash outflow before financing		<b>(18,561)</b>	(14,824)
Financing activities	22(c)		
Issue of ordinary shares		–	34,993
Share issue expenses		–	(12,521)
Issue of convertible notes		<b>10,611</b>	–
Convertible notes issuance costs		<b>(531)</b>	–
Capital injection from minority interests		<b>215</b>	–
Proceeds from short-term borrowings		<b>9,306</b>	10,850
Repayment of short-term borrowings		<b>(10,850)</b>	–
Increase in due to the ultimate holding company		<b>766</b>	278
Net cash inflow from financing		<b>9,517</b>	33,600
(Decrease) Increase in cash and bank balance		<b>(9,044)</b>	18,776
Cash and bank balance at 1 January		<b>22,329</b>	3,548
Effect of foreign exchange difference		<b>(13)</b>	5
Cash and bank balance at 31 December	22(b)	<b>13,272</b>	22,329

## 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong ("HK GAAP") and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP34 (revised):	Employee benefits

The adoption of the above revised SSAPs had no material effect on amounts reported in prior year.

The Group has also adopted SSAP35 "Government grants and disclosure of government assistance" and SSAP12 "Income Taxes", which are effective for periods commencing on or after 1 July 2002 and 1 January 2003 respectively, in advance of their effective dates.

### (b) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

## 46 Notes to the Accounts

31 December 2002

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (b) Group accounting (continued)

##### (i) Consolidation (continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

##### (ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss items are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)****(c) Intangibles***(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life of 10 years. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. The amortization period and the amortization method are reviewed annually at each financial year-end.

*(ii) Research and development costs*

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

During the year ended 31 December 2002, no development costs were capitalised as they did not meet the criteria for capitalisation.

*(iii) Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

## 48 Notes to the Accounts

31 December 2002

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (d) Fixed assets

Fixed assets comprising leasehold improvements, machinery, electronic equipment, furniture and fixtures and are stated at cost less accumulated depreciation and accumulated impairment losses.

##### (i) Depreciation

Fixed assets are depreciated at rates sufficient to write off their cost, after take into account of the estimated residual values, of each asset over its estimated useful life on a straight-line basis. The principal annual rates are as follows:

	Residual value	Depreciation rate
Leasehold improvements	–	20%
Machinery	3%-5%	14%-19%
Office equipment	3%-5%	14%-19%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

##### (ii) Systems under development

Systems under development comprises hardware and software pending installation and is stated at cost. This includes cost of equipment and other direct costs. Interest costs on borrowings to finance the construction equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Systems under development is not depreciated until such time as the assets are completed and put into operational use.



**1. PRINCIPAL ACCOUNTING POLICIES (Continued)****(d) Fixed assets (Continued)***(iii) Impairment*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included under fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

**(e) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

**(f) Inventories**

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(g) Trade receivable**

Provision is made against trade receivable to the extent they are considered to be doubtful. Trade receivable in the balance sheet are stated net of such provision.

## 50 Notes to the Accounts

31 December 2002

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

#### (i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### (j) Employee benefits

##### (i) Pension obligations

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. The Group's subsidiaries incorporated in Mainland China make contributions to a state-sponsored defined contribution scheme for the Group's local staff on a monthly basis pursuant to PRC laws and regulations to a government agency.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

##### (ii) Equity compensation benefits

Share options are granted to directors and to employees. If the options are granted at the market price of the shares on the date of the grant and are exercisable at that price, no compensation cost is recognised. If the options are granted at a discount on the market price, the discount is recognised in the profit and loss account as a compensation cost and recognised in the balance sheet as an increase to equity. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)****(k) Deferred taxation**

Deferred taxation is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**(l) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## 52 Notes to the Accounts

31 December 2002

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (m) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the risk has passed to the customers.

##### (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 certain percentages of revenue generated from the operations of Jian ePayment System as individually determined between the Company and the customers and accrued for monthly.

##### (iii) *Interest income*

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

#### (n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (o) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that geographical as the primary reporting format. The Group operates in one business segment.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions of equity in interest in subsidiary.

In respect of geographical segment reporting, sales are based on the areas in which the customer is located. Total assets and capital expenditure are where the assets are located.

## 54 Notes to the Accounts

31 December 2002

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION

#### (1) Turnover and other revenues

The Group is 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. Revenues recognised during the year are as follows:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Turnover		
Sales of hardware and software	<b>36,968</b>	29,511
Provision of systems integration services	<b>22,154</b>	9,730
Transaction levies	<b>1,566</b>	767
	<b>60,688</b>	40,008
Other revenues		
Sales of smart cards	<b>121</b>	–
Subsidy income		
– Value added tax ("VAT") refund (see Note 14(2)(b))	<b>410</b>	5,161
– Financing from government institution*	<b>1,210</b>	–
	<b>1,741</b>	5,161
Total revenues	<b>62,429</b>	45,169

\* The research and development subsidy was granted by a government institution to finance the research and development projects of the Group in 2002.



31 December 2002

**2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)****(2) Turnover analysed by categories of customers are as follows:**

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Sales to related companies (Note 24(b)(i))	<b>18,819</b>	20,359
Sales to unrelated parties financed by Jian Enterprise Group* (Note 24(g))	<b>15,213</b>	19,649
Sales to independent third parties	<b>26,656</b>	–
	<b>60,688</b>	40,008

\* The Jian Enterprise Group represents a group of companies ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan (excluding the Group and its ultimate holding company). Mr. Chin Ying Hoi and Ms. Ya Zhen Quan are the shareholders of the ultimate holding company of the Company (see Note 24(g)).

**(3) Segment Information**

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

The Group's businesses operate in five main geographical areas:

Southern China  
 Northern China  
 Central China  
 Eastern China  
 North-eastern China

## 56 Notes to the Accounts

31 December 2002

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### (3) Segment Information (Continued)

There are minimal sales between the geographical segments.

	Southern China 2002 RMB'000	Northern China 2002 RMB'000	Central China 2002 RMB'000	Eastern China 2002 RMB'000	North- eastern China 2002 RMB'000	Group 2002 RMB'000
Turnover	6,894	8,991	9,854	10,169	24,780	60,688
Segment results	4,054	8,410	2,838	8,139	23,829	47,270
Unallocated costs						(21,693)
Operating profit						25,577
Finance costs						(1,196)
Profit before taxation						24,381
Taxation						-
Profit after taxation						24,381
Minority interests						(45)
Profit attributable to shareholders						24,336
Segment assets	2,571	15,564	48,289	4,161	21,146	91,731
Unallocated assets						34,461
Total assets						126,192
Segment liabilities	-	300	-	-	-	300
Unallocated liabilities						48,668
Total liabilities						48,968
Capital expenditure	-	25,825	31,720	-	-	57,545
Depreciation	-	-	423	-	-	423
Other unallocated non-cash expenses						2,209

31 December 2002

**2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)****(3) Segment Information (Continued)**

	Southern China 2001 RMB'000	Northern China 2001 RMB'000	Central China 2001 RMB'000	Eastern China 2001 RMB'000	North- eastern China 2001 RMB'000	Group 2001 RMB'000
Turnover	20,359	-	19,649	-	-	40,008
Segment results	14,833	-	12,460	-	-	27,293
Unallocated costs						(6,838)
Operating profit						20,455
Finance costs						(338)
Profit before taxation						20,117
Taxation						-
Profit after taxation						20,117
Minority interests						(215)
Profit attributable to shareholders						19,902
Segment assets	9,402	3,117	13,496	720	2,654	29,389
Unallocated assets						51,542
Total assets						80,931
Segment liabilities	1,000	980	-	59	-	2,039
Unallocated liabilities						25,704
Total liabilities						27,743
Capital expenditure	-	291	-	-	-	291
Depreciation	-	180	-	-	-	180
Other unallocated non-cash expenses						209

## 58 Notes to the Accounts

31 December 2002

### 3. OPERATING PROFIT

Operating profit is stated after charging the following:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Depreciation of fixed assets	<b>423</b>	180
Provision for doubtful accounts	<b>2,000</b>	–
Staff costs including directors' emoluments (see Note 9)		
Salaries and wages	<b>10,049</b>	1,669
Contributions to retirement scheme (see Note 19)	<b>256</b>	76
Cost of inventories	<b>13,418</b>	12,715
Exchange losses, net	–	24
Operating lease rental	<b>961</b>	1,396
Auditors' remuneration	<b>830</b>	725
Research and development costs	<b>1,800</b>	777
Tax provision	<b>567</b>	–
Amortisation of goodwill (see Note 10)	<b>209</b>	209
	<b>–</b>	<b>–</b>

### 4. FINANCE COSTS

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Interest expense on bank borrowings	<b>469</b>	444
Interest expense on other borrowings	<b>255</b>	–
Interest expense on convertible notes	<b>53</b>	–
Issue expenses for convertible notes	<b>531</b>	–
	<b>1,308</b>	444
Less: Interest income	<b>(112)</b>	(106)
	<b>1,196</b>	338

## 5. 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 2002 (2001: Nil).

The Group's subsidiary, Zhengzhou Jian-O'Yuan ITS Systems Co., Ltd. ("Jian-O'Yuan"), was incorporated in the PRC as a privately owned limited liability company on 26 April 1999. In July 2001, Jian-O'Yuan obtained the tax registration as an enterprise with foreign investment. Pursuant to the PRC laws of Enterprise Income Tax ("EIT") for Enterprises with Foreign Investment and Foreign Enterprises, as a manufacturing enterprise with foreign investment, Jian-O'Yuan is entitled to full exemption from EIT for two years and a 50% reduction in the next three years. In accordance with the approval document from Zhengzhou State Tax Bureau, Jian-O'Yuan is entitled to the EIT exemption from year 2001 as an enterprise with foreign investment. Jian O'Yuan is fully exempted from EIT in year 2002.

No EIT provision for the other two subsidiaries incorporated in the PRC, Beijing Jian ePayment Science and Technology Co., Ltd. and Wuhan Jian ePayment Science and Technology Co., Ltd. as they have no assessable profit during the year ended 31 December 2002.

There was no significant unprovided deferred taxation for the year ended 31 December 2002.

## 6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit for the year, a loss of RMB4,086,000 (2001: a loss of RMB791,000) has been dealt with in the accounts of the Company.

## 7. DIVIDENDS

No dividends had been paid or declared by the Company during the year (2001: Nil).

## 60 Notes to the Accounts

31 December 2002

### 8. EARNINGS PER SHARE

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of RMB24,336,000 (2001: RMB19,902,000) and on the weighted average of 400,000,000 (2001: 307,123,288) ordinary shares in issue during the year.

No diluted earnings per share for the 2002 is presented because the exercise price of the Company's options was higher than the average market price of the Company's shares after the options were granted.

No diluted earnings per share for 2001 is presented as there were no dilutive potential ordinary shares in issue during the year ended 31 December 2001.

### 9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Fees	<b>10</b>	1
Other emoluments:		
Basic salaries, housing allowances, share options, other allowances and benefits in kind	<b>1,222</b>	417
Contributions to pensions schemes for directors	<b>67</b>	13
	<b>1,299</b>	431

Directors' fees disclosed above include RMB10,000 (2001: RMB1,000) paid to independent non-executive directors.

During the year ended 31 December 2002, options were granted to the directors under the Executive Share Option Scheme adopted by the Company on 19 November 2001(see Note 20).

31 December 2002

**9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)**

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
Executive directors		
RMB0 – RMB1,061,000 (equivalent to HK\$1,000,000)	<b>5</b>	5
Non-executive directors		
RMB0 – RMB1,061,000 (equivalent to HK\$1,000,000)	<b>2</b>	2

The five executive directors received individual emoluments for the year ended 31 December 2002 of approximately RMB452,000 (2001: RMB114,000), RMB271,000 (2001: RMB108,000), RMB212,000 (2001: RMB87,000), RMB147,000 (2001: RMB83,000) and RMB140,000 (2001: RMB38,000) respectively and the two non-executive directors each received emoluments of approximately RMB5,000 (2001: RMB500) in total.

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 fees which will be subject to review by the Board of Directors on a yearly basis and any further performance related bonus shall be determined by the Company having taken into consideration the operating results of the Group.

The five individuals whose emoluments were the highest in the Group for the year include four (2001: Four) directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining one (2001: One) individual during the year are as follows:

	2002	2001
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	<b>520</b>	463
Pensions	<b>13</b>	11
	<b>533</b>	474



## 62 Notes to the Accounts

31 December 2002

### 9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

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

Emolument bands:	Number of individuals	
	2002	2001
RMB0– RMB1,061,000 (equivalent to HK\$1,000,000)	<b>5</b>	5

### 10. GOODWILL, NET

	RMB'000
Year ended 31 December 2002	
Opening net book amount	1,777
Amortization charges	(209)
Closing net book amount	<u>1,568</u>
At 31 December 2002	
Cost	2,090
Accumulated amortisation	(522)
Net book amount	<u>1,568</u>
At 31 December 2001	
Cost	2,090
Accumulated amortisation	(313)
Net book amount	<u>1,777</u>

Goodwill was recognised upon the acquisition of an additional 18% equity interest in Jian-O'Yuan on 18 April 2000. The directors are of the opinion that the recoverable amount of goodwill was not less than its carrying amount as at 31 December 2002.

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**11. FIXED ASSETS**

	Group				Total RMB'000
	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Systems under development RMB'000	
Cost:					
At 1 January 2002	51	548	517	–	1,116
Additions	41	254	417	56,286	56,998
At 31 December 2002	92	802	934	56,286	58,114
Accumulated depreciation:					
At 1 January 2002	6	118	101	–	225
Charges for the year	79	214	130	–	423
At 31 December 2002	85	332	231	–	648
Net book value:					
At 31 December 2002	7	470	703	56,286	57,466
At 31 December 2001	45	430	416	–	891

Systems under development were purchased for the establishment of a new line of business of the Group and were in final testing as at 31 December 2002. The systems comprised software and equipment of RMB24,736,000 and RMB31,550,000 respectively.

**12. INVESTMENTS IN SUBSIDIARIES**

	Company	
	2002 RMB'000	2001 RMB'000
Investment in subsidiaries	24,208	24,208
Amounts due from subsidiaries	34,265	22,517
	58,473	46,725

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### 12. INVESTMENTS IN SUBSIDIARIES (Continued)

#### (a) Investments

	Company	
	2002 RMB'000	2001 RMB'000
Investments at cost:		
Unlisted shares	<b>24,208</b>	24,208

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 2002.

The following is a list of the significant subsidiaries at 31 December 2002:

Name	Place of incorporation and kind of legal entity	Date of Incorporation	Principal activities and place of operation	Issued capital (Note (1))	Interest held	
					Directly	Indirectly
Systematic Technology Group Limited ("Systematic")	The British Virgin Islands, limited liability company	27 June 2000	Investment holding in Hong Kong	USD5	100%	-
Zhengzhou Jian-O'Yuan ITS Systems Co., Ltd. ("Jian-O'Yuan") (Note (2))	The PRC, limited liability company	26 April 1999	Development and operation of Jian ePayment System and manufacturing and distribution of the associated commercial applications in Mainland China	USD2,950,000	-	100%

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**12. INVESTMENTS IN SUBSIDIARIES (Continued)****(a) Investments (Continued)**

Name	Place of incorporation and kind of legal entity	Date of Incorporation	Principal activities and place of operation	Issued capital (Note (1))	Interest held	
					Directly	Indirectly
Wuhan Jian ePayment Science and Technology Co., Ltd. ("Wuhan Jian ePayment") (Note (3))	The PRC, limited liability company	20 August 2002	Operation of Jian ePayment System in Mainland China	USD1,500,000	-	100%
Beijing Jian ePayment Science and Technology Co., Ltd. ("Beijing Jian ePayment") (Note (3))	The PRC, limited liability company	22 May 2002	Operation of Jian ePayment System in Mainland China	USD150,000	-	100%

## Note:

- (1) As at 31 December 2002, all issued capital of the subsidiaries of the Company had been paid up except that of Wuhan Jian ePayment. The paid up capital of Wuhan Jian ePayment was USD846,000 as at 31 December 2002.
- (2) 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 Beijing Jian-Tech Co., Ltd. ("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 (Group) Co., Ltd. ("Beijing Jian Enterprise"). Jian-O'Yuan was then converted into a sino-foreign equity joint venture. According to an agreement between Jian-Tech, Beijing Jian Enterprise and Systematic dated 18 July 2000, Systematic acquired 99% of the equity interests of Jian-O'Yuan. The remaining 1% of equity interests was held by Jian-Tech. According to the agreement dated 18 May 2002, the 1% equity interests of Jian-O'Yuan held by Jian-Tech was acquired by Systematic. Since then, Jian-O'Yuan became the wholly owned subsidiary of the Systematic (see Note 24(e)).
- (3) Wuhan Jian ePayment Science and Technology Co., Ltd. and Beijing Jian ePayment Science and Technology Co., Ltd. were incorporated in the PRC as privately owned limited liability companies on 20 August 2002 and 22 May 2002, respectively. These two subsidiaries are wholly owned by Systematic.

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### 12. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Due from subsidiaries

	<b>Company</b>	
	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Amounts due from subsidiaries	<b>34,265</b>	22,517

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

### 13. INVENTORIES

	<b>Group</b>	
	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
At cost		
Raw materials	<b>1,161</b>	1,389
Work in progress	<b>2,610</b>	11,836
Finished goods	<b>750</b>	-
	<b>4,521</b>	13,225

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## 14 . TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Trade receivables	(1)	<b>38,433</b>	19,670	-	-
Prepayments and deposits	(2)	<b>6,537</b>	16,181	-	565
Other receivables	(3)	<b>2,328</b>	3,091	<b>1,075</b>	288
		<b>47,298</b>	38,942	<b>1,075</b>	853

- (1) The credit term for the trade receivable of the Group range from 120 to 180 days. The aging analysis of the trade receivables were as follows:

	Group	
	2002 RMB'000	2001 RMB'000
0-30 days	<b>4,413</b>	10,482
31-60 days	<b>5,083</b>	2,868
61-90 days	<b>6,284</b>	85
91-120 days	<b>575</b>	2,460
121-180 days	<b>236</b>	3,186
181-365 days	<b>23,842</b>	589
	<b>40,433</b>	19,670
Provision for doubtful accounts	<b>(2,000)</b>	-
	<b>38,433</b>	19,670

Out of the trade receivables with balances overdue more than 180 days, RMB13,000,000 was settled subsequent to the year end.

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### 14 . TRADE AND OTHER RECEIVABLES (Continued)

(2) Prepayments and deposits

		Group		Company	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Prepayment of enterprise income tax ("EIT")	(a)	<b>5,121</b>	9,121	–	–
Prepayments to suppliers		<b>1,416</b>	6,457	–	565
Value added tax ("VAT") recoverable	(b)	–	603	–	–
		<b>6,537</b>	16,181	–	565

(a) Before Jian-O' Yuan obtained the confirmation from the local tax bureau for the preferential tax treatment as stated in Note 5, Jian-O'yuan was required to place deposits against the potential EIT liabilities for the years 2000 and 2001. Such deposits for EIT were refunded after Jian-O' Yuan obtained the approval of the preferential tax treatment from the tax bureau in 2001. During the year ended 31 December 2002, Jian-O' Yuan obtained refund of EIT deposits amounted to RMB4,000,000 (2001:RMB 6,500,000).

(b) Jian-O'Yuan is subject to output 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, work in progress and other assets would be used to offset the output VAT payable on sales to determine the net VAT prepayment or VAT payable.

Pursuant to Cai Shui [2000] No.25 issued by the State Tax Bureau on 22 June 2000, software enterprises are entitled to a preferential tax treatment and any actual VAT paid related to the sales of self-developed and produced software exceeding 3% of the revenue from the sales of software will be refunded. As at 31 December 2002, the Group obtained refund amounted to RMB410,000 (2001: RMB5,161,000) and such refund was recognised as subsidy income in the consolidated profit and loss account.



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**14 . TRADE AND OTHER RECEIVABLES (Continued)**

(3) Other receivables

	Group		Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Advances to staffs	794	2,242	-	-
Deposits for interests of convertible notes	1,061	-	1,061	-
Others	473	849	14	288
	<b>2,328</b>	3,091	<b>1,075</b>	288

**15. OTHER CURRENT ASSETS**

Other current assets represented the cost of smart cards provided by the Group to customers for the operations of Jian ePayment System as at year end.

**16. TRADE AND OTHER PAYABLES**

	Note	Group		Company	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Trade payables	(1)	9,143	6,687	-	-
Other accounts payables	(2)	18,688	6,070	1,828	1,670
		<b>27,831</b>	12,757	<b>1,828</b>	1,670

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### 16. TRADE AND OTHER PAYABLES (Continued)

(1) As at 31 December 2002, the aging analysis of the trade payables were as follows

	Group	
	2002 RMB'000	2001 RMB'000
0-30 days	1,488	459
31-60 days	1,574	67
61-90 days	-	99
91-120 days	217	140
121-180 days	476	385
181-365 days	5,388	5,537
	<b>9,143</b>	<b>6,687</b>

(2) Other accounts payables

	Group		Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Advances from a government institution	-	1,080	-	-
Payable for listing expenses	-	990	-	990
VAT payable (see Note 14(2)(b))	8,634	-	-	-
Provision for staff and workers' bonus and welfare fund	817	817	-	-
Payables for purchase of fixed assets	4,260	-	-	-
Accruals for operating expenses	2,606	2,166	915	680
Salary and welfare payable	1,043	1,017	39	-
Others	1,328	-	874	-
	<b>18,688</b>	<b>6,070</b>	<b>1,828</b>	<b>1,670</b>

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**17. SHORT-TERM BORROWINGS**

		Group		Company	
		2002	2001	2002	2001
		RMB'000	RMB'000	RMB'000	RMB'000
Short-term bank borrowings	(a)	4,000	10,850	–	–
Other borrowing	(b)	5,306	–	5,306	–
		<b>9,306</b>	10,850	<b>5,306</b>	–

**(a) Short-term bank borrowings**

A short-term borrowing of RMB4,000,000 borrowed by a subsidiary of the Group was secured by a mortgage over land and buildings of Beijing Jian Enterprise and a corporate guarantee provided by Beijing Jian Enterprise (see Note 24(d)).

As at 31 December 2001, a short-term bank borrowing of RMB2,850,000 was secured by a bank deposit of USD360,000 (equivalent to approximately RMB2,980,000). The pledge bank deposit was released upon repayment of the bank borrowing in year 2002.

**(b) Other borrowing**

The other borrowing of HK\$5,000,000 (equivalent to RMB5,306,000) (2001: Nil) was borrowed by the Company from an independent third party (the "Creditor") and bore interest of 10% per annum. The borrowing is repayable on 7 August 2003.

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### 18. CONVERTIBLE NOTES

The Company issued a convertible note of HK\$10,000,000 (equivalent of RMB10,611,000) to an independent third party (the "Subscriber") on 30 November 2002. The convertible note is convertible into 4,000,000 shares of the Company at an initial conversion price of HK\$2.50 per share (subject to adjustment). The Subscriber also has an option to subscribe a second convertible note of HK\$10,000,000 with an initial conversion price of HK\$3.00 per share within 6 months after 18 November 2002, the date of subscription agreement. No subscriber has exercised its option to subscribe the second convertible note as at 31 December 2002.

The maturity date for each convertible note is the second anniversary date of its issue. The conversion rights could be exercised after a period of 12 months from the respective dates of issue of the convertible notes and each conversion shall be in the integral multiples of HK\$2,000,000.

The interest of the convertible note is at a rate per annum equal to one per cent over the prime lending rate for Hong Kong Dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited to its customers on the last business day of the relevant interest period on the principle amount of the note outstanding.

### 19. RETIREMENT BENEFIT COSTS

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. For the year ended 31 December 2002, no contribution was forfeited.

The Group's subsidiaries incorporated in the PRC make contributions to the basic old age insurance for the Group's local staff on a monthly basis 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 upon their retirement. The Group accounts for these contributions on an accrual basis.

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

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Contributions to retirement scheme	<b>256</b>	76

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**20 SHARE CAPITAL AND SHARE OPTIONS****a. Share capital**

		Number of shares HK\$	Nominal value RMB	Nominal value
Authorised share capital upon incorporation on 30 November 2000 (HK\$0.10 each):	(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
As at 31 December 2001 and 2002		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 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 services	(vii)	13,200,000	660,000	699,864
As at 31 December 2001 and 2002		400,000,000	20,000,000	21,208,000

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### 20 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 shares were 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. On the same day, an amount of RMB4,750,000 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 issue 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 the 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.

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**20 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 other persons who, in the sole discretion of the board of directors or a duly authorised committee thereof (the "Board"), have contributed to the Group. The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the 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 date of grant and (iii) the nominal value of the shares on the date of grant.

Movements in the number of share options outstanding during the year are as follows:

Categories of grantees	Total number of grantees	As at				As at	
		1 January 2002	Granted	Exercised	Cancelled	Lapsed	31 December 2002
Directors	5	-	4,600,000	-	-	-	<b>4,600,000</b>
Employees	21	-	14,200,000	-	-	-	<b>14,200,000</b>
Others	13	-	16,200,000	-	-	-	<b>16,200,000</b>
		-	35,000,000	-	-	-	<b>35,000,000</b>

The above options comprising of 32,000,000 and 3,000,000 underlying shares were granted at consideration on 31 May 2002 and 16 August 2002 respectively.



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31 December 2002

### 20 SHARE CAPITAL AND SHARE OPTIONS (Continued)

#### b. Share option scheme (Continued)

The exercise price of 32,000,000 share options granted on 31 May 2002 is HK\$2.35 per share. Such options are exercisable to the extent of 25% of the options granted to each grantee every year after the date of grant, and have a duration of 5 years from the date on which the option was granted. The exercise price of 3,000,000 share options granted on 16 August 2002 is HK\$2.03 per share and such options can be exercised since granted.

Pursuant to the Company's Share Option Scheme adopted by the Company on 19 November 2001, the following directors of the Company have personal interests in options to subscribe for ordinary shares in the Company of HK\$0.05 each which have been granted to them at consideration as follows:

Name of Director	Date of grant	Exercise price per share	Outstanding number of share under option as at 31 December 2002
Mr. Chin Ying Hoi	31 May 2002	HK\$2.35	2,000,000
Mr. Liu De Fu	31 May 2002	HK\$2.35	700,000
Mr. Guo Yan Hong	31 May 2002	HK\$2.35	400,000
Mr. Li Sui Yang	31 May 2002	HK\$2.35	1,000,000
Ms. Wang Yan	31 May 2002	HK\$2.35	500,000
			<u>4,600,000</u>

None of the above options were exercised, cancelled or lapsed during the year.

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**21. RESERVES**

	Group						
	Share	Capital	General	Enterprise	Cumulative	Retained	Total
	premium	reserve	reserve	expansion	exchange	earnings	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2001	-	1,766	1,362	681	-	1,963	5,772
Capitalisation of amount due to the ultimate holding company by a subsidiary (Note 20)	-	4,750	-	-	-	-	4,750
Premium on issue of shares (Note 20)	29,691	-	-	-	-	-	29,691
Share issue expense (Note 20)	(12,521)	-	-	-	-	-	(12,521)
Capitalisation of share premium (Note 20)	(14,994)	-	-	-	-	-	(14,994)
Effect of reorganisation	-	(212)	-	-	-	-	(212)
Issue of shares for services (Note 20)	(700)	-	-	-	-	-	(700)
Foreign exchange adjustment	-	-	-	-	5	-	5
Profit attributable to shareholders	-	-	-	-	-	19,902	19,902
At 31 December 2001	1,476	6,304	1,362	681	5	21,865	31,693
Transfer to general reserve fund	-	-	1,508	-	-	(1,508)	-
Transfer to enterprise expansion fund	-	-	-	754	-	(754)	-
Foreign exchange adjustment	-	-	-	-	(13)	-	(13)
Profit attributable to shareholders	-	-	-	-	-	24,336	24,336
At 31 December 2002	1,476	6,304	2,870	1,435	(8)	43,939	56,016

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31 December 2002

### 21. RESERVES (Continued)

	Company			
	Share premium	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2001	-	-	-	-
Premium on issue of shares (Note 20)	29,691	-	-	29,691
Share issue expenses (Note 20)	(12,521)	-	-	(12,521)
Capitalisation of share premium (Note 20)	(14,994)	-	-	(14,994)
Effect of reorganisation	-	23,996	-	23,996
Issue of shares for services (Note 20)	(700)	-	-	(700)
Loss attributable to shareholders	-	-	(791)	(791)
At 31 December 2001	1,476	23,996	(791)	24,681
Loss attributable to shareholders	-	-	(4,086)	(4,086)
At 31 December 2002	1,476	23,996	(4,877)	20,595

Jian-O'Yuan, Beijing Jian ePayment and Wuhan Jian ePayment are the subsidiaries incorporated in the PRC. These subsidiaries have to follow the laws and regulations of the PRC and its Articles of Association in setting up certain reserve funds. They are 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 their 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. The appropriation for the fund general reserve is no less than 10% of the net profit after taxation and appropriations to enterprise expenses fund and staff and workers' bonus and welfare fund are at the discretion of the directors of the respective subsidiaries. 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.

When the statutory reserve fund is not sufficient to compensate for any losses of the above subsidiaries 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.

**21. RESERVES (Continued)**

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.

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 2002, the Company's reserves available for distribution to shareholders amounted to approximately RMB20,595,000, 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 RMB4,877,000, 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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### 22. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002 RMB'000	2001 RMB'000
Operating profit	25,577	20,455
Depreciation	423	180
Amortisation of goodwill	209	209
Operating profit before working capital changes	26,209	20,844
(Increase) Decrease in due from related companies	(45)	6,050
(Increase) Decrease in other current assets	(1,235)	206
(Decrease) Increase in due to related companies	(1,943)	1,786
Decrease in deposits from customers	(1,739)	(27,645)
Decrease in inventories	8,704	8,514
Increase in trade and other receivable	(8,356)	(20,990)
Increase in trade and other payables	15,074	20
Cash inflow generated from operations	36,669	(11,215)
Interests paid	(777)	(444)
Net cash inflow (outflow) generated from operations	35,892	(11,659)

(b) Analysis of cash and cash equivalents

	2002 RMB'000	2001 RMB'000
Cash on hand	312	138
Cash at banks	12,960	22,191
	13,272	22,329

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**22. CONSOLIDATED CASH FLOW STATEMENT (Continued)****(c) Analysis of changes in financing**

	<b>Share capital and share premium</b>	<b>Convertible notes</b>	<b>Short-term borrowings</b>	<b>Due to the ultimate holding company</b>	<b>Minority interests</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1st January 2001	-	-	-	4,612	72
Advance from ultimate holding company	-	-	-	278	-
Capitalisation of amount due to ultimate holding company	4,750	-	-	(4,750)	-
Issue of ordinary shares	34,993	-	-	-	-
Share issue expenses	(12,521)	-	-	-	-
Minority interests' share of profit of a subsidiary	-	-	-	-	215
New bank borrowings	-	-	10,850	-	-
As at 31st December 2001	27,222	-	10,850	140	287
Advance from ultimate holding company	-	-	-	766	-
Issue of convertible notes	-	10,611	-	-	-
Issue costs for convertible notes	-	(531)	-	-	-
Repayment of short-term borrowings	-	-	(10,850)	-	-
Proceeds from short-term borrowings	-	-	9,306	-	-
Capital injection from minority interests	-	-	-	-	215
Minority interests' share of profit of a subsidiary	-	-	-	-	45
Acquisition of a subsidiary from minority interests	-	-	-	-	(547)
As at 31st December 2002	27,222	10,080	9,306	906	-

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### 23. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Contracted but not provided for	<b>4,843</b>	400
Authorised but not contracted for	<b>11,040</b>	2,600
	<b>15,883</b>	3,000

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Not later than one year	<b>2,354</b>	1,424
Later than one year and not later than five years	<b>2,302</b>	1,424
	<b>4,656</b>	2,848

The Group leases plant and office premises under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

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**24. 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:**

<b>Name</b>	<b>Relationship with the Company</b>
北京華普產業集團有限公司 Beijing Jian Enterprise (Group) Co. Ltd. ("Beijing Jian Enterprise")	A company ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan, the shareholders of the ultimate holding company
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
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
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



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31 December 2002

### 24. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship of related parties: (Continued)

Name	Relationship with the Company
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 Jian-Tech
宜昌武華電子泊車管理有限公司 Yichang Wuhua Electronic Parking Management Co., Ltd. ("Yichang Project Company")	Being 20% owned by Beijing Jian Enterprise
威海天創電子智能系統有限公司 Weihai TianChuang Electronic System Co., Ltd. ("Weihai Project Company")	Being 20% owned by Jian-Tech
鄭州道康電子泊車管理有限公司 Zhengzhou Daokang Electronic Parking Management Co., Ltd. ("Zhengzhou Project Company")	Being 20% owned by Jian-Tech

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**24. RELATED PARTY TRANSACTIONS (Continued)****(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 businesses:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
(i) Sales of hardware and software, provision of systems integration services and transaction levies		
– Haikou Project Company	<b>427</b>	16,504
– Guangzhou Project Company	<b>324</b>	3,855
– Weihai Project Company	<b>4,773</b>	–
– Nanning Project Company	<b>6,143</b>	–
– Zhengzhou Project Company	<b>3,470</b>	–
– Yichang Project Company	<b>3,682</b>	–
	<b>18,819</b>	20,359
(ii) Operating leases rentals paid/payable to:		
– Beijing Huapu	<b>937</b>	937
– Qingdao Huapu	<b>60</b>	60
– Mr. Chin Ying Hoi, director	<b>382</b>	–
	<b>1,379</b>	997

## 86 Notes to the Accounts

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### 24. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related companies are:

	Group		Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Balances from trading activities:				
Included in trade receivable				
– Guangzhou Project Company	49	3,493	–	–
– Haikou Project Company	465	4,294	–	–
– Weihai Project Company	3,584	–	–	–
– Nanning Project Company	2,058	–	–	–
– Zhengzhou Project Company	4,060	–	–	–
– Yichang Project Company	4,308	–	–	–
	<b>14,524</b>	<b>7,787</b>	<b>–</b>	<b>–</b>
Included in deposits from customers				
– Nanning Project Company	–	1,000	–	–
Balances from other activities:				
Due from related companies				
– Jian-Tech	45	–	–	–
Due to related companies				
– Jian-Tech	–	1,897	–	–
– Qingdao Huapu	–	60	–	–
– Beijing Jian Enterprise	14	–	–	–
	<b>14</b>	<b>1,957</b>	<b>–</b>	<b>–</b>
Due to the ultimate holding company	<b>906</b>	<b>140</b>	<b>–</b>	<b>19</b>

As at 31 December 2002, the amount due from Guangzhou, Haikou, Weihai, Nanning and Zhengzhou project companies were derived from the sales of software and hardware, provision of systems integration services and transaction levies, which were unsecured, non-interest bearing and with the credit terms of 6 months.

**24. RELATED PARTY TRANSACTIONS (Continued)****(c) Balances with related companies are: (Continued)**

Balances with related companies and the ultimate holding company from other activities was unsecured, non-interest bearing and repayable on demand.

**(d) Guarantee provided by a related company**

As at 31 December 2002, a short-term bank loan of RMB4,000,000 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 had 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 2002, the procedures for the release of the mortgage and corporate guarantee provided by Beijing Jian Enterprise was still in progress. As the Group expects to be able to repay the underlying loan on or before 30 June 2003, the Group does not see any commercial benefit in pursuing or release of the afore said mortgage and corporate guarantee. As the Group has not provided any security to Beijing Jian Enterprise, the mortgage and corporate guarantee constitutes financial assistance from a connected person but this is exempt from announcement and other obligations under Rule 20.52(2) of the GEM listing rules.

**(e) Acquisition of equity interest in a subsidiary from a related party**

According to the agreement dated 18 May 2002 between Systematic and Jian-Tech, Systematic agreed to pay Jian-Tech cash consideration of approximately RMB547,000 to acquire 1% equity interests of Jian O'Yuan held by Jian-Tech. Jian O'Yuan was then wholly-owned by Systematic.

**(f) Free office premises provided by a subsidiary to the Company**

During the year ended 31 December 2002, Systematic provided free offices premises to the Company.

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31 December 2002

### 24. RELATED PARTY TRANSACTIONS (Continued)

#### (g) 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 entered into co-operative arrangements with certain customers of the Group whereby the Jian Enterprise Group agreed to finance such customers for the implementation of Jian ePayment System. In return, Jian Enterprise Group can share the revenue from the operations of Jian ePayment Systems with the customers. Such customers are independent third parties and Jian Enterprise Group does not have any equity interests in those customers and does not involve in the operations of Jian ePayment System.

The amount of sales made to these customers were as follows:

	<b>2002</b>	<b>Group</b>
	<b>RMB'000</b>	<b>2001</b>
		<b>RMB'000</b>
– 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”)	<b>826</b>	19,649
– 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”)	<b>8,991</b>	–
– 青島市停車場管理辦公室 Car Parking Administration Office of Qingdao Municipal Government (“Qingdao Project Company”)	<b>5,396</b>	–
	<b>15,213</b>	19,649

31 December 2002

**24. RELATED PARTY TRANSACTIONS (Continued)****(g) Relationship between the Jian Enterprise Group and certain customers of the Group (Continued)**

As at 31 December 2002, the balances with the above customers were as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Included in trade receivable		
Wuhan Project Company	<b>2,051</b>	11,883
Qingdao Project Company	<b>577</b>	–
	<b>2,628</b>	11,883
Included in deposits from customers		
Beijing Project Company	<b>300</b>	290
Qingdao Project Company	<b>–</b>	690
	<b>300</b>	980

**25. ULTIMATE HOLDING COMPANY**

The directors of the Company consider Union Perfect International Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

**26. APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 28 March 2003.

## 90 Notice of Annual General Meeting

**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 25 April, 2003 at 11:30 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 31 December 2002.
2. To re-elect the retiring directors, namely Mr. Li Sui Yang and Ms. Wang Yan, and to authorize the board of directors to fix all the Directors' 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);
- (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.”



## 92 Notice of Annual General Meeting

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 all 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*

Beijing, 31 March, 2003

*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, Room 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.