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

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份編號: 8165

年報
Annual Report 2007

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

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

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

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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.

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Chin Ying Hoi *(Chairman)*
Mr. Yang Guo Wei *(Chief Executive Officer)*
Mr. Li Sui Yang
Mr. Fok Ho Yin Thomas *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS
Dr. Chow Pok Yu Augustine
Mr. Hu Haiyuan

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Qu Xiao Guo
Mr. Zhang Xiao Jing
Ms. Tung Fong

AUDIT COMMITTEE
Mr. Qu Xiao Guo
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
23/F, Yue Hing Building
103 Hennessy Road, Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS
3rd Floor, 10 North Village, Jiang Han Bei Road
Jianghan District, Wuhan City
The PRC

PRINCIPAL BANKERS
Bank of China
The Hongkong and Shanghai Banking Corporation

COMPLIANCE OFFICER
Mr. Li Sui Yang

QUALIFIED ACCOUNTANT
Mr. Chen Chun Long (appointed on 5 February 2008)
Ms. Ang Lai Kuen (resigned on 5 February 2008)

COMPANY SECRETARY
Mr. Fok Ho Yin Thomas (appointed on 5 February 2008)
Mr. Chen Chun Long (resigned on 5 February 2008)

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

HONG KONG BRANCH REGISTRARS
Hong Kong Registrars Limited
Room 1712-1716
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AUDITORS
RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two
28 Yue Ping Road
Hong Kong

LEGAL ADVISOR TO THE COMPANY
Michael Li & Co.
14th Floor, Printing House
6 Duddell Street
Central, Hong Kong

STOCK CODE
8165

CORPORATE STRUCTURE

- **Jian ePayment Systems Limited*** — Investment holding
  - 100%
    - 100% **Systematic Technology Group Limited**** — Investment holding
      - 100% **Zhengzhou Jian-O' Yuan ITS Systems Co. Ltd.*** "Jian-O' Yuan"** — Development and production of integrated intelligent network system, computer software and hardware, network system equipment, technical service, technical consultancy and sale, development and operation of the Jian ePayment System
      - 100% **Beijing Jian ePayment Science and Technology Co. Ltd.*** ("Beijing Jian ePayment")** — Operation of the Jian ePayment System
      - 100% **Wuhan Jian ePayment Science and Technology Co. Ltd.*** ("Wuhan Jian ePayment")** — In the process of deregistration
    - 100% **Capital Fair International Investment Limited**** — Investment holding
      - 100% **Jian epayment (China) International Holdings Limited**** — Investment holding
        - 60% **Hubei "E-Tong-Ka" System Company Limited***** (formerly the Wuhan Traffic IC card Management Company Limited) — Development and operation of IC and smart cards back end electronic receipt/payment and data recording and processing software system in PRC
          - 60% **Xian Tao Traffic IC Card Management Limited*** ("Xian Tao")** — Development and operation of IC and smart cards back end electronic receipt/payment and data recording and processing software system in PRC

*	incorporated in Cayman Islands
**	incorporated in British Virgin Islands
***	established in the PRC

CHAIRMAN'S STATEMENT

The board of directors (the "Board") of Jian ePayment Systems Limited (the "Company"), together with its subsidiaries, (the "Group"), is pleased to announce the audited consolidated operating results of the Group for the year ended 31 December 2007.

FINANCIAL REVIEW

For the year ended 31 December 2007, the Group's recorded a turnover of approximately RMB15.1 million (2006: RMB10.64 million), representing 41.6% increase as compared to last year. Loss attributable to shareholders amounted to RMB10.06 million (2006: RMB21.5 million) and loss per share was RMB0.016 (2006: RMB0.054). Net asset amounted to RMB12.2 million (2006: Net liabilities RMB 23.1 million)

BUSINESS DEVELOPMENT

In 2007, the Group had made notable progress in its business development and achieved encouraging results in major business areas. In July 2007, the Group had successfully completed its shareholding restructuring exercise of which the Group's shareholders' base was broadened and new capital was injected. Following completion of the shareholding restructuring exercises, the Group had largely improved its financial position by switching from net liabilities of RMB 23.05 million to net asset of RMB12.21 million. The Group's gearing ratio was also substantially reduced evidenced by total borrowing reducing from RMB32.95 million to RMB0.08 million.

In addition, the Board composition was adjusted after completion of the shareholding restructuring. The appointment of three new directors (one executive director and two non-executive directors were appointed in September 2007) enhanced the decision-making and supervision capabilities of the Board and improved the Group's level of corporate governance. It is expected that the joining of new Board members and the improved cooperation with new shareholders will bring new business opportunities and synergy for the Group in the years ahead.

During the year under review, the Group has committed to develop a large-scale electronic payment system which would be widely accepted and used in the PRC.

With effect from 11 December 2007, the Company's 60% subsidiary 武漢市公共交通票務管理有限公司 (Wuhan Traffic IC Card Management Company Ltd.) (the "WTC") has changed its name to 湖北鄂通卡系統有限公司 (Hubei "E-Tong-Ka" System Company Limited) (the " Hubei ETK"). The establishment of Hubei ETK has been approved by State-owned Assets Supervision & Administration Commission of Wuhan Municipal Government (武漢市國資委), Wuhan City Transportation Committee (武漢市交委), Wuhan Municipal Development and Reform Commission (武漢市發改委), Hubei Provincial Department of Commerce (湖北省商務廳) and Industrial & Commercial Administration Bureau of Hubei Province (湖北省工商局) as a company operating IC card applications and clearing system on public transportation in Hubei Province.

CHAIRMAN'S STATEMENT

To accommodate and support the comprehensive reform as advocated by the State Council of the PRC for developing "武漢城市圈 1+8 (Wuhan Cities Ring 1+8)" into a "Resources Saving and Environmentally Friendly Society" (兩型社會－資源節約型、環境友好型), the Group is going to launch the Hubei IC Card Project (湖北省一卡通工程) in Hubei Province. The Group plans to increase its capital investment in the development of "E-Tong-Ka" applications. Leveraging on its existing IC card applications and clearing system on public transportation, the Group will further expand and promote the strategy of One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用) in the whole Hubei Province:–

1. One-Card-Multiple-Use (一卡多用):– Existing IC card applications will be extended to various business areas including highways and bridges toll payments, taxi, parking meters, public utilities payments (such as gas, water and electricity, etc.), campus applications, business retails and self-serving purchases and etc.

2. Common Acceptance in Different Cities (異城通用):– Existing IC card system will be extended to the surrounding cities of Wuhan. The Group had already established the IC Card application subsystem in Xiantao (仙桃市) and Daye (大冶市) and will extend to the following cities, namely Huangshi (黃石市), Huanggang (黃岡市), Ezhou (鄂州市), Xiaogan (孝感市), Xianning (咸寧市), Tianmen (天門市) and Qianjiang (潛江市).

It is expected that "E-Tong-Ka" will become an IC card which is commonly owned and widely used by the people in the whole Hubei Province. Moreover, Hubei ETK will continue its commitment to further develop the Hubei "E-Tong-Ka" system into a large-scale electronic payment system generally accepted and used throughout the PRC.

FUTURE OUTLOOK

In 2008, the Chinese economy will maintain its relatively fast growth. Faced with both opportunities and challenges in the year of 2008, we have continued to improve our operational and management capabilities. Strategically, we will also speed up our business transformation and looking for growth and expansion opportunities which enable the Group to deliver long-term sustainable returns to shareholders.

APPRECIATION

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

CHIN YING HOI
Chairman

Beijing, the PRC
28 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately of RMB15.1 million (2006: RMB10.64 million), representing an increase of 41.6% over the last year. Loss attributable to shareholders amounted to RMB10.06 million (2006: RMB21.47 million), mainly attributed by depreciation of approximately RMB4.6 million, finance cost of approximately RMB1.3 million, research and development cost of approximately RMB1 million and impairment loss on inventories and receivables of approximately RMB0.5 million.

REVIEW OF OPERATION

1. 湖北鄂通卡系統有限公司 (Hubei "E-Tong-Ka" System Company Limited)

The Company's 60% subsidiary Hubei ETK continued its strong promotion and expansion of One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用) in Wuhan and the surrounding cities. The Hubei ETK's operating results were briefly summarized as follows:–

1. Transaction levies increased to approximately RMB7.9 million (2006: RMB4.3 million), representing 83.7% increase over the last year. Over 90% of IC card levies were derived from bus transport. Operating expenses amounted to RMB4.3 million, which was 10% lower as compared to last year;

2. Rental income from smart cards issued increased to approximately RMB2.5 million (2006: RMB1.1 million), representing 127.3% increase over the last year. Approximately 200,000 traffic IC cards were issued during the year, which was 11% lower as compared to last year.

3. Interest Income amounted to RMB0.53 million (2006: RMB0.2 million), representing an increase of 166.5% as compared to last year;

4. Advertising income amounted to RMB0.14 million (2006: RMB0.07 million), representing an increase of 100% as compared to last year;

The followings summarized the various operating performance of E-Tong-Ka for the year under review:–

1. IC card transaction amount increased to over RMB3 billion (2006: RMB2.65 billion), representing an increase of 13.2% as compared to last year;

2. Times of using traffic IC Cards increased to 1.86 billion times (2006: 1.72 billion), representing an increase of 8.1% as compared to last year;

3. Circulation of traffic IC cards increased steadily and the accumulated number of cards issued reached to approximately 2.3 million cards;

4. Recharging value stations increased to 450, including 286 POS at supermarkets, 113 24-hours automatic recharging machines in CITIC Bank and Bank of Communication, 26 POS at McDonald's, 19 recharging points at bus services stations and etc;

MANAGEMENT DISCUSSION AND ANALYSIS

5. To accommodate the increasing use of the cards, Hubei ETK had invested approximately RMB6 million to upgrade both the IC card hardware and software systems, including mainly the 6,300 readers installed on the bus and the other few thousand readers spread across the ferries, supermarkets, business retail shops and etc. The system upgrade commenced in third quarter of 2007 and was 80% completed. It is expected that the whole system upgrade project will be completed by May 2008;

6. The Hubei ETK had accumulated cash balance of over RMB40 million, which shows robust operation and cash flows of the company.

2. Sales of Electronic Car-parking Hardware and Software

Turnover for the sales of the hardware and software was approximately RMB4.2 million (2006: RMB5.1 million), representing a decrease of 17% as compared to last year. The drop was mainly due to severe price competition from other operators. During the year under review, the sales orders from existing customers in Guangzhou, Wuhan and Shanghai remained steady. Both the sales and gross profit of hardware and software had been increased progressively.

For years, the Group has been focusing on developing the electronic car-parking application in China and promoting the use of Jian e-parking smart cards. Zhengzhou Jian O'Yuan ITS Systems Company Limited, a wholly-owned subsidiary of the Group, is widely recognized as one of the leading electronic car-parking application provider in the market. Circulation of the Jian e-parking smart cards increased steadily and the accumulated number of e-parking smart cards issued already reached over 1.2 million spreading over 10 cities in the PRC.

To remain competitive and its leading position in the market, the Group emphases on product innovation and quality. The Group has co-operated with MISCO, a well-known Korea company specializing in intelligent transport system (ITS), to jointly develop advanced IC card and electronic carpaking equipment. The new JIAN-MISCO electronic parking meter and its software are already in the final stage of testing and will be put in use in the market soon.

FUTURE PROSPECT

1. Becoming the largest IC Card operator in the PRC

With effect from 11 December 2007, the Company's 60% subsidiary WTC has changed its name to Hubei ETK. On 21 January 2008, the Wuhan City Transportation Committee (武漢市交委) issued its consent to Hubei ETK for the application to the Ministry of Construction of the PRC (中國建設部) as a provincial-level testing centre for developing the Hubei Provincial "One-Card-Multiple-Uses" IC card system. On 12 March 2008, Hubei ETK has successfully entered into a Technology Management Agreement with the Application Service Centre of the Ministry of Construction of the PRC Government (建設部IC應用服務中心). Pursuant to the Technology Management Agreement, Hubei ETK commissioned the Application Service Centre to provide technology management services to upgrade the Hubei "E-Tong-Ka" system (湖北鄂通卡系統) for the purpose of implementing the Hubei IC Card Project (湖北省一卡通工程). The Board believes that, as a result, 鄂通卡 "E-Tong-Ka" will become an IC card which is commonly owned and widely used by the people in the Hubei Province.

MANAGEMENT DISCUSSION AND ANALYSIS

The Hubei IC Card Project (湖北省一卡通工程) has already been approved by Wuhan City Transportation Committee (武漢市交委) and Construction Department of Hubei Province (湖北省建設廳) and obtained the consent of Ministry of Construction of the PRC (中國建設部) for commissioning the Application Service Centre to provide technology management services.

The Application Service Centre is established by the Ministry of Construction of the PRC government for the development of the IC cards applications, management and technologies in the PRC. It is headed by State Golden Card Office (國家金卡辦) and Ministry of Construction of the PRC (中國建設部) and has established the standards for IC card technologies and quality controls and the related five-year development plan. The Board trusts that Hubei “E-Tong-Ka” system will have a demonstrative effect and be regarded as a national testing centre in the PRC for future IC card business development. The Board also believes that such development will be in the interest of the Company and its shareholders as a whole.

The Group plans to increase its capital investment in the development of “E-Tong-Ka” applications. Leveraging on its existing IC card applications and clearing system on public transportation, the Group will further expand and promote the One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用) in the whole Hubei Province. It is expected that “E-Tong-Ka” will become an IC card which is commonly owned and widely used by the people in the whole Hubei Province. Moreover, Hubei ETK will continue its commitment to further develop the Hubei “E-Tong-Ka” system into a large-scale electronic payment system generally accepted and used throughout the PRC.

Looking forward, the Hubei IC Card Project (湖北省一卡通工程) is going to become one of the Group’s core development front and the project itself will become one of the key income-generating component:–

1. Substantial increase in issue of new IC cards: Aggregate population of Wuhan Cities Ring 1+8 is over 20 million (Wuhan: approximately 8.6 million) and demand for new cards from the surrounding cities is very strong. Further, it is currently proposed that discount on bus fare should be allowed if passengers are using IC cards for payment for the purpose of promoting the use of IC cards. Negotiation is also in line with certain banks to issue joint brand cards. It is therefore expected that the number of cards to be issued in the coming years will increase several fold, thus driving up the growth of the Group’s earnings;

2. Substantial increase in transaction levies: IC card application will promptly be extended to highways and bridges toll payment, taxi and electronic car-parking. It will further be extended to other business application step by step in accordance with the Group’s marketing and development plan. Total levies will be increased tremendously in the coming years;

3. Substantial increase in interest income: Large amount of cash received from the issue of new cards is expected to generate significant interest income;

4. Substantial increase in advertising income: Past co-operation with banks to issue cards jointly proved to be a successful business promotion campaign. The Group plans to extend its co-operation with other banks to increase both the sale of cards income and the advertising income.

MANAGEMENT DISCUSSION AND ANALYSIS

2. **Becoming the largest electronic car-parking hardware and software provider**

Looking forward, the Group will continue to promote the use of the e-parking smart cards. By strengthening its research and development capabilities and sales effort, the Group is confident that its newly developed hardware and software products will be widely accepted by national car-parking operators and thus leading the Group to expand into other major cities of the PRC. Further, the Group will also focus on the following development in the coming years:-

- M&A of major car-parking operators enables the Group to secure a stable demand of our own products through this vertical integration;
- Promotion of the new electronic parking products, including exhibition campaign, enlarging the existing sales team and etc;
- Enhancing the quality of after sale service and functions of the products to avoid price war from other manufacturers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of approximately RMB40.45 million. The Group's gearing ratio was substantially reduced evidenced by total borrowing reducing from RMB32.95 million to RMB0.08 million.

CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets for the year ended 31 December 2007.

EXCHANGE RATE EXPOSURE

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

INCOME TAX

Details of the treatment of the Group's income tax expense for the year ended 31 December 2007 are set out in note 9 to the financial statements.

HUMAN RESOURCES

As at 31 December 2007, the Group had approximately 75 employees (2006: 65 employees) in the PRC and Hong Kong. The Group continues to remunerate its employees with reference to their performance, experience and the prevailing industry practice. The Group also provides provident fund benefits for its employees in Hong Kong and statutory retirement scheme for its employees in China. The Group recognizes the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge. The management will continue to monitor the human resources requirements of the Group

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2007.

SIGNIFICANT INVESTMENTS

The Group had no significant investment for the year ended 31 December 2007.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chin Ying Hoi, aged 46, is the chairman of the Group. Mr. Chin is responsible for the Group's overall strategic planning. 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 Beijing University and has over 17 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. Yang Guo Wei, aged 54, is an executive director and the chief executive officer of the Group and in charge of the Group's operation. Mr. Yang joined the Company in April 2004 and is responsible for the Group's overall management and business executions. He has more than 24 years experience in operation and management of various companies and had held senior position in these companies. Mr. Yang had been tertiary educated in the PRC, Japan and the USA.

Mr. Li Sui Yang, aged 51, is an executive director of the Group. Mr. Li joined the Group in October 1996 and is responsible for the Group's overall sales and marketing development. Mr. Li holds a master's degree of economic administration from North-west China University. Prior to that, he was a lecturer at Xian Statistics College. He also had over 14 years experience in retail, real estate and electronics industry in the PRC.

Mr. Fok Ho Yin Thomas, aged 37, is an executive director, the chief financial officer and company secretary of the Group. Mr. Fok joined the Group in September 2007 and is responsible for the Group's corporate finance activities, including merger and acquisitions, capital market activities, banking and investors' relationship. Mr. Fok also oversees the Group's finance and corporate secretarial function. Currently, he is also an independent non-executive director of Rising Development Holdings Limited, which shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Fok was previously the managing director of Chief Finance Limited which is 52% owned by two public companies listed on the Main Board of the Stock Exchange. Mr. Fok also served as the managing director of another finance company which is wholly-owned by a public company listed on the Main Board of the Stock Exchange. Prior to that, Mr. Fok had worked in the Listing Division of the Stock Exchange and has over 12 years of experience in the field of corporate finance specializing in equity financing and financial restructuring. Mr. Fok is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Fok is also a Chartered Financial Analyst.

Non-Executive Directors

Dr. Chow Pok Yu Augustine, aged 55, is a non-executive director of the Group and an executive director of Harmony Asset Limited, which shares are listed on the Main Board of the Stock Exchange, and a director of companies within the group of Harmony Asset Limited. He is also a director and controlling shareholder of Harmony Asset Management Limited which is the investment manager of Harmony Asset Limited. Dr. Chow holds a MSc from London Business School, a Ph.D. from University of South Australia, a Doctorate of Business Administration from Southern Cross University and an Engineering Doctorate from City University of Hong Kong. Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services and specializing in mergers and acquisitions.

Mr. Hu Hai Yuan, aged 37, is a non-executive director of the Group and currently works in Oriental Patron Asia Limited engaging principally in corporate finance advisory work. Prior to that, he served as an Engineer of Anshan Steel Group Limited in China. Mr. Hu has over 10 years of experience in the field of corporate finance specialising in corporate restructuring and financing. Mr. Hu holds a Master degree in business administration from Renmin University of China and a Bachelor degree in Mechanic Engineering from Dalian University of Technology.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Independent non-executive Directors

Mr. Qu Xiao Guo, aged 37, holds a master's degree in business administration from The Tsinghua University. He is the general manager of Beijing Long An Xin Finance Consulting Company Limited. He was appointed as independent non-executive director on 28 September 2004.

Mr. Zhang Xiao Jing, aged 53, 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, aged 61, 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 26 October 2001.

SENIOR MANAGEMENT

Mr. Chen Chun Long, aged 33, is the Group's financial controller. Mr. Chen joined the Group in October 2005. He is a member of Hong Kong Institute of Certified Public Accountants. Prior to that, he was the financial controller of a listed company with eight years' experience in auditing, accounting and finance. He holds a master's degree in banking and finance from University of Stirling.

Mr. Chen Wei Min, aged 51, is the Group's vice president and the general manager of Zhengzhou Jian-O' Yuan ITS Systems Co. Ltd. Mr. Chen joined the Group in October 2007 and is responsible for the Group's overall R&D and factory production. He graduated from Xidian University with a bachelor degree, titled professor. He was the deputy director of No.27 Electronic Research Institute of Ministry of Information Industry, the general manager of 中智交通電子集團公司. He has over 20 years' experience in R&D in electronic industry of China.

Mr. Liu Shi Jie, aged 52, is the Group's vice president and the general manager of E-Tong-Ka. Mr. Liu joined the Group in July 2006 and is responsible for the overall management and business development of E-Tong-Ka. He holds a master's degree in economics from Huazhong University of Science and Technology. Prior to that he served as deputy general manager of 武漢市公共汽車總公司 and has over 23 years experience in large-scale public transport enterprise in Wunan.

Ms. Ang Lai Kuen, aged 41, is the Group's financial controller since June 2005. She resigned on 5 February 2008. Ms. Ang has over 16 years of experience in auditing, accounting and financial management. She is a Certified Public Accountant (Practising), fellow member of the Association of Chartered Certified Accountants and an associate member of both Chartered Institute of Management Accountants and Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited accounts of Jian ePayment Systems Limited for the year ended 31 December 2007.

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 IC and smart cards back end electronic receipt/payment and data recording and processing software system in PRC.

An analysis of the Group's turnover by product category for the year ended 31 December 2007 is as follows:

	2007	2006
	RMB'000	*RMB'000*
Sales of hardware and software	**4,240**	5,107
Transaction levies	**7,958**	4,337
Rental income from smart cards issued	**2,530**	1,121
Advertising income	**139**	71
Sales of key holders	**193**	–
Total	**15,060**	10,636

For the year ended 31 December 2007, substantially all the turnover and revenue of the Group were attributable to the sales of hardware and software 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 income statement on page 25.

The Board 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 23 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 21 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company has no reserve (2006: Nil) available for distribution to its shareholders.

REPORT OF THE DIRECTORS

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 five financial years is set out on page 68.

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.

SHARE OPTIONS

On 13 March 2008, the share option scheme adopted by the Company on 19 November 2001 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted during the life of the Old Scheme will continue to be exercisable in accordance with their terms of issue and the provisions of Chapter 23 of the GEM Listing Rules. The purpose of the New Scheme is to reward persons who have contributed to the Group and/or provide an incentive to them to contribute to the Group.

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

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

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

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

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

REPORT OF THE DIRECTORS

As end to the 16 August 2007, all the granted but never exercised options of the Group on 31 May 2002 and 16 August 2002 under the Scheme are lapsed and cancelled automatically according to the Old Scheme.

DIRECTORS

The directors during the year were:

Executive Directors:

Mr. Chin Ying Hoi *(Chairman)*
Mr. Yang Guo Wei *(Chief Executive officer)*
Mr. Li Sui Yang
Mr. Fok Ho Yin Thomas *(was appointed Executive Director on 1 September 2007)*

Non-executive Directors:

Dr. Chow Pok Yu Augustine *(was appointed Non-Executive Director on 1 September 2007)*
Mr. Hu Haiyuan *(was appointed Non-Executive Director on 1 September 2007)*

Independent Non-executive Directors:

Mr. Qu Xiao Guo
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 SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for the related party transactions set out in Note 28 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or its fellow subsidiaries was a party and in which a director, controlling shareholder or management staff of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 11 to 12.

REPORT OF THE DIRECTORS

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 December 2007, the interest of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Aggregate long positions in shares

	Number of ordinary shares			Percentage
Director	Personal interests	Corporate interests	Total number of Shares held	of issued share capital
Mr. Chin Ying Hoi	100,000,000	286,800,000 shares *(Note 1)*	386,800,000	43.22%

Note 1: These shares were held through Union Perfect International Limited, which is beneficially owned as to 100% by Mr. Chin Ying Hoi.

As at 31 December 2007, none of the Directors held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated companies.

SHARE OPTION SCHEME

Pursuant to the Company's Share Option Scheme adopted by the Company on 19 November 2001, the directors of the Company have been granted share options to subscribe for shares in the Company of HK$0.05 each for a consideration of HK$1. As at 31 May 2007, all the share options are lapsed and cancelled automatically.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed herein, at no time during the period was the Company, its subsidiaries or holding company a party to any arrangements to enable any of the Company's directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDER OF THE COMPANY

As at 31 December 2007, the following substantial shareholder and person (other than a director or chief executive of the Company) who have interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Aggregate long positions in shares

Name of Shareholder	Number of shares held	Percentage of shareholding
Chin Ying Hoi	100,000,000	11.17%
Union Perfect International Limited *(Note1)*	286,800,000	32.04%
Mr. Meng Kin Keung	137,000,000	15.31%

Note 1: Union Perfect International Limited is beneficially owned as to 100% by Mr. Chin Ying Hoi.

As at 31 December 2007, none of the above-listed substantial shareholders held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

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	14%
– five largest suppliers combined	58%
Sales	
– the largest customer	40%
– five largest customers combined	99%

REPORT OF THE DIRECTORS

As at 31 December 2007, a director of the Company had interests in the following customers of the Group:

Director	Name of customers	Interests held
Mr. Chin Ying Hoi	Weihai TianChuang Electronic System Co., Ltd.	20%
Mr. Chin Ying Hoi	Beijing Huapu Roadside Parking Facilities Construction and Management Co., Ltd.	80%
Mr. Chin Ying Hoi	Shanghai Bai Yu Lan Intelligent Transportation System Management Co., Ltd.	40%

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 an interest in the Company's five largest customers and five largest suppliers.

CONNECTED TRANSACTIONS

The significant related party transactions entered by the Group during the year ended 31 December 2007, which constitute connected transactions under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), are disclosed in Note 28 to the financial statements.

COMPLIANCE WITH RULES 5.34 AND 5.45 OF THE GEM LISTING RULE

The directors consider that the Company has complied with the board practice and procedures as set out in Rules 5.34 and 5.45 of the GEM Listing Rule throughout the year ended 31 December 2007.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

The text of Corporate Governance Report is set out on page 19 to 23 of this annual report.

COMPETING INTERESTS

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

AUDITOR

These accounts have been audited by Messrs RSM Nelson Wheeler.

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

Beijing, the PRC
28 March 2008

CORPORATE GOVERNANCE REPORT

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintaining high level of business ethics and corporate governance practices.

The Company has complied with the code of corporate governance practice (the " Code of Corporate Governance") as set out in Appendix 15 of the GEM Listing Rule throughout the year. The Board of the Company (the "Board") will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

BOARD OF DIRECTORS

Composition

The Board of the Company comprises 9 directors. Mr. Chin Ying Hoi serves as Chairman of the Board while Mr. Yang Guo Wei assumes the position as Chief Executive Officer of the Company. The other executive directors are Mr. Li Sui Yang and Mr. Fok Ho Yin Thomas. Two non-executive directors are Dr. Chow Pok Yu Augustine, Mr. Hu Hai Yuan and three independent non-executive directors are Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.

Members of the Board are all outstanding professions in their areas with high-level professional ethic and dignity. For biographical details of the Directors, please refer to pages 11 to 12 of the Annual Report.

Pursuant to Rule 5.09 of the GEM Listing Rules, each independent non-executive Directors of the Company has submitted his annual confirmation letter to confirm that they are independent and all independent non-executive Directors are considered by the Company to be independent. For details of the service contract of each independent non-executive Directors, please refer to the section headed "Directors' Service Contracts" of the Report of the Directors.

There is no relationship (including financial, business, family or other material relationship) among members of the Board.

Pursuant to the Articles of Association of the Company, the directors shall retire from office by rotation at least once every three years at an annual general meeting of the Company and they are eligible for re-election and re-appointment.

When necessary to discuss significant issues, including repurchase of shares and investment in an associate during the year, all directors are given an opportunity to include matters in the agenda for Board meetings.

CORPORATE GOVERNANCE REPORT

Attendance of individual directors at Board meetings in 2007

During the year, the Board had convened 6 meetings. The following table sets out the attendance of each director at the Board meetings during the year:

Name of Director	Attendance/No. of times of Board meetings held
Mr. Chin Ying Hoi	6/6
Mr. Yang Guo Wei	6/6
Mr. Li Sui Yang	6/6
Mr. Fok Ho Yin Thomas *(appointed executive director on 1 September 2007)*	3/6
Dr. Chow Pok Yu Augustine *(appointed non-executive director on 1 September 2007)*	2/6
Mr. Hu Hai Yuan *(appointed non-executive director on 1 September 2007)*	2/6
Mr. Qu Xiao Guo	5/6
Mr. Zhang Xiao Jing	4/6
Ms. Tung Fong	4/6

Function

The Board of the Company is responsible for devising the Company's overall objectives and strategies, monitoring and evaluateing its operating and financial performance, and reviewing the corporate governance standard of the Company. It also decides on matters such as quarter, interim and annual results, investments, director appointments or re-appointments and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Chairman and the senior management.

Mr. Chin Ying Hoi is a shareholder of the Company. The disclosure of his interests is set out in the section headed "Disclosure of Directors' Interests" of the Report of the Directors.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is segregation of duties between Chairman Mr. Chin Ying Hoi's and CEO Mr. Yang Guo Wei's role. The segregation of duties ensures balance of power between the Board and the Group' management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by other executive directors, is responsible for the day-today management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.

The primary duties of the audit committee are to review the quarter, semi-annual and annual financial information of the Company and to provide supervision over the financial reporting system and internal control procedure of the Company.

The audit committee convened 4 meetings during the year and reviewed the financial results and statements, financial reporting and compliance procedures, review and processes of risk management.

The following table sets out the attendance of each member of the audit committee at the audit committee meetings held during the year:

Name of Director	Attendance/No. of times of committee meetings held
Mr. Qu Xiao Guo	4/4
Mr. Zhang Xiao Jing	4/4
Ms. Tung Fong	4/4

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

CORPORATE GOVERNANCE REPORT

DIRECTOR'S RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that the judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

REMUNERATION COMMITTEE

The remuneration committee was set up by the Board and comprised two non-executive directors and three independent non-executive directors, namely, Dr. Chow Pok Yu Augustine, Mr. Hu Hai Yuan, Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and senior management. The remuneration committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

There was one remuneration committee meeting held during the year, the agenda of which included the remuneration policy for year 2007 and 2008, the proposed salary increment for Board members and senior management. All members of the remuneration committee were present.

NOMINATION OF DIRECTORS

The Board has not established a nomination committee. Pursuant to the Articles of Association of the Company, the Board has the right to nominate anyone as director anytime and from time to time to fill up the casual vacancy or appoint additional directors to expand the designation of existing members. In considering the nomination of a new director, the Board takes into account the candidate's qualification, ability and contribution he may have to the Company. The Board nominated Mr. Fok Ho Yin Thomas as executive director of the Company and Dr. Chow Pok Yu Augustine and Mr. Hu Hai Yuan as non-executive directors on 1 September 2007. Such nominations were considered and approved at a board meeting attended by all the executive directors. During the year, there was no removal or resignation of directors.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

CORPORATE GOVERNANCE REPORT

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for demanding a poll has been included in circulars accompanying notice convening a general meeting and such procedure has been read out by the chairman of the general meeting.

At the 2007 Annual General Meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. The Chairmen of the Board of directors, the Audit Committee and the Remuneration Committee had attended the 2007 Annual General Meeting to answer questions of shareholders.

EX-SPONSOR'S INTEREST

The interests of Oriental Patron Asia Limited ("Oriental Patron"), its directors, employees or associates (as referred in note 3 to Rule 6.35 of the GEM Listing Rules) are interested in 13,200,000 shares of the Company.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the standard for transactions stipulated in Rule 5.48 to 5.67 of the GEM Listing Rules as Directors' model code for securities transaction.

Having made specific enquiry with all directors, each of them confirms that he has complied in full with the Model Code regarding directors' securities transactions throughout the year.

GOING CONCERN

The directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial reports.

INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's internal control system. During the year, the Board has conducted a review on the internal control system and was satisfied with the effectiveness of the system.

EXTERNAL AUDITORS

The Company has appointed Messrs RSM Nelson Wheeler ("RSM") as the Company's external auditors. The external auditors are mainly responsible for apply audit services of annual consolidated financial statements. During the year, a fee of approximately RMB772,000 was payable to Messrs RSM Nelson Wheeler, RMB772,000 of which was related to the audit services but not non-audit services.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

INDEPENDENT AUDITOR'S REPORT

To The Shareholders Of
JIAN ePAYMENT SYSTEMS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jian ePayment Systems Limited (the "Company") set out on pages 25 to 67, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
28 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	**2007** **RMB'000**	2006 RMB'000
Turnover	6	**15,060**	10,636
Cost of sales and service rendered		**(6,017)**	(4,029)
Gross profit		**9,043**	6,607
Other income	6	**2,901**	5,277
Distribution costs		**(673)**	(172)
Administrative expenses		**(21,760)**	(20,451)
Impairment loss on goodwill		**–**	(12,696)
Loss from operations		**(10,489)**	(21,435)
Finance costs	8	**(1,294)**	(813)
Loss before tax		**(11,783)**	(22,248)
Income tax expense	9	**–**	(125)
Loss for the year	7	**(11,783)**	(22,373)
Attributable to:			
Equity holders of the Company		**(10,060)**	(21,477)
Minority interests		**(1,723)**	(896)
		(11,783)	(22,373)
Loss per share			
Basic	11	**(RMB0.016)**	(RMB0.054)
Diluted	11	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	13	**10,819**	10,832
Deposit paid for acquisition of property, plant and equipment		**4,098**	–
		14,917	10,832
Current assets			
Inventories	14	**1,687**	2,390
Trade and other receivables	15	**26,006**	22,260
Due from a related company	28	**20**	20
Due from a director	16	**61**	–
Bank and cash balances	17	**40,451**	41,803
		68,225	66,473
Current liabilities			
Trade and other payables	18	**66,037**	62,798
Due to a related company	28	**10**	10
Deposits from customers		**4,809**	4,592
Due to a director	19	**80**	30,438
Other loan		**–**	2,519
		70,936	100,357
Net current liabilities		**(2,711)**	(33,884)
NET ASSETS/(LIABILITIES)		**12,206**	(23,052)
Capital and reserves			
Share capital	21	**45,237**	21,208
Reserves	23	**(37,947)**	(50,899)
Equity attributable to equity holders of the Company		**7,290**	(29,691)
Minority interests		**4,916**	6,639
TOTAL EQUITY		**12,206**	(23,052)

Approved by the Board of Directors on 28 March 2008

Chin Ying Hoi *Director*	**Yang Guo Wei** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company								
	Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Accumulated losses RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	21,208	1,476	6,304	2,870	1,435	(41,507)	(8,214)	–	(8,214)
Loss for the year and total recognised income and expense for the year	–	–	–	–	–	(21,477)	(21,477)	(896)	(22,373)
Acquisition of a subsidiary	–	–	–	–	–	–	–	7,535	7,535
At 31 December 2006	21,208	1,476	6,304	2,870	1,435	(62,984)	(29,691)	6,639	(23,052)
At 1 January 2007	21,208	1,476	6,304	2,870	1,435	(62,984)	(29,691)	6,639	(23,052)
Share issue expenses paid and net expenses recognised directly in equity	–	(1,019)	–	–	–	–	(1,019)	–	(1,019)
Loss for the year	–	–	–	–	–	(10,060)	(10,060)	(1,723)	(11,783)
Total recognised income and expense for the year	–	(1,019)	–	–	–	(10,060)	(11,079)	(1,723)	(12,802)
Issue of shares for loan capitalisation *(note 21(a))*	7,039	7,040	–	–	–	–	14,079	–	14,079
Issue of shares on placement *(note 21(b))*	16,990	16,991	–	–	–	–	33,981	–	33,981
	24,029	24,031	–	–	–	–	48,060	–	48,060
At 31 December 2007	45,237	24,488	6,304	2,870	1,435	(73,044)	7,290	4,916	12,206

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(11,783)**	(22,248)
Adjustments for:			
Depreciation		**4,599**	4,413
Impairment loss on property, plant and equipment		**–**	1,201
Impairment loss on goodwill		**–**	12,696
Impairment loss on inventories		**320**	526
Impairment loss on trade and other receivables		**187**	–
Property, plant and equipment written off		**23**	6
Interest income		**(533)**	(200)
Reversal of impairment loss on trade and other receivables		**(592)**	(3,717)
Bad debts written off		**1**	6
Inventories written off		**85**	74
Trade payables written back		**(198)**	(304)
Loss on disposal of property, plant and equipment		**21**	–
Finance costs		**1,294**	813
Operating loss before working capital changes		**(6,576)**	(6,734)
Increase in deposits from customers		**217**	2,221
Decrease/(increase) in inventories		**298**	(242)
(Increase)/decrease in trade and other receivables		**(3,326)**	5,436
Increase in trade and other payables		**5,164**	2,430
Cash (used in)/generated from operations		**(4,223)**	3,111
Interest paid		**(1,463)**	(410)
Income taxes paid		**–**	(125)
Net cash (used in)/generated from operating activities		**(5,686)**	2,576
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	25	**–**	15,101
Purchases of property, plant and equipment		**(4,646)**	(3,110)
Deposit paid for acquisition of property, plant and equipment		**(4,098)**	–
Interest received		**533**	200
Net cash (used in)/generated from investing activities		**(8,211)**	12,191

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 *RMB'000*	2006 *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other loan		**–**	(2,393)
Advances from directors		**51**	24,124
Repayments to a director		**(20,468)**	–
Share issue expenses paid		**(1,019)**	–
Proceeds from issue of shares		**33,981**	–
Net cash generated from financing activities		**12,545**	21,731
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,352)**	36,498
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**41,803**	5,305
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**40,451**	41,803
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**40,451**	41,803

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681, GT George Town, Grand Cayman, British West Indies. The address of its principal place of business is 23/F, Yue Hing Building, No. 103 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2007, Union Perfect International Limited, a company incorporated in the British Virgin Islands, is the immediate and ultimate parent and Mr. Chin Ying Hoi is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

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

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) **Foreign currency translation**

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(c) **Foreign currency translation** *(Continued)*

(iii) *Translation on consolidation (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

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

	Residual value	Annual depreciation rate
Leasehold improvements	–	20%
Machineries	0%-10%	14%-33%
Office equipment	0%-10%	15%-20%
Motor vehicles	–	20%
Computer equipment	–	20%
Smart cards	–	25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Trade and other receivables *(Continued)*

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(o) **Revenue recognition** *(Continued)*

Revenue from the 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 arrangements exists, collection of the receivable is probable and no significant post-delivery obligations remain.

Transaction levies are recognised on an accrual basis based on certain percentage of revenue generated from the operations of electronic receipt/payment system as individually determined between the Group and the customers.

Rental income from smart cards issued is recognised on a straight-line basis over four years for deposit received in connection with smart card issued.

Advertising income is recognised on an accrual basis in accordance with the terms and conditions of the agreement.

Revenue from the sales of key holders are recognised on the transfer of significant risk and rewards of ownership, which generally concides with the time when the goods are delivered and the title has passed to customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) **Employee benefits**

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

(t) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(u) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, inventories, trade and other receivables and bank and cash balances. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(w) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Impairment of assets *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(y) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment

The management of the Group tests annually whether property, plant and equipment have suffered any impairment. The recoverable amounts of cash-generating units in connection with the property, plant and equipment have been determined on the value-in-use calculation and estimated net selling price. These calculations require uses of estimate.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

5. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit quality of the counterparties in respect of trade and other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and PRC large state-controlled banks.

Liquidity risk

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

The maturity of the Group's financial liabilities at the balance sheet date is less than one year.

Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits only. As the interest income generated from such bank deposits is insignificant, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

(a) Turnover

The Group's turnover which represents sales of goods to customers, revenue from transaction levies, rental income from smarts cards issued, advertising income and sales of key holders are as follows:

	2007	2006
	RMB'000	*RMB'000*
Sales of hardware and software	**4,240**	5,107
Transaction levies	**7,958**	4,337
Rental income from smart cards issued	**2,530**	1,121
Advertising income	**139**	71
Sales of key holders	**193**	–
	15,060	10,636

Turnover analysed by categories of customers are as follows:

	2007	2006
	RMB'000	*RMB'000*
To related companies *(Note 28(b)(i))*	**465**	1,167
To independent third parties	**14,595**	9,469
	15,060	10,636

(b) Other income

	2007	2006
	RMB'000	*RMB'000*
Profit on sales of smart cards *(Note (ii))*	**412**	574
Subsidy income – Value added tax ("VAT") refund *(Note (i))*	**182**	–
Interest income	**533**	200
Reversal of impairment loss on trade and other receivables	**592**	3,717
Trade payables written back	**198**	304
Repairs and maintenance services income	**505**	–
Others	**479**	482
	2,901	5,277

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

6. **TURNOVER, OTHER INCOME AND SEGMENT INFORMATION** *(Continued)*

(b) **Other income** *(Continued)*

(i) Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ("Jian-O'Yuan") is subject to output VAT on its sales in the PRC, 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.

(ii) The profit on sales of smart cards represented the difference between the net sales proceeds of RMB878,000 (2006: RMB1,486,000) and the relevant cost of RMB466,000 (2006: RMB912,000).

(c) **Segment information**

(i) Primary reporting format – business segments

The Group conducts its business within one business segment – the development and operation of IC and smart cards back end electronic receipt/payment and data recording and processing software systems; and manufacturing and distribution of the associated commercial applications in the PRC.

(ii) Secondary reporting format – geographical segments

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

Southern China
Northern China
Central China
Eastern China

	Revenue		**Total assets**		**Capital expenditure**	
	2007	2006	**2007**	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Southern China	**6,275**	4,395	**5,555**	1,479	**80**	115
Northern China	**115**	38	**1,792**	1,468	**–**	14
Central China	**10,416**	7,041	**5,859**	74,358	**4,566**	26,337
Eastern China	**298**	1,130	**69,936**	–	**–**	–
	17,104	12,604	**83,142**	77,305	**4,646**	26,466

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

7. LOSS FOR THE YEAR

The Group's loss for the year is stated at after charging the following:

	2007	2006
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment *(Note 13)*	**4,599**	4,413
Impairment loss on property, plant and equipment included in administrative expenses *(Note 13)*	**–**	1,201
Staff costs		
– Directors' remuneration *(Note 12)*	**2,575**	1,969
– Salaries and wages	**5,522**	3,512
– Retirement benefits scheme contributions	**931**	714
	9,028	6,195
Cost of inventories sold	**4,538**	3,520
Operating lease charges	**752**	562
Auditor's remuneration		
– Current	**772**	600
– Under-provision in prior year	**20**	–
	792	600
Research and development costs	**976**	674
Loss on disposal of property, plant and equipment	**21**	–
Property, plant and equipment written off	**23**	6
Bad debts written off	**1**	6
Inventories written off	**85**	74
Impairment loss on inventories	**320**	526
Impairment loss on trade and other receivables	**187**	–

Cost of inventories sold includes staff costs, depreciation, inventories written off, impairment loss on inventories and operating lease charges of approximately RMB2,461,000 (2006: RMB1,725,000) which are included in the amounts disclosed separately above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

8. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest on loans wholly repayable within five years:		
– other loan	**125**	421
– loan from a director *(Note 28(b)(vii))*	**1,169**	392
	1,294	813

9. INCOME TAX EXPENSE

	2007	2006
	RMB'000	*RMB'000*
Current tax – PRC		
Provision for the year	**–**	125

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong are required as the Group has no assessable profit arising in or derived from those jurisdictions for the year ended 31 December 2007 (2006: Nil).

The tax rate applicable to the PRC subsidiaries in the Group were 18% to 33% during the year (2006: 10.5% to 33%). However, no provision was made for the year ended 31 December 2007 as the subsidiaries had no assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

9. INCOME TAX EXPENSE *(Continued)*

The reconciliation between the income tax expense and the product of loss before tax multipled by PRC enterprise income tax is as follows:

	2007	2006
	RMB'000	*RMB'000*
Loss before taxation	**(11,783)**	(22,248)
Calculated at the PRC statutory tax rate of 33%	**(3,888)**	(7,342)
Tax effect of different tax rate	**1,040**	2,489
Tax effect of tax preferential period	**–**	(853)
Tax effect of utilisation of tax losses not previously recognised	**(420)**	–
Tax effect of expenses that are not deductible in determining taxable profit	**2,206**	629
Tax effect of temporary differences not recognised	**–**	4,417
Tax effect of tax losses not recognised due to uncertainty on future profit streams	**1,167**	792
Tax effect of income that are not taxable in determining taxable profit	**(105)**	(7)
Income tax expense	**–**	125

The details of unprovided deferred taxation as at 31 December 2007 were stated in note 26.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprise at 25%. The new tax law is effective from 1 January 2008.

10. DIVIDEND

No dividend had been paid or declared by the Company during the year (2006: Nil).

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately RMB10,060,000 (2006: approximately RMB21,477,000) and the weighted average number of ordinary shares of 615,630,000 (2006: 400,000,000) in issue during the year.

Diluted loss per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' remuneration paid or payable to each of the nine (2006: seven) directors were as follows:

Year ended 31 December 2007	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Chin Ying Hoi	116	752	39	907
Mr. Yang Guo Wei	116	472	46	634
Mr. Li Sui Yang	116	453	23	592
Mr. Fok Ho Yin, Thomas *(Note (a))*	47	200	5	252
Non-executive directors				
Dr. Chow Pok Yu Augustine *(Note (a))*	38	–	–	38
Mr. Hu Hai Yuan *(Note (a))*	38	–	1	39
Independent non-executive directors				
Mr. Zhang Xiao Jing	77	–	2	79
Ms. Tung Fong	77	–	2	79
Mr. Qu Xiao Guo	73	–	2	75
	698	1,877	120	2,695

Note: (a) Appointed on 1 September 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' remuneration paid or payable to each of the nine (2006: seven) directors were as follows: *(Continued)*

Year ended 31 December 2006	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Chin Ying Hoi	92	650	32	774
Mr. Yang Guo Wei	72	456	31	559
Mr. Li Sui Yang	72	417	31	520
Mr. Liu De Fu *(Note (a))*	18	–	–	18
Independent non-executive directors				
Mr. Zhang Xiao Jing	66	–	–	66
Ms. Tung Fong	66	–	–	66
Mr. Qu Xiao Guo	60	–	–	60
	446	1,523	94	2,063

Note: (a) Resigned on 1 February 2006.

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2007 and 2006.

The five highest paid individuals in the Group during the year include three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2006: two) individuals are set out belows:

	2007 ***RMB'000***	2006 *RMB'000*
Basic salaries and benefits	**970**	887
Contributions to pensions schemes	**23**	43
	993	930

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

	Number of individuals **2007**	2006
HK$Nil – HK$1,000,000	**5**	5

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Machineries	Office equipment	Motor vehicles	Computer equipment	Smart cards	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2006	92	26,275	664	–	–	–	27,031
Additions	392	1,266	360	354	196	542	3,110
Disposals/write off	–	–	(22)	–	–	(64)	(86)
Acquired on acquisition of a subsidiary	–	5,785	101	490	656	3,628	10,660
At 31 December 2006 and 1 January 2007	**484**	**33,326**	**1,103**	**844**	**852**	**4,106**	**40,715**
Additions	**63**	**2,243**	**280**	**415**	**529**	**1,116**	**4,646**
Disposals/write off	**(3)**	**(1,888)**	**(406)**	**–**	**(25)**	**(544)**	**(2,866)**
At 31 December 2007	**544**	**33,681**	**977**	**1,259**	**1,356**	**4,678**	**42,495**
Accumulated depreciation and impairment							
At 1 January 2006	92	23,872	385	–	–	–	24,349
Charge for the year	19	3,238	109	70	118	859	4,413
Elimination on disposals/ write off	–	–	(16)	–	–	(64)	(80)
Impairment loss	–	1,201	–	–	–	–	1,201
At 31 December 2006 and 1 January 2007	**111**	**28,311**	**478**	**70**	**118**	**795**	**29,883**
Charge for the year	**93**	**1,962**	**188**	**228**	**355**	**1,773**	**4,599**
Elimination on disposals/ write off	**(3)**	**(1,870)**	**(369)**	**–**	**(20)**	**(544)**	**(2,806)**
At 31 December 2007	**201**	**28,403**	**297**	**298**	**453**	**2,024**	**31,676**
Carrying amount							
At 31 December 2007	**343**	**5,278**	**680**	**961**	**903**	**2,654**	**10,819**
At 31 December 2006	373	5,015	625	774	734	3,311	10,832

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

14. INVENTORIES

	2007 RMB'000	2006 RMB'000
Raw materials	**510**	185
Work in progress	**99**	587
Finished goods	**1,078**	1,618
	1,687	2,390

15. TRADE AND OTHER RECEIVABLES

	Note	2007 RMB'000	2006 RMB'000
Trade receivables	(a)	**3,777**	1,513
Trade deposits		**14,391**	14,391
Prepayments and other deposits	(b)	**1,932**	1,785
Other receivables	(c)	**5,906**	4,571
		26,006	22,260

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit period granted to the customers generally range from 7 to 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the invoice date, is as follows:

	2007 RMB'000	2006 RMB'000
0-30 days	**2,321**	466
31-60 days	**141**	256
61-90 days	**130**	53
91-120 days	**132**	83
121-180 days	**205**	66
181-365 days	**29**	149
Over 365 days	**3,062**	3,276
	6,020	4,349
Allowance for impairment losses	**(2,243)**	(2,836)
	3,777	1,513

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

15. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

The movement in the allowance for impairment losses of trade receivables are as follows:

	2007	2006
	RMB'000	*RMB'000*
At 1 January	**2,836**	6,743
Impairment loss recognised	**29**	–
Amounts recovered during the year	**(328)**	(3,717)
Uncollectible amounts written off	**(294)**	(190)
At 31 December	**2,243**	2,836

The allowance for impairment losses was made for the impaired trade receivables which mainly relate to past due payments from customers and management considered that the trade receivables is expected not to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

As of 31 December 2007, trade receivables of approximately RMB3,101,000 (2006: RMB1,308,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
Up to 3 months	**1,916**	570
3 to 6 months	**337**	149
Over 6 months	**848**	589
	3,101	1,308

(b) Prepayments and other deposits

	2007	2006
	RMB'000	*RMB'000*
Enterprises income tax refundable	**1,418**	1,418
Prepayments to suppliers	**50**	32
Others	**464**	335
	1,932	1,785

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

15. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Other receivables

	2007	2006
	RMB'000	*RMB'000*
Advances to staff	**207**	81
VAT receivable	**–**	241
Temporary receipts by business associates on behalf of the Group	**5,666**	3,594
Others	**33**	655
	5,906	4,571

16. DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance is as follows:

Name	**Terms of loan**	**Balance at 31 December 2007**	**Balance at 1 January 2007**	**Maximum amount outstanding during the year**
		RMB'000	*RMB'000*	*RMB'000*
Mr. Fok Ho Yin, Thomas	Unsecured, repayable on demand and interest-free	61	–	61

17. BANK AND CASH BALANCES

As at 31 December 2007, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately RMB35,337,000 (2006: RMB40,877,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

18. TRADE AND OTHER PAYABLES

		2007	2006
	Note	***RMB'000***	*RMB'000*
Trade payables	(a)	**1,539**	1,770
Other payables	(b)	**64,498**	61,028
		66,037	62,798

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

18. TRADE AND OTHER PAYABLES *(Continued)*

(a) Trade payables

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

	2007 *RMB'000*	2006 *RMB'000*
0-30 days	**385**	300
31-60 days	**64**	–
61-90 days	**3**	–
181-365 days	**12**	13
Over 365 days	**1,075**	1,457
	1,539	1,770

(b) Other payables

	2007 *RMB'000*	2006 *RMB'000*
Business tax payable	**131**	92
Interest payable	**203**	559
VAT payable	**201**	–
Provision for staff and workers' bonus and welfare fund	**817**	817
Accruals for operating expenses	**4,284**	7,713
Salary and welfare payables	**129**	478
Deposits received from the holders of smart cards	**49,926**	42,626
Amount due to minority shareholder	**80**	94
Others	**8,727**	8,649
	64,498	61,028

19. DUE TO A DIRECTOR

	2007 *RMB'000*	2006 *RMB'000*
Due to a director		
– interest bearing	**–**	24,080
– non-interest bearing	**80**	6,358
	80	30,438

The amounts due are unsecured and repayable on demand or within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

20. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

21. SHARE CAPITAL

	Note	Number of shares	Nominal value	
			HK$'000	RMB'000
Authorised:				
Ordinary shares of HK$0.05				
At 31 December 2006 and 2007		1,200,000,000	60,000	63,624
Issued and fully paid:				
Ordinary shares of HK$0.05				
At 31 December 2006 and at 1 January 2007		400,000,000	20,000	21,208
Issue of shares for loan capitalisation	(a)	145,000,000	7,250	7,039
Issue of shares on placement	(b)	350,000,000	17,500	16,990
At 31 December 2007		895,000,000	44,750	45,237

Notes:

(a) On 7 March 2007 and 6 June 2007, the Company entered into the loan capitalisation agreements and the supplemental agreements respectively with the Company's creditors, Chief Finance Limited and Oriental Patron Asia Limited, and the Company's director, Mr. Chin Ying Hoi, (hereinafter collectively referred to as the "Creditors") to subscribe an aggregate of 145,000,000 new shares of the Company at a subscription price of HK$0.10 each by capitalising the loans of HK$14,500,000 (equivalent to RMB14,079,000) owed by the Company to the Creditors. The loan capitalisation was completed on 26 July 2007 and the premium on the issue of shares of approximately RMB7,040,000 was credited to the Company's share premium account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

21. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) On 7 March 2007 and 6 June 2007, the Company and Oriental Patron Asia Limited entered into a placing agreement and a supplemental agreement respectively in respect of the placement of 350,000,000 new shares of the Company to independent investors at a placing price of HK$0.10 per share. The placement was completed on 26 July 2007 and the premium on the issue of shares of approximately RMB15,972,000, net of share issue expenses, was credited to the Company's share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2007, 57% (2006: 28%) of the shares were in public hands.

22. BALANCE SHEET OF THE COMPANY

	2007	2006
	RMB'000	*RMB'000*
Property, plant and equipment	**106**	37
Investments in subsidiaries	**–**	–
Trade and other receivables	**273**	103
Due from subsidiaries	**8,936**	12,156
Due from a director	**61**	–
Bank and cash balances	**5,104**	730
Trade and other payables	**(3,404)**	(7,131)
Due to subsidiaries	**(3,704)**	(3,534)
Due to a director	**(80)**	(29,081)
Other loan	**–**	(2,519)
NET ASSETS/(LIABILITIES)	**7,292**	(29,239)
Share capital	**45,237**	21,208
Reserves	**(37,945)**	(50,447)
TOTAL EQUITY	**7,292**	(29,239)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

23. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Note	Share premium account RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2006		1,476	23,996	(59,266)	(33,794)
Loss for the year		–	–	(16,653)	(16,653)
At 31 December 2006 and at 1 January 2007		1,476	23,996	(75,919)	(50,447)
Issue of shares for loan captialisation	21(a)	7,040	–	–	7,040
Issue of shares on placement	21(b)	16,991	–	–	16,991
Share issue expenses paid	21(b)	(1,019)	–	–	(1,019)
Loss for the year		–	–	(10,510)	(10,510)
At 31 December 2007		24,488	23,996	(86,429)	(37,945)

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserves

Capital reserves arose as a result of the Group reorganisation implemented for the listing of the Company's shares in year 2001.

(iii) General reserve fund and enterprise expansion fund

General reserve fund and enterprise expansion fund, which are non-distributable, are appropriated from the profit after taxation of the PRC subsidiaries of the Group under the applicable laws and regulations in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

23. RESERVES *(Continued)*

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

(iv) Merger reserve

Merger reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Group reorganisation in previous year. Under the Companies Law of the Cayman Islands, the merger reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

24. SHARE-BASED PAYMENTS

Equity-settled 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.

Details of specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price *HK$*
Directors, employees and others	31 May 2002	31 May 2002 to 31 May 2006	31 May 2002 to 31 May 2007	2.35
Others	16 August 2002	N/A	16 August 2002 to 15 August 2007	2.03

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

24. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the share options outstanding during the year are as follows:

	2007		2006	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		HK$		*HK$*
Outstanding at the beginning of the year	**28,700,000**	**2.32**	30,600,000	2.32
Lapsed during the year	**(28,700,000)**	**2.32**	(1,900,000)	2.35
Outstanding at the end of year	**–**		28,700,000	2.32
Exercisable at the end of the year	**–**		28,700,000	

The above options comprising 25,700,000 (2006: 25,700,000) and 3,000,000 (2006: 3,000,000) underlying shares were granted at consideration of HK$1 each grantee on 31 May 2002 and 16 August 2002 respectively.

The exercise price of 25,700,000 share options granted on 31 May 2002 is HK$2.35 per share and such options are exercisable to the extent of 25% of the options granted to each grantee every year after the date of grant. 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. Options granted to the employee will be forfeited if the employee leaves the Group.

The options outstanding at the end of the year have a weighted average remaining contractual life of Nil years (2006: 0.44 years). No option was granted during the two years ended 31 December 2007.

Pursuant to an extraordinary general meeting of the Company held on 13 March 2008 and the circular of the Company dated 25 February 2008, the resolution relating to the termination of the existing Share Option Scheme and adoption of a new share option scheme were duly approved by the shareholders of the Company. The principal terms of the new share option scheme are set out in the Company's circular.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 24 July 2006, the Group subscribed 60% of the equity interest in Hubei "E-Tong-Ka" System Company Limited ("E-Tong-Ka") (formerly known as Wuhan Traffic IC Card Management Limited) by capital contribution of RMB24,000,000. E-Tong-Ka was engaged in business of development and operation of IC and smart cards back end electronic receipt/payment and data recording and processing software system in PRC during the year.

The fair value of the identifiable assets and liabilities of E-Tong-Ka acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	10,660
Inventories	2,178
Trade and other receivables	14,798
Bank and cash balances	39,101
Trade and other payables	(46,332)
Deposits from customers	(1,566)
Net assets	18,839
Minority interests	(7,535)
Net assets acquired	11,304
Goodwill on acquisition	12,696
Total consideration	24,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(24,000)
Cash and cash equivalents acquired	39,101
	15,101

The goodwill arising on the acquisition of E-Tong-Ka is attributable to the anticipated profitability of the distribution of the Group's products in the new markets at the date of acquisition. E-Tong-Ka is also the relevant cash generating unit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of a subsidiary *(Continued)*

E-Tong-Ka contributed approximately RMB3,554,000 to the Group's turnover and approximately RMB2,242,000 to the Group's loss before tax, for the period between the date of acquisition and the year ended 31 December 2006.

If the acquisition had been completed on 1 January 2006, total Group turnover for the year would have been RMB15,219,000, and loss for the year ended 31 December 2006 would have been RMB24,141,000. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is intended to be a projection of future results.

(b) Major non-cash transaction

During the year ended 31 December 2007, amount due to a director and a creditor and other loan of approximately HK$14,500,000 (equivalent to RMB14,079,000) were settled by the issue of 145,000,000 new shares of the Company as detailed in note 21(a) and (b) to the financial statements.

26. DEFERRED TAXATION

At the balance sheet date the Group has unused tax losses and other deductible temporary differences of approximately RMB22,672,000 and RMB819,000 respectively (2006: RMB20,716,000 and RMB6,137,000 respectively) that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences due to unpredictability of future profit streams. The unrecognised tax losses will be expired from 2008 to 2012 and other deductible temporary differences may be carried forward indefinitely.

27. COMMITMENTS

(a) Capital commitments

	2007	2006
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**6,148**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

27. COMMITMENTS *(Continued)*

(b) Operating lease commitments – as lessee

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007	2006
	RMB'000	*RMB'000*
Within one year	**520**	660
In the second to fifth years inclusive	**582**	916
After five years	**70**	–
	1,172	1,576

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 2.66 years and rentals are fixed over the lease terms and do not include contingent rentals.

28. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	**Relationship with the Company**
Beijing Jian Enterprise (Group) Co., Ltd. ("Beijing Jian Enterprise")	A company 100% ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan, the shareholders of the ultimate holding company
Beijing Jian-Tech Co., Ltd. ("Jian-Tech")	80% owned subsidiary of Beijing Jian Enterprise
Beijing Huapu International Plaza Co., Ltd. ("Beijing Huapu")	52% owned subsidiary of Jian-Tech
Haikou Huapu Lide Parking Management Co., Ltd. ("Haikou Project Company")	Being 20% owned by Beijing Jian Enterprise
Weihai Tian Chuang Electronic System Co., Ltd. ("Weihai Project Company")	Being 20% owned by Jian-Tech
Shanghai Bai Yu Lan Intelligent Transportation System Management Co., Ltd. ("Shanghai Project Company")	Being 40% owned by Beijing Jian Enterprise
Beijing Huapu Roadside Parking Facilities Construction and Management Co., Ltd. ("Beijing Project Company")	Being 80% owned by Jian-Tech

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

28. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

Save as disclosed elsewhere in this financial statements, the Group had the following material transactions with related parties, which the directors considered were in the normal course of business:

(i) Sales of hardware and software, provision of systems integration services and transaction levies:

	2007	2006
	RMB'000	*RMB'000*
Weihai Project Company	–	38
Beijing Project Company	3	38
Shanghai Project Company	462	1,091
	465	1,167

(ii) Sales of smart cards:

	2007	2006
	RMB'000	*RMB'000*
Shanghai Project Company	–	1
Beijing Project Company	112	62
	112	63

(iii) Purchases from:

	2007	2006
	RMB'000	*RMB'000*
Wehai Project Company	164	–

(iv) Operating leases rentals paid/payable to:

	2007	2006
	RMB'000	*RMB'000*
Beijing Huapu	274	274
Mr. Chin Ying Hoi, a director	–	31
	274	305

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

28. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions *(Continued)*

(v) Reversal of impairment loss on receivables from:

	2007	2006
	RMB'000	*RMB'000*
Beijing Project Company	**133**	–
Weihai Project Company	**161**	–
	294	–

(vi) Impairment loss made for receivables from:

	2007	2006
	RMB'000	*RMB'000*
Haikou Project Company	**–**	272
Weihai Project Company	**–**	704
Beijing Project Company	**–**	133
	–	1,109

(vii) Interest expenses paid to:

	2007	2006
	RMB'000	*RMB'000*
Mr. Chin Ying Hoi, a director	**1,169**	392

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

28. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2007	2006
	RMB'000	*RMB'000*
Balance from trading activities and included in trade receivables:		
– Haikou Project Company	**239**	239
– Weihai Project Company	**520**	683
– Beijing Project Company	**–**	75
– Shanghai Project Company	**–**	100
	759	1,097
Allowance for impairment losses	**(759)**	(920)
	–	177
Included in other receivables:		
– Weihai Project Company	**23**	23
– Beijing Project Company	**–**	133
– Haikou Project Company	**33**	33
– Shanghai Project Company	**11**	–
	67	189
Allowance for impairment losses	**(56)**	(189)
	11	–
Included in other payables:		
– Weihai Project Company	**290**	–
Due from a related company:		
– Beijing Jian Enterprise	**20**	20
Due from a director:		
– Mr. Fok Ho Yin, Thomas	**61**	–
Due to a related company:		
– Jian-Tech	**10**	10
Due to a director:		
– Mr. Chin Ying Hoi	**(80)**	(30,438)

As at 31 December 2007, the balances due from/to the related parties from non-trading activities were non-interest bearing and were repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

29. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2007 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of registered/ issued capital	Interest held Directly	Interest held Indirectly
Systematic Technology Group Limited	British Virgin Islands	Investment holding in Hong Kong	5 ordinary shares of USD1 each	100%	–
Capital Fair International Investment Limited	British Virgin Islands	Not yet commenced business	1 ordinary share of USD1	100%	–
Jian epayment (China) International Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of USD1	–	100%
E-Tong-Ka	PRC	Development and operation of IC and smart cards back end electronic receipt/ payment and data recording and processing software system in PRC	RMB40,000,000	–	60%
Xian Tao Traffic IC Card Management Limited ("Xian Tao")	PRC	Development and operation of IC and smart cards back end electronic receipt/ payment and data recording and processing software system in PRC	RMB1,000,000	–	60%
Jian-O' Yuan	PRC	Development and operation of back end electronic receipt/ payment and data recording and processing software system; and manufacturing and distribution of the associated commercial applications in PRC	USD2,950,000	–	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

29. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of registered/ issued capital	Interest held	
				Directly	Indirectly
Wuhan Jian ePayment Science and Technology Company Limited ("Wuhan Jian ePayment")	PRC	In the process of deregistration	USD846,000	–	100%
Beijing Jian ePayment Science and Technology Company Limited ("Beijing Jian ePayment")	PRC	Operation of back end electronic receipt/ payment and data recording and processing software system in PRC	USD150,000	–	100%

Jina-O'Yuan, Wuhan Jian ePayment and Beijing Jian ePayment are wholly-owned foreign enterprises established in the PRC. E-Tong-Ka is a sino foreign equity joint venture and Xian Tao is a domestic enterprise established in the PRC.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2008.

FINANCIAL SUMMARY

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

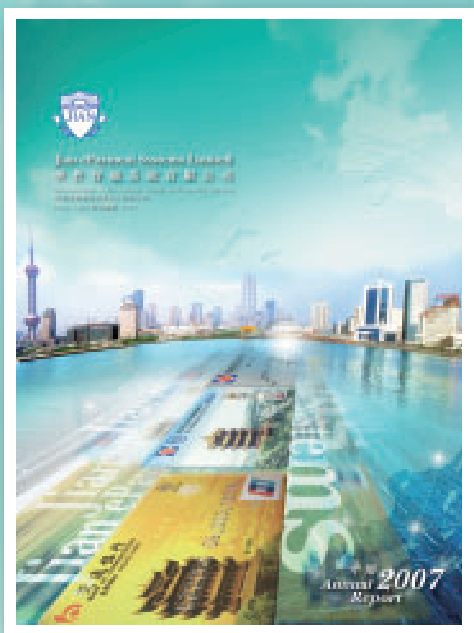
(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
Turnover	3,407	8,173	15,948	10,636	**15,060**
Operating profit/(loss)	(51,555)	(37,936)	1,357	(21,635)	**(11,204)**
Subsidy income	1,416	2,950	287	–	**182**
Interest income	116	7	141	200	**533**
Interest expenses	(1,105)	(622)	(376)	(813)	**(1,294)**
Profit/(loss) before taxation	(51,128)	(35,601)	1,409	(22,248)	**(11,783)**
Taxation	–	–	(126)	(125)	**–**
Profit/(loss) after taxation but before minority interests	(51,128)	(35,601)	1,283	(22,373)	**(11,783)**
Minority interests	–	–	–	896	**1,723**
Profit/(loss) attributable to shareholders	(51,128)	(35,601)	1,283	(21,477)	**(10,060)**

CONSOLIDATED BALANCE SHEETS

(Amounts expressed in thousands of Renminbi)

	As at 31 December				
	2003	2004	2005	2006	**2007**
Fixed assets	38,906	8,130	2,682	10,832	**14,917**
Net current (liabilities)	(12,811)	(12,329)	(10,896)	(33,884)	**(2,711)**
Minority interests	–	–	–	(6,639)	**(4,916)**
Total assets less current liabilities	26,095	(4,199)	(8,214)	(29,691)	**7,290**
Representing:					
Non-current liabilities	–	5,305	–	–	**–**
Share capital	21,208	21,208	21,208	21,208	**45,237**
Reserves	4,887	(30,712)	(29,422)	(50,899)	**(37,947)**
Shareholder’s equity	26,095	(4,199)	(8,214)	(29,691)	**7,290**



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