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

ANNUAL REPORT 年報 2008

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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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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, resigned on 31 December 2008)*
Mr. Li Sui Yang
Mr. Fok Ho Yin Thomas *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Dr. Chow Pok Yu Augustine
Mr. Hu Hai Yuan

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

COMPLIANCE OFFICER

Mr. Li Sui Yang

QUALIFIED ACCOUNTANT

Mr. Fok Ho Yin Thomas *(appointed on 3 November 2008)*
Mr. Chen Chun Long *(resigned on 3 November 2008)*

COMPANY SECRETARY

Mr. Fok Ho Yin Thomas

AUDITORS

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Certified Public Accountants
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Lee Gardens Two, 28 Yun Ping Road
Hong Kong

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British West Indies

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Lai Chi Kok, Kowloon
Hong Kong

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PRINCIPAL BANKER

Bank of China

PRINCIPAL REGISTRARS

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Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRARS

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Room 1712-1716
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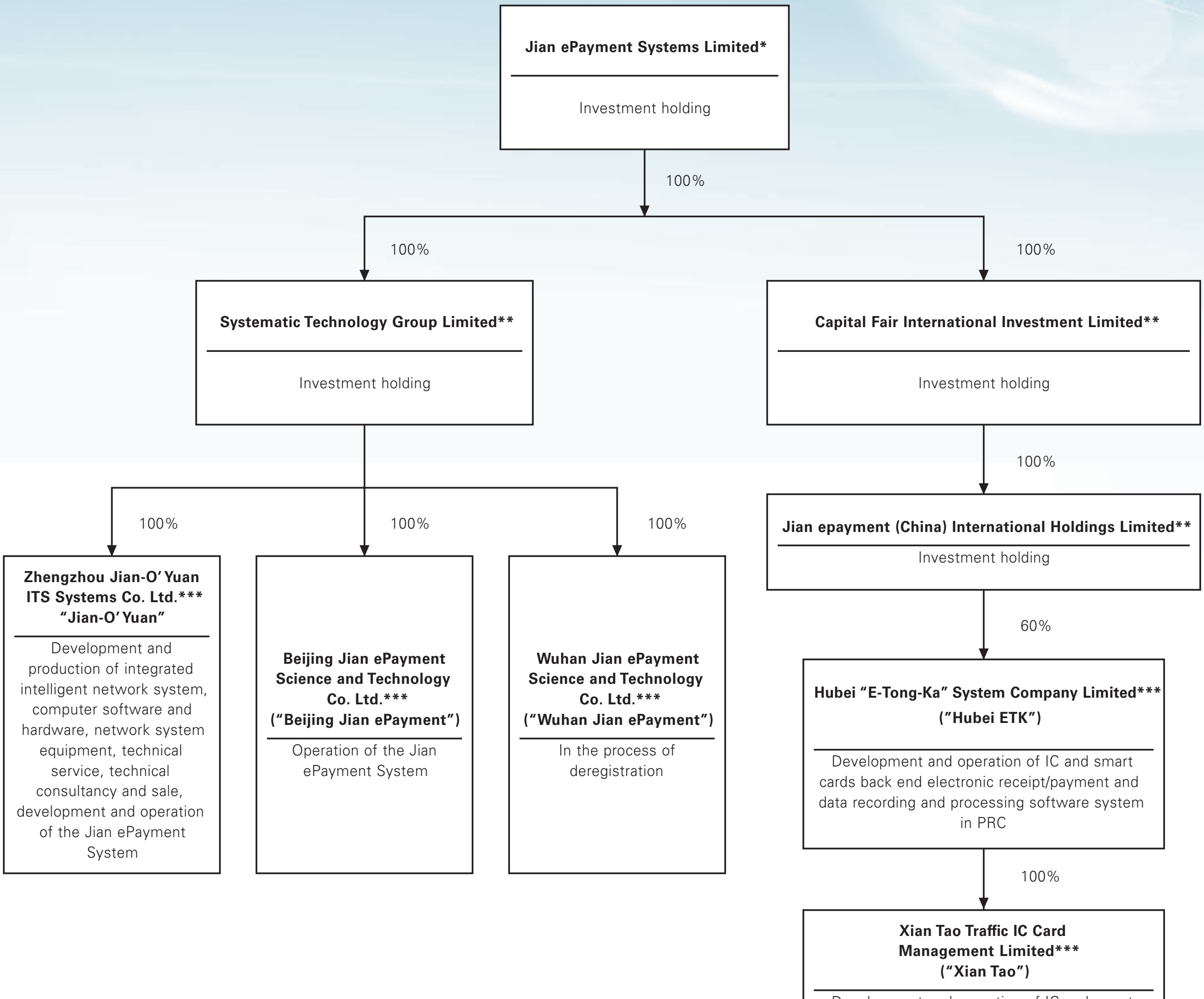
Wan Chai, Hong Kong

STOCK CODE

8165

CORPORATE STRUCTURE



* 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 results of the Group for the year ended 31 December 2008.

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group's recorded a turnover of approximately RMB11.8 million (2007: RMB15.1 million), representing 22% decrease as compared to last year. Loss attributable to shareholders amounted to RMB19.8 million (2007: RMB10.1 million) and loss per share was RMB0.022 (2007: RMB0.016). Net liabilities amounted to RMB8.7 million (2007: Net asset RMB12.2 million)

BUSINESS DEVELOPMENT

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

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.

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 has launched 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 be extended to various business areas including highways and bridges toll payments, electronic parking meters, campus applications, business retails and self-serving purchases and etc.

CHAIRMAN'S STATEMENT

2 Common Acceptance in Different Cities (異城通用):– Existing IC card system 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 in the future be extended 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.

FUTURE OUTLOOK

In 2009, we expect the economic growth of China will slow down due to the current global financial crisis. In response, we will continue 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

Hong Kong
30 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately of RMB11.8 million (2007: RMB15.1 million), representing a decrease of 22% over the last year. Loss attributable to shareholders amounted to RMB19.8 million (2007: RMB10.1 million), mainly attributed by depreciation of approximately RMB5.6 million, research and development cost of approximately RMB1.4 million and impairment loss on inventories and receivables of approximately RMB2.8 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 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 amounted to approximately RMB7.5 million (2007: RMB7.9 million), representing 5% decrease over the last year. Over 90% of IC card levies were derived from bus transport.

2. Rental income from smart cards issued increased to approximately RMB2.7 million (2007: RMB2.5 million), representing 8% increase over the last year. Approximately 231,000 traffic IC cards were issued during the year.

3. Interest Income amounted to RMB0.6 million (2007: RMB0.5 million), representing an increase of 20% as compared to last year;

4. Advertising income amounted to RMB0.22 million (2007: RMB0.14 million), representing an increase of 57% as compared to last year;

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

1. IC card transaction amount increased to over RMB3.8 billion (2007: RMB3.1 billion), representing an increase of 22% as compared to last year;

2. Times of using traffic IC Cards increased to 2.2 billion times (2007: 1.9 billion), representing an increase of 16% as compared to last year;

3. Circulation of traffic IC cards increased steadily and the accumulated number of cards issued reached to approximately 2.53 million cards (2007: 2.3 million cards);

4. Recharging value stations increased to 520, including 325 POS at supermarkets, 37 POS at megamarkets 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;

5. To accommodate the increasing use of the cards, Hubei ETK had invested approximately RMB6 million to upgrade the existing IC card hardware and software systems which had been used since 1999 (including the 6,300 smart card readers installed on the bus and the other readers used in the ferries, supermarkets, business retail shops and etc.). The system upgrade commenced in 3Q 2007 and completed in June 2008. The upgraded IC card system has been running smoothly and steadily and the testing after completion proved the system transformation successful;

6. In June 2008, Hubei ETK commissioned Shanghai HuaTeng Software System Company Limited (上海華騰軟件系统有限公司) to develop a new IC cards application equipment and systems compatible with the current upgraded IC card system. The investment amount of the new IC card system was approximately RMB5 million and had commenced in 3Q 2008. It is expected to complete by the end of 1Q 2009. Development of the new IC card application will have the following advantages:–

    a) To meet the technological requirements and industry standards as continuously imposed by the Application Service Centre. This strengthens the future cooperation of Hubei ETK with the Ministry for Construction in promoting the national use of the IC card application;

    b) To increase its current data processing and settlement capacity. The enhanced capability IC card system will provide a more efficient, stable, reliable and accurate platform between IC card holders and merchant customers through Hubei ETK's advanced transaction and settlement new system, thus facilitating the large-scale expansion of the One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用). It further provides comprehensive and professional services to merchandise customers including faster account settlement, cross-sector settlement, business data analysis and etc.

7. To accommodate the establishment of the large and new IC card system as stated above and to meet with the future expansion of the IC card application business in Hubei Province, Hubei ETK purchased a new office premise in May 2008. The new office site is located at the heart of Wuhan City and occupies an area of approximately 1,500 square meters. It provided a permanent site for Hubei ETK to accommodate its large-scale computer terminals and equipment which avoid the potential risk of system breakdown because of frequent office re-location. The new office commenced in use in November 2008.

8. Hubei ETK has not only put great efforts on consolidating its investments in existing hardware and software application and fixed assets, it also has placed great effort to increase sales to achieve improvement of business profitability through continually extending cooperation with other commercial fee collection systems among governments and merchant customers:

   a) In retailing front, Hubei ETK had entered into cooperation agreement with Wuhan ZhongBai Group Company Limited (武漢中百集團有限公司) pursuant to which the use of Hubei ETK IC cards was further extended to Wuhan Zhongbai Department Store (武漢中心百貨) and Wuhan Zhongbai Mega-Store (武漢中百倉儲超市) respectively. The cooperation was an important break-through as it represented that IC card could be used not only in small amount electronic payment, but also in large amount transaction arena. As a whole, more than 300 supermarkets, 30 mega-stores and 7 department stores operating under Zhongbai Group had joined to the Hubei ETK IC card system;

   b) In other business cooperation premises, free-ride passes (including seniorcitizen pass, disability pass, soldier pass and etc.) currently operating in Wuhan are required to transform into IC cards in accordance to the directives of Hubei Provincial Government. Upon commencement in June 2008, approximately 1 million IC cards will be issued gradually and the transformation of the various passes into IC cards will increase the sales and income of Hubei ETK;

   c) Hubei ETK has also signed marketing agreement with XinFengXue Information Technology Company Limited (新風雪信息科技有限公司) for the IC card application in university campus and telecommunication. Other IC card projects include "Wuhan Student Comfort Milk "(武漢學生放心奶工程), automatic vending machines (自動售貨機具) and etc.

9. In the marketing front, Hubei ETK had cooperated with Hubei Television to commission a state-owned media unit, namely Hubei Film Production Company to produce a documentary for corporate branding and business promotion. The documentary was broadcasted in TV channels of Wuhan and Hubei Province. Hubei ETK had also engaged a professional advertising company to design new logo and relevant products for the company.

2. SALES OF ELECTRONIC CAR-PARKING HARDWARE AND SOFTWARE

Turnover for the sales of the hardware and software was approximately RMB0.8 million (2007: RMB4.2 million), representing a decrease of 81% as compared to last year. The drop was mainly due to low demand from exiting customers. Sales of the electronic car-parking hardware and software remained sluggish and it is expected that the Group will continue to face severe competition and challenges. During the period under review, Zhengzhou Jian O'Yuan continued improving the functionality, durability and reliability of its existing J1000 products. In research and development, JIAN electronic parking meter had undergone a comprehensive upgrade in system configuration (including the upgrade in computer main-board, blue-tooth receiver, reader module, protection cover, locks and sealing rubber bands, pillars and etc.) to cater for the specific needs in the domestic market.

FUTURE PROSPECT

1. HUBEI IC CARD PROJECT

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 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. Increase in issue of new IC cards: Aggregate population of Wuhan Cities Ring 1+8 is over 20 million (Wuhan: approximately 9 million) and demand for new cards from the surrounding cities is very strong. In January 2009, discount on bus fare was allowed if passengers are using IC cards for bus fare before payment. It is believed that the new bus fare policy will further boost the use and demand of IC cards in the area;

2. Increase in transaction levies: IC card application is planned to extend to highways and bridges toll payment, electronic car-parking and campus application. It will further be extended to other business application step by step in accordance with the Group's marketing and development plan. It is estimated total transaction levies will be increased in the future when the projects are implemented gradually.

2. ELECTRONIC CAR-PARKING HARDWARE AND SOFTWARE

The Group will continue to promote the use of the Jian e-parking smart cards and electronic parking system in various cities in China. By strengthening its sales effort, the Group believes that its products will be widely accepted by car-parking operators.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of approximately RMB35.1 million.

CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets for the year ended 31 December 2008.

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 2008 are set out in note 10 to the financial statements.

HUMAN RESOURCES

As at 31 December 2008, the Group had approximately 49 employees (2007: 75 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.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2008.

SIGNIFICANT INVESTMENTS

The Group had no significant investment for the year ended 31 December 2008.

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 extensive experience in strategic planning. Mr. Chin is a former 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 55, is an executive director and the chief executive officer of the Group and is in charge of the Group's operation. Mr. Yang resigned on 31 December 2008. 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, the qualified accountant 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 13 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

NON-EXECUTIVE DIRECTORS

Dr. Chow Pok Yu Augustine, aged 56, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qu Xiao Guo, aged 38, 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 62, 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

SENIOR MANAGEMENT

Mr. Liu Shi Jie, aged 53, is the Group's vice president and the general manager of Hubei ETK. Mr. Liu joined the Group in July 2006 and is responsible for the overall management and business development of Hubei ETK. 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.

Mr. Liu Ying, aged 52, is the deputy general manager of Hubei ETK. Mr. Liu joined the Group in December 2001 and is responsible for the business development of Hubei of ETK. Mr. Liu graduated from Capital University of Economics and Business. He has been the vice president of Beijing JianeP Supermarkets. He has more than 20 years of marketing and management experience in retail business and electronic technology industry in China.

Ms. Chang Xiang, aged 54, is the general manager of Zhengzhou Jian-O Yuan ITS Systems Co. Ltd. Ms. Chang joined the Group in September 2004 and is responsible for the overall operation of Zhangzhou Jian-O Yuan ITS Systems Co. Ltd. She graduated from Shenyang Industry University and has over 24 years financial management experience in China.

Mr. Ren Ren, aged 46, is the chief engineer of Zhengzhou Jian-O Yuan ITS Systems Co. Ltd. Mr. Ren joined the Group in September 2004 and is responsible for research and development work. He holds a engineering master's degree from Jilin University. Previously he was a Technical Director of Guangzhou Tecsun Science & Technology and Guangzhou Shentong Digital Corporation. He was a research engineer in Dongguan Qisheng Technology Limited. He has more than a decade experience in electronic engineering industry in China.

Ms. Dong Jie, aged 36, is the Group's finance manager. Ms. Dong joined the Group in December 2007 and is responsible for the Group's PRC finance and accounting function. Ms. Dong was previously finance manager of a large PRC department store. She graduated from Zhong Nan Finance & Politic University and has over 12 years of experience in finance and accounting.

Mr. Wang Kai, aged 32, is the finance manager of Hubei ETK. Mr. Wang joined the Group in July 2007 and is responsible for Hubei ETK's finance and accounting function. He graduated from Zhong Nan Finance & Politic University and has over 10 years of experience in finance and accounting.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Chen Wei Min, aged 52, is the Group's vice president and the general manager of Zhengzhou Jian-O' Yuan ITS Systems Co. Ltd. Mr. Chen resigned on 31 December 2008. 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. Chen Chun Long, aged 34, is the Group's financial controller. Mr. Chen resigned on 3 November 2008. 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.

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 2008.

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 "multi-purpose-use" IC card and electronic payment system generally accepted and used (i) the PRC and (ii) the manufacturing and distribution of the electronic payment hardware and software manufacturing and distribution of the associated commercial applications.

An analysis of the Group's turnover by product category for the year ended 31 December 2008 is as follows:

	2008	2007
	RMB'000	RMB'000
Sales of hardware and software	**792**	4,240
Transaction levies	**7,551**	7,958
Rental income from smart cards issued	**2,689**	2,530
Advertising income	**219**	139
Sales of key holders	**507**	193
Total	**11,758**	15,060

For the year ended 31 December 2008, 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 30.

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 page 32 and Note 26 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 14 to the financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 24 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company has no reserve (2007: Nil) available for distribution to its shareholders.

PRE-EMPTIVE RIGHTS

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

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 78.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries 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.

DONATION

Donations made by the Group during the year amounted to RMB10,000.

SHARE OPTIONS

On 13 March 2008, the share option scheme adopted by the Company on 19 November 2001 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. On 30 May 2007 and 15 August 2007, all the outstanding options granted under the Old Scheme were lapsed and cancelled automatically according to the Old Scheme.

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

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

REPORT OF THE DIRECTORS

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.

No share option was granted during the year.

DIRECTORS

The directors during the year were:

EXECUTIVE DIRECTORS:

Mr. Chin Ying Hoi *(Chairman)*
Mr. Yang Guo Wei *(Chief Executive Officer and resigned on 31 Decemebr 2008)*
Mr. Li Sui Yang
Mr. Fok Ho Yin Thomas *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS:

Dr. Chow Pok Yu Augustine
Mr. Hu Hai Yuan

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 30 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 14.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 December 2008, 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			
Director	**Personal interests**	**Corporate interests**	**Total number of Shares held**	**Percentage 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 2008, 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.

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.

SUBSTANTIAL SHAREHOLDER OF THE COMPANY

As at 31 December 2008, 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	11.18%
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 2008, 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	46%
– five largest suppliers combined	78%
Sales	
– the largest customer	32%
– five largest customers combined	99%

As at 31 December 2008, 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 2008, 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 30 to the financial statements.

REPORT OF THE DIRECTORS

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 2008.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

The text of Corporate Governance Report is set out on page 23 to 27 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

Hong Kong
30 March 2009

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 14 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 reappointment.

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 2008

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	6/6
Dr. Chow Pok Yu Augustine	4/6
Mr. Hu Hai Yuan	4/6
Mr. Qu Xiao Guo	4/6
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.

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 2009 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.

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.

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 2008 Annual General Meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors.

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.

CORPORATE GOVERNANCE REPORT

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 RMB975,000 was payable to Messrs RSM Nelson Wheeler, RMB975,000 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

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

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 30 to 77, which comprise the consolidated balance sheet as at 31 December 2008, 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 2008 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.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to equity holders of the Company of approximately RMB19,821,000 for the year ended 31 December 2008 and as at 31 December 2008 the Group had net current liabilities and net liabilities of approximately RMB37,637,000 and RMB8,723,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the substantial shareholder, at a level sufficient to finance the working capital requirements of the Group. The financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the financial statements.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
30 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	7	**11,758**	15,060
Cost of sales and service rendered		**(3,682)**	(6,017)
Gross profit		**8,076**	9,043
Other income	7	**1,133**	2,901
Distribution costs		**(1,322)**	(673)
Administrative expenses		**(28,778)**	(21,760)
Loss from operations		**(20,891)**	(10,489)
Finance costs	9	**(38)**	(1,294)
Loss before tax		**(20,929)**	(11,783)
Income tax expense	10	**–**	–
Loss for the year	8	**(20,929)**	(11,783)
Attributable to:			
Equity holders of the Company		**(19,821)**	(10,060)
Minority interests		**(1,108)**	(1,723)
		(20,929)	(11,783)
Loss per share			
Basic	12	**(RMB0.022)**	(RMB0.016)
Diluted	12	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**27,463**	10,819
Deposit paid for acquisition of property, plant and equipment		**–**	4,098
Prepaid land lease payments	*15*	**1,451**	–
		28,914	14,917
Current assets			
Inventories	*16*	**1,060**	1,687
Prepaid land lease payments	*15*	**43**	–
Trade and other receivables	*17*	**14,080**	26,006
Due from a related company	*30*	**–**	20
Due from a director	*18*	**–**	61
Bank and cash balances	*19*	**35,108**	40,451
		50,291	68,225
Current liabilities			
Trade and other payables	*20*	**80,579**	66,037
Due to a related company	*30*	**10**	10
Deposits from customers		**6,030**	4,809
Due to directors	*21*	**424**	80
Other loan	*22*	**885**	–
		87,928	70,936
Net current liabilities		**(37,637)**	(2,711)
NET (LIABILITIES)/ASSETS		**(8,723)**	12,206
Capital and reserves			
Share capital	*24*	**45,237**	45,237
Reserves	*26*	**(57,768)**	(37,947)
Equity attributable to equity holders of the Company		**(12,531)**	7,290
Minority interests		**3,808**	4,916
TOTAL EQUITY		**(8,723)**	12,206

Approved by the Board of Directors on 30 March 2009

Chin Ying Hoi
Director

Li Sui Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company								
	Share capital	**Share premium account**	**Capital reserves**	**General reserve fund**	**Enterprise expansion fund**	**Accumulated losses**	**Total**	**Minority interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 expense 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 24(a))*	7,039	7,040	–	–	–	–	14,079	–	14,079
Issue of shares on placement *(note 24(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
At 1 January 2008	45,237	24,488	6,304	2,870	1,435	(73,044)	7,290	4,916	12,206
Loss for the year	–	–	–	–	–	(19,821)	(19,821)	(1,108)	(20,929)
At 31 December 2008	45,237	24,488	6,304	2,870	1,435	(92,865)	(12,531)	3,808	(8,723)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(20,929)**	(11,783)
Adjustments for:		
Depreciation	**5,608**	4,599
Amortisation of prepaid land lease payments	**43**	–
Gain on disposals of property, plant and equipment	**(34)**	–
Allowance for inventories	**255**	320
Impairment loss on trade and other receivables	**2,505**	187
Impairment loss on due from a related company	**20**	–
Property, plant and equipment written off	**235**	23
Interest income	**(599)**	(533)
Reversal of impairment loss on trade and other receivables	**–**	(592)
Reversal of allowance for inventories	**(58)**	–
Bad debts written off	**–**	1
Inventories written off	**–**	85
Trade payables written back	**–**	(198)
Loss on disposals of property, plant and equipment	**–**	21
Finance costs	**38**	1,294
Operating loss before working capital changes	**(12,916)**	(6,576)
Increase in deposits from customers	**1,221**	217
Decrease in inventories	**430**	298
Decrease/(increase) in trade and other receivables	**9,421**	(3,326)
Increase in trade and other payables	**14,504**	5,164
Cash generated from/(used in) operations	**12,660**	(4,223)
Interest paid	**–**	(1,463)
Net cash generated from/(used in) operating activities	**12,660**	(5,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales proceeds from disposals of property, plant and equipment	**42**	–
Payments for prepaid land lease payments	**(1,537)**	–
Purchases of property, plant and equipment	**(18,397)**	(4,646)
Deposit paid for acquisition of property, plant and equipment	**–**	(4,098)
Interest received	**599**	533
Net cash used in investing activities	**(19,293)**	(8,211)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Other loan raised	**885**	–
Advances from directors	**344**	51
Repayments from a director	**61**	–
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	**1,290**	12,545
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(5,343)**	(1,352)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**40,451**	41,803
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**35,108**	40,451
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**35,108**	40,451

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 10/F, Jin Guan Building, Ao Men Road, Jianghan District, Wuhan, PRC. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 31 to the financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to equity holders of the Company of approximately RMB19,821,000 for the year ended 31 December 2008 and as at 31 December 2008 the Group had net current liabilities and net liabilities of approximately RMB37,637,000 and RMB8,723,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder, Mr. Chin Ying Hoi, at a level sufficient to finance the working capital requirements of the Group. The substantial shareholder has agreed to provide a financial support to the Group to the extent of approximately RMB17.6 million (equivalent to HK$20 million) to meet the Group's liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. 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 that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. 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 Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, 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. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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 ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) FOREIGN CURRENCY TRANSLATION *(Continued)*

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

Transactions in foreign currencies are translated into the functional currency 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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**
Building	–	Over the lease term
Leasehold improvements	–	20%
Machinery	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.

Construction in progress represents renovation work in progress and computer equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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.

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) REVENUE RECOGNITION *(Continued)*

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.

4. 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 use 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 borrowing costs are recognised in the income statement in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) TAXATION *(Continued)*

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;

4. 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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(A) GOING CONCERN BASIS

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder, Mr. Chin Ying Hoi, at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to financial statements.

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

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.

6. 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 the functional currencies of the Group's entities. 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.

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 large state-controlled banks in the PRC.

LIQUIDITY RISK

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

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

INTEREST RATE RISK

The Group's significant bank deposits and other loan bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, 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.

7. 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:

	2008 **RMB'000**	2007 RMB'000
Sales of hardware and software	**792**	4,240
Transaction levies	**7,551**	7,958
Rental income from smart cards issued	**2,689**	2,530
Advertising income	**219**	139
Sales of key holders	**507**	193
	11,758	15,060

Turnover analysed by categories of customers are as follows:

	2008 **RMB'000**	2007 RMB'000
To related companies *(Note 30(b)(i))*	**–**	465
To independent third parties	**11,758**	14,595
	11,758	15,060

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

(B) OTHER INCOME

	2008 **RMB'000**	2007 RMB'000
Profit on sales of smart cards *(Note (ii))*	**249**	412
Subsidy income – Value added tax ("VAT") refund *(Note (i))*	**90**	182
Interest income	**599**	533
Reversal of impairment loss on trade and other receivables	**–**	592
Trade payables written back	**–**	198
Repair and maintenance services income	**–**	505
Gain on disposals of property, plant and equipment	**34**	–
Others	**161**	479
	1,133	2,901

(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 RMB502,000 (2007: RMB878,000) and the relevant cost of RMB253,000 (2007: RMB466,000).

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

(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	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Southern China	**1,180**	6,275	**245**	5,555	**25**	80
Northern China	**117**	115	**73**	1,792	**–**	–
Central China	**11,214**	10,416	**78,887**	5,859	**24,007**	4,566
Eastern China	**–**	298	**–**	69,936	**–**	–
	12,511	17,104	**79,205**	83,142	**24,032**	4,646

8. LOSS FOR THE YEAR

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

	2008 **RMB'000**	2007 RMB'000
Depreciation of property, plant and equipment *(Note 14)*	**5,608**	4,599
Staff costs		
– Directors' remuneration *(Note 13)*	**3,927**	2,575
– Salaries, bonus and allowances	**7,527**	5,522
– Retirement benefits scheme contributions	**934**	931
	12,388	9,028
Cost of inventories sold	**2,295**	4,538
Operating lease charges	**546**	752
Auditor's remuneration		
– Current	**450**	772
– Under-provision in prior year	**–**	20
	450	792
Allowance for inventories (included in cost of inventories sold)	**255**	320
Reversal of allowance for inventories (included in cost of inventories sold)	**(58)**	–
Research and development costs	**1,382**	976
Loss on disposals of property, plant and equipment	**–**	21
Property, plant and equipment written off	**235**	23
Bad debts written off	**–**	1
Inventories written off	**–**	85
Impairment loss on trade and other receivables	**2,505**	187
Impairment loss on due from a related company	**20**	–

Cost of inventories sold includes staff costs, depreciation, inventories written off and operating lease charges of approximately RMB1,736,000 (2007: RMB2,461,000) which are included in the amounts disclosed separately above.

9. FINANCE COSTS

	2008 **RMB'000**	2007 RMB'000
Interest on loans wholly repayable within five years:		
– other loan	**38**	125
– loan from a director *(Note 30(b)(vii))*	**–**	1,169
	38	1,294

10. INCOME TAX EXPENSE

	2008 RMB'000	2007 RMB'000
Current tax – PRC		
Provision for the year	**–**	–

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 2008 (2007: Nil).

The tax rate applicable to the PRC subsidiaries in the Group were 25% during the year (2007: 18% to 33%). However, no provision was made for the year ended 31 December 2008 as the subsidiaries had no assessable profit for the year.

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

	2008 RMB'000	2007 RMB'000
Loss before taxation	**(20,929)**	(11,783)
Calculated at the PRC statutory tax rate of 25% (2007: 33%)	**(5,232)**	(3,888)
Tax effect of different tax rate	**915**	1,040
Tax effect of utilisation of tax losses not previously recognised	**–**	(420)
Tax effect of expenses that are not deductible in determining taxable profit	**2,640**	2,206
Tax effect of tax losses not recognised due to uncertainty on future profit streams	**1,702**	1,167
Tax effect of income that are not taxable in determining taxable profit	**(25)**	(105)
Income tax expense	**–**	–

The details of unprovided deferred taxation as at 31 December 2008 were stated in note 28.

11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2007: Nil).

12. 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 RMB19,821,000 (2007: approximately RMB10,060,000) and the weighted average number of ordinary shares of 895,000,000 (2007: 615,630,000) 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 2008.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

Year ended 31 December 2008	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors				
Mr. Chin Ying Hoi	**130**	**780**	**5**	**915**
Mr. Yang Guo Wei *(Note (a))*	**130**	**921**	**3**	**1,054**
Mr. Li Sui Yang	**130**	**598**	**4**	**732**
Mr. Fok Ho Yin, Thomas	**130**	**598**	**17**	**745**
Non-executive directors				
Dr. Chow Pok Yu Augustine	**120**	**–**	**–**	**120**
Mr. Hu Hai Yuan	**120**	**–**	**–**	**120**
Independent non-executive directors				
Mr. Zhang Xiao Jing	**90**	**–**	**–**	**90**
Ms. Tung Fong	**90**	**–**	**–**	**90**
Mr. Qu Xiao Guo	**90**	**–**	**–**	**90**
	1,030	**2,897**	**29**	**3,956**

Note (a): Resigned on 31 December 2008.

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

The emoluments of each director were as follows: *(Continued)*

Year ended 31 December 2007	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit 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 *(Note (a))*	116	472	46	634
Mr. Li Sui Yang	116	453	23	592
Mr. Fok Ho Yin, Thomas	47	200	5	252
Non-executive directors				
Dr. Chow Pok Yu Augustine	38	–	–	38
Mr. Hu Hai Yuan	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): Resigned on 31 December 2008.

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2008 and 2007.

The five highest paid individuals in the Group during the year include four (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2007: two) individuals are set out belows:

	2008	2007
	RMB'000	RMB'000
Basic salaries and benefits	**561**	970
Retirement benefit scheme contributions	**10**	23
	571	993

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

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

	Number of individuals	
	2008	2007
HK$Nil – HK$1,000,000	**3**	5
HK$1,000,001 – HK$1,500,000	**2**	–
	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.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Machinery	Office equipment	Motor vehicles	Computer equipment	Smart cards	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost									
At 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 and 1 January 2008	–	544	33,681	977	1,259	1,356	4,678	–	42,495
Additions	5,100	–	11,215	125	362	438	1,626	3,629	22,495
Disposals/write off	–	(412)	(79)	(63)	(414)	(6)	(2,446)	–	(3,420)
At 31 December 2008	5,100	132	44,817	1,039	1,207	1,788	3,858	3,629	61,570
Accumulated depreciation									
At 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 and 1 January 2008	–	201	28,403	297	298	453	2,024	–	31,676
Charge for the year	141	90	3,021	184	332	334	1,506	–	5,608
Elimination on disposals/write off	–	(184)	(77)	(55)	(414)	(1)	(2,446)	–	(3,177)
At 31 December 2008	141	107	31,347	426	216	786	1,084	–	34,107
Carrying amount									
At 31 December 2008	4,959	25	13,470	613	991	1,002	2,774	3,629	27,463
At 31 December 2007	–	343	5,278	680	961	903	2,654	–	10,819

15. PREPAID LAND LEASE PAYMENTS

	2008 RMB'000	2007 RMB'000
At 1 January	**–**	–
Additions	**1,537**	–
Amortisation of prepaid land lease payments	**(43)**	–
At 31 December	**1,494**	–
Current portion	**(43)**	–
Non-current portion	**1,451**	–

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases.

16. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	**35**	510
Work in progress	**194**	99
Finished goods	**831**	1,078
	1,060	1,687

The reversal of allowance for inventories of approximately RMB58,000 (2007: Nil) arose from sales of obsolete inventories.

17. TRADE AND OTHER RECEIVABLES

	Note	2008 RMB'000	2007 RMB'000
Trade receivables	*(a)*	**284**	3,777
Trade deposits		**2,391**	14,391
Prepayments and other deposits	*(b)*	**306**	1,932
Other receivables	*(c)*	**11,099**	5,906
		14,080	26,006

(A) TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit period granted to the customers generally range from 60 to 90 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:

	2008 RMB'000	2007 RMB'000
0-30 days	**–**	2,321
31-60 days	**–**	141
61-90 days	**–**	130
91-120 days	**1**	132
121-180 days	**47**	205
181-365 days	**–**	29
Over 365 days	**3,903**	3,062
	3,951	6,020
Allowance for impairment losses	**(3,667)**	(2,243)
	284	3,777

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

	2008 RMB'000	2007 RMB'000
At 1 January	**2,243**	2,836
Impairment loss recognised	**1,424**	29
Amounts recovered during the year	**–**	(328)
Uncollectible amounts written off	**–**	(294)
At 31 December	**3,667**	2,243

17. TRADE AND OTHER RECEIVABLES *(Continued)*

(A) TRADE RECEIVABLES *(Continued)*

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 2008, trade receivables of approximately RMB284,000 (2007: RMB3,101,000) 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:

	2008 RMB'000	2007 RMB'000
Up to 3 months	**–**	1,916
3 to 6 months	**1**	337
Over 6 months	**283**	848
	284	3,101

(B) PREPAYMENTS AND OTHER DEPOSITS

	2008 RMB'000	2007 RMB'000
Enterprises income tax refundable	**–**	1,418
Prepayments to suppliers	**157**	50
Others	**149**	464
	306	1,932

(C) OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Advances to staff	**66**	207
Temporary receipts by business associates on behalf of the Group	**11,020**	5,666
Others	**13**	33
	11,099	5,906

18. 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 2008 RMB'000	Balance at 1 January 2008 RMB'000	Maximum amount outstanding during the year RMB'000
Mr. Fok Ho Yin, Thomas	Unsecured, repayable on demand and interest-free	–	61	61

19. BANK AND CASH BALANCES

As at 31 December 2008, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB35,067,000 (2007: RMB35,337,000). 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.

20. TRADE AND OTHER PAYABLES

	Note	**2008 RMB'000**	2007 RMB'000
Trade payables	*(a)*	**1,121**	1,539
Other payables	*(b)*	**79,458**	64,498
		80,579	66,037

(A) TRADE PAYABLES

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

	2008 RMB'000	2007 RMB'000
0-30 days	**–**	385
31-60 days	**–**	64
61-90 days	**9**	3
91-180 days	**2**	–
181-365 days	**21**	12
Over 365 days	**1,089**	1,075
	1,121	1,539

20. TRADE AND OTHER PAYABLES *(Continued)*

(B) OTHER PAYABLES

	2008 RMB'000	2007 RMB'000
Business tax payable	**122**	131
Interest payable	**241**	203
VAT payable	**5**	201
Provision for staff and workers' bonus and welfare fund	**817**	817
Accruals for operating expenses	**3,950**	4,284
Salary and welfare payables	**625**	129
Deposits received from the holders of smart cards	**59,587**	49,926
Amount due to minority shareholder	**101**	80
Others	**14,010**	8,727
	79,458	64,498

21. DUE TO DIRECTORS

	2008 RMB'000	2007 RMB'000
Non-interest bearing	**424**	80

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

22. OTHER LOAN

The carrying amount of the Group's other loan for 2008 is denominated in Hong Kong dollars. The other loan is unsecured.

The other loan is arranged at fixed interest rate and expose the Group to fair value interest rate risk. The effective interest rate of the other loan for the year ended 31 December 2008 is 11.9% per annum.

On 20 February 2009, the Group and the lender entered into a supplemental agreement pursuant to which the repayment date of the loan was extended to 21 February 2010.

23. 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.

24. SHARE CAPITAL

	Number of shares	Nominal value	
		HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.05			
At 31 December 2007 and 2008	1,200,000,000	60,000	63,624
Issued and fully paid:			
Ordinary shares of HK$0.05			
At 31 December 2007 and 2008	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.

(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.

24. SHARE CAPITAL *(Continued)*

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 2008, 57% (2007: 57%) of the shares were in public hands.

25. BALANCE SHEET OF THE COMPANY

	2008 **RMB'000**	2007 RMB'000
Property, plant and equipment	**110**	106
Investments in subsidiaries	**–**	–
Other receivables	**91**	273
Due from subsidiaries	**6,969**	8,936
Due from a director	**–**	61
Bank and cash balances	**33**	5,104
Other payables	**(4,356)**	(3,404)
Due to subsidiaries	**(6,968)**	(3,704)
Due to directors	**(424)**	(80)
Other loan	**(885)**	–
NET (LIABILITIES)/ASSETS	**(5,430)**	7,292
Share capital	**45,237**	45,237
Reserves	**(50,667)**	(37,945)
TOTAL EQUITY	**(5,430)**	7,292

26. 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 2007		1,476	23,996	(75,919)	(50,447)
Issue of shares for loan captialisation	*24(a)*	7,040	–	–	7,040
Issue of shares on placement	*24(b)*	16,991	–	–	16,991
Share issue expenses paid	*24(b)*	(1,019)	–	–	(1,019)
Loss for the year		–	–	(10,510)	(10,510)
At 31 December 2007 and at 1 January 2008		24,488	23,996	(86,429)	(37,945)
Loss for the year		–	–	(12,722)	(12,722)
At 31 December 2008		24,488	23,996	(99,151)	(50,667)

(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.

26. RESERVES *(Continued)*

(C) NATURE AND PURPOSE OF RESERVES *(Continued)*

(iii) General reserve fund and enterprise expansion fund

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

(iv) Merger reserve

Merger reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Group reorganisation in previous 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.

27. SHARE-BASED PAYMENTS

EQUITY-SETTLED SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 19 November 2001 (the "Old Scheme"), the Company may grant options to the participants of the Old Scheme to subscribe for shares of the Company. The participants include any employees (including directors) and certain other persons who, in the sole discretion of the board of directors or a duly authorised committee thereof (the "Board"), have contributed to the Group. The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Old Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time. Any option granted under the Old Scheme may be exercised at any time during a period which shall not be more than ten years after the date on which the option is granted. The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares quoted on the GEM on the grant date, (ii) the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the shares on the date of grant.

27. SHARE-BASED PAYMENTS *(Continued)*

EQUITY-SETTLED SHARE OPTION SCHEME *(Continued)*

On 13 March 2008, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. On 30 Mary 2007 and 15 August 2007 all the outstanding options granted under the Old Scheme were lapsed and cancelled automatically according to the Old Scheme.

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

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

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

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

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

Since adoption of the New Scheme and up to 31 December 2008, no option has been granted.

27. SHARE-BASED PAYMENTS *(Continued)*

EQUITY-SETTLED SHARE OPTION SCHEME *(Continued)*

Details of specific categories of options are as follows:

Old Scheme

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 30 May 2007	2.35
Others	16 August 2002	N/A	16 August 2002 to 15 August 2007	2.03

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

	2008		2007	
	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
Lapsed during the year	–	–	(28,700,000)	2.32
Outstanding at the end of year	–		–	
Exercisable at the end of the year	–		–	

The above options comprising 25,700,000 and 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.

28. DEFERRED TAXATION

At the balance sheet date the Group has unused tax losses and other deductible temporary differences of approximately RMB29,479,000 and RMB1,359,000 respectively (2007: RMB22,672,000 and RMB819,000 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 2009 to 2013 and other deductible temporary differences may be carried forward indefinitely.

29. COMMITMENTS

(A) CAPITAL COMMITMENTS

	2008	2007
	RMB'000	RMB'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	**3,396**	6,148

(B) OPERATING LEASE COMMITMENTS – AS LESSEE

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**234**	520
In the second to fifth years inclusive	**208**	582
After five years	**53**	70
	495	1,172

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

30. 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

(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 conducted in the normal course of business:

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

	2008 RMB'000	2007 RMB'000
Beijing Project Company	–	3
Shanghai Project Company	–	462
	–	465

30. RELATED PARTY TRANSACTIONS *(Continued)*

(B) SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Sales of smart cards:

	2008 RMB'000	2007 RMB'000
Weihai Project Company	**4**	–
Beijing Project Company	**115**	112
	119	112

(iii) Purchases from:

	2008 RMB'000	2007 RMB'000
Wehai Project Company	**–**	164

(iv) Operating leases rentals paid/payable to:

	2008 RMB'000	2007 RMB'000
Beijing Huapu	**–**	274

(v) Reversal of impairment loss on receivables from:

	2008 RMB'000	2007 RMB'000
Beijing Project Company	**–**	133
Weihai Project Company	**–**	161
	–	294

(vi) Impairment loss made for receivables from:

	2008 RMB'000	2007 RMB'000
Beijing Jian Enterprise	**20**	–

(vii) Interest expenses paid to:

	2008 RMB'000	2007 RMB'000
Mr. Chin Ying Hoi, a director	**–**	1,169

30. RELATED PARTY TRANSACTIONS *(Continued)*

(C) BALANCES WITH RELATED PARTIES

	2008 RMB'000	2007 RMB'000
Balance from trading activities and included in trade receivables:		
– Haikou Project Company	**239**	239
– Weihai Project Company	**520**	520
	759	759
Allowance for impairment losses	**(759)**	(759)
	–	–
Included in other receivables:		
– Weihai Project Company	**23**	23
– Haikou Project Company	**33**	33
– Shanghai Project Company	**11**	11
	67	67
Allowance for impairment losses	**(56)**	(56)
	11	11
Included in other payables:		
– Beijing Jian Enterprise	**290**	290
– Beijing Huapu	**274**	–
– Shanghai Project Company	**380**	–
– Beijing Project Company	**9**	–
	953	290
Due from a related company:		
– Beijing Jian Enterprise	**20**	20
Allowance for impairment losses	**(20)**	–
	–	20
Due from a director:		
– Mr. Fok Ho Yin, Thomas	**–**	61
Due to a related company:		
– Jian-Tech	**10**	10
Due to directors:		
– Mr. Chin Ying Hoi	**284**	80
– Dr. Chow Pok Yu Augustine	**70**	–
– Mr. Hu Hai Yuan	**70**	–
	424	80

As at 31 December 2008, the balances due from/to the related parties from non-trading activities were non-interest bearing and were repayable on demand.

31. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2008 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of registered/ issued capital	Interest held	
				Directly	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	Investment holding in Hong Kong	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%
Hubei "E-Tong-Ka" System Company Limited ("Hubei ETK")	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%
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. Hubei ETK is a sino foreign equity joint venture and Xian Tao is a domestic enterprise established in the PRC.

32. CONTINGENT LIABILITIES AND LITIGATION

At 31 December 2008, the Group had the following contingent liabilities and outstanding litigation:

(a) The Group is undergoing a legal proceeding with a former employee in respect of the salaries dispute for the aggregate amount of RMB277,000. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's operating results and financial position.

(b) On 28 October 2008, the Group received a claim from a supplier in respect of the breach of contracts relating to the subcontracting services. The aggregate amount of claims made by the supplier against the Group was approximately RMB104,000. In the opinion of directors, as the claim has not been substantiated with supporting evidences, the directors consider no liability was held by the Group to the supplier and therefore no provision is required in this respect.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2009.

FINANCIAL SUMMARY

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
Turnover	8,173	15,948	10,636	15,060	**11,758**
Operating profit/(loss)	(37,936)	1,357	(21,635)	(11,204)	**(21,580)**
Subsidy income	2,950	287	–	182	**90**
Interest income	7	141	200	533	**599**
Interest expenses	(622)	(376)	(813)	(1,294)	**(38)**
Profit/(loss) before taxation	(35,601)	1,409	(22,248)	(11,783)	**(20,929)**
Taxation	–	(126)	(125)	–	**–**
Profit/(loss) after taxation but before minority interests	(35,601)	1,283	(22,373)	(11,783)	**(20,929)**
Minority interests	–	–	896	1,723	**1,108**
Profit/(loss) attributable to shareholders	(35,601)	1,283	(21,477)	(10,060)	**(19,821)**

CONSOLIDATED BALANCE SHEETS

(Amounts expressed in thousands of Renminbi)

	As at 31 December				
	2004	2005	2006	2007	**2008**
Fixed assets	8,130	2,682	10,832	14,917	**28,914**
Net current liabilities	(12,329)	(10,896)	(33,884)	(2,711)	**(37,637)**
Minority interests	–	–	(6,639)	(4,916)	**(3,808)**
Total assets less current liabilities	(4,199)	(8,214)	(29,691)	7,290	**(12,531)**
Representing:					
Non-current liabilities	5,305	–	–	–	**–**
Share capital	21,208	21,208	21,208	45,237	**45,237**
Reserves	(30,712)	(29,422)	(50,899)	(37,947)	**(57,768)**
Shareholder's equity	(4,199)	(8,214)	(29,691)	7,290	**(12,531)**

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