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)

Annual Report 2010 年報

Stock Code 股份代號：8165

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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.

Jian ePayment Systems Limited
華普智通系統有限公司

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chin Ying Hoi *(Chairman)*
Mr. Li Sui Yang *(Chief Executive Officer)*
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

COMPANY SECRETARY

Mr. Fok Ho Yin Thomas

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two, 28 Yun Ping Road
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive, P.O. Box2681 GT
George Town, Grand Cayman
British West Indies

HEAD OFFICE

2104, Saxon Tower
7 Cheung Shun Street
Lai Chi Kok, Kowloon
Hong Kong

PRINCIPAL PLACE OF BUSINESS

84 Jing Bei Yi Lu,
Economic and Technological Development District,
Zhengzhou, Henan, PRC

PRINCIPAL BANKER

Bank of China

PRINCIPAL REGISTRARS

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

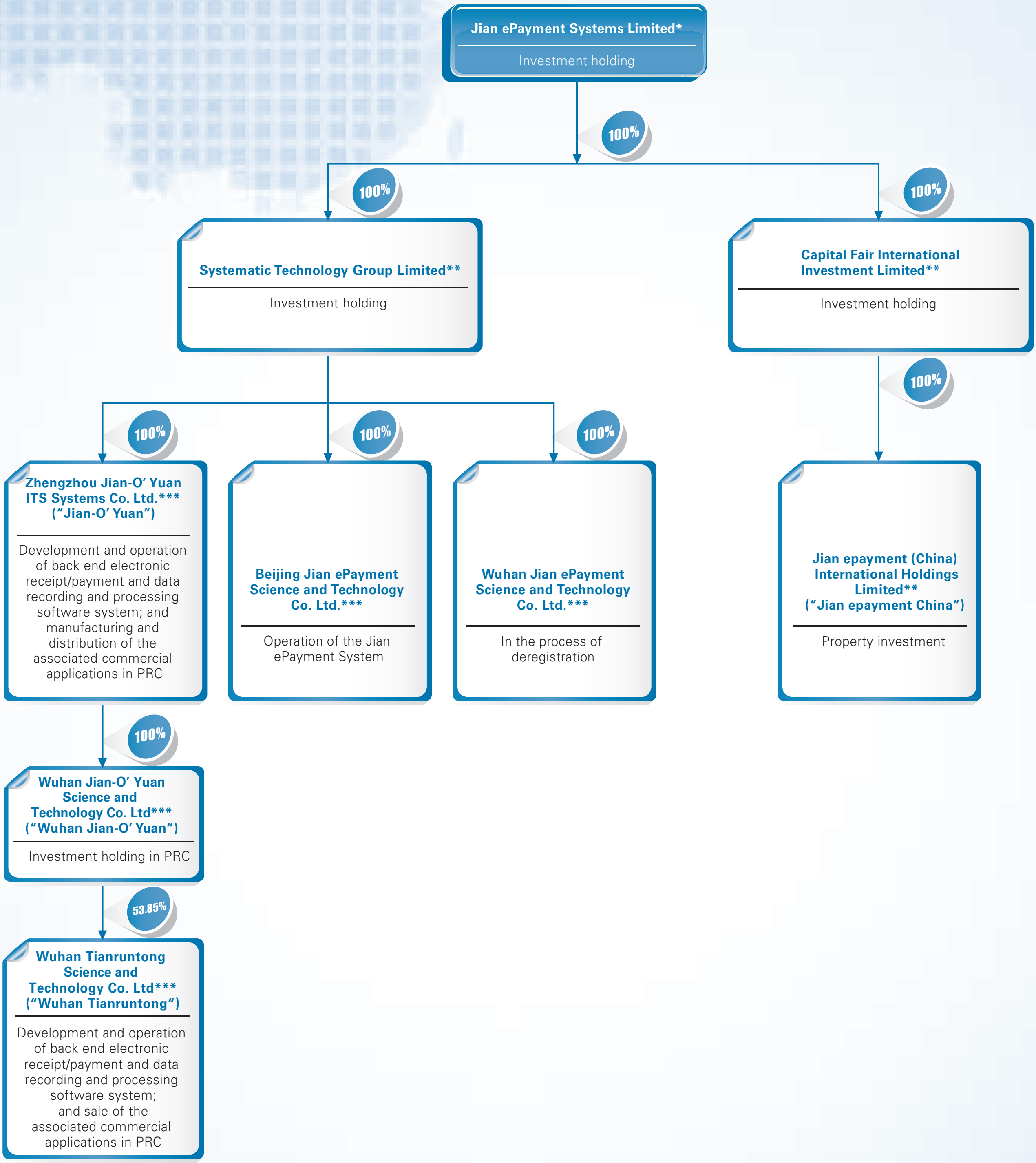
HONG KONG BRANCH REGISTRARS

Hong Kong Registrars Limited
Room 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
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 2010.

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group recorded a turnover of approximately RMB14.7 million (2009: RMB21.3 million), representing 31% decrease as compared to last year. Profit attributable to owners of the Company amounted to approximately RMB20.9 million (2009: loss of RMB3.5 million) and earnings per share was RMB0.023 (2009: loss of RMB0.004 per share). Net assets amounted to approximately RMB15.4 million (2009: Net liabilities RMB8 million).

BUSINESS DEVELOPMENT

During the year under review, the Group continued to develop car-parking electronic payment system that would be widely accepted and used in the PRC. With the revival of China's economic environment, Jian-O'Yuan improved substantially on its business performance as compared to last year.

On 20 January 2010, Jian epayment China, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement"), pursuant to which Jian epayment China agreed to dispose of its 60% interest held in Hubei "E-Tong-Ka" System Company Limited ("Hubei ETK") and its subsidiary (collectively referred to as the "ETK Group") to 武漢市公交集團有限責任公司 (Wuhan City Public Transportation Group Company Limited) at a cash consideration of RMB40,590,000 (the "Disposal"). Having considered the significant return from the Disposal and in order to follow Wuhan Municipal Government's policy for the promotion of the Yi-Ka-Tong project (一卡通工程) in Wuhan, the Board considers that the Disposal is in the interest of the Company and its shareholders as a whole.

FUTURE OUTLOOK

Following the Disposal, the Group will continue the development and operation of Jian ePayment System operated by Jian-O'Yuan and will allocate additional resources for the business development of Wuhan Tianruntong. The Group will continue to improve its operational and managerial 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

28 March 2011

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately RMB14.7 million (2009: RMB21.3 million), representing a decrease of 31% over the last year. Profit attributable to owners of the Company amounted to approximately RMB20.9 million (2009: loss of RMB3.5 million), mainly attributed by disposal of ETK Group for the period under review.

REVIEW OF OPERATION

1. Jian-O'Yuan

Turnover for the sales of the electronic car-parking hardware and software was approximately RMB4.4 million (2009: RMB2.3 million), representing an increase of approximately 91% over the last corresponding year. The increase was mainly due to the Group's modified sales and operation strategy which was able to meet the specific needs and demands from customers. Details of software and parking equipment sold to customers for 2010 were as follows:

Market	**Parking and software equipment**	**Accumulated parking cards issued**
Guangzhou	(up-grade) 200units	640,000
Panyu	100units	180,000
Wuhan	500units	330,000
Nanning	110units	130,000
Haikou	300units	100,000

The accumulated number of parking cards issued by Jian-O'Yuan in various regions was approximately 1.38 million. During the year under review, Jian-O'Yuan continued improving the functionality, durability and reliability of its existing products. Both the hardware and software of the contactless electronic payment systems developed and produced by the Group were sold to Guangzhou, Panyu, Wuhan, Nanning and Haikou, which will continue to be the main markets of the Group's business.

2. Wuhan Tianruntong

In October 2010, the Group entered into capital injection agreement with Wuhan Tianruntong pursuant to which Wuhan Jian-O'Yuan, a wholly-owned subsidiary of the Group, owned 53.85% of the enlarged registered capital of Wuhan Tianruntong at the cost of RMB3.5 million upon completion of the new shares subscription.

Wuhan Tianruntong is principally engaged in the development and operation of back end electronic receipt/ payment system; and sales of associated commercial application in the PRC, particularly in Wuhan. Wuhan Tianruntong will align with telecom operators and banks to promote the use of electronic payment system as operated by Wuhan Tianruntong through the use of the fixed payment terminals. Currently, a bank agreed for the lease of the payment terminals to facilitate the use of the electronic payment system by its customers.

3. Hubei ETK

Hubei ETK's operating results were briefly summarized as follows:–

1. Transaction levies amounted to approximately RMB7.2 million (2009: RMB13.1 million), representing 45% decrease over the last year. Over 90% of IC card levies were derived from bus transport.

2. Rental income from smart cards issued decreased to approximately RMB2.7 million (2009: RMB3.7 million), representing 27% decrease over the last year.

On 20 January 2010, Jian ePayment China, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement, pursuant to which Jian ePayment China agreed to dispose of its 60% interest held in ETK Group to 武漢市公交集團有限責任公司 (Wuhan City Public Transportation Group Company Limited) (the "Purchaser") at a cash consideration of RMB40,590,000. The successful completion of the Disposal is subject to the fulfillment of the conditions stated in the Agreement, including the approval of the Company's shareholders in special general meeting. Details are set out in the Company's announcement dated 8 March 2010 and circular dated 29 June 2010. On 21 July 2010, a special resolution for approving the disposal of ETK Group to the Purchaser has been passed at an extraordinary general meeting of shareholders of the Company. Completion had been taken place on 23 August 2010. Upon completion, a gain on disposal of RMB31,316,000 was recorded.

FUTURE PROSPECT

The Group will continue to promote the use of Jian e-parking smart cards and electronic parking system in various cities in the PRC, including Guangzhou, Panyu, Wuhan, Nanning and Haikou, which will continue to be the main markets of the Group's business. The Group will allocate resources to renew and upgrade the hardware and software for contactless electronic payment systems to meet the demand from customers. In addition, by strengthening its sales effort, the Group believes that its products will be widely accepted by customers.

As China continues its robust economic growth, Jian-O'Yuan will be exposed to vastly fast growing opportunities. On the basis of the existing business foundation, Jian-O'Yuan will leverage its existing long-term and sound relationship with the parking operators in various regions and the solid relationship with the local governments, and capitalize on its core technology and historical background to seek growth opportunities. With the rich experience of the Group's management in research and development, production, sales and operations of electronic payment systems business and the know-how and intellectual properties in the related hardware and software owned by Jian-O'Yuan, the Board believes that the Group can earn a larger market share in electronic payment systems business in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of approximately RMB8.5 million.

CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets for the year ended 31 December 2010.

EXCHANGE RATE EXPOSURE

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar or Renminbi. As the exchange rates of Hong Kong dollar and Renminbi were relatively stable during the year, the Group 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 2010 are set out in note 9 to the financial statements.

HUMAN RESOURCES

As at 31 December 2010, the Group had approximately 21 employees (2009: 52 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 the PRC. 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 2010.

SIGNIFICANT INVESTMENTS

The Group had no significant investment for the year ended 31 December 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Chin Ying Hoi, aged 48, is an executive director and 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. Li Sui Yang, aged 53, is an executive director, the CEO and the compliance officer of the Group. Mr. Li is also the general manager of Jian-O'Yuan. Mr. Li joined the Group in October 1996 and is responsible for the Group's overall operation. 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 vast experience in retail, real estate and electronics industry in the PRC.

Mr. Fok Ho Yin Thomas, aged 39, is an executive director, the CFO, 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 and Greenfield Chemical Holdings Limited respectively, 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. Prior to that, 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. Mr. Fok had worked in the Listing Division of the Stock Exchange and has over 15 years of experience in the field of corporate finance specializing in equity financing and financial restructuring. Mr. Fok is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Fok is also a Chartered Financial Analyst.

Non-executive directors

Dr. Chow Pok Yu Augustine, aged 58, 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 39, is a non-executive director of the Group and currently works in Oriental Patron Asia Limited engaging principally in corporate finance advisory work. Prior to that, he served as an Engineer of Anshan Steel Group Limited in China. Mr. Hu has over 10 years of experience in the field of corporate finance specialising in corporate restructuring and financing. Mr. Hu holds a Master degree in business administration from Renmin University of China and a Bachelor degree in Mechanic Engineering from Dalian University of Technology.

Directors and Senior Management Profiles

Independent non-executive directors

Mr. Qu Xiao Guo, aged 40, 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 55, 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 64, holds a bachelor's degree of international trade from Beijing Foreign Trade Institute. She is the chairman of Grand Rise Investment Ltd. She was appointed as independent non-executive director on 26 October 2001.

SENIOR MANAGEMENT

Mr. Liu Shi Jie, aged 55, is the Group's vice president and the deputy general manager of Jian-O'Yuan. Mr. Liu joined the Group in July 2006 and is responsible for the overall management and business development. 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 Wuhan.

Ms. Chang Xiang, aged 56, is the consultant of Jian-O'Yuan. Ms. Chang was formerly the general manager of Jian-O'Yuan and retired in December 2010. Ms. Chang joined the Group in September 2004 and is responsible for the overall operation of Jian-O'Yuan. She graduated from Shenyang Industry University and has over 24 years financial management experience in China.

Mr. Ren Ren, aged 48, is the chief engineer of Jian-O'Yuan. 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.

Mr. Li Xiao Dong, aged 41, is the chief technical officer of Jian-O'Yuan. Mr. Li joined the Group in February 2001 and is responsible for research and development of software and system integration projects. Mr. Li holds a bachelor degree in electronic engineering from Zhengzhou University. Before joining the Group, Mr. Li has held the position of engineer in Henan Star Hi-Tech Company (河南思達高科公司) and has over 20 years of experience in engineering technique, software development and system integration.

The directors submit their annual report together with the audited financial statements of Jian ePayment Systems Limited for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is an investment holding company and its subsidiaries are engaged in the 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.

An analysis of the Group's turnover by product category for the year ended 31 December 2010 is as follows:

	2010	2009
	RMB'000	RMB'000
Sales of hardware and software	**4,387**	2,311
Transaction levies	**7,178**	13,091
Rental income from smart cards issued	**2,674**	3,659
Advertising income	**70**	534
Sales of key holders	**335**	1,739
Rental income from leasing of machinery	**25**	–
Total	**14,669**	21,334

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 28.

The Board do not recommend the payment of any dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in page 30 and Note 27 to the financial statements.

FIXED ASSETS

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company has no reserve (2009: 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 76.

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.

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.

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.

Details of specific categories of options are as follows:

Grantee	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price** HK$
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.155
Directors	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.147
Directors	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.147
Others	1 June 2010 (C)	N/A	1 January 2011 to 31 May 2013	0.147
Others	1 June 2010 (D)	N/A	1 January 2012 to 31 May 2013	0.147

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

	2010		2009	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**81,000,000**	**0.155**	–	–
Granted during the year	**89,800,000**	**0.147**	84,000,000	0.155
Exercised during the year	**(8,000,000)**	**0.155**	3,000,000	0.155
Outstanding at the end of the year	**162,800,000**	**0.151**	81,000,000	0.155
Exercisable at the end of the year	**92,400,000**	**0.153**	81,000,000	0.155

	Number of share options					
Name or category of participant	**At 1 January 2010** '000	**Granted during the year** '000	**Exercised during the year** '000	**Lapsed during the year** '000	**Cancelled during the year** '000	**At 31 December 2010** '000
Directors						
Chin Ying Hoi	7,000	8,800	–	–	–	15,800
Li Sui Yang	5,000	8,800	(1,000)	–	–	12,800
Fok Ho Yin Thomas	5,000	8,800	(1,000)	–	–	12,800
Chow Pok Yu Augustine	3,000	5,000	–	–	–	8,000
Hu Hai Yuan	3,000	5,000	–	–	–	8,000
Tung Fong	–	800	–	–	–	800
Zhang Xiao Jing	–	800	–	–	–	800
Qu Xiao Guo	–	800	–	–	–	800
Employees other than directors						
In aggregate	8,000	–	–	–	–	8,000
Other participants						
In aggregate	50,000	51,000	(6,000)	–	–	95,000
	81,000	89,800	(8,000)	–	–	162,800

DIRECTORS

The directors during the year and up to the date of this Annual Report were:

Executive directors:

Mr. Chin Ying Hoi *(Chairman)*
Mr. Li Sui Yang *(Chief Executive Officer)*
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 32 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director, 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 9 to 10.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2010, 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:

Interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations

(a) *Interests in shares*

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 December 2010
Mr. Chin Ying Hoi	Beneficiary owner	101,000,000	–	286,800,000 *(Note 1)*	387,800,000	42.80%
Mr. Li Sui Yang	Beneficiary owner	700,000	–	–	700,000	0.08%
Mr. Fok Ho Yin Thomas	Beneficiary owner	490,000	–	–	490,000	0.05%

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

(b) Interests in share options

Name	Type of interests	Outstanding shares option as at 31 December 2010	Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2010
Chin Ying Hoi	Personal	15,800,000	1.74%
Li Sui Yang	Personal	12,800,000	1.41%
Fok Ho Yin Thomas	Personal	12,800,000	1.41%
Chow Pok Yu Augustine	Personal	8,000,000	0.88%
Hu Hai Yuan	Personal	8,000,000	0.88%
Tung Fong	Personal	800,000	0.09%
Zhang Xiao Jing	Personal	800,000	0.09%
Qu Xiao Guo	Personal	800,000	0.09%

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the following persons, other than the Directors or Chief Executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register which was required to be kept by the Company under Section 336 of the SFO:

Interests in shares and underlying shares

Long positions

Name of shareholder	Number of shares	Number of share options/ underlying shares	Percentage of shareholding
Union Perfect International Limited *(Note 1)*	286,800,000	–	31.66%
Mr. Mung Kin Keung	131,670,000	–	14.53%

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

Save as disclosed above, as at 31 December 2010, the Directors were not aware of any other person who had an interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	13%
– five largest suppliers combined	57%
Sales	
– the largest customer	44%
– five largest customers combined	99%

As at 31 December 2010, 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 Tian Chuang 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 2010, 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 32 to the financial statements.

COMPLIANCE WITH RULES 5.34 AND 5.45 OF THE GEM LISTING RULE

The directors consider that the Company has complied with the board practice and procedures as set out in Rules 5.34 and 5.45 of the GEM Listing Rule throughout the year ended 31 December 2010.

Report of the Directors

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

The text of Corporate Governance Report is set out on pages 21 to 25 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 financial statements have been audited by Messrs RSM Nelson Wheeler. A resolution to re-appoint RSM Nelson Wheeler as auditor will be put at the forthcoming annual general meeting.

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

Hong Kong
28 March 2011

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

The Company has complied with the code 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 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 8 directors. Mr. Chin Ying Hoi serves as Chairman of the Board, Mr. Li Sui Yang assumes the position as Chief Executive Officer, Mr. Fok Ho Yin Thomas assumes the position as Chief Financial Officer. 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 9 to 10 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, 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 2010

During the year, the Board had convened 13 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	13/13
Mr. Li Sui Yang	13/13
Mr. Fok Ho Yin Thomas	13/13
Dr. Chow Pok Yu Augustine	9/13
Mr. Hu Hai Yuan	9/13
Mr. Qu Xiao Guo	9/13
Mr. Zhang Xiao Jing	9/13
Ms. Tung Fong	9/13

Function

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

Mr. Chin Ying Hoi is the controlling shareholder and the Chairman 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is segregation of duties between Chairman and CEO. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

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

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

AUDIT COMMITTEE

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

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

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

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

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

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

Corporate Governance Report

DIRECTOR'S RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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.

The remuneration policy for year 2010 for Board members and senior management was the same as those adopted in 2009.

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 2010 Annual General Meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors.

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.

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 statements.

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 AUDITOR

During the year, the Company has appointed Messrs RSM Nelson Wheeler ("RSM") as the Company's external auditor. During the year, the remuneration paid/payable to RSM in relation to the audit and non-audit services are as follows:

	Fee paid/payable
	RMB'000
Audit services	396
Non-audit services	524

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") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 75, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
28 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Turnover	*6(a)*	**14,669**	21,334
Cost of sales and service rendered		**(4,410)**	(6,144)
Gross profit		**10,259**	15,190
Other income	*6(b)*	**3,069**	4,336
Distribution costs		**(366)**	(334)
Administrative expenses		**(22,667)**	(22,375)
Loss from operations		**(9,705)**	(3,183)
Finance costs	*8*	**(15)**	(136)
Gain on disposal of subsidiaries	*30(b)*	**31,316**	–
Profit/(loss) before tax		**21,596**	(3,319)
Income tax expense	*9*	**–**	–
Profit/(loss) and total comprehensive income/(loss) for the year	*10*	**21,596**	(3,319)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**20,934**	(3,535)
Non-controlling interests		**662**	216
		21,596	(3,319)
Earnings/(loss) per share			
Basic	*13*	**RMB0.023**	(RMB0.004)
Diluted	*13*	**RMB0.023**	N/A

Consolidated Statement of Financial Position

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**13,152**	28,858
Prepaid land lease payments	*15*	**–**	1,408
Goodwill	*16*	**–**	–
Available-for-sale financial assets	*17*	**–**	150
		13,152	30,416
Current assets			
Inventories	*18*	**571**	1,306
Prepaid land lease payments	*15*	**–**	43
Trade and other receivables	*19*	**975**	12,625
Bank and cash balances	*20*	**8,530**	60,698
		10,076	74,672
Current liabilities			
Trade and other payables	*21*	**7,792**	99,194
Due to a related company	*32*	**10**	10
Deposits from customers		**–**	11,548
Due to directors	*22*	**–**	1,429
Other loan	*23*	**–**	885
		7,802	113,066
Net current assets/(liabilities)		**2,274**	(38,394)
NET ASSETS/(LIABILITIES)		**15,426**	(7,978)
Capital and reserves			
Share capital	*25*	**45,727**	45,370
Reserves	*27*	**(32,423)**	(57,372)
Equity attributable to owners of the Company		**13,304**	(12,002)
Non-controlling interests		**2,122**	4,024
TOTAL EQUITY		**15,426**	(7,978)

Approved by the Board of Directors on 28 March 2011.

Chin Ying Hoi	**Li Sui Yang**
Director	*Director*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium account RMB'000	Capital reserves RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	45,237	24,488	6,304	2,870	1,435	–	(92,865)	(12,531)	3,808	(8,723)
Recognition of share-based payments *(Note 28)*	–	–	–	–	–	3,652	–	3,652	–	3,652
Issue of shares on exercise of share options	133	409	–	–	–	(130)	–	412	–	412
Total comprehensive loss for the year	–	–	–	–	–	–	(3,535)	(3,535)	216	(3,319)
Changes in equity for the year	133	409	–	–	–	3,522	(3,535)	529	216	745
At 31 December 2009 and 1 January 2010	45,370	24,897	6,304	2,870	1,435	3,522	(96,400)	(12,002)	4,024	(7,978)
Recognition of share-based payments *(Note 28)*	–	–	–	–	–	3,265	–	3,265	–	3,265
Issue of shares on exercise of share options	357	1,098	–	–	–	(348)	–	1,107	–	1,107
Total comprehensive income for the year	–	–	–	–	–	–	20,934	20,934	662	21,596
Acquisition of a subsidiary *(Note 30(a))*	–	–	–	–	–	–	–	–	2,189	2,189
Disposal of subsidiaries *(Note 30(b))*	–	–	–	–	–	–	–	–	(4,753)	(4,753)
Changes in equity for the year	357	1,098	–	–	–	2,917	20,934	25,306	(1,902)	23,404
At 31 December 2010	45,727	25,995	6,304	2,870	1,435	6,439	(75,466)	13,304	2,122	15,426

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**21,596**	(3,319)
Adjustments for:		
Depreciation	**4,507**	7,181
Amortisation of prepaid land lease payments	**24**	43
Loss on disposals of property, plant and equipment	**–**	29
Gain on disposal of subsidiaries	**(31,316)**	–
Allowance for inventories	**73**	89
Impairment loss on trade and other receivables	**465**	59
Impairment of goodwill	**946**	–
Property, plant and equipment written off	**–**	89
Interest income	**(477)**	(564)
Reversal of allowance for inventories	**(571)**	(628)
Inventories (written back)/written off	**(106)**	57
Trade and other payables written back	**(965)**	(2,985)
Equity-settled share-based payments	**3,265**	3,652
Finance costs	**15**	136
Operating (loss)/profit before working capital changes	**(2,544)**	3,839
(Decrease)/increase in deposits from customers	**(1,391)**	5,519
(Increase)/decrease in inventories	**(571)**	236
(Increase)/decrease in trade and other receivables	**(6,783)**	1,260
(Decrease)/increase in trade and other payables	**(35,169)**	21,442
Net cash (used in)/generated from operating activities	**(46,458)**	32,296

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	*30(a)*	**182**	–
Sales proceeds from disposals of property, plant and equipment		**–**	47
Disposal of subsidiaries	*30(b)*	**7,643**	–
Purchases of property, plant and equipment		**(12,790)**	(8,585)
Purchases of available-for-sale financial assets		**–**	(150)
Interest received		**477**	564
Net cash used in investing activities		**(4,488)**	(8,124)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other loan		**(900)**	–
(Repayments to)/advances from directors		**(1,429)**	1,006
Proceeds from exercise of share options		**1,107**	412
Net cash (used in)/generated from financing activities		**(1,222)**	1,418
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(52,168)**	25,590
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**60,698**	35,108
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**8,530**	60,698
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**8,530**	60,698

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 84 Jing Bei Yi Lu, Economic and Technological Development District, Zhengzhou, Henan, the People Republic of China (the "PRC"). The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. 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 significant changes to the Group's accounting policies, presentation of the Group's financial statements 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.

3. 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 4 to the financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (w) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in the profit or loss.

(iii) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of comprehensive income 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 profit or loss 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.

3. 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 recognised in profit or loss 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
Land and buildings	–	Over the lease term
Leasehold improvements	–	20%
Machinery	0%-10%	14%-33%
Office equipment	0%-10%	15%-20%
Motor vehicles	–	20%
Computer equipment	0%-5%	20%
Smart cards	–	25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting 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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease or when the rental is rendered.

(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 statement of financial position 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 the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(j) 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instruments

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

(m) Borrowings

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

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

(n) Trade and other payables

Trade and other payables are 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.

(o) Equity instruments

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

(p) 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 are recognised when delivery and acceptance have occurred, the fee is fixed and determinable, persuasive evidence of an arrangement exists, collection of the receivable is probable and no significant post-delivery obligations remain.

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; and rental income from leasing of machinery is recognised when the rental is rendered.

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

Revenue from the sales of key holders are recognised on the transfer of significant risk and rewards of ownership, which generally coincides 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

Termination benefits are recognised 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.

(r) Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants.

Equity-settled share-based payments to employees 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.

Equity-settled share-based payments to consultants are measured at the fair value of the services received or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and recognised as expenses.

(s) Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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 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 in profit or loss in the period in which they become receivable.

(u) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because 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 end of reporting period.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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;

(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.

(w) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories, investments 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Impairment of assets *(Continued)*

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 profit or loss, 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(x) Provisions and contingent liabilities

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

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

(y) Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(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 ageing 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.

(d) Share-based payment expenses

The fair value of the share options granted to the employees including directors determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

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

Key sources of estimation uncertainty *(Continued)*

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was nil after an impairment loss of RMB946,000 was recognised during 2010. Details of the impairment loss calculation are provided in note 16 to financial statements.

5. FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in 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 bank and cash balances and trade and other receivables included in the consolidated statement of financial position 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 bank balances 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 end of the reporting period is less than one year.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

Interest rate risk

The Group's bank deposits 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

Except as disclosed in note 17 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Categories of financial instruments at 31 December

	2010	2009
	RMB'000	RMB'000
Financial assets:		
Loan and receivables (including cash and cash equivalents)		
Trade and other receivables	**975**	12,625
Bank and cash balances	**8,530**	60,698
	9,505	73,323
Available-for-sale financial assets	**–**	150
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	**7,792**	99,194
Due to a related company	**10**	10
Deposits from customers	**–**	11,548
Due to directors	**–**	1,429
Other loan	**–**	885
	7,802	113,066

6. TURNOVER AND OTHER INCOME

(a) Turnover

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

	2010 **RMB'000**	2009 RMB'000
Sales of hardware and software	**4,387**	2,311
Sales of key holders	**335**	1,739
Transaction levies	**7,178**	13,091
Advertising income	**70**	534
Rental income from smart cards issued	**2,674**	3,659
Rental income from leasing of machinery	**25**	–
	14,669	21,334

Turnover analysed by categories of customers are as follows:

	2010 **RMB'000**	2009 RMB'000
To a related company *(Note 32(b)(i))*	**–**	32
To independent third parties	**14,669**	21,302
	14,669	21,334

(b) Other income

	2010 **RMB'000**	2009 RMB'000
Profit on sales of smart cards *(Note (ii))*	**431**	305
Subsidy income		
– Value added tax ("VAT") refund *(Note (i))*	**420**	72
Interest income	**477**	564
Trade and other payables written back	**965**	2,985
Repair and maintenance services income	**674**	87
Others	**102**	323
	3,069	4,336

6. TURNOVER AND OTHER INCOME *(Continued)*

(b) Other income *(Continued)*

(i) Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ("Zhengzhou 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 RMB748,000 (2009: RMB552,000) and the relevant cost of RMB317,000 (2009: RMB247,000).

7. SEGMENT INFORMATION

Operating segment information

The Group engaged in the single type business of development and operation of IC and smart cards, back end electronic receipt/payment and data recording and processing software system; and manufacturing and distribution of the associated commercial application. Accordingly, no operating segment information is presented.

Geographical information

Revenue generated by the Group during the two years ended 31 December 2010 and 2009 were attributable to customers based in the PRC, the country of domicile of the Group's operation. Meanwhile, the Group's major non-current assets are all located in the PRC.

Information about major customers

The Group's customers base included two (2009: one) customers with whom transactions have exceeded 10% of the Group's revenue. Revenue from those customers is set out as below:

	2010	2009
	RMB'000	RMB'000
Customer A	**7,084**	11,493
Customer B	**2,051**	–
	9,135	11,493

8. FINANCE COSTS

	2010	2009
	RMB'000	RMB'000
Interest on loans wholly repayable within five years:		
– other loan	**15**	133
– loan from a director *(Note 32(b)(iv))*	**–**	3
	15	136

9. INCOME TAX EXPENSE

	2010	2009
	RMB'000	RMB'000
Current tax – PRC		
Provision for the year	**–**	–

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 2010 (2009: Nil).

The tax rate applicable to the PRC subsidiaries in the Group were 25% during the year. However, no provision for PRC enterprise income tax was made in the financial statements for the year ended 31 December 2010 (2009: Nil) as the subsidiaries either did not generate any assessable profit for the year or have sufficient tax losses brought forward to set off against current year's assessable profits.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the PRC enterprise income tax rate is as follows:

	2010	2009
	RMB'000	RMB'000
Profit/(loss) before tax	**21,596**	(3,319)
Calculated at the PRC statutory tax rate of 25%	**5,399**	(830)
Tax effect of income that are not taxable	**(5,922)**	(309)
Tax effect of expenses that are not deductible	**2,192**	1,729
Tax effect of temporary difference not recognised	**(147)**	(259)
Tax effect of tax losses not recognised due to uncertainty on future profit streams	**306**	58
Tax effect of utilisation of tax losses not previously recognised	**(326)**	(724)
Effect of different tax rates	**(1,502)**	335
Income tax expense	**–**	–

The details of unprovided deferred taxation as at 31 December 2010 were stated in note 29.

10. PROFIT/(LOSS) FOR THE YEAR

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

	2010	2009
	RMB'000	RMB'000
Depreciation of property, plant and equipment *(Note 14)*	**4,507**	7,181
Directors' emoluments *(Note 11)*	**6,232**	3,734
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**7,687**	7,783
– Equity-settled share-based payments	**1,810**	1,478
– Retirement benefits scheme contributions	**1,062**	750
	10,559	10,011
Cost of inventories sold	**3,153**	3,691
Operating lease charges	**261**	269
Auditor's remuneration	**452**	552
Allowance for inventories (included in cost of inventories sold)	**73**	89
Equity-settled consultancy fees	**1,455**	2,174
Reversal of allowance for inventories (included in cost of inventories sold)	**(571)**	(628)
Research and development costs	**774**	622
Loss on disposals of property, plant and equipment	**–**	29
Property, plant and equipment written off	**–**	89
Inventories (written back)/written off	**(106)**	57
Impairment on goodwill	**946**	–
Impairment loss on trade and other receivables	**465**	59

Cost of inventories sold includes staff costs, depreciation, inventories (written back)/written off and operating lease charges of approximately RMB861,000 (2009: RMB1,833,000) which are included in the amounts disclosed separately above.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

Year ended 31 December 2010	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Share-based payments**	**Retirement benefit scheme contributions**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Chin Ying Hoi	**53**	**1,484**	**411**	**238**	**2,186**
Mr. Li Sui Yang	**53**	**924**	**411**	**180**	**1,568**
Mr. Fok Ho Yin, Thomas	**53**	**989**	**411**	**183**	**1,636**
Non-executive directors					
Dr. Chow Pok Yu Augustine	**53**	**–**	**233**	**–**	**286**
Mr. Hu Hai Yuan	**53**	**–**	**233**	**–**	**286**
Independent non-executive directors					
Mr. Zhang Xiao Jing	**53**	**–**	**37**	**–**	**90**
Ms. Tung Fong	**53**	**–**	**37**	**–**	**90**
Mr. Qu Xiao Guo	**53**	**–**	**37**	**–**	**90**
	424	**3,397**	**1,810**	**601**	**6,232**
Year ended 31 December 2009					
Executive directors					
Mr. Chin Ying Hoi	26	884	348	11	1,269
Mr. Li Sui Yang	26	712	261	11	1,010
Mr. Fok Ho Yin, Thomas	26	777	261	11	1,075
Non-executive directors					
Dr. Chow Pok Yu Augustine	24	–	130	–	154
Mr. Hu Hai Yuan	24	–	130	–	154
Independent non-executive directors					
Mr. Zhang Xiao Jing	24	–	–	–	24
Ms. Tung Fong	24	–	–	–	24
Mr. Qu Xiao Guo	24	–	–	–	24
	198	2,373	1,130	33	3,734

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2010 and 2009.

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

The five highest paid individuals in the Group during the year include five (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two individuals in 2009 are set out below:

	2010 **RMB'000**	2009 RMB'000
Basic salaries and benefits	**–**	941
Retirement benefit scheme contributions	**–**	40
	–	981

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

	Number of individuals	
	2010	2009
HK$Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**–**	3
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**1**	–
	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.

12. DIVIDEND

No dividend had been paid or declared by the Company during the year (2009: Nil).

13. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings (2009: loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB20,934,000 (2009: loss attributable to owners of the Company of approximately RMB3,535,000) and the weighted average number of ordinary shares of 901,063,000 (2009: 896,110,000) in issue during the year.

Diluted earnings/(loss) per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB20,934,000 and the weighted average number of ordinary shares of 918,860,000, being the weighted average number of ordinary shares of 901,063,000 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 17,797,000 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2009.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Computer equipment RMB'000	Smart cards RMB'000	Construction in progress RMB'000	Total RMB'000
Cost									
At 1 January 2009	5,100	132	44,817	1,039	1,207	1,788	3,858	3,629	61,570
Additions	–	211	2,294	16	–	607	3,751	1,862	8,741
Reclassification/transfer	–	949	–	–	–	1,317	–	(2,266)	–
Disposals/write off	–	–	(1,606)	(21)	–	(538)	(1,517)	–	(3,682)
At 31 December 2009 and 1 January 2010	5,100	1,292	45,505	1,034	1,207	3,174	6,092	3,225	66,629
Additions	7,894	27	1,326	101	2,934	–	508	–	12,790
Write off	–	–	–	(3)	–	–	(893)	–	(896)
Acquisition of a subsidiary	–	–	276	41	–	1,527	–	–	1,844
Disposals of subsidiaries	(5,100)	(1,227)	(20,317)	(526)	(1,207)	(3,174)	(5,707)	(3,225)	(40,483)
At 31 December 2010	7,894	92	26,790	647	2,934	1,527	–	–	39,884
Accumulated depreciation									
At 1 January 2009	141	107	31,347	426	216	786	1,084	–	34,107
Charge for the year	142	240	4,066	182	343	499	1,709	–	7,181
Elimination on disposals/write off	–	–	(1,493)	(8)	–	(499)	(1,517)	–	(3,517)
At 31 December 2009 and 1 January 2010	283	347	33,920	600	559	786	1,276	–	37,771
Charge for the year	191	141	2,185	149	286	403	1,152	–	4,507
Elimination on write off	–	–	–	(3)	–	–	(893)	–	(896)
Disposal of subsidiaries	(366)	(396)	(10,124)	(332)	(733)	(1,164)	(1,535)	–	(14,650)
At 31 December 2010	108	92	25,981	414	112	25	–	–	26,732
Carrying amount									
At 31 December 2010	7,786	–	809	233	2,822	1,502	–	–	13,152
At 31 December 2009	4,817	945	11,585	434	648	2,388	4,816	3,225	28,858

The carrying amounts of the Group's land and buildings are situated in Hong Kong under medium-term leases.

15. PREPAID LAND LEASE PAYMENTS

	2010 **RMB'000**	2009 RMB'000
At 1 January	**1,451**	1,494
Amortisation of prepaid land lease payments	**(24)**	(43)
Disposal of subsidiaries	**(1,427)**	–
At 31 December	**–**	1,451
Current portion	**–**	(43)
Non-current portion	**–**	1,408

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

16. GOODWILL

	RMB'000
Cost	
Arising on acquisition of a subsidiary (Note 30 (a)) and at 31 December 2010	**946**
Accumulated impairment losses	
Impairment loss recognised in the current year and at 31 December 2010	**946**
Carrying amount	
At 31 December 2010	**–**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") that is expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to Wuhan Tianruntong Science and Technology Company Limited ("Tianruntong"), a subsidiary of the Company, which is considered to be a single CGU.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

16. GOODWILL *(Continued)*

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 4%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the CGU is 14%.

At 31 December 2010, before impairment testing, goodwill of RMB946,000 was allocated to Tianruntong. Due to changes in market condition, the Group has revised its cash flow forecasts for Tianruntong. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of RMB946,000 during the year.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009
	RMB'000	RMB'000
Unlisted equity securities, at cost	**–**	150

In 2009, the Company invested RMB150,000 in a domestic company incorporated in the PRC with registered capital of RMB1,000,000 and owned 15% equity interests in that company. Unlisted equity investment is stated at cost as there is no quoted price in an active market and whose fair value cannot be reliably measured. During the year, the unlisted equity investment was derecognised upon the disposal of subsidiaries as set out in note 30(b) to the financial statements.

18. INVENTORIES

	2010	2009
	RMB'000	RMB'000
Raw materials	**197**	338
Work in progress	**45**	114
Finished goods	**329**	854
	571	1,306

The reversal of allowance for inventories of approximately RMB677,000 (2009: RMB628,000) arose from sales of obsolete inventories.

19. TRADE AND OTHER RECEIVABLES

	Note	2010 RMB'000	2009 RMB'000
Trade receivables	*(a)*	**660**	150
Trade deposits		**–**	2,391
Prepayments and other deposits	*(b)*	**163**	257
Other receivables	*(c)*	**152**	9,827
		975	12,625

(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:

	2010 RMB'000	2009 RMB'000
0-30 days	**20**	79
31-60 days	**540**	8
61-90 days	**–**	–
91-120 days	**–**	–
121-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**3,815**	3,778
	4,375	3,865
Allowance for impairment losses	**(3,715)**	(3,715)
	660	150

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

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

	2010	2009
	RMB'000	RMB'000
At 1 January	**3,715**	3,667
Impairment loss recognised	**–**	48
At 31 December	**3,715**	3,715

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 are expected not to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

As of 31 December 2010, trade receivables of approximately RMB100,000 (2009: RMB111,000) 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:

	2010	2009
	RMB'000	RMB'000
Up to 3 months	**–**	–
3 to 6 months	**–**	–
Over 6 months	**100**	111
	100	111

(b) Prepayments and other deposits

	2010	2009
	RMB'000	RMB'000
Prepayments to suppliers	**–**	71
Others	**163**	186
	163	257

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Other receivables

	2010 RMB'000	2009 RMB'000
Advances to staff	**37**	124
Temporary receipts by business associates on behalf of the Group	**–**	9,656
Others	**115**	47
	152	9,827

20. BANK AND CASH BALANCES

As at 31 December 2010, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB6,678,000 (2009: RMB60,622,000). 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.

21. TRADE AND OTHER PAYABLES

	Note	2010 RMB'000	2009 RMB'000
Trade payables	*(a)*	**1,192**	812
Other payables	*(b)*	**6,600**	98,382
		7,792	99,194

(a) Trade payables

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

	2010 RMB'000	2009 RMB'000
0-30 days	**1**	–
31-60 days	**–**	–
61-90 days	**–**	–
91-180 days	**440**	1
181-365 days	**110**	81
Over 365 days	**641**	730
	1,192	812

21. TRADE AND OTHER PAYABLES *(Continued)*

(b) Other payables

	2010	2009
	RMB'000	RMB'000
Business tax payable	**77**	178
Interest payable	**–**	241
VAT payable	**86**	–
Provision for staff and workers' bonus and welfare fund	**817**	817
Accruals for operating expenses	**2,858**	3,407
Salary and welfare payables	**17**	926
Deposits received from the holders of smart cards	**–**	79,978
Amount due to non-controlling interests	**–**	199
Others	**2,745**	12,636
	6,600	98,382

22. DUE TO DIRECTORS

The amounts due are unsecured, non-interest bearing and repayable on demand or within one year.

23. OTHER LOAN

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

The other loan is arranged at fixed interest rate and exposes the Group to fair value interest rate risk. The effective interest rate of the other loan for the year ended 31 December 2010 is 12% per annum (2009: 12%).

24. 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.

25. SHARE CAPITAL

	Number of shares	Nominal value	
		HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.05 each			
At 1 January 2009, 31 December 2009 and 31 December 2010	1,200,000,000	60,000	63,624
Issued and fully paid:			
Ordinary shares of HK$0.05 each			
At 1 January 2009	895,000,000	44,750	45,237
Issue of shares on exercise of share options	3,000,000	150	133
At 31 December 2009 and 1 January 2010	898,000,000	44,900	45,370
Issue of shares on exercise of share options	8,000,000	400	357
At 31 December 2010	906,000,000	45,300	45,727

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 2010, 57% (2009: 57%) of the shares were in public hands.

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 RMB'000	2009 RMB'000
Property, plant and equipment	**71**	91
Investments in subsidiaries	**3,194**	348
Other receivables	**101**	50
Due from subsidiaries	**–**	31,231
Bank and cash balances	**1,851**	98
Other payables	**(455)**	(2,052)
Due to subsidiaries	**–**	(10,599)
Due to directors	**–**	(1,479)
Other loan	**–**	(885)
NET ASSETS	**4,762**	16,803
Share capital	**45,727**	45,370
Reserves	**(40,965)**	(28,567)
TOTAL EQUITY	**4,762**	16,803

27. 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

	Share premium account RMB'000	Merger reserve RMB'000	Option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2009	24,488	23,996	–	(99,151)	(50,667)
Recognition of share-based payments	–	–	3,652	–	3,652
Issue of share on exercise of share options	409	–	(130)	–	279
Total comprehensive income for the year	–	–	–	18,169	18,169
At 1 January 2010	24,897	23,996	3,522	(80,982)	(28,567)
Recognition of share-based payments	–	–	3,265	–	3,265
Issue of share on exercise of share options	1,098	–	(348)	–	750
Total comprehensive loss for the year	–	–	–	(16,413)	(16,413)
At 31 December 2010	25,995	23,996	6,439	(97,395)	(40,965)

27. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

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

(ii) Capital reserves

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

(iii) General reserve fund and enterprise expansion fund

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

(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.

(v) Option reserve

Option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(r) to the financial statements.

28. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

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

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.

28. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price HK$	No. of share options outstanding
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.155	73,000,000
Directors	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.147	19,400,000
Directors	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.147	19,400,000
Others	1 June 2010 (C)	N/A	1 January 2011 to 31 May 2013	0.147	25,500,000
Others	1 June 2010 (D)	N/A	1 January 2012 to 31 May 2013	0.147	25,500,000

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

	2010		2009	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		HK$		HK$
Outstanding at the beginning of the year	**81,000,000**	**0.155**	–	–
Granted during the year	**89,800,000**	**0.147**	84,000,000	0.155
Exercised during the year	**(8,000,000)**	**0.155**	(3,000,000)	0.155
Outstanding at the end of the year	**162,800,000**	**0.151**	81,000,000	0.155
Exercisable at the end of the year	**92,400,000**	**0.153**	81,000,000	0.155

Share options granted to consultants were incentives for their services to assist the Group expanding its business network and exploring new business opportunities. The fair values of such benefit could not be measured reliably and as a result, fair values of share options are measured by reference to the fair values at the measurement dates.

28. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.173 (2009: HK$0.189). The above options comprising at the end of the year have a weighted average remaining contractual life of 6.76 years (2009: 9.38 years) and the exercise price are ranging from HK$0.147 to HK$0.155 (2009: HK$0.155). The estimated fair values of the options granted on 18 May 2009 and 1 June 2010 are either determined using the Binomial pricing model or Black-Scholes option pricing model. The estimated fair values and significant inputs into the models were as follows:

	Share options grant date			
	1 June 2010 (A)	1 June 2010 (B)	1 June 2010 (C)	18 May 2009
Option price model	Black-Scholes	Black-Scholes	Black-Scholes	Binomial
Estimated fair value at the measurement date	RMB1,135,000	RMB1,159,000	RMB1,454,000	RMB3,652,000
	HK$1,283,000	HK$1,310,000	HK$1,643,000	HK$4,149,000
No. of options granted	19,400,000	19,400,000	25,500,000	84,000,000
Weighted average share price at the measurement date	HK$0.144	HK$0.144	HK$0.144	HK$0.130
Weighted average exercise price	HK$0.147	HK$0.147	HK$0.147	HK$0.155
Expected volatility	58.92%	54.13%	76.00%	64.41%
Expected life	5 years	6 years	3 years	10 years
Risk free rate	1.597%	1.863%	1.023%	2.205%
Expected dividend yield	Nil	Nil	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the models has been adjusted, based on the Company's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

29. DEFERRED TAXATION

At the end of the reporting period the Group has unused tax losses and other deductible temporary differences of approximately RMB12,923,000 and RMB73,000 respectively (2009: RMB20,100,000 and RMB1,271,000 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 2011 to 2015 and other deductible temporary differences may be carried forward indefinitely.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 18 October 2010, Wuhan Jian-O'Yuan Science and Technology Company Limited ("Wuhan Jian-O'Yuan"), a wholly-owned subsidiary of the Company and Tianruntong entered into a capital injection agreement, pursuant to which Wuhan Jian-O'Yuan agreed to inject RMB3,500,000 by way of subscribing the new registered capital of Tianruntong ("Capital Injection"). Upon the completion of the Capital Injection, Wuhan Jian-O'Yuan is interested in 53.85% of the enlarged registered capital of Tianruntong. The Capital Injection was completed on 24 November 2010.

Tianruntong was principally engaged in the development and operation of electronic receipt/payment system; and sales of associated commercial applications during the year. The acquisition is for the purpose of increase the market share of the Group in the electronic receipt/payment system operation.

The fair value of the identifiable assets and liabilities of Tianruntong acquired as at its date of acquisition is as follows:

Net assets acquired:	**RMB'000**
Property, plant and equipment	**1,844**
Trade and other receivables	**1,258**
Bank and cash balances	**3,682**
Trade and other payables	**(2,041)**
	4,743
Non-controlling interests	**(2,189)**
	2,554
Goodwill *(Note 16)*	**946**
	3,500
Satisfied by:	
Cash	**3,500**
Net cash inflow arising on acquisition:	
Cash consideration paid	**(3,500)**
Cash and cash equivalents acquired	**3,682**
	182

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

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

The goodwill arising on the acquisition of Tianruntong is attributable to the anticipated profitability of the Group's electronic receipt/payment system operation in the new markets and anticipated future operating synergies from the combination.

Tianruntong contributed approximately RMB25,000 to the Group's turnover and incurred a loss of approximately RMB146,000 for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2010, total Group turnover for the year would have been RMB16,380,000, and profit for the year would have been RMB19,678,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is intended to be a projection of future results.

(b) Disposal of subsidiaries

On 20 January 2010, Jian epayment (China) International Holdings Limited ("Jian epayment China"), a wholly-owned subsidiary of the Company, and the non-controlling interests of the Company (the "Purchaser") have entered into a conditional sale and purchase agreement, pursuant to which Jian epayment China has agreed to dispose of its 60% interest held in Hubei "E-Tong-Ka" System Company Limited and its subsidiary to the Purchaser at a cash consideration of RMB40,590,000 (the "Disposal").

On 21 July 2010, a special resolution for approving the Disposal has been passed at an extraordinary general meeting of shareholders of the Company. The Disposal was completed on 23 August 2010.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

Net assets at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	**25,833**
Available-for-sales financial assets	**150**
Inventories	**1,910**
Prepaid land lease payments	**1,427**
Trade and other receivables	**19,226**
Bank and cash balances	**30,081**
Trade and other payables	**(57,309)**
Deposits from customers	**(10,157)**
Net assets disposed of	**11,161**
Non-controlling interests	**(4,753)**
Direct cost to the disposal	**2,866**
Gain on disposal of subsidiaries	**31,316**
Total consideration – satisfied by cash	**40,590**
Net cash inflow arising on disposal:	
Cash consideration received	**40,590**
Cash paid for direct cost	**(2,866)**
Cash and cash equivalents disposed of	**(30,081)**
	7,643

31. COMMITMENTS

(a) Capital commitments

	2010 RMB'000	2009 RMB'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	**3,209**	1,664

31. COMMITMENTS *(Continued)*

(b) Operating lease commitments – as lessee

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010 **RMB'000**	2009 RMB'000
Within one year	**287**	166
In the second to fifth years inclusive	**196**	84
After five years	**–**	35
	483	285

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 2 years (2009: 5 years) and rentals are fixed over the lease terms and do not include contingent rentals.

32. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	**Relationship with the Company**
北京華普產業集團有限公司 Beijing Jian Enterprise (Group) Co., Ltd. ("Beijing Jian Enterprise")	A company 100% ultimately owned by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan, the shareholders of the Company
北京華普科技企業有限公司 Beijing Jian-Tech Co., Ltd. ("Jian-Tech")	80% owned subsidiary of Beijing Jian Enterprise
北京華普國際大廈有限公司 Beijing Huapu International Plaza Co., Ltd. ("Beijing Huapu")	52% owned subsidiary of Jian-Tech
海口華普立得泊車管理有限公司 Haikou Huapu Lide Parking Management Co., Ltd. ("Haikou Project Company")	Being 20% owned by Beijing Jian Enterprise
威海天創電子智能系統有限公司 Weihai Tian Chuang Electronic System Co., Ltd. ("Weihai Project Company")	Being 20% owned by Jian-Tech
上海白玉蘭智能交通系統管理有限公司 Shanghai Bai Yu Lan Intelligent Transportation System Management Co., Ltd. ("Shanghai Project Company")	Being 40% owned by Beijing Jian Enterprise
北京華普道路泊車建設管理有限公司 Beijing Huapu Roadside Parking Facilities Construction and Management Co., Ltd. ("Beijing Project Company")	Being 80% owned by Jian-Tech

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

Save as disclosed elsewhere in the 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:

	2010	2009
	RMB'000	RMB'000
Shanghai Project Company	**–**	32

(ii) Sales of smart cards:

	2010	2009
	RMB'000	RMB'000
Weihai Project Company	**–**	4
Beijing Project Company	**38**	23
	38	27

(iii) Impairment loss made for receivables from:

	2010	2009
	RMB'000	RMB'000
Shanghai Project Company	**–**	11

(iv) Interest expenses paid to:

	2010	2009
	RMB'000	RMB'000
Mr. Chin Ying Hoi, a director	**–**	3

32. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2010 RMB'000	2009 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	**(67)**	(67)
	–	–
Included in other payables:		
– Beijing Huapu	**274**	274
Due from a related company:		
– Beijing Jian Enterprise	**20**	20
Allowance for impairment losses	**(20)**	(20)
	–	–

32. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

	2010	2009
	RMB'000	RMB'000
Due to a related company:		
– Jian-Tech	**10**	10
Due to directors:		
– Mr. Chin Ying Hoi	**–**	564
– Mr. Li Sui Yang	**–**	367
– Mr. Fok Ho Yin, Thomas	**–**	448
– Dr. Chow Pok Yu Augustine	**–**	10
– Mr. Hu Hai Yuan	**–**	10
– Mr. Zhang Xiao Jing	**–**	10
– Ms. Tung Fong	**–**	10
– Mr. Qu Xiao Guo	**–**	10
	–	1,429

As at 31 December 2010, the balances due from/to the related parties from non-trading activities were non-interest bearing and were repayable on demand.

33. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2010 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of registered/ issued capital	Interest held Directly	Interest held Indirectly
Systematic Technology Group Limited	British Virgin Islands	Investment holding in Hong Kong	5 ordinary shares of USD1 each	100%	–
Capital Fair International Investment Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of USD1	100%	–
Jian epayment China	British Virgin Islands	Property investment in Hong Kong	1 ordinary share of USD1	–	100%
Tianruntong	PRC	Development and operation of back end electronic receipt/ payment and data recording and processing software system; and sales of associated commercial applications in PRC	RMB6,500,000	–	53.85%
Wuhan Jian-O'Yuan	PRC	Investment holding in PRC	RMB1,000,000	–	100%
Zhengzhou 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%
Bejing Jian ePayment Science and Technology Company Limited ("Beijing Jian ePayment")	PRC	Dormant during the year	USD150,000	–	100%

Zhengzhou Jian-O'Yuan, Wuhan Jian ePayment and Beijing Jian ePayment are wholly foreign owned enterprises established in the PRC. Tianruntong and Wuhan Jian-O'Yuan is a domestic enterprise established in the PRC.

34. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2011, Jian epayment China and the independent third party (the "Vendor") have entered into the letter of intent, pursuant to which Jian epayment China proposed to acquire the entire interests of a company held by the Vendor (the "Proposed Acquisition") which is principally engaged in the production and sale of potassium fertilizer for agricultural use and its related products in the PRC.

As of the date on which the consolidated financial statements are approved by the directors, the Proposed Acquisition are still under negotiation and not yet concluded.

Details of the above are set out in the Company's announcement dated 24 January 2011.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2011.

Financial Summary

CONSOLIDATED PROFIT OR LOSS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2006	2007	2008	2009	**2010**
Turnover	10,636	15,060	11,758	21,334	**14,669**
Operating profit/(loss)	(21,635)	(11,204)	(21,580)	(3,819)	**20,714**
Subsidy income	–	182	90	72	**420**
Interest income	200	533	599	564	**477**
Interest expenses	(813)	(1,294)	(38)	(136)	**(15)**
Profit/(loss) before taxation	(22,248)	(11,783)	(20,929)	(3,319)	**21,596**
Taxation	(125)	–	–	–	**–**
Profit/(loss) after taxation but before minority interests	(22,373)	(11,783)	(20,929)	(3,319)	**21,596**
Minority interests	896	1,723	1,108	(216)	**(662)**
Profit/(loss) attributable to shareholders	(21,477)	(10,060)	(19,821)	(3,535)	**20,934**

CONSOLIDATED FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	As at 31 December				
	2006	2007	2008	2009	**2010**
Fixed assets	10,832	14,917	28,914	30,416	**13,152**
Net current assets/(liabilities)	(33,884)	(2,711)	(37,637)	(38,394)	**2,274**
Minority interests	(6,639)	(4,916)	(3,808)	(4,024)	**(2,122)**
Total assets less current liabilities	(29,691)	7,290	(12,531)	(12,002)	**13,304**
Representing:					
Non-current liabilities	–	–	–	–	**–**
Share capital	21,208	45,237	45,237	45,370	**45,727**
Reserves	(50,899)	(37,947)	(57,768)	(57,372)	**(32,423)**
Shareholder's equity	(29,691)	7,290	(12,531)	(12,002)	**13,304**

Jian ePayment Systems Limited

華 普 智 通 系 統 有 限 公 司

2104, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong
香港九龍荔枝角長順街7號 西頓中心2104室

www.jianepayment.com