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

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

Annual Report 年報 2011

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

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

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

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

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

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

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

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EXECUTIVE DIRECTORS

Mr. Chin Ying Hoi
(resigned as Chairman on 1 January 2012)
Mr. Li Sui Yang *(Chairman)*#
Mr. Tan Wen *(Chief Executive Officer)**
Mr. Fok Ho Yin Thomas *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Hu Hai Yuan
Mr. Tang Hao
Mr. Fan Bao Shan*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qu Xiao Guo
Mr. Zhang Xiao Jing
Ms. Tung Fong

AUDIT COMMITTEE

Mr. Qu Xiao Guo *(Chairman)*
Mr. Zhang Xiao Jing
Ms. Tung Fong

REMUNERATION COMMITTEE

Mr. Qu Xiao Guo *(Chairman)*
Mr. Zhang Xiao Jing
Ms. Tung Fong

NOMINATION COMMITTEE

Mr. Li Sui Yang *(Chairman)*
Mr. Qu Xiao Guo
Mr. Zhang Xiao Jing
Ms. Tung Fong

COMPLIANCE OFFICER

Mr. Li Sui Yang

COMPANY SECRETARY

Mr. Fok Ho Yin Thomas

AUTHORISED REPRESENTATIVES

Mr. Tan Wen
Mr. Fok Ho Yin Thomas

AUDITOR

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. Box 2681 GT
George Town, Grand Cayman, British West Indies

BEIJING OFFICE

17/F, Huapu International Plaza
19 Chaoyangmen Waidijie, Chanyang District
Beijing, PRC

HONG KONG 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

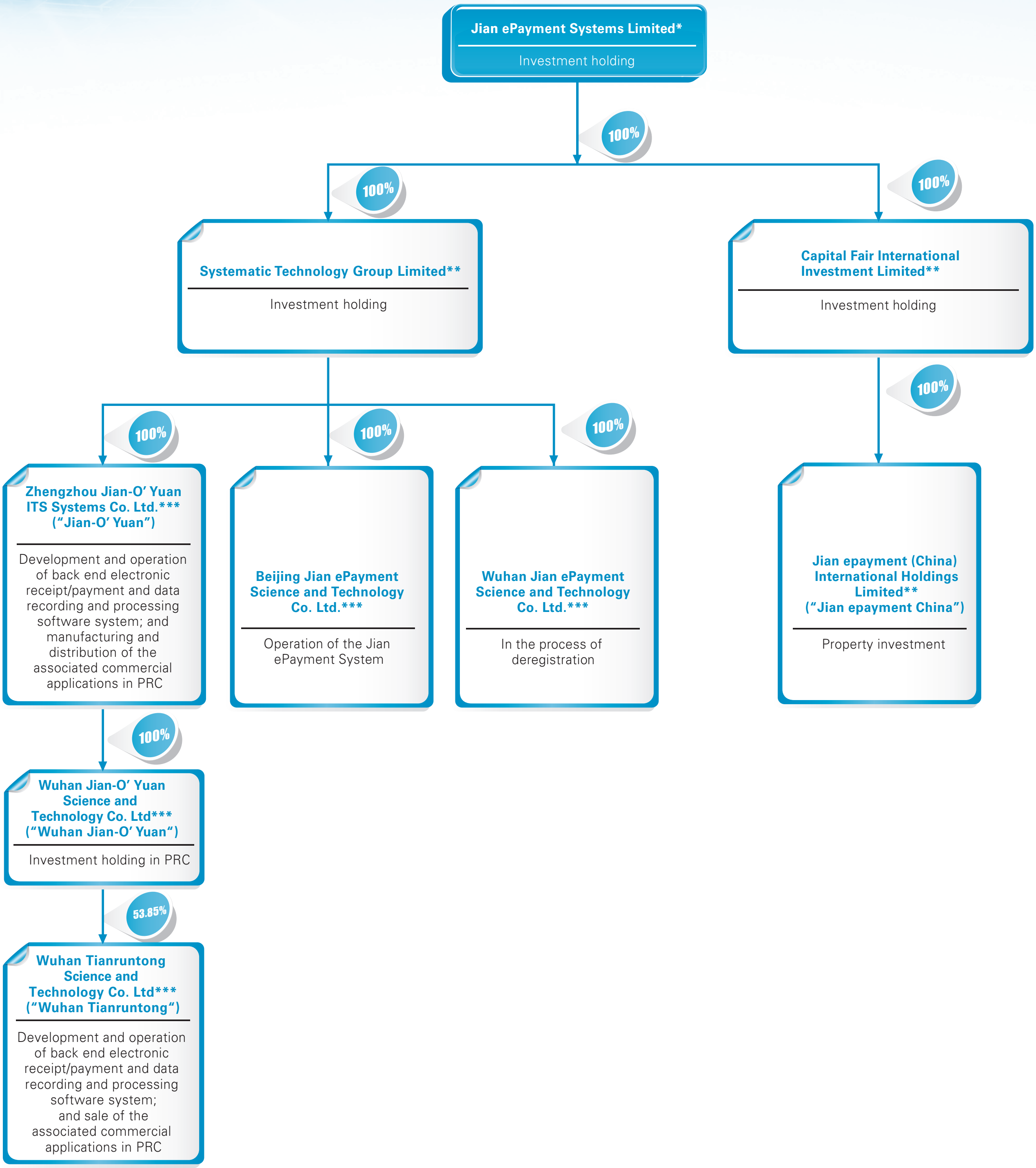
8165

COMPANY WEBSITE

www.jianepayment.com

* Appointed on 1 January 2012
\# Re-designated from Chief Executive Officer to Chairman on 1 January 2012

Corporate Structure



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

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 results of the Group for the year ended 31 December 2011.

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group recorded a turnover of approximately RMB1.98 million (2010: RMB15.3 million), representing 87% decrease as compared to last year. Loss attributable to owners of the Company amounted to approximately RMB20.3 million (2010: profit of RMB20.9 million) and loss per share was RMB0.018 (2010: earnings of RMB0.023 per share). Net assets amounted to approximately RMB42.1 million (2010: RMB15.4 million).

BUSINESS DEVELOPMENT

During the year under review, the Group continued to develop car-parking electronic payment system. Sales of the Group for the year decreased 87% as compared to last year due to sluggish demand from the market and the customers remained cautious on further investments in the software and hardware due to the uncertain economic outlook in China and around the world. In addition, it is expected that the Group will continue to face server competition and challenges ahead. The Group will continue to improve its operational and managerial capabilities and will also continue to improve the functionality and reliability of its products to meet with the strong market competition.

FUTURE OUTLOOK

In 2011, the Group had entered into a conditional framework agreement and supplemental agreements in relation to a potential acquisition of a potash company, principally engaging in the production and sale of potassium fertilizer for agricultural use and its related products in the PRC. In the 12th Five-Year Plan issued by the PRC government, potash is defined as one of the State Strategy Reserve Resources. It is expected that potash will be one of the mineral resources to be strongly demanded from the country. We believe the proposed acquisition and development into resources-related business will speed up the Group's business transformation which enables 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.

Li Sui Yang
Chairman

Hong Kong

26 March 2012

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately RMB1.98 million (2010: RMB15.3 million), representing a decrease of 87% over the last year. Loss attributable to owners of the Company amounted to approximately RMB20.3 million (2010: profit of RMB20.9 million).

During the year under review, the Group completed two placing exercises. On 14 April 2011, the Company entered into a placing agreement pursuant to which a total of 179,600,000 shares were placed at a price of HK$0.205 per placing share. Proceeds from the placing of approximately HK$35.75 million were mainly used as the Group's general working capital and for the financing of the possible acquisition of the potassium operation. On 29 August 2011, the Company completed the placing exercise pursuant to which a total of 200,000,000 shares were placed at a price of HK$0.13 per placing share. Proceeds from the placing of approximately HK$25.35 million were used as the Group's general working capital.

REVIEW OF OPERATION

1. Jian-O' Yuan

Turnover for the sales of the electronic car-parking hardware and software was approximately RMB1.37 million (2010: RMB4.39 million), representing a decrease of approximately 69% over the last corresponding year. The decrease was mainly due to the sluggish demand from existing customers. Guangzhou, Panyu, Haikou, Nanning and Wuhan remained the main markets of the Group's business. Details of software and parking equipment sold to customers for 2011 were as follows:

Market	Parking and software equipment	Accumulated parking cards issued
Guangzhou	200	730,000
Panyu	60	205,000
Wuhan	–	330,000
Nanning	–	163,000
Haikou	100	110,000

2. **Wuhan Tianruntong**

In light of the unexpected changing business conditions from the customers, Wuhan Tianruntong faced a challenging operating environment and recorded a loss in operation during the year under review. Having regard to its disappointing business performance, it led to the management to the recognition of an impairment loss of approximately RMB1,585,000 for its plant and equipment and had been included in the consolidated statement of comprehensive income. Further, the Group had also entered into an agreement with the non-controlling shareholder of Wuhan Tianruntong for the disposal of the Group's 53.85% shareholding interests at a consideration of RMB1.8 million. Details of the impairment for its plant and equipment were set out in note 14 to the financial statements and the disposal of Wuhan Tianruntong were set out in the Group's announcement dated 23 March 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of approximately RMB17.8 million.

CHARGE ON GROUP'S ASSETS

The Group did not have any charge on its assets as at 31 December 2011.

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 2011 are set out in note 9 to the financial statements.

HUMAN RESOURCES

As at 31 December 2011, the Group had approximately 26 employees (2010: 21 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 2011.

SIGNIFICANT INVESTMENTS

The Group had no significant investment for the year ended 31 December 2011.

Directors and Senior Management Profiles

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Chin Ying Hoi, aged 49, was an executive director and the Chairman of the Group. Mr. Chin resigned as the Chairman of the Group on 1 January 2012. Mr. Chin was 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 was 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 54, is an executive director and the compliance officer of the Group. Mr. Li was re-designated from CEO to the Chairman on 1 January 2012. 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 strategy and operation. Currently, he is also an independent non-executive director of Pacific Plywood Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). 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. Tan Wen, aged 31, is an executive director and the CEO of the Group. Mr. Tan joined the Group on 1 January 2012 and is responsible for the Group's overall operation. Mr. Tan holds a bachelor of economics degree from University of International Business and Economics and a bachelor of art degree from Beijing Institute of Technology. Prior to that, Mr. Tan was the assistant to Mr. Chin Ying Hoi, the former Chairman of the Group, responsible to advising the acquisition of mineral-related projects and business restructuring. Mr. Tan had over 5 years' experiences as a senior auditor with a major international accounting firm and has extensive experience in conducting due diligence, capital verification, internal control audit, and pre-IPO auditing works.

Mr. Fok Ho Yin Thomas, aged 40, is an executive director, the CFO, 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. 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

Mr. Fan Bao Shan, aged 66, is a non-executive director of the Group. Mr. Fan was graduated from Liaoning Technical University* (遼寧工程技術大學), (formerly known as 阜新礦業學院) specializing in mining. Mr. Fan is a professor level senior engineer and a senior economist. He worked as general manager of China National Coal Group Corp.* (中國中煤能源集團公司), (formerly known as China National Coal Import and Export Corporation* 中國煤炭進出口總公司) from 1999 to 2005. Prior to that, he has over 20 years of experience obtained in Gansu Huating Mining Administration* (甘肅華亭礦務局). Mr. Fan is currently the vice president of China Coal Labor Protection Institute* (中國煤炭工業勞動保護學會) and vice chairman of China Coal Safe Production Expert Panel* (中國煤礦安全生產專家委員會). Mr. Fan has over 30 years of experience in mining operation and management. Mr. Fan is also a member of the technical advisory committee of the Company established for the purposes of, including but not limiting to, the provision of advice and consultation to the Company on the potential investment of mining and resources-related business.

Mr. Tang Hao, aged 47, is a non-executive director of the Group. Mr. Tang was graduated from the department of laws of East China University of Political Science (華東政法大學), majored in economic laws, in 1986 and obtained the legal qualification in the PRC in 1988. Mr. Tang has extensive experience in strategic planning. He has been working as a lawyer in Shanghai No. 1 Law Firm (上海第一律師事務所), the manager of investment department in Huachen Auto Group (華晨集團), the general manager of Shanghai Huachen Shiye Company (上海華晨實業公司), the supervisor of Jinbei Vehicle Manufacturing Co., Ltd (金杯汽車股份有限公司), the director of Shenzhen Kangda Co., Ltd (深圳康達爾股份有限公司) and the director of Shanghai Zhongxi Pharmaceutical Co., Ltd (上海中西藥業股份有限公司). Mr. Tang is the chief executive officer and executive director of Mastermind Capital Limited (慧德投資有限公司), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Hu Hai Yuan, aged 40, is a non-executive director of the Group and currently works in Oriental Patron Asia Limited engaging principally in corporate finance advisory work. Prior to that, he served as an Engineer of Anshan Steel Group Limited in China. Mr. Hu has over 10 years of experience in the field of corporate finance specialising in corporate restructuring and financing. Mr. Hu holds a Master degree in business administration from Renmin University of China and a Bachelor degree in Mechanic Engineering from Dalian University of Technology.

Independent non-executive directors

Mr. Qu Xiao Guo, aged 41, 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 56, 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 65, 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. Ren Ren, aged 49, 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 42, 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 2011.

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 2011 is as follows:

	2011	2010
	RMB'000	RMB'000
Sales of hardware and software	**1,364**	4,387
Transaction levies	**102**	7,178
Repair and maintenance services	**516**	674
Rental income from smart cards issued	**–**	2,674
Advertising income	**–**	70
Sales of key holders	**–**	335
Rental income from leasing of machinery	**–**	25
Total	**1,982**	15,343

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 29.

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 31 and Note 24 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 22 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company has no reserve (2010: 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 80.

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:

	2011		2010	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**162,800,000**	**0.151**	81,000,000	0.155
Granted during the year	**–**	**–**	89,800,000	0.147
Exercised during the year	**(5,000,000)**	**0.155**	(8,000,000)	0.155
Outstanding at the end of the year	**157,800,000**	**0.150**	162,800,000	0.151
Exercisable at the end of the year	**132,300,000**	**0.151**	92,400,000	0.153

	Number of share options					
Name or category of participant	**At 1 January 2011** '000	**Granted during the year** '000	**Exercised during the year** '000	**Lapsed during the year** '000	**Reclassification during the year** '000	**At 31 December 2011** '000
Directors						
Chin Ying Hoi	15,800	–	–	–	–	15,800
Li Sui Yang	12,800	–	–	–	–	12,800
Fok Ho Yin Thomas	12,800	–	–	–	–	12,800
Chow Pok Yu Augustine	8,000	–	–	–	(8,000)	–
Hu Hai Yuan	8,000	–	–	–	–	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	95,000	–	(5,000)	–	8,000	98,000
	162,800	–	(5,000)	–	–	157,800

DIRECTORS

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

Executive directors:

Mr. Chin Ying Hoi *(Resigned as Chairman on 1 January 2012)*
Mr. Li Sui Yang *(Re-designated from CEO to Chairman on 1 January 2012)*
Mr. Tan Wen *(Appointed as Chief Executive Officer on 1 January 2012)*
Mr. Fok Ho Yin Thomas *(Chief Financial Officer)*

Non-executive directors:

Mr. Fan Bao Shan *(Appointed on 1 January 2012)*
Mr. Tang Hao *(Appointed on 29 March 2011)*
Dr. Chow Pok Yu Augustine *(Resigned on 29 March 2011)*
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 29 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 8 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 2011, 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 2011
Mr. Chin Ying Hoi	Beneficiary owner	101,000,000	–	286,800,000 *(Note 1)*	387,800,000	30.05%
Mr. Li Sui Yang	Beneficiary owner	670,000	–	–	670,000	0.05%
Mr. Fok Ho Yin Thomas	Beneficiary owner	300,000	–	–	300,000	0.02%

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 2011	Approximate percentage of the underlying shares to the share capital of the Company as at 31 December 2011
Chin Ying Hoi	Personal	15,800,000	1.22%
Li Sui Yang	Personal	12,800,000	1.00%
Fok Ho Yin Thomas	Personal	12,800,000	1.00%
Hu Hai Yuan	Personal	8,000,000	0.62%
Tung Fong	Personal	800,000	0.60%
Zhang Xiao Jing	Personal	800,000	0.60%
Qu Xiao Guo	Personal	800,000	0.60%

Save as disclosed above, as at 31 December 2011, 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 2011, 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	–	22.22%
Mr. Mung Kin Keung	131,670,000	–	10.2%

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 2011, 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	31%
– five largest suppliers combined	58%
Sales	
– the largest customer	50%
– five largest customers combined	99%

As at 31 December 2011, 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 2011, 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 29 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 2011.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

The text of Corporate Governance Report is set out on pages 21 to 26 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
Li Sui Yang
Chairman

Hong Kong
26 March 2012

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

During the year under review, the Board of the Company comprised 8 directors. Mr. Chin Ying Hoi served as Chairman of the Board, Mr. Li Sui Yang assumed the position as Chief Executive Officer, Mr. Fok Ho Yin Thomas assumed the position as Chief Financial Officer. Two non-executive directors are Mr. Hu Hai Yuan, Mr. Tang Hao (appointed on 29 March 2011 and Dr. Chow Pok Yu Augustine resigned on 29 March 2011) and three independent non-executive directors are Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong. Effective 1 January 2012, the Board of the Company comprises 9 directors. Mr. Chin Ying Hoi resigned as Chairman of The Board and Mr. Li Sui Yang was re-designated as Chairman of the Board. On the same date, Mr. Tan Wen was appointed as executive director and Chief Executive Officer and Mr. Fan Bao Shan was appointed as non-executive director.

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 8 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.

Attendance of individual directors at board meetings in 2011

During the year, the Board had convened 17 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	17/17
Mr. Li Sui Yang	17/17
Mr. Fok Ho Yin Thomas	17/17
Dr. Chow Pok Yu Augustine	1/4
Mr. Tang Hao	13/13
Mr. Hu Hai Yuan	15/17
Mr. Qu Xiao Guo	14/17
Mr. Zhang Xiao Jing	16/17
Ms. Tung Fong	16/17

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 (resigned on 1 January 2012) 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, interim 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.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors, namely, Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong (Dr. Chow Pok Yu Augustine and Mr. Hu Hai Yuan resigned as member of the remuneration committee on 29 March 2011 and 31 December 2011 respectively).

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 committee convened one meeting during the year and reviewed the remuneration package of the Board and senior management. The following table sets out the attendance of each member of the remuneration committee at the remuneration committee meetings held during the year:

Name of Director	Attendance/No. of times of committee meeting held
Mr. Qu Xiao Guo	1/1
Mr. Zhang Xiao Jing	1/1
Ms. Tung Fong	1/1

The remuneration policy for year 2011 for Board member sand senior management was the same as those adopted in 2010.

NOMINATION COMMITTEE

The Company established a nomination committee on 26 March 2012 with terms of reference that are in conformity with the requirements of the corporate governance code. The nomination committee comprises one executive director Mr. Li Sui Yang, and the three independent non-executive directors namely, Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Miss Tung Fong.

The primary objectives of the nomination committee are to review the size, structure and composition of the Board, identify suitably qualified individual for appointment to the Board, assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The nomination committee did not hold any meeting during the year under review. One meeting was held in year 2012 to review the composition of the Board and the suitability of Directors proposed for re-appointment at the Company's annual general meeting.

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.

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	337
Non-audit services	492

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.

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 29 to 79, which comprise the consolidated statement of financial position as at 31 December 2011, 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 2011, 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
26 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Turnover	*6(a)*	**1,982**	15,343
Cost of sales and service rendered		**(700)**	(4,410)
Gross profit		**1,282**	10,933
Other income	*6(b)*	**758**	2,395
Distribution costs		**(382)**	(366)
Administrative expenses		**(23,575)**	(22,667)
Loss from operations		**(21,917)**	(9,705)
Finance costs	*8*	**–**	(15)
Gain on disposal of subsidiaries	*27(b)*	**–**	31,316
(Loss)/profit before tax		**(21,917)**	21,596
Income tax expense	*9*	**–**	–
(Loss)/profit and total comprehensive (loss)/income for the year	*10*	**(21,917)**	21,596
(Loss)/profit and total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(20,297)**	20,934
Non-controlling interests		**(1,620)**	662
		(21,917)	21,596
(Loss)/earnings per share			
Basic	*13*	**(RMB0.018)**	RMB0.023
Diluted	*13*	**N/A**	RMB0.023

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**10,454**	13,152
Goodwill	*15*	**–**	–
Deposit paid for acquisition of a subsidiary	*16*	**20,751**	–
		31,205	13,152
Current assets			
Inventories	*17*	**251**	571
Trade and other receivables	*18*	**567**	975
Bank and cash balances	*19*	**17,819**	8,530
		18,637	10,076
Current liabilities			
Trade and other payables	*20*	**7,705**	7,792
Due to a related company	*29*	**10**	10
		7,715	7,802
Net current assets		**10,922**	2,274
NET ASSETS		**42,127**	15,426
Capital and reserves			
Share capital	*22*	**61,766**	45,727
Reserves	*24*	**(20,141)**	(32,423)
Equity attributable to owners of the Company		**41,625**	13,304
Non-controlling interests		**502**	2,122
TOTAL EQUITY		**42,127**	15,426

Approved by the Board of Directors on 26 March 2012

Li Sui Yang	**Fok Ho Yin Thomas**
Director	*Director*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital	Share premium account	Capital reserves	General reserve fund	Enterprise expansion fund	Option reserve	Accumulated losses	Total	Non–controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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 25)*	–	–	–	–	–	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 27(a))*	–	–	–	–	–	–	–	–	2,189	2,189
Disposal of subsidiaries *(Note 27(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 and 1 January 2011	45,727	25,995	6,304	2,870	1,435	6,439	(75,466)	13,304	2,122	15,426
Issue of shares on placement *(Note 22(b))*	15,832	31,660	–	–	–	–	–	47,492	–	47,492
Recognition of share–based payments *(Note 25)*	–	–	–	–	–	483	–	483	–	483
Issue of shares on exercise of share options	207	653	–	–	–	(217)	–	643	–	643
Total comprehensive loss for the year	–	–	–	–	–	–	(20,297)	(20,297)	(1,620)	(21,917)
Changes in equity for the year	16,039	32,313	–	–	–	266	(20,297)	28,321	(1,620)	26,701
At 31 December 2011	61,766	58,308	6,304	2,870	1,435	6,705	(95,763)	41,625	502	42,127

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(21,917)**	21,596
Adjustments for:		
Depreciation	**1,310**	4,507
Amortisation of prepaid land lease payments	**–**	24
Loss on disposals of property, plant and equipment	**4**	–
Gain on disposal of subsidiaries	**–**	(31,316)
Allowance for inventories	**56**	73
Impairment loss on trade and other receivables	**573**	465
Impairment loss on property, plant and equipment	**1,585**	–
Impairment of goodwill	**–**	946
Interest income	**(60)**	(477)
Reversal of allowance for inventories	**(16)**	(571)
Inventories written back	**–**	(106)
Trade and other payables written back	**–**	(965)
Equity-settled share-based payments	**483**	3,265
Finance costs	**–**	15
Operating loss before working capital changes	**(17,982)**	(2,544)
Decrease in deposits from customers	**–**	(1,391)
Decrease/(increase) in inventories	**280**	(571)
Increase in trade and other receivables	**(165)**	(6,783)
Decrease in trade and other payables	**(87)**	(35,169)
Net cash used in operating activities	**(17,954)**	(46,458)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	*27(a)*	**–**	182
Deposits paid for acquisition of a subsidiary		**(20,751)**	–
Disposal of subsidiaries	*27(b)*	**–**	7,643
Purchases of property, plant and equipment		**(201)**	(12,790)
Interest received		**60**	477
Net cash used in investing activities		**(20,892)**	(4,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other loan		**–**	(900)
Repayments to directors		**–**	(1,429)
Proceeds from issue of shares		**52,475**	–
Share issue expenses paid		**(4,983)**	–
Proceeds from exercise of share options		**643**	1,107
Net cash generated from/(used in) financing activities		**48,135**	(1,222)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,289**	(52,168)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**8,530**	60,698
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**17,819**	8,530
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**17,819**	8,530

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 30 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 2011. 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 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 (u) 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%

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

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

(j) 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.

(k) Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) Equity instruments

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

(n) 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.

Revenue from the repair and maintenance services is recognised when the relevant service is rendered.

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)*

(o) 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.

(p) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

(r) 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.

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation *(Continued)*

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.

(t) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies *(Continued)*:

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(u) Impairment of assets

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

(w) 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.

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

(b) Impairment loss for bad and doubtful debts

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

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the 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.

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

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB and Hong Kong dollars ("HK$"). 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.

At 31 December 2011, if HK$ had weakened 5 per cent against RMB with all other variables held constant, consolidated loss (2010: profits) after tax for the year would have been approximately RMB582,000 higher (2010: RMB69,000 lower), arising mainly as a result of the foreign exchange loss on bank deposits denominated in HK$. If HK$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated loss (2010: profits) after tax for the year would have been approximately RMB582,000 lower (2010: RMB69,000 higher), arising mainly as a result of the foreign exchange gain on bank deposits denominated in HK$.

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

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

	2011	2010
	RMB'000	RMB'000
Financial assets:		
Loan and receivables (including cash and cash equivalents)		
Trade and other receivables	**21,318**	975
Bank and cash balances	**17,819**	8,530
	39,137	9,505
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	**7,705**	7,792
Due to a related company	**10**	10
	7,715	7,802

6. TURNOVER AND OTHER INCOME

(a) Turnover

The Group's turnover represents the following:

	2011 RMB'000	2010 RMB'000
Sales of hardware and software	**1,364**	4,387
Rental income from leasing of machinery	**102**	25
Repair and maintenance services	**516**	674
Sales of key holders	**–**	335
Transaction levies	**–**	7,178
Advertising income	**–**	70
Rental income from smart cards issued	**–**	2,674
	1,982	15,343

(b) Other income

	2011 RMB'000	2010 RMB'000
Profit on sales of smart cards *(Note (i))*	**159**	431
Subsidy income		
– Value added tax ("VAT") refund *(Note (ii))*	**50**	420
Interest income	**60**	477
Trade and other payables written back	**–**	965
Others	**489**	102
	758	2,395

(i) The profit on sales of smart cards represented the difference between the net sales proceeds of RMB277,000 (2010: RMB748,000) and the relevant cost of RMB118,000 (2010: RMB317,000).

(ii) 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.

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 2011 and 2010 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 three (2010: two) customers with whom transactions have exceeded 10% of the Group's revenue. Revenue from those customers is set out as below:

	2011	2010
	RMB'000	RMB'000
Customer A	**–**	7,084
Customer B	**–**	2,051
Customer C	**666**	–
Customer D	**416**	–
Customer E	**260**	–
	1,342	9,135

8. FINANCE COSTS

	2011	2010
	RMB'000	RMB'000
Interest on other loan wholly repayable within five years	**–**	15

9. INCOME TAX EXPENSE

	2011 RMB'000	2010 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 years ended 31 December 2011 and 2010.

The tax rate applicable to the PRC subsidiaries in the Group were 25% (2010: 25%) during the year. However, no provision for PRC enterprise income tax has been made in the financial statements for the years ended 31 December 2011 and 2010 as the PRC subsidiaries either did not generate any assessable profit for the years or have sufficient tax losses brought forward to set off their assessable profits.

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

	2011 RMB'000	2010 RMB'000
(Loss)/profit before tax	**(21,917)**	21,596
Calculated at the PRC statutory tax rate of 25%	**(5,479)**	5,399
Tax effect of income that is not taxable	**(97)**	(5,922)
Tax effect of expenses that are not deductible	**3,336**	2,192
Tax effect of temporary differences not recognised	**103**	(147)
Tax effect of tax losses not recognised	**739**	306
Tax effect of utilisation of tax losses not previously recognised	**–**	(326)
Effect of different tax rates	**1,398**	(1,502)
Income tax expense	**–**	–

The details of unprovided deferred taxation as at 31 December 2011 were stated in note 26.

10. (LOSS)/PROFIT FOR THE YEAR

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

	2011 **RMB'000**	2010 RMB'000
Depreciation of property, plant and equipment *(Note 14)*	**1,310**	4,507
Directors' emoluments *(Note 11)*	**4,868**	6,232
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**6,045**	7,687
– Equity-settled share-based payments	**459**	1,810
– Retirement benefit scheme contributions	**633**	1,062
	7,137	10,559
Cost of inventories sold	**654**	3,153
Operating lease charges	**437**	261
Auditor's remuneration		
– Current	**337**	452
– Over-provision in prior year	**(33)**	–
	304	452
Allowance for inventories (included in cost of inventories sold)	**56**	73
Equity-settled consultancy fees	**24**	1,455
Reversal of allowance for inventories (included in cost of inventories sold)	**(16)**	(571)
Research and development costs	**1,191**	774
Loss on disposals of property, plant and equipment	**4**	–
Inventories written back	**–**	(106)
Impairment on goodwill	**–**	946
Impairment loss on property, plant and equipment	**1,585**	–
Impairment loss on trade and other receivables	**573**	465

Cost of inventories sold includes staff costs, depreciation, inventories written back and operating lease charges of approximately RMB148,000 (2010: RMB861,000) 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 2011	*Note*	**Directors' fees RMB'000**	**Salaries, allowances and benefits in kind RMB'000**	**Share-based payments RMB'000**	**Retirement benefit scheme contributions RMB'000**	**Total RMB'000**
Executive directors						
Mr. Chin Ying Hoi	*1*	**65**	**1,484**	**110**	**121**	**1,780**
Mr. Li Sui Yang		**65**	**985**	**110**	**128**	**1,288**
Mr. Fok Ho Yin, Thomas		**65**	**1,050**	**110**	**121**	**1,346**
Non-executive directors						
Mr. Tang Hao	*2*	**50**	**–**	**–**	**–**	**50**
Mr. Hu Hai Yuan		**65**	**–**	**62**	**–**	**127**
Dr. Chow Pok Yu Augustine	*3*	**15**	**–**	**37**	**–**	**52**
Independent non-executive directors						
Mr. Zhang Xiao Jing		**65**	**–**	**10**	**–**	**75**
Ms. Tung Fong		**65**	**–**	**10**	**–**	**75**
Mr. Qu Xiao Guo		**65**	**–**	**10**	**–**	**75**
		520	**3,519**	**459**	**370**	**4,868**

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

Year ended 31 December 2010	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total 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

Notes:

1. Resigned on 1 January 2012
2. Appointed on 29 March 2011
3. Resigned on 29 March 2011

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

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2011 and 2010.

The five highest paid individuals in the Group during the year include three (2010: five) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two individuals during the year are set out below:

	2011	2010
	RMB'000	RMB'000
Basic salaries and benefits	**476**	–
Retirement benefit scheme contributions	**28**	–
	504	–

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

	Number of individuals	
	2011	2010
HK$Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**2**	2
HK$2,000,001 – HK$2,500,000	**1**	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 (2010: Nil).

13. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2010: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB20,297,000 (2010: profit attributable to owners of the Company of approximately RMB20,934,000) and the weighted average number of ordinary shares of approximately 1,122,878,000 (2010: 901,063,000) in issue during the year.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2011.

For the year ended 31 December 2010, the calculation of diluted earnings per share attributable to owners of the Company was 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 approximately 918,860,000, being the weighted average number of ordinary shares of approximately 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 approximately 17,797,000 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

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 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 and 1 January 2011	7,894	92	26,790	647	2,934	1,527	–	–	39,884
Additions	–	–	162	27	–	12	–	–	201
Disposals	–	–	–	(35)	–	–	–	–	(35)
At 31 December 2011	7,894	92	26,952	639	2,934	1,539	–	–	40,050
Accumulated depreciation and impairment									
At 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 and 1 January 2011	108	92	25,981	414	112	25	–	–	26,732
Charge for the year	206	–	165	81	528	330	–	–	1,310
Elimination on disposals	–	–	–	(31)	–	–	–	–	(31)
Impairment loss	–	–	401	–	–	1,184	–	–	1,585
At 31 December 2011	314	92	26,547	464	640	1,539	–	–	29,596
Carrying amount									
At 31 December 2011	7,580	–	405	175	2,294	–	–	–	10,454
At 31 December 2010	7,786	–	809	233	2,822	1,502	–	–	13,152

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

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the year, having regard to the unexpected poor performance of the business operated by Wuhan Tianruntong Science and Technology Company Limited ("Tianruntong"), a subsidiary of the Company, the Group has carried out a review of the recoverable amount of its machinery and computer equipment. These assets are employed in the Group's electronic receipt/payment system operation. Following the review, it led to the recognition of an impairment loss of RMB1,585,000 (2010: Nil), that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 14%.

The impairment losses have been included in the administrative expenses in the consolidated statement of comprehensive income.

15. GOODWILL

	RMB'000
Cost	
Arising on acquisition of a subsidiary (Note 27 (a)) in the year ended 31 December 2010 and balance at 31 December 2010, 1 January 2011 and 31 December 2011	**946**
Accumulated impairment losses	
Impairment loss recognised in the year ended 31 December 2010 and balance at 31 December 2010, 1 January 2011 and 31 December 2011	**946**
Carrying amount	
At 31 December 2010 and 31 December 2011	–

In the year ended 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 Tianruntong which is considered to be a single CGU.

As of 31 December 2010, 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 for the year ended 31 December 2010.

16. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 24 January 2011, Jian epayment (China) International Holdings Limited ("Jian epayment China"), a wholly-owned subsidiary of the Company, entered into a letter of intent with Fullcorp Investments Limited and World Yield Global Investments Limited (collectively referred to as the "Vendors"), pursuant to which Jian epayment China intends to negotiate and enter into a formal and legally-binding agreement to acquire the entire interests of Harvest Moon Global Investments Limited (the "Target Company") from the Vendors (the "Proposed Acquisition"). The Target Company is principally engaged in the production and sale of potassium fertilizer for agricultural use and its related products in the PRC.

On 26 April 2011, 30 September 2011 and 31 December 2011, Jian epayment China signed a conditional framework agreement (the "Framework Agreement") and two supplemental agreements respectively with the Vendors in relation to the Proposed Acquisition, whereby Jian epayment China has agreed to pay an earnest money of HK$25,000,000 (equivalent to RMB20,751,000) to the Vendors as an initial deposit (the "Deposit") so as to extend the period of time for further due diligence works to be conducted on the Target Company and its assets by Jian epayment China and to provide more time for the parties to negotiate for terms and conditions of the formal agreement upto 30 April 2012. As of the approval date on the financial statements, no formal agreement in relation to the Proposed Acquisition has been entered into by both parties.

The amount represents the Deposit which is unsecured, interest-free and repayable within 14 days upon request in the event that formal agreement for the Proposed Acquisition is not reached, pursuant to the Framework Agreement.

17. INVENTORIES

	2011 **RMB'000**	2010 RMB'000
Raw materials	**187**	197
Work in progress	**34**	45
Finished goods	**30**	329
	251	571

The reversal of allowance for inventories of approximately RMB16,000 (2010: RMB677,000) arose from sales of obsolete inventories.

18. TRADE AND OTHER RECEIVABLES

	Note	2011 RMB'000	2010 RMB'000
Trade receivables	*(a)*	**301**	660
Prepayments and other deposits	*(b)*	**149**	163
Other receivables	*(c)*	**117**	152
		567	975

(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 ageing analysis of trade receivables, based on the invoice date, is as follows:

	2011 RMB'000	2010 RMB'000
0-30 days	**–**	20
31-60 days	**–**	540
61-90 days	**18**	–
91-120 days	**1**	–
121-180 days	**1**	–
181-365 days	**281**	–
Over 365 days	**4,240**	3,815
	4,541	4,375
Allowance for impairment losses	**(4,240)**	(3,715)
	301	660

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

	2011 RMB'000	2010 RMB'000
At 1 January	**3,715**	3,715
Impairment loss recognised	**525**	–
At 31 December	**4,240**	3,715

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

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

As of 31 December 2011, trade receivables of approximately RMB301,000 (2010: RMB100,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables, based on their due dates, is as follows:

	2011 **RMB'000**	2010 RMB'000
Up to 3 months	**20**	–
3 to 6 months	**281**	–
Over 6 months	**–**	100
	301	100

(b) Prepayments and other deposits

	2011 **RMB'000**	2010 RMB'000
Prepayments to suppliers	**3**	–
Others	**146**	163
	149	163

(c) Other receivables

	2011 **RMB'000**	2010 RMB'000
Advances to staff	**–**	37
Others	**117**	115
	117	152

19. BANK AND CASH BALANCES

As at 31 December 2011, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB2,272,000 (2010: RMB6,678,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. TRADE AND OTHER PAYABLES

	Note	2011 RMB'000	2010 RMB'000
Trade payables	*(a)*	**1,083**	1,192
Other payables	*(b)*	**6,622**	6,600
		7,705	7,792

(a) Trade payables

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

	2011 RMB'000	2010 RMB'000
0-30 days	**–**	1
31-60 days	**–**	–
61-90 days	**–**	–
91- 180 days	**–**	440
181-365 days	**2**	110
Over 365 days	**1,081**	641
	1,083	1,192

20. TRADE AND OTHER PAYABLES *(Continued)*

(b) Other payables

	2011	2010
	RMB'000	RMB'000
Business tax payable	**76**	77
VAT payable	**15**	86
Provision for staff and workers' bonus and welfare fund	**817**	817
Accruals for operating expenses	**2,660**	2,858
Salary and welfare payables	**327**	17
Others	**2,727**	2,745
	6,622	6,600

21. 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.

22. SHARE CAPITAL

	Note	Number of shares	Nominal value	
			HK$'000	RMB'000
Authorised:				
Ordinary shares of HK$0.05 each				
At 1 January 2010, 31 December 2010 and 1 January 2011		1,200,000,000	60,000	63,624
Increase in authorised ordinary share capital	*(a)*	28,800,000,000	1,440,000	1,201,082
At 31 December 2011		30,000,000,000	1,500,000	1,264,706
Issued and fully paid:				
Ordinary shares of HK$0.05 each				
At 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 and 1 January 2011		906,000,000	45,300	45,727
Issue of shares on placement	*(b)*	379,600,000	18,980	15,832
Issue of shares on exercise of share options		5,000,000	250	207
At 31 December 2011		1,290,600,000	64,530	61,766

22. SHARE CAPITAL *(Continued)*

(a) By an ordinary resolution passed on 26 May 2011 the authorised ordinary share capital of the Company was increased from HK$60,000,000 to HK$1,500,000,000 by the creation of 28,800,000,000 shares of HK$0.05 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) On 14 April 2011, the Company and the placing agent entered into a placing agreement in respect of the placement of 179,600,000 ordinary shares of HK$0.05 each at a price of HK$0.205 per share. The placement was completed on 29 April 2011 and the premium on the issue of shares, amounting to approximately HK$24,718,000 (equivalent to RMB20,757,000), net of share issue expenses, was credited to the Company's share premium account.

On 29 July 2011, the Company and the placing agent entered into a placing agreement in respect of the placement of 200,000,000 ordinary shares of HK$0.05 each at a price of HK$0.13 per share. The placement was completed on 31 August 2011 and the premium on the issue of shares, amounting to approximately HK$13,149,000 (equivalent to RMB10,903,000), net of share issue expenses, was credited to the Company's share premium account.

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

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

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2011, 66% (2010: 57%) of the shares were in public hands.

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011 RMB'000	2010 RMB'000
Property, plant and equipment	**52**	71
Investments in subsidiaries	**781**	3,194
Other receivables	**20,806**	101
Due from a subsidiary	**10,699**	–
Bank and cash balances	**12,282**	1,851
Other payables	**(583)**	(455)
Due to subsidiaries	**(781)**	–
NET ASSETS	**43,256**	4,762
Share capital	**61,766**	45,727
Reserves	**(18,510)**	(40,965)
TOTAL EQUITY	**43,256**	4,762

24. 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 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 and 1 January 2011	25,995	23,996	6,439	(97,395)	(40,965)
Recognition of share–based payments	–	–	483	–	483
Issue of shares on placement *(Note 22(b))*	31,660	–	–	–	31,660
Issue of shares on exercise of share options	653	–	(217)	–	436
Total comprehensive loss for the year	–	–	–	(10,124)	(10,124)
At 31 December 2011	58,308	23,996	6,705	(107,519)	(18,510)

24. 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(p) to the financial statements.

25. 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.

25. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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.

Details of specific categories of options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price	No. of share options outstanding
				HK$	
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.155	68,000,000
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

25. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

	2011		2010	
	Number of options	Weighted average exercise price HK$	Number of options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**162,800,000**	**0.151**	81,000,000	0.155
Granted during the year	**–**	**–**	89,800,000	0.147
Exercised during the year	**(5,000,000)**	**0.155**	(8,000,000)	0.155
Outstanding at the end of the year	**157,800,000**	**0.150**	162,800,000	0.151
Exercisable at the end of the year	**132,300,000**	**0.151**	92,400,000	0.153

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.

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.189 (2010: HK$0.173). The above options comprising at the end of the year have a weighted average remaining contractual life of 5.44 years (2010: 6.76 years) and the exercise price are ranging from HK$0.147 to HK$0.155 (2010: HK$0.147 to 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:

25. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

	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.

26. DEFERRED TAXATION

At the end of the reporting period the Group has unused tax losses and other deductible temporary differences of approximately RMB9,561,000 and RMB341,000 respectively (2010: RMB12,923,000 and RMB73,000 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 2012 to 2016 and other deductible temporary differences may be carried forward indefinitely.

27. 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.

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 15)*	**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

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

(b) Disposal of subsidiaries

On 20 January 2010, Jian epayment China 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.

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

28. COMMITMENTS

(a) Capital commitments

	2011	2010
	RMB'000	RMB'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	**3,047**	3,209

(b) Operating lease commitments – as lessee

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011	2010
	RMB'000	RMB'000
Within one year	**581**	287
In the second to fifth years inclusive	**357**	196
	938	483

Operating lease payments represent rentals payable by the Group for certain of its offices and directors' quarter. Leases are negotiated for an average term of 2 years (2010: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

29. 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

29. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship with the Company
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
武漢綠野香筍菜食品有限公司 Wuhan Lvyexiang Bamboo Food Co., Ltd. ("Wuhan Lvyexiang")	65% owned subsidiary of Beijing Jian Enterprise
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")	80% owned subsidiary of Jian-Tech

(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:

Sales of smart cards:

	2011 **RMB'000**	2010 RMB'000
– Beijing Project Company	**23**	38

29. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2011 RMB'000	2010 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
– Wuhan Lvyexiang *(Note (i))*	**100**	–
	167	67
Allowance for impairment losses	**(67)**	(67)
	100	–
Included in other payables:		
– Beijing Huapu	**274**	274
– Shanghai Project Company	**8**	–
– Beijing Project Company	**20**	–
	302	274
Due from a related company:		
– Beijing Jian Enterprise	**20**	20
Allowance for impairment losses	**(20)**	(20)
	–	–
Due to a related company:		
– Jian-Tech	**10**	10

(i) The amount due is unsecured, bears interest equivalent to the Standard Lending Rate announced by the People's Bank of China (5.6%) and repayable on demand.

(ii) Except an item disclosed in note 29(c)(i), as at 31 December 2011, the balances due from/to related companies from non-trading activities were non-interest bearing and repayable on demand.

30. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2011 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%
Beijing 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 are domestic enterprises established in the PRC.

31. EVENTS AFTER THE REPORTING PERIOD

(a) On 6 March 2012, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of its property with carrying amount of RMB2,524,000 at the end of the reporting period for a consideration of HK$3,700,000 (approximate to RMB3,034,000).

(b) On 23 March 2012, Wuhan Jian-O' Yuan entered into a conditional sale and purchase agreement with the non-controlling shareholder of Tianruntong, pursuant to which Wuhan Jian-O' Yuan has agreed to dispose of its entire interest in Tianruntong at a consideration of RMB1,800,000.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of repair and maintenance services income previously classified under other income to turnover. The new classification of the accounting items was considered to provide a more appropriate presentation of the consolidated statement of comprehensive income of the Group.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2012.

Financial Summary

CONSOLIDATED PROFIT OR LOSS

(Amounts expressed in thousands of Renminbi)

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
Turnover	15,060	11,758	21,334	15,343	**1,982**
Operating (loss)/profit	(11,204)	(21,580)	(3,819)	20,714	**(22,027)**
Subsidy income	182	90	72	420	**50**
Interest income	533	599	564	477	**60**
Interest expenses	(1,294)	(38)	(136)	(15)	**–**
(Loss)/profit before taxation	(11,783)	(20,929)	(3,319)	21,596	**(21,917)**
Taxation	–	–	–	–	**–**
(Loss)/profit after tax but before non-controlling interests	(11,783)	(20,929)	(3,319)	21,596	**(21,917)**
Non-controlling interests	1,723	1,108	(216)	(662)	**1,620**
(Loss)/profit attributable to shareholders	(10,060)	(19,821)	(3,535)	20,934	**(20,297)**

CONSOLIDATED FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	At 31 December				
	2007	2008	2009	2010	**2011**
Non-current assets	14,917	28,914	30,416	13,152	**31,205**
Net current assets/(liabilities)	(2,711)	(37,637)	(38,394)	2,274	**10,922**
Non-controlling interests	(4,916)	(3,808)	(4,024)	(2,122)	**(502)**
Total assets less current liabilities	7,290	(12,531)	(12,002)	13,304	**41,625**
Representing:					
Share capital	45,237	45,237	45,370	45,727	**61,766**
Reserves	(37,947)	(57,768)	(57,372)	(32,423)	**(20,141)**
Shareholder's equity	7,290	(12,531)	(12,002)	13,304	**41,625**

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