



Jian ePayment Systems Limited

華普智通系統有限公司*

(incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2001

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

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This announcement, 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification only

SUMMARY

- Achieved an audited consolidated net profit of approximately RMB19.9 million for the year ended 31st December, 2001.
- Recorded audited consolidated turnover of approximately RMB40.0 million during the year, representing a growth of approximately 68% compared to that of the year of 2000.

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 Company for the year ended 31st December, 2001 (the “Year”).

BUSINESS REVIEW

The Year was a landmark year for the Group. On 10th December, 2001, the Company was listed on the Growth Enterprise Market (the “GEM”), representing a milestone in the development of the Company’s business.

For the year ended 31st December, 2001, the Group’s turnover amounted to RMB40,008,000, representing a 68% increase against the previous year. Profits attributable to shareholders amounted to RMB19,902,000, a 45% rise against last year. Basic earnings per share amounted to RMB0.06. The high gross profit margin reflects the high value-added characteristics of the Group’s high tech products.

Business Development

The Group aims to establish the Jian ePayment System as the leading electronic payment system in the PRC. The Group has been commissioned to build its roadside car parking fee collection sub-system in a number of districts in eight cities in the PRC. The systems provided by the Group for use in Wuhan, Haikou and Guangzhou were successfully implemented and began to generate substantial sales revenues from hardware and software, income from systems integration and steady transaction levies.

With the successful operation of its roadside car parking fee collection sub-system in various cities, recognition for the Jian ePayment System has been improving. Circulation of Jian Smart Passes has reached 94,000 as at 31st December, 2001, compared to 45,000 Jian Smart Passes as at 20th November, 2001.

The Company is of the opinion that, with the PRC’s accession to WTO and the technological evolution, contactless smart card technology will be used for countless purposes, in response to the demand for every-day convenience with the automation of increasing applications in commercial operations. With the popularization of Jian Smart Passes, the Group is also exploring other uses for the card. During the Year, the Group installed and commenced operations of its fast food retail sub-system at seven branches of Yong He De Jiang 永和豆漿 in Wuhan.

The Group has established a strategic alliance with the Agricultural Bank of China in Wuhan, gaining access to its extensive branch network to distribute Jian Smart Passes and provision of Jian Initializer and Jian Recharger services. The Group is confident that this alliance will enhance the recognition and circulation of Jian Smart Passes.

Research and Development

The Group continues to develop its high caliber research and development team to enhance product and business development. During the Year, developments in the Group's public transportation sub-systems were completed and are now ready for operation. Technology developments for the highway toll sub-system have also been completed and will soon commence testing. At the same time, developments in other public transportation fee collection sub-systems and studies in applying wireless communications technology and electronic settlement for the Group's products are underway. The Group is also seeking to further expand the commercial applications of its Jian Smart Passes.

PROSPECTS

The Group is committed to the development of smart card e-payment systems in the PRC. The Directors believe that there are tremendous prospects for development in its markets as there are very few competitors in this field in the PRC. The Directors have full confidence in the prospects of the e-payment industry in the PRC. As more cities in the PRC move to adopt e-payment systems, the Directors believe there is huge opportunity for the expansion of the Jian ePayment System business. In the foreseeable future, Jian Smart Passes are expected to become widely used throughout the major cities in the PRC and to become an integral part of daily life.

FINANCIAL REVIEW

During the Year, the Group posted a revenue of RMB40,008,000, representing an increase of 68% over the previous year. Profit attributable to shareholders for the year was RMB19,902,000, while basic earnings per share were RMB0.06.

Financial Highlights

	2001	2000	
	RMB'000	RMB'000	Change
Turnover	40,008	23,818	+68%
Operating Expenses	11,999	7,200	+67%
Profit attributable to shareholders	19,902	13,682	+45%
Basic earnings per share (RMB)	0.06	0.05	+20%

The Group's operations grew significantly during the Year. Revenues were mainly generated from 3 PRC cities, namely Wuhan, Haikou and Guangzhou, two more cities as compared to the previous year. Due to the increase in the Group's operations and the number of customers, the Group's turnover and operating expenses both increased. The expansion of the Group also had positive impacts on profit attributable to shareholders and basic earnings per share comparing to last year.

Turnover by Product

	2001	2000	
	RMB'000	RMB'000	Change
Sales of hardware and software	29,511	6,900	+328%
Provision of systems integration services	9,730	16,212	-40%
Transaction levies	767	706	+9%
Total	<u>40,008</u>	<u>23,818</u>	+68%

During the year, the Group's major revenue was derived from sales of hardware and software products related to roadside car parking fee collection systems, accounting for 74% of its total revenue. Revenue from systems integration was mainly attributable to design and the implementation of the roadside car parking fee collection sub-system project in Haikou, in particular. Revenue for systems integration for 2000 was totally attributable to the design and implementation of the roadside car parking fee collection sub-system project in Wuhan. With the rising popularity of Jian Smart Passes, commercial application sub-systems in the various areas have also been contributing stable revenue to the Group in the form of transaction levies.

Turnover by Geographical Location

	2001	2000	
	RMB'000	RMB'000	Change
Cities in China			
Central China			
Wuhan	19,649	23,818	-18%
Southern China			
Haikou	16,504	–	N/A
Guangzhou	3,855	–	N/A
	<hr/>	<hr/>	
Total	<u>40,008</u>	<u>23,818</u>	+68%

The revenue for the Year was mainly derived from customers in three PRC cities, namely Wuhan, Haikou and Guangzhou, two more cities as compared to only one city in the previous year, and was mainly attributable to sales revenue from hardware and software products for roadside car parking fee collection sub-systems in various areas and systems integration. The revenues from Wuhan located in Central China for the year decreased as system integration work in Wuhan was substantially completed in 2000, while the construction of roadside car parking sub-systems in Haikou and Guangzhou, both located in Southern China, were commenced during the Year, generating revenue for the Group for the first time.

Financial Condition

	As at 31st	As at 31st	
	December 2001	December 2000	Change
	RMB'000	RMB'000	
Cash and cash equivalents	22,329	3,548	+529%
Total Assets	80,931	53,048	+53%
Shareholders' funds	52,901	5,772	+817%
Short-term loans	10,850	–	N/A
Current ratio (Times)	2.82	1.07	+164%

The Company was successfully listed on GEM on 10th December, 2001 by way of placing of 100,000,000 new shares of the Company, which accounted for 25% of its enlarged issued share capital of the Company. The net proceeds raised by the Group amounted to approximately HK\$21,192,000, resulting in a substantial increase in its cash balance at the end of 2001.

Total assets for 2001 increased 53% to RMB80,931,000, mainly comprising fixed assets of RMB891,000, intangible assets of RMB1,777,000, inventories of RMB13,225,000, accounts receivable and other receivables of RMB22,761,000, prepayments and deposits of RMB16,181,000 and cash and cash equivalents of RMB22,329,000.

Exchange Rate Exposure

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

Liquidity and Financial Resources

Save for the listing proceeds, the Group generally finances its operations with internally generated cash flows. During the year, total short-term bank loans of RMB10,850,000 were outstanding and applied as working capital for the Group's business operations. Among the short-term bank loans, a loan of RMB2,850,000 was secured by a bank deposit of USD360,000 and bore interest of 6.14% per annum, while a loan of RMB8,000,000 was secured by certain land and building of a related company and a corporate guarantee provided by the related company, and bore interest of 6,435% per annum. The Group currently has cash and cash equivalents of RMB22,329,000, while the current ratio has improved from 1.07 times for 2000 to 2.82 times for the year.

As at 31 December 2001, the Group had the following capital commitments:

– Purchase of software and equipment amounting to approximately RMB3,000,000.

Capital commitments outstanding at 31 December 2001 not provided for in the accounts are summarised as follows:

	2001 RMB'000	2000 RMB'000
Contracted	400	–
Authorised but not contracted	2,600	–
	<u>3,000</u>	<u>–</u>

Human Resources

	As at 31st December 2001 Total number of staff	As at 31st December 2000 Total number of staff
Management	9	7
Sales and Marketing	18	9
Purchasing and Supplies	8	5
Production	40	33
Research and Development	20	12
Finance and Administration	13	6
	<u>108</u>	<u>72</u>
Total (Staff)	108	72

AUDITED CONSOLIDATED INCOME STATEMENT

	Notes	2001 RMB'000	2000 RMB'000
Turnover	3	40,008	23,818
Cost of sales		(12,715)	(2,902)
Gross profit		27,293	20,916
Distribution expenses		(2,992)	(435)
Research and development costs		(777)	(1,074)
General and administration expenses		(8,230)	(5,691)
Profit from operations		15,294	13,716
Subsidy income	4	5,161	–
Interest income		106	22
Interest expense		(444)	–
Profit before taxation	5	20,117	13,738
Taxation	6	–	–
Profit after taxation but before minority interests		20,117	13,738
Minority interests		(215)	(56)
Profit attributable to shareholders		19,902	13,682
Dividends		–	–
Earnings per share			
– basic	7	RMB0.06	RMB0.05
– diluted		N/A	N/A

Notes:

1. OPERATIONS, GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 30 November 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 10 December 2001.

On 19 November 2001, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (the “Reorganisation”) which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation were regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the financial statements have been prepared as if the Group had been in existence since the beginning of the year ended 31 December 2001. The comparative figures as at and for the year ended 31 December 2000 have been presented on the same basis.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the development and operation of a back end electronic receipt/payment and data recording and processing software system (“Jian ePayment System”) and manufacturing and distribution of the associated commercial applications.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on historical cost convention and in accordance with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong (“HK GAAP”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(a) Adoption of new/revised Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, the following Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants:

SSAP9 (revised)	Event after the balance sheet date
SSAP14 (revised)	Leases
SSAP26	Segment reporting
SSAP28	Provisions, contingent liabilities and contingent assets
SSAP29	Intangible assets
SSAP30	Business combinations
SSAP31	Impairment of assets
SSAP32	Consolidated financial statements and accounting for investments in subsidiaries

The Group has disclosed segment information in Note 9. Except for this change, the adoption of the above new/revised SSAPs had no material effect on amounts reported in prior year.

(b) Basis of consolidation

The consolidated financial statements of the Group include the accounts of the Company and the enterprises that it controls. This control is normally evidenced when the Group has the power to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired or disposed of during the year (other than those included in the Reorganisation described in Note 1 above) are consolidated from or to their effective dates of acquisition or disposal, as appropriate. The equity and net income attributable to minority shareholders’ interests are shown separately in the Group’s balance sheet and income statement, respectively.

Significant intra-group transactions and balances have been eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

In the Company’s financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. The results of the subsidiaries are included in the income statement to the extent of dividends received and receivable.

3. TURNOVER

Turnover represents gross invoiced sales (excluding value-added tax), net of discounts and returns.

Turnover consisted of:

	2001	2000
	RMB'000	RMB'000
Sales of hardware and software	29,511	6,900
Provision of systems integration services	9,730	16,212
Transaction levies	767	706
	40,008	23,818

4. SUBSIDY INCOME

The Group's subsidiary, Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ("Jian-O'Yuan"), is subject to output value added tax ("VAT") on its sales in Mainland China, which is levied at the general rate of 17% on the gross selling price upon sales of goods. Input VAT paid on purchases of raw materials, semi-finished products, etc. 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 taxation treatment and any actual VAT paid related to the sales of software exceeding 3% of the revenue from the sales of software will be refunded. During the year ended 31 December 2001, the Group obtained such refund amounted to RMB5,161,000 (2000: Nil) and such refund was recognised as subsidy income.

5. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after crediting and charging the following:

	2001	2000
	RMB'000	RMB'000
Crediting:		
Interest income on bank deposits	106	22
Exchange gain, net	-	3
Charging:		
Staff cost (including directors' emoluments)		
– Salaries and wages	1,669	1,523
– Provision for staff and workers' bonus and welfare fund	-	817
– Contribution to retirement scheme	76	56
	1,745	2,396
Cost of inventories	12,715	2,902
Exchange loss, net	24	-
Research and development costs	777	1,074
Interest expense on bank loans repayable within five years	444	-
Depreciation of fixed assets	180	45
Amortisation of goodwill	209	104
Operating lease rentals on premises	1,396	1,315
Auditors' remuneration	725	68

6. TAXATION

The companies comprising the Group are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong has been provided for as the Group has no assessable profit arising in or derived from those jurisdictions during the year ended 31 December 2001 (2000: Nil).

Jian-O' Yuan is subject to PRC enterprise income tax ("EIT") at a rate of 33%. However, Jian-O' Yuan is qualified as a newly established software enterprise and, as a newly established software enterprise in the PRC, is entitled to full exemption from EIT for the first two years and a 50% reduction for the next three years, commencing from the first profitable year. The first profitable year of Jian-O'Yuan was 2000.

There was no significant unprovided deferred taxation for the year ended 31 December 2001.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2001 is based on the profit attributable to shareholders of approximately RMB19,902,000 (2000: RMB13,682,000) and the weighted average number of 307,123,288 shares (2000: 300,000,000 shares) deemed to be in issue during the year, on the basis of presentation relating to the Reorganisation as described in Note 1.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares in issue during the year ended 31 December 2001 (2000: Nil).

8. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Cumulative translation adjustment RMB'000	(Accumulated deficit) Retained earnings RMB'000	Total RMB'000
Consolidated							
Balances, as at 1 January 2000	-	-	-	-	-	(9,676)	(9,676)
Reserves arising from acquisition of shares of Jian-O'Yuan	-	1,766	-	-	-	-	1,766
Profit attributed to shareholders	-	-	-	-	-	13,682	13,682
Appropriation to reserve fund and enterprise expansion fund	-	-	1,362	681	-	(2,043)	-
Balances, as at 31 December 2000	-	1,766	1,362	681	-	1,963	5,772
Capitalisation of amount due to the ultimate holding company	-	4,750	-	-	-	-	4,750
Premium on issue of shares	29,691	-	-	-	-	-	29,691
Share issuance expenses	(12,521)	-	-	-	-	-	(12,521)
Capitalisation of share premium	(14,994)	-	-	-	-	-	(14,994)
Effect of reorganisation	-	(212)	-	-	-	-	(212)
Issuance of remuneration shares	(700)	-	-	-	-	-	(700)
Foreign exchange adjustment	-	-	-	-	5	-	5
Profit attributed to shareholders	-	-	-	-	-	19,902	19,902
Balances, as at 31 December 2001	<u>1,476</u>	<u>6,304</u>	<u>1,362</u>	<u>681</u>	<u>5</u>	<u>21,865</u>	<u>31,693</u>

Jian-O'Yuan needs to follow the laws and regulations of the PRC and its articles of association. It is required to provide for certain statutory funds, namely, reserve fund, enterprise expansion fund, staff and workers' bonus and welfare fund which are appropriated from net profit after taxation but before dividend distribution based on the local statutory accounts prepared in accordance with the accounting principles and relevant financial regulations applicable to enterprises established in the PRC (the "PRC GAAP"). These funds are created for specific purposes and appropriations to these funds are at the discretion of the company's directors. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff and workers' bonus and welfare fund can only be used for special bonus or collective welfare of its employees, and assets acquired through this fund shall not be treated as assets. Staff and workers' bonus and welfare fund are charged to expenses as incurred and recorded as a liability in the balance sheet under HK GAAP.

When the statutory reserve fund is not sufficient to compensate for any losses of Jian-O'Yuan from previous years, current year net profit shall be used to make good for the losses before allocations are set aside for the reserve fund, enterprise expansion fund or the statutory staff and worker's bonus and welfare fund.

9. SEGMENT REPORTING

(a) Business segment

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

(b) Geographical segments

The Group's activities are mainly conducted in the Southern China, Northern China, Central China, Eastern China and Northeastern China in the PRC. An analysis by geographical segment is as follows:

	Southern China		Northern China		Central China		Eastern China		Northeastern China		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	20,359	-	-	-	19,649	23,818	-	-	-	-	40,008	23,818
Segment assets	9,402	2,779	3,117	7,645	13,496	7,553	720	357	2,654	484	29,389	18,818
Unallocated assets											51,542	34,230
Total assets											80,931	53,048
Contribution to net income	14,833	-	-	-	12,460	20,916	-	-	-	-	27,293	20,916

Substantially all the capital expenditures of Group are in the Northern China.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2001 (2000: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Since the listing of the Company's shares on GEM, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH GEM LISTING RULES 5.28 TO 5.39

The Company has complied with rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedure during the year.

By Order of the Board
Chin Ying Hoi
Chairman

Hong Kong, 22nd March, 2002

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the day of its posting.