

RNS Number:3411X
Financial Payment Systems Limited
29 May 2007

FINANCIAL PAYMENT SYSTEMS LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE
YEAR ENDED 31 DECEMBER 2006

CHAIRMAN'S STATEMENT

The year to 31 December 2006 has been one of considerable progress for the Company. Much of the first part of the year was of course taken up with the preparations for our successful floatation on AIM in June 2006, and I am pleased to note that we attracted a range of well respected institutions amongst our initial subscribers. This was gratifying and is a testament to the potential opportunity that awaits the Company in its chosen sphere of operations. It also represents a tribute to the hard work and professionalism of the Executive Board and employees, as well as our professional advisors, in securing a successful listing in what was, in the weeks prior to admission, a difficult and testing time in the AIM market.

In development terms, much effort this year has been focused on our system, particularly in the light of the Jiangsu Government's expanding user requirements, and matters raised by the participating banks. As a result, the system now represents a high quality product developed specifically for the Chinese market, and has the attributes we believe to be a benchmark system in the field of financial transaction software in China.

Key to our potential to succeed in this market has always been, and remains, our relationships with the Jiangsu Government and Chinese banks. Your Chief Executive Officer, Lay Ann Ong, works tirelessly to cement and develop relationships with the senior personnel in both sets of institutions, and his experience and the respect he has in this market place are valuable assets indeed to the Company. As a further indication of the importance of the project to the Provincial Government, our joint venture vehicle has received a grant from them towards its development efforts, covered in more detail in the CEO's report.

As a Board we held our first meeting following admission in Nanjing, the capital of Jiangsu, and had the opportunity further to build upon those ties with the Government and Jiangsu Electronic Business Co., Ltd, our joint venture partner, in a series of meetings. Such is the importance of these relationships that the Board is scheduled to return to Nanjing later in 2007.

The Board has been strengthened during the year by the appointment of Richard Last as non-executive director. Richard's background with successful Software and IT services companies and his qualification as a Chartered Accountant makes him a strong and independent member of the Board, as well as an effective chairman of the Audit Committee.

The Board recognises that achieving live deployment and therefore the ability to generate revenues has taken longer than we envisaged at the time of our listing. Evolving user requirements and technical considerations, as well as a change of Chief Technology Officer have together been the principal cause of project slippage. However, we are confident that we can deploy and go live with our system so as to generate revenues during the first quarter of 2008.

I thank you for your continuing support for Financial Payment Systems Limited and trust that as 2007 plays out we will be able to take the Company forward to the next rewarding phase of its development.

Malcolm Williams
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION

For Financial Payment Systems Limited (FPS), the year to 31 December 2006, and the period to date, has seen the culmination of much of the pre-IPO effort undertaken by the team in conjunction with our joint venture partner Jiangsu Electronic Business Co., Ltd. The strengthening of the development, business development and operational teams in China, the broadening of the product offering in response to feedback from potential users, and the work currently underway to connect the system to China's largest bank, means FPS is now well positioned to make good the potential of the Jiangsu electronic payment project.

One pleasing trend over the period in review has been the acceleration of interest from within the B2G and B2B sectors for a product allowing secure and efficient payment and supply-chain services, in particular amongst aggregations of enterprises into associations seeking to benefit from operating common services, such as electronic payments, through a business portal. Some of these associations are themselves established and backed by the Provincial Government, whilst some are purely commercial in origin. FPS' "trusted deposit" function, dealt with in more detail later, is of particular interest to these bodies as an enabler of B2B and B2G transactions, the more so as we believe it to be unique.

STRATEGY

The FPS strategy is based upon a twin track approach, that of deploying our system into the intra-Governmental payment approval and instruction sector (G2G), whilst at the same time seeking to exploit the potential that such a system offers into the wider business enterprise sector (B2B and B2G).

Within this broader strategy our focus has been on ensuring that our product offering is of relevance in the Chinese context, and therefore we have spent and continue to spend time and effort in developing functionality of commercial relevance to users. For this reason, our most recent development has been the "trusted deposit" module, well received commercially and championed by our partnering banks.

In business development terms, our relationship with the Provincial Government continues to open doors for us and initiates opportunities to demonstrate our system to a broad and expanding range of potential customers. Ultimately, as set out at the time of our listing, it is FPS' goal to become the payment services provider of choice within Jiangsu, and the wider potential of the broader Chinese market remains an enticing and possible target.

Relationships are all in China; partnering in our joint venture with a partially Government owned entity has been a great enabler for FPS, another unique factor in our favour which we continue to exploit toward the achievement of our commercial goals.

THE FPS SYSTEM

Current status

Over the period in review, our system has seen enhancement and continuing development both to its functionality (essentially a process of adding new functional components to the core payment and approval handling processes) and also to its critical security and interfacing elements - this is the ability of the system to communicate and operate as a secure and efficient portal between banks and customers.

We have presented live, web-based demonstrations of the system to our key partnering banks, Government Departments and enterprises, and these have been well received and have in themselves generated further interest from, in particular, the wider business community. As noted in the introduction, we have had particular interest from B2B portals, aggregations of enterprises in a particular field of commerce trading together and with other enterprises and the Government, with a need for a payment platform to allow simplified payment services within their supply-chain processes.

As a result of our dialogue with banks and potential users, we are adding a "trusted deposit" function to our system. This will allow funds to be held as a de facto guarantee of payment. Banks in the Chinese system currently have no

means of freezing part of the funds within the account of a paying party, hence our ringfenced deposit system is of particular value in China, and indeed the banks with whom we are talking are championing our use of this innovative approach. Considerable interest has been expressed within the B2B and G2B areas at this product offering, the more so as we are able, as a result of our Governmental relationships, to offer a unique deposit feature whereby funds are held jointly by FPS and a trusted Governmental body. This unique selling proposition will, we believe, prove to be important in the commercial uptake of the FPS system.

Interfacing of the system with Chinese banks

The ability of our system efficiently and securely to interface with Chinese banks, adopting the appropriate security protocols and encryption technology for such interfacing, remains key to its deployment and adoption commercially. Our development team is currently writing the Application Protocol Interface (API) software to link our system to the back-end systems of the Industrial and Commercial Bank of China (ICBC), the largest commercial bank in China. This will be our first bank connection, and represents a very important step forward for the project.

In parallel, we are working on the interface specifications with Guangdong Development Bank and Rural Credit China Bank and on the requirements that each bank has for connection in a secure manner to their internal settlement systems. Whilst every bank has a different set of protocols for interfacing, much of the core development work can be replicated as we add banks to the network. In time we will look to add Bank of China, the Agricultural Bank of China and China Merchant Bank, with all of whom we are in discussions, to the network.

Operational deployment and back up

Data integrity and system security are essential elements of our system. As such, we will be deploying the operational servers on which we run the payment applications into a secure, state of the art hosting environment, expected to be the China Telecom site in Nanjing. In parallel we will operate disaster recovery systems, comprising live-link data backup and switchable system service replication, from a second physically separate secured site.

USER BASE

Provincial Government Departments

It has always been, and remains, our core focus to deliver a payment approval and instruction service to the Provincial Government in Jiangsu. The relationships we have established, and the participation of arms of the Government in our joint venture partner, ensure that we are best placed to deliver on this. We have been encouraged by the continuing support demonstrated by the Provincial Government. We are pleased to report that our Chinese joint

venture vehicle has received a 300,000 Chinese Renminbi (RMB) development grant from a fund jointly administered by the Jiangsu Finance Department and the Jiangsu Administration of Small and Medium Enterprises, under a scheme designed to encourage the economic growth of Jiangsu Province. This is a reflection of the importance of the project to the economic development of Jiangsu in the eyes of the Provincial Government.

The first Department to whom we expect to deploy is the Highways & Tolls Department, responsible principally for highway construction and maintenance within Jiangsu. We are involved in advanced consideration of departmental workflows, processes and requirements, and connectivity specifications.

A number of industry-specific trading associations have been established by the Provincial Government. Of these, we are at a similarly advanced stage with the Nanjing Hi-Tech Software Park, the Jiangsu Chemical Trading Park, and the Jiangsu Telecom trading platform, Jiangsu Telecom being a subsidiary of the majority state-owned China Telecom.

Commercial enterprises

The incorporation of the "trusted deposit" functionality into our product offering has, as noted above, greatly enhanced the attractiveness of our system in the eyes of the wider business community in Jiangsu. Thus we are in advanced stage discussions on the payment infrastructure requirements of a number of commercial enterprises, both stand-alone entities and other non state-sponsored trading associations. In particular, the Suguo Supermarket Chain, Nanjing Julong Engineering Plastics Co., and the Jiangsu Jin Jian Construction Group are significant stand-alone organizations, whilst the Jiangsu Agricultural Trading Centre, Jiangsu Chemical Trading Centre and the Jiangsu Five Star Appliance Enterprise Group are umbrella trading organizations.

In general, our deployment to the commercial sector is gaining momentum faster than we anticipated, reflecting the current opportunity to deploy a previously unavailable "trusted deposit" model into the market.

BUILDING THE TEAM

The completion of the listing has allowed us greatly to strengthen our team by hiring a range of skilled and experienced personnel necessary to drive the project forward. We have brought in a number of important members to our development team, under the leadership of our new Chief Technology Officer Tim Zhu, a fluent Mandarin speaker who brings with him experience of working with Chinese banks. We continue to add experienced developers to our team, particularly in Jiangsu itself, and also in our development office in Singapore. In addition we have built a strong team in China to handle the operational aspects of our system, which will be critical to the successful deployment and rollout within Jiangsu, as well as an active and enthusiastic business

development team, ensuring that FPS is able to make the most of the excellent relationships it has developed itself, as well as those it enjoys through its joint venture partner.

The ability to hire locally in China is also an important tool for maintaining budget controls, since personnel costs within China are considerably below those elsewhere in the region. The pool of experienced talent upon which FPS is able to draw is large.

OUTLOOK FOR THE PROJECT

Current status

The single most important step in the life of the project to date will be the successful integration of the FPS system to ICBC, and we are well advanced in our development work with the bank to achieve this in the near future. At the same time we are developing, internally within the core FPS system, the "trusted deposit" function. Upon completion of these two features we will have essentially completed the first deployment version of the complete system.

Once we achieve this milestone, the system will be capable of integration into the workflow and processes of users, to allow testing in a live environment and subsequent commercial operational launch. In the meantime, we continue to work with the future users of the system to assimilate as much information on their internal workflows, internal sign-off processes and likely loads, so that we can shorten the user deployment timescales still further and achieve the earliest possible go-live dates.

Anticipated timescales

Managing and rolling out a complex, multi-partner project in an environment as intricate and structured as China is challenging, however we believe we have assembled a highly competent and experienced team to do just that. As such, we have revised our milestone targets for the project as follows:

- 1 Completed, tested and verified integration of FPS system to ICBC bank - Quarter 3, 2007.
- 2 Initial deployments and rollout - Quarter 4, 2007.
- 3 Revenue generation from initial deployments - during Quarter 1, 2008.

CONCLUSION

We recognise that the project has taken longer to deploy commercially than had

been expected at the outset, however, having devoted considerable efforts to driving the project forward and to addressing the changing requirements of users and banks, we now believe that the prospect of live, revenue-generating deployment into both the Government and commercial sectors in Jiangsu is within reach. To this end, the Board wishes to extend its appreciation and thanks to the management and staff of FPS both in Singapore and in China, and to Jiangsu Electronic Business Co., Ltd., our joint venture partner, for their tireless efforts to drive the project forward.

We take this opportunity to thank you for your continuing support and patience, and believe that the full potential of the FPS system and the Jiangsu project can and will be realised for the benefit of you as shareholders, and indeed for the benefit of the Jiangsu economy.

Ong Lay Ann
Chief Executive Officer

FINANCIAL REVIEW

Fundraising and listing on AIM

The Company was listed on AIM in June 2006 following a placement of 41,666,667 shares at 12p each in its initial public offering, raising a gross amount of £5,000,000. A net amount of £4,079,137 was realised after £920,863 in IPO expenses which comprised fees paid to the nominated advisor, legal advisor, reporting accountants and other professional advisors.

In accordance with IAS 32 currently adopted in the UK, £554,938 of those expenses has been taken against the capital reserve account pertaining to new IPO shares whilst £365,925 pertaining to existing shares has been charged to the income statement as exceptional IPO expenses.

Group operational results

In the year ended 31 December 2006, the Group recorded a net loss before minority interest of £1,090,341 (2005: £108,042). There was no revenue generated by the Group for the year and finance income amounting to £56,078 was recorded.

Other administrative expenses for the year were £800,974 (2005: £108,798). The bulk is made up of employment costs of £494,914 (2005: £36,596) which constitutes approximately 62% of total other administrative expenses for the year.

Legal and professional fees amounting to £41,665 (2005: £nil) were incurred for legal and tax advice received. Various other administrative expenses make up the remainder.

Balance sheet and cash balances

The balance sheet as at 31 December 2006 shows net assets of £3,793,043 which includes goodwill of £195,531. Group cash balance at that date was £3,220,759 of which £2,132,980 was in the Company. In fulfillment of our commitment to capitalise the project company, Jiangsu Electronic Payment Services Co., Ltd. ("JSEPS"), a further injection of RMB17,000,000 (£1,178,550) was made, bringing the capital in JSEPS to the agreed level of RMB20,000,000 (£1,370,677). As at 31 December 2006, the cash balance in JSEPS stood at £955,660. This cash will be used in financing the working capital and fixed capital purchases as the rollout of the project progresses.

Freddie Heng
Finance Director

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Note	2006	2005
Revenue	3	-	-
Other income	3	20,480	-
Exceptional IPO expenses	4	(365,925)	-
Other administrative expenses		(800,974)	(108,798)
Total administrative expenses		(1,166,899)	(108,798)
Operating loss	4	(1,146,419)	(108,798)
Finance income	5	56,078	756

Loss before tax		(1,090,341)	(108,042)
Taxation	6	-	-
Net Loss for the year		(1,090,341)	(108,042)
Loss attributable to:			
Equity holders of Parent Minority interests		(1,047,295)	(87,792)
		(43,046)	(20,250)
		(1,090,341)	(108,042)
Basic and diluted loss per share	10	(0.020)	-

GROUP BALANCE SHEET
As at 31 December 2006

	Note	GROUP	
		2006	2005
ASSETS			
Non-current assets			
Intangible assets		360,519	-
Property, plant and equipment		59,364	7,815
Goodwill		195,531	32,485
		615,414	40,300
Current assets			
Other debtors, deposits & prepayment		222,698	51,218
Cash and cash equivalents		3,220,759	156,348
		3,443,457	207,566

Total assets				4,058,871		247,866
LIABILITIES						
Current liabilities						
Other creditors & accruals				265,828		27,582
Due to a related party				-		98,826
Total liabilities				265,828		126,408
Net assets				3,793,043		121,458
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital	7			4,583,333		2,500,000
Capital reserve	7			2,361,729		-
Capital contribution reserve	8			204,125		-
Merger reserve	9			(2,591,768)		(2,348,167)
Foreign currency translation reserve				(14,323)		6,310
Accumulated losses				(1,137,839)		(90,544)
				3,405,257		67,599
Minority interests				387,786		53,859
Total equity				3,793,043		121,458

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2006

Attributable to Equity Holders of the Parent

Share Capital	Capital Reserve	Capital Contribution Reserve	Merger Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total amount attributable to equity holders	Minority Interests	To Equity holders
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2006	£	£	£	£	£	£	£	£	£	£
Group Balance at 01.01.2006	2,500,000	-	-	(2,348,167)	6,310	(90,544)	67,599	53,859	1.	
Shares issued in AIM listing	2,083,333	2,916,667	-	-	-	-	5,000,000	-	5,0	
IPO expenses transferred from income statement	-	(554,938)	-	-	-	-	(554,938)	-	(55	
Accumulated loss from acquired subsidiaries	-	-	-	-	-	-	-	376,973	37	
Loss for the year	-	-	-	-	-	(1,047,295)	(1,047,295)	(43,046)	(1,090	
Capital contribution during the year	-	-	204,125	-	-	-	204,125	-	20	
Exchange difference arising on consolidation	-	-	-	-	(20,633)	-	(20,633)	-	(2	
Merger arising from acquisition of subsidiaries	-	-	-	(243,601)	-	-	(243,601)	-	(24	
Balance at 31.12.2006	4,583,333	2,361,729	204,125	(2,591,768)	(14,323)	(1,137,839)	3,405,257	387,786	3,79	

2005

Group Balance at 01.01.2005	-	-	-	-	-	(2,752)	(2,752)	(826)	(3,5
Shares issued during the year	2,500,000	-	-	-	-		2,500,000	-	2,500,0
Accumulated loss from acquired subsidiaries		-	-	-	-	-	-	54,685	54,
Loss for the year	-	-	-	-	-	(87,792)	(87,792)	-	(87,
Exchange difference - Merger arising from acquisition of subsidiaries	-	-	-	-	6,310	-	6,310	-	6,
		-	-	(2,348,167)	-	-	(2,348,167)	-	(2,348,
Balance at 31.12.2005	2,500,000	-	-	(2,348,167)	6,310	(90,544)	67,599	53,859	121,4

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2006

	2006	2005
	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(1,090,341)	(108,042)
Adjustment for :		
Depreciation of property, plant and equipment	7,183	276
Finance income	(56,078)	(756)
	-----	-----
Operating loss before movement in working capital activities	(1,139,236)	(108,522)
Debtors	(171,480)	(51,218)

Creditors	(33,285)	317,113
-----	-----	-----
Cash (used in) / generated from operating activities	(1,344,001)	157,373
Interest received	56,078	756
-----	-----	-----
Net cash outflow (used in) / generated from operating activities	(1,287,923)	158,129
-----	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(59,201)	(8,091)
Research and development expenditure	(29,517)	-
-----	-----	-----
Net cash outflow from investing activities	(88,718)	(8,091)
-----	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, representing net of expenses	4,445,062	-
-----	-----	-----
Net cash outflow from financing activities	4,445,062	-
-----	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	3,068,421	150,038
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	156,348	-
Exchange difference	(4,010)	6,310
-----	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	3,220,759	156,348
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NOTES TO THE PRELIMINARY ANNOUNCEMENT REPORT
For the year ended 31 December 2006

1. CORPORATE INFORMATION

Financial Payment Systems Limited ("the Company") (registration No. 91540) was incorporated in Jersey on 27 October 2005 with its registered office at 2 Bond

Street, St Helier, Jersey, JE2 3NP.

The principal activity of the Company is investment holding. The Company was formed to serve as the entity which would apply for a listing on the Alternative Investment Market ("AIM") of the London Stock Exchange. It was established as a holding company above two subsidiary entities by way of a swap of shares in the Company issued to the shareholders of the subsidiary entities as consideration for the acquisition by the Company of the shares in those entities. To accomplish this, on 28 April 2006, the Company acquired 100 percent of FPS Technologies Pte. Ltd. ("FPST")* for 1,000,000 and 70 percent of Sino China Investments Limited ("SCI") for 5,000,000 by issuing 25,000,000 shares of 10p per share at a consideration of 24p per share for a total consideration of 6,000,000. This is equivalent to 12p per share following the subsequent sub-division of the Company's share capital. During the financial year, the Company injected the sum of £1.2 million in cash into SCI for new shares.

SCI was incorporated on 19 March 2004 and is domiciled in Hong Kong. The principal activity of SCI is investment holding and it has an 85 percent shareholding in Jiangsu Electronic Payment Services Co., Ltd. ("JSEPS"). The remaining 15 percent shareholding in JSEPS is held by Jiangsu Electronic Business Co., Ltd. ("JSEB"), SCI's project partner. JSEB was granted the rights by the Government of the Province of Jiangsu, China to develop and operate an automated inter-departmental electronic payment approval system within the Province of Jiangsu ("the Jiangsu Payment System"). SCI has signed a contract with JSEB to implement the Jiangsu Payment System. JSEPS, which was incorporated on 27 May 2005 in The People's Republic of China, was established as the vehicle that will develop, manage and operate the Jiangsu Payment System and has a statutory operational period of 15 years (capable of extension). During the financial year, SCI injected the sum of £1,178,550 in cash into JSEPS for new shares.

FPST was incorporated on 2 July 2005 in Singapore. FPST is the research and development arm of the Group. FPST has full intellectual property ownership rights to certain software technology which was developed for the installation, implementation and operation of internet financial payment gateway systems. FPST has licensed this technology to JSEPS for its use on the Jiangsu Payment System project.

On 16 June 2006, the Company was admitted to AIM.

* FPS Technologies Pte. Ltd. was formally known as FCH Technologies Pte. Ltd. until 22 March 2007 when the name changed to its present name.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial information set out above in this preliminary announcement does not constitute the company's statutory accounts for the year ended 31 December 2006 (the Company's first accounts). Statutory accounts for 2006 will be delivered to the Companies Registry in Jersey following the Company's Extraordinary General Meeting. The auditors have reported on the 2006 accounts; their report was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their audit report and did not contain a statement under Article 111 of Companies (Jersey) Law 1991.

NOTES TO THE PRELIMINARY ANNOUNCEMENT REPORT
For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PREPARATION (Continued)

The financial information is prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and the financial information is expressed in pounds sterling, which is the functional currency of the Company. The financial information has been prepared in accordance with International Financial Reporting Standards and Interpretations in force ("IFRSs"), as endorsed by the European Union and implemented in the UK.

The financial information of the Group for the year ended 31 December 2005 is included to show what the historical information might have been had the Group existed as at 1 January 2005 and had the structure been in existence since then. The accounting policies which cover areas that the Directors consider require estimates and judgements, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are goodwill, assessment of useful economic lives of property, plant and equipment and intangibles fixed assets, research and development and impairment of assets. There are no new standards in issue but not yet effective that would have a material effect on the accounts.

BASIS OF CONSOLIDATION

a. Merger Method

The circumstances under which the Company became a holding company are set out in Note 1. Under these circumstances, the transaction falls outside the scope of IFRS 3. As such, the Directors are of the opinion that the Group accounts will present a more fair view of the results of the Group if the merger method of consolidation is adopted. Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued.

In the Group financial information, merged subsidiary undertakings are treated

as if they had always been a member of the Group. The results of each subsidiary are included for the whole of the period in the year in which it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to the merger reserve.

b. Acquisition Method

Acquisitions made by existing companies have been accounted for using the acquisition method of accounting. Any excess of the purchase consideration over the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition is included in goodwill on consolidation. Goodwill is recognized as an asset and reviewed for impairment at least annually. Any impairment is recognized immediately in the income statement. On disposal of the subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Intra-group transactions are eliminated.

The consolidated financial information are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. The results of any subsidiary acquired or disposed during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

NOTES TO THE PRELIMINARY ANNOUNCEMENT REPORT
For the year ended 31 December 2006

3. REVENUE AND OTHER INCOME

No revenue was generated by the Group.

Other income comprises of Government Grants received during the year.

	2006 -----	2005 -----
Government grant	20,480	-
	-----	-----
	20,480	-
	=====	=====

4. EXCEPTIONAL IPO EXPENSES & OPERATING LOSS

Exceptional IPO expenses

2006	2005
------	------

	-----	-----
IPO expenses	365,925	-
	=====	=====

These amounts comprise fees paid to the nominated advisor, legal advisor and reporting accountants and other professional advisors pertaining to existing shares. These are charged to the income statement in accordance with IAS 32. The portion of fees pertaining to IPO shares has been taken to the capital reserve account (see Note 7 (iv)).

Operating loss

Included in the operating loss for the year are the following expenses:

	2006	2005
	-----	-----
Auditors' remuneration	29,720	551
Depreciation of property, plant and equipment	7,183	276
Legal & professional fees	41,665	-
Net foreign exchange differences	36,595	5,088
Office rental	62,160	466
Staff costs	494,914	36,596
	=====	=====

5. FINANCE INCOME

	2006	2005
	-----	-----
Finance income	56,078	756
	=====	=====

Finance income represents interest arising from deposits placed with banks.

NOTES TO THE PRELIMINARY ANNOUNCEMENT REPORT For the year ended 31 December 2006

6. TAXATION

No provision for taxation has been made as the Group incurred losses during the year.

	2006	2005
	-----	-----
Reconciliation of effective tax rates		
Loss before taxation	(1,090,341)	(108,042)

	=====	=====
Tax credit on loss at the prevailing rate applicable	(79,411)	(21,608)
Effect of different tax rates	(15,687)	-
Tax losses carried forward	94,068	-
Expenses not deductible for tax	1,030	21,608
	-----	-----
Tax expense for the year	-	-
	-----	-----

The Company and the significant subsidiary undertakings are subject to taxation on the following bases and at the following rates:

Financial Payment Systems Limited
The Company is tax exempt.

FPS Technologies Pte. Ltd.
Singapore tax rate is calculated at 20% of the estimated assessable profit for the year.

Sino China Investments Limited
Hong Kong profits tax is calculated at the domestic rate of 17.5%.

Jiangsu Electronic Payment Services Co., Limited
The applicable taxation rate arising in the People's Republic of China is 33%.

Unrecognised deferred tax assets		
	2006	2005
	-----	-----
Unutilised tax losses	94,068	-
	-----	-----
	94,068	-
	=====	=====

As at the balance sheet date, the Group has unutilized tax losses for which no deferred tax asset is recognized due to uncertainty of the recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

NOTES TO THE PRELIMINARY ANNOUNCEMENT REPORT
For the year ended 31 December 2006

7. SHARE CAPITAL AND CAPITAL RESERVE

Share capital 2006

	No. of shares	Company
Authorised Ordinary shares of 5p per share (2005: 10p per share)	1,000,000,000	50,000,000
Issued and fully paid Balance as at beginning of the year		
Shares issued on incorporation	--*	--*
Issued during the year		
- For acquisition of subsidiary entities	50,000,000	2,500,000
- Placement pursuant to IPO on AIM	41,666,667	2,083,333
Balance as at the end of the year	91,666,667	4,583,333

* Issued share is less than 1.

** There were two shares of 10p per share issued at incorporation. As explained below, these were split into four shares of 5p per share on 6 June 2006.

Capital reserve	GROUP		COMPANY	
	2006	2005	2006	2005
Capital reserve - notes (i) and (iii)	2,916,667	-	2,916,667	-
IPO expenses - note (iv)	(554,938)	-	(554,938)	-
Total	2,361,729	-	2,361,729	-

The following changes in the Company's authorised and issued share capital took place during the financial year:

(i) On 28 April 2006, a total of 25,000,000 ordinary shares of 10p per share were issued for the acquisition of 70% of the equity in Sino China Investments Limited and 100% of the equity in FPS Technologies Pte. Ltd. for a consideration of 24p per share resulting in a premium of 14p per share, or 3,500,000 in total, which was credited to the capital reserve account. As this

acquisition was funded by an exchange of shares, the premium was offset against the merger reserve.

(ii) On 6 June 2006, the Company undertook a share split whereby each ordinary share of 10p per share was split into two shares of 5p per share. As a result the authorised share capital of the Company was increased from 500,000,000 ordinary shares of 10p each to 1,000,000,000 ordinary shares of 5p per share. The existing 25,000,000 ordinary shares of 10p per share issued on 28 April 2006 were split into 50,000,000 ordinary shares of 5p per share.

(iii) On 16 June 2006, 41,666,667 ordinary shares of 5p each were issued at a consideration of 12p per share in a placement pursuant to the listing of the Company on AIM. The resultant premium of 7p per share, or 2,916,667 in total, was credited to the capital reserve account.

NOTES TO THE PRELIMINARY ANNOUNCEMENT REPORT
For the year ended 31 December 2006

7. SHARE CAPITAL AND CAPITAL RESERVE (Continued)

(iv) The Company incurred a total of 554,938 in direct expenses which are appropriately allocated to its initial public offering. These were paid to the nominated advisor, legal advisor, reporting accountants, and other professional advisor. These have been taken against the capital reserve account.

8. CAPITAL CONTRIBUTION RESERVE

The balance classified as capital contribution reserve comprises part of the cost of the intellectual property rights contributed to the Group by Weststar Ventures Inc. ("Weststar"), the Company's largest shareholder. Weststar has undertaken not to seek recovery or make any claim from the Group in respect thereof.

9. MERGER RESERVE

As explained in Note 2 under Basis of Consolidation, the consolidated financial information of the Group have been prepared using the merger method. The value of the shares issued by the Company in exchange for the shares acquired in Sino China Investments Limited and FPS Technologies Pte. Ltd. amounted to 5,000,000 and 1,000,000 respectively. The premium amounting to £3,500,000 as explained in Note 7(i) derived from acquisition of SCI and FPST has been offset against the merger reserve. The difference between the value of shares issued and the nominal value of the shares acquired in the respective subsidiary is recorded in the merger reserve account, as follows:

GROUP	COMPANY
-----	-----

	2006 -----	2005 -----	2006 -----	2005 -----
In respect of:-				
Sino China Investments Limited	(2,320,978)	(1,931,500)	2,916,667	-
FPS Technologies Pte. Ltd.	(270,790)	(416,667)	583,333	-
Total	(2,591,768)	(2,348,167)	3,500,000	-
	=====	=====	=====	=====

10. LOSS PER SHARE

	2006 -----	2005 -----
Basic and diluted loss per share Loss for the financial year	(1,090,341)	(108,042)
	-----	-----
	Number	Number
Weighted average number of ordinary share issued during the year	54,018,266	-
	-----	-----
Basic and diluted loss per share	(0.020)	-
	=====	=====

Extraordinary General Meeting

An Extraordinary General Meeting of the Company will be held on 25 June 2007 at 11.00am at the Company's registered office in Jersey. The audited statutory accounts will be issued to shareholders with Notice of the Extraordinary General Meeting and filed in due course with the Jersey Registrar of Companies.

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Lindsay Mair

Financial Payment Systems Limited Tel: +65 6415 3333 (please note office hours for this number are 7 hours ahead of UK time)
Lay Ann Ong, Chief Executive Officer

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