



Jian ePayment Systems Limited

華普智通系統有限公司

(Incorporated in the Cayman Islands with limited liability)



INTERIM REPORT 2002

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This report, for which the directors (the “Directors”) of Jian ePayment Systems Limited (the “Company”) collectively and individually accept responsibility induces 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 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.

HIGHLIGHTS

- Turnover for the six months ended 30 June 2002 was RMB36,261,000, represented an increase of approximately 230% as compared to that of the corresponding period in 2001.
- Profit attributable to shareholders amounted to RMB18,955,000 for the six months ended 30 June 2002, represented an increase of approximately 909% as compared to that of the corresponding period in 2001.
- Basic earnings per share amounted to RMB0.047 for the six months ended 30 June 2002.
- During the period of six months ended 30 June 2002, the Group successfully secured roadside car parking system contracts in the cities of Zhengzhou and Weihai, increasing the coverage of the Jian ePayment System to 10 cities, and the numbers of Jian Smart Passes reached 219,000.
- In June 2002, promotion of the “One Pass Multiple Uses” of the Jian ePayment System was fully launched in Wuhan.

RESULTS

The Board of Directors (“the Board”) of Jian ePayment Systems Limited (“the Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries for the six months and three months ended 30 June 2002 with comparative figure of the same period in 2001.

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2002	2001	2002	2001
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Turnover and revenue	3	27,437	5,730	36,261	11,001
Cost of sales		(7,339)	(2,592)	(8,269)	(4,587)
Gross profit		20,098	3,138	27,992	6,414
Distribution expenses		(1,022)	(489)	(1,446)	(810)
Research and development costs		(658)	(1,236)	(920)	(1,468)
General and administration expenses		(3,683)	(1,145)	(6,567)	(2,208)
Profit from operations		14,735	268	19,059	1,928
Subsidy income		–	–	410	–
Interest income		7	35	22	49
Interest expense		(178)	(78)	(318)	(78)
Profit before taxation	4	14,564	225	19,173	1,899
Taxation	5	–	–	–	–
Profit after taxation but before minority interests		14,564	225	19,173	1,899
Minority interests		(161)	(3)	(218)	(21)
Profit attributable to shareholders		14,403	222	18,955	1,878
Earnings per share	6	RMB	RMB	RMB	RMB
– basic		0.036	0.001	0.047	0.006
– diluted		RMB		RMB	
		0.036	N/A	0.047	N/A

CONSOLIDATED BALANCE SHEETS

		As at 30 June 2002	As at 31 December 2001
	<i>Notes</i>	<i>RMB'000 (Unaudited)</i>	<i>RMB'000 (Audited)</i>
ASSETS			
Non-current assets			
Fixed assets, net	9	1,090	891
Goodwill, net	10	1,672	1,777
Total non-current assets		<u>2,762</u>	<u>2,668</u>
Current assets			
Inventories		8,860	13,225
Accounts receivable	11	28,320	19,670
Prepayments and deposits	12	25,153	16,181
Other receivables	13	2,882	3,091
Other current assets		–	787
Pledged bank deposit		–	2,980
Cash and cash equivalents		33,858	22,329
Total current assets		<u>99,073</u>	<u>78,263</u>
Current liabilities			
Accounts payable	14	7,794	6,687
Due to related companies		–	1,957
Due to the ultimate holding company		140	140
Deposit from customers		1,851	2,039
Accruals and other payables	15	11,424	6,070
Short-term bank loans		8,000	10,850
Total current liabilities		<u>29,209</u>	<u>27,743</u>
Net current assets		<u>69,864</u>	<u>50,520</u>
Total assets less current liabilities		<u><u>72,626</u></u>	<u><u>53,188</u></u>
EQUITY			
Capital and reserves			
Share capital		21,208	21,208
Reserves	16	50,699	31,693
Total capital and reserves		71,907	52,901
Minority interests		719	287
		<u><u>72,626</u></u>	<u><u>53,188</u></u>

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	2002 <i>RMB'000</i> <i>(Unaudited)</i>	2001 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash inflow (outflow) from operating activities	11,870	(2,812)
Returns of investments and servicing of finance		
Interest received	22	49
Interest paid	(318)	(78)
Net cash outflow from returns of investments and servicing of finance	(296)	(29)
Cash flows from investing activities		
Purchases of fixed assets	(440)	(127)
Effect of foreign exchange difference	51	2
Decrease in pledged bank deposits	2,980	-
Net cash inflow (outflow) from investing activities	2,591	(125)
Net cash inflow (outflow) before financing	14,165	(2,966)
Cash flows from financing activities		
(Repayment) borrow bank loans	(2,850)	10,850
Increase in payable to minority interest	214	-
Advances from the ultimate holding company	-	190
Net cash (outflow) inflow from financing activities	(2,636)	11,040
Increase in cash and cash equivalents	11,529	8,074
Cash and cash equivalents, beginning of period	22,329	3,548
Cash and cash equivalents, end of period	<u>33,858</u>	<u>11,622</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30 June 2002

	2002 <i>RMB'000</i> <i>(Unaudited)</i>	2001 <i>RMB'000</i> <i>(Unaudited)</i>
Exchange difference on translation of the financial statements of foreign entities	51	2
Gains not recognised in the consolidated income statement	51	2
Profit attributable to shareholders	18,955	1,878
Total recognised gains	<u>19,006</u>	<u>1,880</u>

1. GROUP REORGANISATION AND BASIS OF CONSOLIDATION

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 (hereinafter collectively referred to as the "Group") resulting from the Reorganisation are 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 throughout the period ended 30 June 2001. The comparative figures as at and for the period ended 30 June 2001 have been presented on the same basis.

The Company is an investment holding company. The Group is 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.

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 period (other than those included in the Reorganisation described above) are consolidated from or to their effective dates of acquisition or disposal. 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.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting", and on a basis consistent with the accounting policies adopted by the Group in preparation of its financial statements for the year ended 31 December 2001.

The financial statements are prepared on historical convention and in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. TURNOVER AND REVENUE

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

Turnover consisted of:

	Three months ended 30 June		Six months ended 30 June	
	2002 RMB'000 (Unaudited)	2001 RMB'000 (Unaudited)	2002 RMB'000 (Unaudited)	2001 RMB'000 (Unaudited)
Sales of hardware and software	27,066	5,572	28,356	10,574
Provision of systems integration services	–	–	7,076	174
Transaction levies	371	158	829	253
	<u>27,437</u>	<u>5,730</u>	<u>36,261</u>	<u>11,001</u>

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2002 RMB'000 (Unaudited)	2001 RMB'000 (Unaudited)
Crediting:		
Interest income on bank deposits	22	49
Exchange gain, net	<u>8</u>	<u>–</u>
Charging:		
Exchange loss, net	–	31
Interest expense on bank loans repayable within five years	318	78
Depreciation of fixed assets	241	82
Amortisation of goodwill	105	105
Operating lease rentals on premises	<u>902</u>	<u>593</u>

5. 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, the 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 six months ended 30 June 2002 (2001: Nil).

The Group's subsidiary, Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ('Jian-O'Yuan'), was incorporated in the PRC as a privately owned limited liability company on 26th April, 1999. Pursuant to the IPO prospectus issued on 27th November, 2001 (the 'prospectus'), Jian-O Yuan was converted into a sino-foreign equity joint venture after the equity transferral in 2001. Before the equity transferral, Jian-O'Yuan was subject to the PRC enterprise income tax ('EIT') at a rate of 33%. However, in February 2000, in accordance with the policy of Yu Xin [2000] 11, Jian-O'Yuan is qualified as a newly established software enterprise and 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. In accordance with the approval document from Zhengzhou Local Tax Bureau, year 2000 was Jian-O'Yuan's first profitable year. After the equity transferral, Jian-O'Yuan obtained the tax registration as an enterprise with foreign investment in July 2001. Pursuant to the PRC laws of Enterprise Income Tax for Enterprises with foreign Investment and Foreign Enterprise, as a manufacturing enterprise with foreign investment, Jian-O'Yuan is entitled to full exemption from EIT for two years and a 50% reduction in the next three years. In accordance with the approval document from Zhangzhou State Tax Bureau, Jian-O'Yuan is entitled to the EIT exemption from year 2001 as an enterprise with foreign investment.

There was no significant unprovided deferred taxation for the six months ended 30 June 2002 (2001: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share for the six months ended 30 June 2002 are based on the profit attributable to shareholders of approximately RMB18,955,000 (2001: RMB1,878,000). The basic earnings per share is calculated by the weighted average number of 400,000,000 shares (2001: 300,000,000 shares) deemed to be in issue during the period, on the basis of presentation relating to the Reorganisation as described in Note 1.

The diluted earnings per share is based on 401,333,333 (2001: N/A) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 8,000,000 (2001: N/A) ordinary shares deemed to be issued at no consideration if all outstanding warrants and options had been exercised.

7. DIVIDEND

The directors do not recommend the payment of dividend for the period from 1 January 2002 to 30 June 2002 (2001: Nil)

8. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

The Group had the following material transactions with related parties, which the directors considered were in the normal course of business:

	Six months ended 30 June	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(i) Sales of hardware and software, provision of systems integration services and transaction levies		
– Nanning Huapu Zhengfang Parking Construction and Management Co., Ltd.	6,102	–
– Guangzhou Electronic Parking Management Co. Ltd.	95	–
– Haikou Huapu Lide Parking Management Co. Ltd.	48	–
	<u>6,245</u>	<u>–</u>
(ii) Operating leases rentals paid/payable to:		
– Beijing Huapu International Plaza Co. Ltd.	468	16
– Qingdao Huapu Business Union Building Co. Ltd.	30	11
– A director	180	–
	<u>678</u>	<u>27</u>

(b) Guarantee provided by a related company

As at 30 June 2002, a short-term bank loan of RMB8,000,000 borrowed by a subsidiary of the Group was secured by a mortgage over leasehold land and buildings of Beijing Jian Enterprise (Group) Co. Ltd. ("Beijing Jian Enterprise") and a corporate guarantee provided by Beijing Jian Enterprise. The Group has received an agreement in principle from the relevant bank to the effect that upon listing of the Company's shares on GEM, the mortgage and corporate guarantee provided by Beijing Jian Enterprise will be released and substituted by a corporate guarantee from the Company. As at 30 June 2002, the procedures for the release of the mortgage and corporate guarantee provided by Beijing Jian Enterprise were still in progress.

9. FIXED ASSETS, NET

	As at 30 June 2002 (unaudited)			
			Leasehold	
	Machinery	Office equipment	improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
Beginning of period	548	517	51	1,116
Additions	253	187	–	440
End of period	<u>801</u>	<u>704</u>	<u>51</u>	<u>1,556</u>
ACCUMULATED DEPRECIATION				
Beginning of period	118	101	6	225
Provision for the period	137	59	45	241
End of period	<u>255</u>	<u>160</u>	<u>51</u>	<u>466</u>
NET BOOK VALUE				
End of period	<u>546</u>	<u>544</u>	<u>–</u>	<u>1,090</u>
Beginning of period	<u>430</u>	<u>416</u>	<u>45</u>	<u>891</u>

10. GOODWILL, NET

	As at 30 June
	2002
	<i>RMB'000</i>
	<i>(Unaudited)</i>
Cost	
Beginning of period	2,090
Additions	–
End of period	<u>2,090</u>
Amortisation	
Beginning of period	313
Charge for the period	105
End of period	<u>418</u>
Net book value	
End of period	<u>1,672</u>
Beginning of period	<u>1,777</u>

Goodwill was recognised upon the acquisition of 18% equity interest in Jian-O`Yuan. The directors are of the opinion that the recoverable amount of goodwill was not less than its carrying amount as at 30 June 2002.

11. ACCOUNTS RECEIVABLE

The credit terms for accounts receivable of the Group range from 120 to 180 days. Ageing analysis of accounts receivable was as follows:

	As at 30 June 2002	As at 31 December 2001
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-30 days	21,072	10,482
31-60 days	2,048	2,868
61-90 days	5,200	85
91-120 days	–	2,460
121-180 days	–	3,186
181-365 days	–	589
	<hr/>	<hr/>
	28,320	19,670
	<hr/> <hr/>	<hr/> <hr/>

12. PREPAYMENTS AND DEPOSITS

	As at 30 June 2002	As at 31 December 2001
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Prepayments to suppliers	10,032	6,457
Prepayments to software supplier for research-use	6,000	–
Prepayments of enterprise income tax ("EIT")	9,121	9,121
Value added tax recoverable	–	603
	<hr/>	<hr/>
	25,153	16,181
	<hr/> <hr/>	<hr/> <hr/>

13. OTHER RECEIVABLES

	As at 30 June 2002	As at 31 December 2001
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Advances to staff	2,017	2,242
Others	865	849
	<hr/>	<hr/>
	2,882	3,091
	<hr/> <hr/>	<hr/> <hr/>

The advances to staff were unsecured, non-interest bearing and repayable on demand.

14. ACCOUNTS PAYABLE

The ageing analysis of accounts payable was as follows:

	As at 30 June 2002	As at 31 December 2001
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-30 days	2,148	459
31-60 days	239	67
61-90 days	29	99
91-120 days	4	140
121-180 days	–	385
181-365 days	5,374	5,537
	<u>7,794</u>	<u>6,687</u>

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2002	As at 31 December 2001
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Value-added tax payable	4,675	–
Provision for staff and workers' bonus and welfare fund	817	817
Other payables	2,841	2,070
Accruals for operating expenses	1,509	2,166
Salary and welfare payable	1,582	1,017
	<u>11,424</u>	<u>6,070</u>

16. RESERVES

	Share premium	Capital reserve	General reserve fund	Enterprise expansion fund	Cumulative translation adjustment	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consolidated (unaudited)							
Balances, as at 1 January 2002	1,476	6,304	1,362	681	5	21,865	31,693
Foreign exchange adjustment	–	–	–	–	51	–	51
Profit attributed to shareholders	–	–	–	–	–	18,955	18,955
	<u>1,476</u>	<u>6,304</u>	<u>1,362</u>	<u>681</u>	<u>56</u>	<u>40,820</u>	<u>50,699</u>

17. COMMITMENTS

(a) Capital commitments

As at 30 June 2002, the Group had the following capital commitments:

– Purchase of software and equipment amounting to approximately RMB4,679,000:

Capital commitments outstanding at 30 June 2002 not provided for in the accounts are summarised as follows:

	As at 30 June 2002 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2001 <i>RMB'000</i> <i>(Audited)</i>
Contracted	4,679	400
Authorised but not contracted	–	2,600
	<u>4,679</u>	<u>3,000</u>

(b) Operating lease commitments

The Group leases plant and office premises under operating leases. The leases typically run for an initial period of three to four years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually adjusted annually to reflect market rentals. None of the leases includes contingent rentals.

As at 30 June 2002, the total future minimum lease payments payable under non-cancelable operating leases of the Group are as follows:

	As at 30 June 2002 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2001 <i>RMB'000</i> <i>(Audited)</i>
Amount payable		
– within one year	2,137	1,424
– between one year to two years	1,942	1,424
– between two years to five years	1,008	–
	<u>5,087</u>	<u>2,848</u>

18. SEGMENT REPORTING

a. Business segment

The Group is principally engaged in a focused line of business, namely the 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 for the six months ended 30 June 2002 and corresponding period of 2001 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	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
External sales	6,245	-	-	-	371	11,001	4,940	-	24,705	-	<u>36,261</u>	<u>11,001</u>
Contribution to net income	4,790	-	-	-	371	6,414	4,414	-	18,417	-	<u>27,992</u>	<u>6,414</u>

FINANCIAL REVIEW

For the six months ended 30th June, 2002, the Group's turnover amounted to RMB36,261,000. Profit attributable to shareholders for this period was RMB18,955,000.

Turnover

During the half year period, turnover was mainly composed of sales revenue derived from parking meters in Harbin and Nanning amounting to RMB28,356,000, representing 78% of the total turnover. In addition, systems integration for parking meter projects in Nanning and Qingdao generated an income of RMB7,076,000 for the Group accounting for 20% of the total turnover. Revenue generated in the form of transaction levies recorded during the half year amounted to RMB829,000 and represents 2% of the total turnover. The increase in turnover mainly due to increase in the sale of parking meters in this period.

Gross profit margin

The gross profit margin for the half year was 77%, representing an increase of 33% over the same period last year. This was mainly attributed to the generation of more revenue from systems integration services during the half year period as compared with the same period last year as the gross profit margin for these services is higher than those for hardware and software sales revenues. For the 3 months ended 30 June 2002, the gross margin is 73%. The improved gross margin in this period mainly due to the parking meters J-1000C supplied to Harbin are "two meters in one set" which has a higher gross profit margin.

Expenses

Since there was notable growth in turnover and operating scales for the half year period as compared with the previous year, both general and administration expenses and distribution expenses for this period were higher than those for the same period last year.

BUSINESS DEVELOPMENT

During the half year, roadside car parking systems commenced operations in Nanning and Harbin respectively, and the total number of cities equipped with Jian ePayment Systems thus rose to 5, namely, Wuhan, Haikou, Guangzhou, Nanning and Harbin. Furthermore, the Group successfully entered into roadside car parking agreements with two provincial cities, Zhengzhou and Weihai, during the half year period, increasing the number of cities with agreements for the installation of the Jian ePayment roadside car parking application system to a total of 10.

On 22 May 2002, the Group set up a wholly owned subsidiary in Beijing, namely Beijing Jian ePayment Service and Technology Company Limited (「北京華普智通科技有限公司」) with a registered capital of US\$150,000. It's principal activities are development, production of integrated intelligent network systems, computer software and hardware, network equipment, sales of self-developed technology and technical consultancy.

During the period, the registered capital of the Company's subsidiary, Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd, was raised to US\$2,950,000, as detailed in the Prospectus.

RESEARCH AND DEVELOPMENT

The testing and trial run of the highway toll sub-system was completed in June 2002 and commenced operation on the Yangtze River Bridge No.2 in Wuhan. In addition, research and development of the guard entrance and attendance system and automatic vending machines have proceeded to the testing stage and were expected to commence marketing in the near future.

The Group is particularly interested in the application of the latest technologies. For example, in the development of application technologies for Jian Smart Passes, the Group has successfully developed the data collection terminal prototype based on the GPRS wireless communication technology and will commence trial run soon. This is highly advantageous to the popularization of the Jian Smart Pass system in the future.

In order to cope with the rapid development of the Group's business and the substantial increase in the smart card users, the Group has intensified the research and development and investment in the operation centers in Wuhan and Beijing. The directors believe that such efforts would provide strong support to the Group's business development and the foundation for revenue growth.

SALES AND MARKETING

During the half year period, the Group successfully secured roadside car parking system contracts in Zhengzhou and Weihai. The coverage of the Jian ePayment System thus increased to ten cities. The success is attributable to the continuous efforts of the Group's business development staff. Currently, negotiations and promotions are being carried out by the Group in a number of large- and medium-sized cities in the PRC with some provincial cities currently in discussions on contract details. The Group is confident that agreements with these cities will be finalized during the second half of the year.

As at 30th June, 2002, the number of issued Jian Smart Passes exceeded 200,000 of which over 100,000 were issued in Wuhan in June this year. The Group reckons that the acceptance of Jian Smart Passes in the city has reached maturity. Therefore, the Group has focused on marketing the "One Pass Multiple Uses" scheme for the Jian Smart Passes in Wuhan. An electronic settlement operation centre was also established using newly developed system management software which greatly enhances the efficiency of the settlement function.

PROSPECTS

With the rapid expansion of the Jian ePayment System in the China market, the Group recognizes the importance of its "One Pass Multiple Uses" strategy for its Jian Smart Passes. In June this year, the Group continued its marketing strategy in the promotion of the "One Pass Multiple Uses" Jian ePayment retail commercial sub-system to merchant customers in Wuhan. By the second half of the year, Wuhan is expected to become a model city for the "One Pass Multiple Uses" Jian ePayment System which will be marketed and adopted in other cities accordingly.

The number of Jian Smart Passes issued also grew rapidly reaching a total number of 219,000 in June 2002. The popularization of the Jian Smart Passes will further enhance the development of the Group's Jian ePayment System.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

In accordance with the requirements of GEM Listing Rules, Jian ePayment Systems Limited sets up the comparison between the Group's business objectives as contained in the IPO prospectus dated 27th November, 2001 (the "Prospectus") and its actual business progress as at 30 June 2002.

Business Objectives as set out in the Prospectus

Actual Business Progress during the Period

Research and Development

Completed development and trial operation of the highway toll sub-system.

Research and development of the Jian model J1000-S contactless payment meter was completed in May 2002 for use as toll payment equipment exclusively for highways and bridges. Test production has commenced. Operation commenced for the first time on the Yangtze River Bridge No. 2 in Wuhan.

Commence trial operation of the public transportation sub-system.

Completed research and development and conducted trial operation of public transportation sub-system in December 2001 including Jian J1000-G model public transportation vehicles and their operation management system software.

Continue research and development of the application of the latest technologies in the Group's products.

Completed the GPRS wireless communication technology based data collection terminal prototype in June 2002 with trial operation commencing soon. An electronic settlement operation centre was established in Wuhan, complete with the installation of the new J-PMS2-WH system management software and the commencement of operations. Establishment of a value-added system for customer service and operation centres has commenced and is expected to start operation in the second half of the year.

Explore new commercial application sub-systems.

System solutions using Jian Smart Passes and electronic payment were supplied to various commercial organizations in different forms in May 2001. Meanwhile, smart card readers required for various retail applications were developed establishing the technological and product basis for commercial promotion.

Application status

	Number of cities with which the Group has agreements to develop commercial applications (Accumulated figures)		Number of cities where commercial applications are in operation (Accumulated figures)		Number of cities where the development of commercial applications are in progress (Accumulated figures)		Number of operating smart card readers (Accumulated figures)	
	Business Objective	Actual Business	Business Objective	Actual Business	Business Objective	Actual Business	Business Objective	Actual Business
	(not less than)	Progress	(not less than)	Progress	(not less than)	Progress	(not less than)	Progress
Roadside car parking	9	10	7	5	2	5	9,000	12,700 (Note1)
Retail	2	1	2	1	-	-	20	7 (Note2)
Public transportation	2	1	1	-	1	1	600	- (Note3)
Petrol station	-	1	-	1	-	1	-	4
Highway tolls	1	1	-	1	1	-	-	6

(Note 1) The Group entered into ten contracts on roadside car parking system applications, against nine as planned. Yet as the municipal governments of two cities need more time to finalise the implementation of their respective roadside car parking applications, they are expected to commence operation in the second half of 2002.

(Note 2) As the customers slowed down their expansion plans, the implementation of the retail application system was slower than expected. Yet the Company entered into agreements with a number of retail customers in Wuhan during the period, the growth of retail application is expected to pick up in the second half of 2002.

(Note 3) As the customers require more time to finalise the detailed terms of agreement and the specification of the public transportation application system, the implementation of the application was slower than planned.

Marketing

- Continue to promote the Jian ePayment System to municipal governments and merchants. Apart from intensive promotions of the “One Pass Multiple Uses” scheme in Wuhan, marketing teams for projects in Haikou, Qingdao, Harbin and Shanghai, etc. also strengthened their marketing efforts. Marketing activities progressed and are well on schedule.
- Continue to place printed advertisements and participate in trade shows, seminars and exhibitions to arouse public interest in the Jian ePayment System. Participation in the 6th Western China Trade Fair held in Xian in April this year received a good response.
- Expand the marketing team and establish service centres in PRC cities to serve customers and promote the Jian ePayment System. Customer service centres in Wuhan, Guangzhou and Haikou supported the branches and marketing teams in the various districts by providing satisfactory services to clients.

Card Circulation

- A total of not less than 200,000 Jian Smart Passes in circulation. Number of Jian Smart Passes in circulation exceeded 219,000.

Human Resources

- Number of full-time staff expected to increase to 140. Number of full-time staff reached 134.

LIQUIDITY AND FINANCIAL RESOURCES

Save for the listing proceeds, the Group generally finances its operations with internally generated cash flows. During the period, total short-term bank loans of RMB8,000,000 bore interest of 6.435% per annum were outstanding and applied as working capital for the Group's business operations. The Group currently has cash and cash equivalents of RMB33,858,000, while the current ratio has improved from 2.82 times for 2001 to 3.4 times for the period.

The Company did not have any long-term liability as at 30 June 2002.

SIGNIFICANT INVESTMENTS

Save as the Company's investments in its subsidiaries, the Group did not have any significant investment.

Other than those disclosed in the section headed "capital commitments", the Company did not have any plan for material investments and acquisition of material capital assets as at 30 June 2002.

EMPLOYEE INFORMATION

At 30 June 2002, the Company employed 134 employees (2001: 108). They were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include medical insurance and pensions fund. Staff cost was approximately RMB4,082,000 for the six months ended 30 June 2002 as compared with that of approximately RMB1,515,000 for the corresponding period of the preceding financial year.

USE OF PROCEEDS

The net proceeds from the issue of new shares for the listing on GEM of the Stock Exchange, after deduction of share issuance expenses have been applied as follows:

	30 June 2002			
	Original plan		Amount utilised	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Research and development of contactless smart card technological know-how and commercial applications	2,000	2,121	1,884	1,998
Research and development of automated Jian Rechargers and related peripheral equipment	5,000	5,302	4,642	4,922
Marketing and promotional activities	3,000	3,181	2,900	3,075
Additional working capital	300	318	200	212
	<u>10,300</u>	<u>10,922</u>	<u>9,626</u>	<u>10,207</u>

CONTINGENT LIABILITIES

As at 30 June 2002, the Group did not have any contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2002, the Group did not have any charge on its assets.

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 among Hong Kong dollar, US dollar and Renminbi were relatively stable during the period, the Group was not exposed to material foreign exchange risk.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2002, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN SHARES, WARRANTS AND SHARE OPTIONS

As at 30 June 2002, the following director had or was deemed to have interests in the shares of the Company within the meaning of the SDI Ordinance as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance which are required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or any interests which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein. The relevant details are as follows:

Director	Name of company	Number of shares hold		
		Personal interests	Family interests	Corporate interests
Mr. Chin Ying Hoi	The Company	–	–	286,800,000 shares representing 71.7% of the shares then issued (Note 1)
Mr. Chin Ying Hoi	Jian-O'Yuan	–	–	US\$29,500 representing 1% of the then registered capital (Note 2)
Mr. Chin Ying Hoi	Union Perfect International Limited	84 shares of US\$1.00 each representing 80% of the shares then in issue	–	–

Note 1: These shares were held through Union Perfect International Limited, which is beneficially owned as to 80% by Mr. Chin Ying Hoi and as to 20% by Ms. Ya Zhen Quan, Mr. Chin's mother.

Note 2: Beijing Jian-Tech Co. Ltd. is the holder of this registered capital and is ultimately owned as to 80% and 20% by Mr. Chin Ying Hoi and Ms. Ya Zhen Quan respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE EQUITY OR DEBT SECURITIES

Pursuant to the Company's Share Option Scheme adopted by the Company on 19 November 2001, the following directors of the Company have personal interests in options to subscribe for ordinary shares in the Company of HK\$0.05 each which have been granted to them at consideration of HK\$1 as follows:

Name of Director	Date of grant	Exercise price per share	Outstanding number of share under option as at 30 June 2002
Mr Chin Ying Hoi	31 May 2002	HK\$2.35	2,000,000
Mr. Liu De Fu	31 May 2002	HK\$2.35	700,000
Mr. Guo Yan Hong	31 May 2002	HK\$2.35	400,000
Mr Li Sui Yang	31 May 2002	HK\$2.35	1,000,000
Ms Wong Yan	31 May 2002	HK\$2.35	500,000
			<hr/> <hr/> 4,600,000

All options are exercisable to the extent of 25 per cent every year after the offer of the grant, and have a duration of 5 years from the date on which the offer of grant was made.

None of the above options were exercised, cancelled or lapsed during the six months ended 30 June 2002.

Save as disclosed above, the Company has no notice of any interest to be recorded under Section 29 of the SDI Ordinance as at 30 June 2002.

At no time during the period was the Company, its subsidiaries or holding company a party to any arrangements to enable any of the Company's directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 19 November 2001 (the "Share Option Scheme"), the Company may grant options to the participants of the Share Option Scheme to subscribe for shares of the Company. The participants include any employees of the Group (including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the board of directors (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 Share Option Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. Options granted under the Share Option Scheme may be exercised at any time during a period which shall be notified by the Board and expiring on the date following 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 date of grant, (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.

SHARE OPTION GRANTED

As at 30 June 2002, options comprising an aggregate of 32,000,000 underlying shares granted pursuant to the Share Option Scheme at consideration of HK\$1 and at an exercise price of HK\$2.35 per share were outstanding. All of these options are subject to the same limitations on the timing of exercise as detailed in the section headed "Directors' and Chief Executive's Rights to Acquire Equity or Debt Securities" above. These options were granted to the following categories of grantees:

Categories of grantees	Total number of grantees	As at 1 January 2002	Number of options movement during the period				As at 30 June 2002
			Granted	Exercised	Cancelled	Lapsed	
Directors and Chief executive	5	-	4,600,000	-	-	-	4,600,000
Employees	21	-	14,200,000	-	-	-	14,200,000
Consultants, suppliers or customers	12	-	13,200,000	-	-	-	13,200,000
		-	32,000,000	-	-	-	32,000,000

Details of the grant to the directors of the Company are disclosed in the section headed "Directors' and Chief Executive's Rights to Acquire Equity or Debt Securities" above.

The options granted are not recognised until exercised. In view of the Group's short period of listing since December 2001, the Directors consider that it is not appropriate to estimate the value of the options.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had a beneficial interest of 10 per cent or more in the issued share capital of the Company:

Name	Number of shares held	Percentage of shareholding
Union Perfect International Limited	286,800,000	71.7%

Save as disclosed above, the Company has no notice of any other interests to be recorded under Section 16(1) of the SDI ordinance as at 30 June 2002.

COMPETING INTEREST

None of the directors or management shareholders (as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules")) of the Company have any interest in any business which competes with or may compete with the business of the Group.

SPONSOR'S INTEREST

Oriental Patron Asia Limited ("Oriental Patron"), its directors, employee or associates (as referred in note 3 of rule 6.35 of the GEM Listing Rules) are interested in 13,200,000 shares of the Company as at 30 June 2002.

Pursuant to an agreement dated 26 November 2001 entered into between the Company and Oriental Patron, Oriental Patron is entitled to receive a fee in respect of the appointment by the Company as sponsor of the Company as required under the GEM Listing Rules for the period from 10 December 2001 to 31 December 2003.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2002, the Company complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures.

AUDIT COMMITTEE

An Audit Committee was established with written terms of reference in compliance with the requirements as set out in Rule 5.23 of the GEM Listing Rules. The primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, Mr Zhang Xiao Jing and Ms Tung Fong. The Group's unaudited consolidated results for the six months and three months ended 30 June 2002 have been reviewed by the audit committee.

By order of the Board
Mr Chin Ying Hoi
Chairman

Beijing, 12 August 2002