



Jian ePayment Systems Limited

華普智通系統有限公司

(incorporated in the Cayman Islands with limited liability)



THIRD QUARTERLY REPORT 2002

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at <http://www.hkgem.com> in order to obtain up-to-date information on GEM-Listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Jian ePayment Systems Limited (the “Company”) collectively and individually accept responsibility includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 nine months ended 30 September 2002 was RMB50,425,000, representing an increase of approximately 72% as compared to that for the corresponding period in 2001.
- Profit attributable to shareholders amounted to RMB25,268,000 for the nine months ended 30 September 2002, representing an increase of approximately 85% as compared to that for the corresponding period in 2001.
- Basic earnings per share amounted to RMB0.063 for the nine months ended 30 September 2002.
- The directors do not recommend the payment of dividend for the nine months ended 30 September 2002.
- During the third quarter of the year, roadside car parking systems completed construction in Beijing and Weihai, resulting in the total number of cities in which Jian ePayment Systems operate rising to seven.

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 (the "Group") for the nine months and three months ended 30 September 2002 with comparative figures for the same period in 2001.

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2002	2001	2002	2001
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Turnover and revenue	3	14,164	18,273	50,425	29,274
Cost of sales		(2,450)	(4,279)	(10,719)	(8,866)
Gross profit		11,714	13,994	39,706	20,408
Distribution expenses		(1,162)	(485)	(2,608)	(1,295)
Research and development costs		(510)	(423)	(1,430)	(1,044)
General and administration expenses		(3,556)	(1,061)	(10,123)	(4,116)
Profit from operations		6,486	12,025	25,545	13,953
Subsidy income		–	–	410	–
Interest income		33	–	55	49
Interest expense		(127)	(122)	(445)	(200)
Profit before taxation		6,392	11,903	25,565	13,802
Taxation	4	–	–	–	–
Profit after taxation but before minority interests		6,392	11,903	25,565	13,802
Minority interests		(79)	(117)	(297)	(138)
Profit attributable to shareholders		<u>6,313</u>	<u>11,786</u>	<u>25,268</u>	<u>13,664</u>
Earnings per share	5	RMB	RMB	RMB	RMB
– basic		<u>0.016</u>	<u>0.039</u>	<u>0.063</u>	<u>0.045</u>
– diluted		<u>0.016</u>	<u>N/A</u>	<u>0.063</u>	<u>N/A</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 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 September 2001. The comparative figures as at and for the period ended 30 September 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 quarterly financial statements have been prepared 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 cost 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 September		Nine months ended 30 September	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Sales of hardware and software	6,089	8,720	34,445	19,294
Provision of systems integration services	7,676	9,381	14,752	9,555
Transaction levies	399	172	1,228	425
	<u>14,164</u>	<u>18,273</u>	<u>50,425</u>	<u>29,274</u>

4. 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 nine months ended 30 September 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 Company's prospectus issued on 27th November, 2001 (the 'Prospectus'), Jian-O'Yuan was converted into a sino-foreign equity joint venture after the equity transfer in 2001. Before the equity transfer, Jian-O'Yuan was subject to the PRC enterprise income tax ('EIT') at a rate of 33%. However, in 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 three years thereafter, 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 transfer, 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 ('EIT') 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 for the three years thereafter. 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.

No provision for profit tax in other subsidiaries in PRC has been provided for as the other subsidiaries are still on pre-operating process and have no assessable profit arising during the nine months ended 30 September 2002.

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

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 30 September 2002 is based on the profit attributable to shareholders of approximately RMB25,268,000 (2001: RMB13,664,000) and 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 402,791,667 (2001: N/A) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 11,000,000 (2001: N/A) ordinary shares deemed to be issued at no consideration if all outstanding warrants and options had been exercised.

6. DIVIDEND

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

7. RESERVES

	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	General reserve fund <i>RMB'000</i>	Enterprise expansion fund <i>RMB'000</i>	Cumulative translation adjustment <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Consolidated (unaudited)							
Balances, as at							
January 2001	-	1,766	1,362	681	-	1,963	5,772
Foreign exchange adjustment	-	-	-	-	1	-	1
Profit attributed to shareholders	-	-	-	-	-	13,664	13,664
Balances, as at 30 September 2001	<u>-</u>	<u>1,766</u>	<u>1,362</u>	<u>681</u>	<u>1</u>	<u>15,627</u>	<u>19,437</u>
Balances, as at 1 January 2002	1,476	6,304	1,362	681	5	21,865	31,693
Foreign exchange adjustment	-	-	-	-	(7)	-	(7)
Profit attributed to shareholders	-	-	-	-	-	25,268	25,268
Balances, as at 30 September 2002	<u>1,476</u>	<u>6,304</u>	<u>1,362</u>	<u>681</u>	<u>(2)</u>	<u>47,133</u>	<u>56,954</u>

FINANCIAL REVIEW

For the nine months ended 30 September 2002, the Group's turnover amounted to RMB50,425,000. Profit attributable to shareholders for the period was RMB25,268,000.

Turnover

During the nine-month period ended 30 September 2002, turnover mainly consisted of sales revenues derived from parking meters in Nanning, Harbin and Beijing, amounting to RMB34,445,000 and representing 68% of the total turnover. In addition, the successive operations of parking meter projects in Nanning, Beijing and Weihai contributed an systems integration revenue of RMB14,752,000, accounting for 29% of total turnover. Additionally, revenues generated in the form of transaction levies for the period amounted to RMB1,228,000, representing 3% of turnover.

As compared to the corresponding period in the previous year, the turnover for the current nine-month period rose 72%, which is mainly due to the increase in both the sale of parking meters and the number of cities where the Group's roadside car parking fee collection systems have commenced operations.

In the third quarter of the year, the successive commencement of parking meter operations in Beijing and Weihai contributed a revenue of RMB13,765,000 in systems integration and the sale of hardware and software, representing 97% of the total turnover in the third quarter. The revenue for the corresponding period over the previous year mainly came from Haikou and Guangzhou.

Gross profit margin

Gross profit margin for the nine-month period ended 30 September 2002 was 79%, representing an increase of 13% as compared to the corresponding period over the last year. The increase was attributable to the increased share of the Group's revenue from systems integration during the reporting period which offers a higher profit margin than the sale of software and hardware.

Profit attributable to shareholders

Profit attributable to shareholders for the nine-months period ended 30 September 2002 was RMB25,268,000, representing an increase of 85% as compared to the corresponding period in the last year. Profit attributable to shareholders for the quarter dropped as compared with last year. The decrease was because of the significant expansion in operations which resulted in an increase of general and administration expenses and distribution expenses.

BUSINESS DEVELOPMENT

During the third quarter of the year, roadside car parking systems completed construction in Beijing and Weihai, resulting in the total number of cities in which Jian ePayment Systems operate rising to seven from five in June 2002.

In the third quarter of the year, the Group also endeavoured to expand the development of its "One Pass Multiple Uses" campaign in Wuhan. As at 30 September 2002, the Group had signed agreements with 412 merchant customers, offering over 1,000 points of sale that using Jian ePayment retail sub-systems. 236 smart card readers have already been installed.

Jian ePayment Systems (China) Beijing Operation Centre and Wuhan Operation Centre will be completed and commence operations by the fourth quarter.

From October 2002, the Wuhan Municipal Government adopted monthly charges, instead of charging for each individual bridge crossing. Therefore, the Company terminated its Yangtze River Bridge No. 2 highway project, which was in operation. The Group will make further efforts to market its highway toll sub-system to highway operators in other cities in the PRC.

RESEARCH AND DEVELOPMENT

During the third quarter of the year, the research and development work on automatic vending machines completed with the successful development of the JCVM728 food automatic vending machine and the JCVM628 soft drink and snack automatic vending machine. Both models are now ready for mass production. At the same time, the Group has also commenced research on self-service Jian Smart Pass value re-chargers and initializers. The prototype will be completed and is expected to be ready for testing by the end of the fourth quarter of this year.

In addition, the research and development department has commenced further upgrade of the back office management system aiming at incorporating the GIS-based application components to facilitate the future development of mobile terminals. A multi-card applications platform will also be added to the back office management system for the diversified development of Jian Smart Passes into the future.

SALES AND MARKETING

By the end of the third quarter of the year, ten cities have agreed to develop Jian ePayment roadside car parking system. With the growing domestic demand for roadside car parking systems, more and more provincial governments are showing interest in strengthening their roadside parking systems. This trend is highly favourable for the promotion of the Jian ePayment roadside parking system. The Group's marketing staff are stationed in various cities throughout the PRC to actively promote and negotiate new business.

As at 30 September 2002, more than 250,000 Jian Smart Passes had been issued compared to about 219,000 in June 2002, with the number in Wuhan reached 120,000, reflecting the favourable market response to the Group's "One Pass Multiple Uses" promotion over the last three months.

PROSPECTS

The rapid growth in the markets for the Jian ePayment System and the successful promotion of the "One Pass Multiple Uses" campaign in Wuhan have contributed to the increased public recognition of Jian Smart Passes and its related application systems. This favourable response will have a positive impact on the nation-wide promotion of ePayment systems.

In the past three months, the "One Pass Multiple Uses" promotion in Wuhan has received an excellent response. As such, Wuhan is expected to take the lead in the usage and application of Jian Smart Pass, particularly in respect of retail payment systems, to become a model city for the use of smart cards for consumption.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS' INTEREST IN SHARES, WARRANTS AND SHARE OPTIONS

As at 30 September 2002 and save for the options referred to below, 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 (<i>Note 1</i>)
Mr. Chin Ying Hoi	Jian-O`Yuan	–	–	US\$29,500 representing 1% of the then registered capital (<i>Note 2</i>)
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 its 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 as follows:

Name of Director	Date of grant	Exercise price per share	Outstanding number of share under option as at 30 September 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. Wang Yan	31 May 2002	HK\$2.35	500,000
			<hr/> <u>4,600,000</u>

All options are exercisable to the extent of 25% every year after the date of grant, and have a duration of 5 years from the date on which the option was granted.

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

The Company has a share option scheme under which it may grant options to employees and certain consultants, suppliers or customers of the Group who, in the sole discretion of the board of directors of the Company, have contributed to the Group, to subscribe for shares in the Company. Details of the scheme are set out in the section headed "Share Option Scheme" below.

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 September 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.

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 (including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the board of directors or a duly authorised committee thereof (the "Board"), have contributed to the Group.

The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Share Option Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time.

Any option granted under the Share Option Scheme may be exercised at any time during a period which shall not be more than ten years after the date on which the option is granted.

The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares quoted on the GEM on the grant date, (ii) the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the shares on the date of grant.

Share Options Granted

As at 31 May 2002 and 16 August 2002, options comprising an aggregate of 32,000,000 and 3,000,000 underlying shares were granted respectively at consideration and at an respective exercise price of HK\$2.35 and HK\$2.03 per shares and were outstanding as at 30 September 2002. Options for the 3,000,000 shares exercisable at the price of HK\$2.03 can be exercised immediately. Options for the 32,000,000 shares at the price of HK\$2.35 are subject to the restrictions 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	Number of options movement during the period					September 2002
		As at 1 January 2002	Granted	As at 30 Exercised	Cancelled	Lapsed	
<i>Directors and Chief executive</i>	5	-	4,600,000	-	-	-	4,600,000
<i>Employees</i>	21	-	14,200,000	-	-	-	14,200,000
<i>Consultants, suppliers or customers of the Group</i>	13	-	16,200,000	-	-	-	16,200,000
		-	<u>35,000,000</u>	-	-	-	<u>35,000,000</u>

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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 interests to be recorded under Section 16(1) of the SDI ordinance as at 30 September 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 and outstanding options of 3,000,000 underlying shares granted on 16 August 2002 at consideration and at an exercise price of HK\$2.03 per share as at 30 September 2002.

Pursuant to an agreement dated 26 November 2001 entered into between the Company and Oriental Patron, Oriental Patron is entitled to received a fee 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.

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 nine months and three months ended 30 September 2002 have been reviewed by the audit committee.

By order of the Board
Mr. Chin Ying Hoi
Chairman

Beijing, 13 November 2002