



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
2 0 0 4

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 gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers

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 of Jian ePayment Systems Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Jian ePayment Systems Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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 2004 was approximately RMB7,605,000, which represented an increase of approximately 1.7 times as compared to that of the corresponding period in 2003.
- Loss attributable to shareholders amounted to approximately RMB9,400,000 for the nine months ended 30 September 2004.
- Basic loss per share amounted to RMB0.024 for the nine months ended 30 September 2004.

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 (collectively the "Group") for the nine months and three months ended 30 September 2004 respectively with comparative figures of the same periods in 2003.

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)
Turnover	3	4,881	594	7,605	2,796
Cost of sales		<u>(2,936)</u>	<u>(32)</u>	<u>(3,284)</u>	<u>(725)</u>
Gross profit		1,945	562	4,321	2,071
Distribution expenses		(221)	(437)	(977)	(1,393)
Research and development costs		(46)	(1,627)	(595)	(2,396)
General and administrative expenses		<u>(4,151)</u>	<u>(2,989)</u>	<u>(11,993)</u>	<u>(11,788)</u>
Loss from operations		(2,473)	(4,491)	(9,244)	(13,506)
Subsidy income		-	-	-	1,416
Interest income		3	107	6	113
Interest expense		<u>(2)</u>	<u>(151)</u>	<u>(162)</u>	<u>(899)</u>
Loss before taxation		(2,472)	(4,535)	(9,400)	(12,876)
Taxation	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss attributable to shareholders		<u><u>(2,472)</u></u>	<u><u>(4,535)</u></u>	<u><u>(9,400)</u></u>	<u><u>(12,876)</u></u>
		RMB	RMB	RMB	RMB
Loss per share - basic	5	<u><u>(0.006)</u></u>	<u><u>(0.011)</u></u>	<u><u>(0.024)</u></u>	<u><u>(0.032)</u></u>

NOTES TO THE ACCOUNTS**1. 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.

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 companies 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 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 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 2003.

The Financial Statements are prepared on historical convention and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of hardware and software	4,497	–	6,528	1,309
Transaction levies	384	594	1,077	1,487
	<u>4,881</u>	<u>594</u>	<u>7,605</u>	<u>2,796</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 for the nine months and three months ended 30 September 2004 (2003: 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 26 April, 1999. In July 2001, Jian-O'Yuan obtained the tax registration as an enterprise with foreign investment. 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 the first two years and a 50% reduction in the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. No EIT provision has been made in the accounts of Jian-O'Yuan as Jian-O'Yuan has no assessable profit for the nine months and three months ended 30 September 2004.

No EIT provision for the other two subsidiaries incorporated in the PRC, Beijing Jian ePayment Science and Technology Co., Ltd. and Wuhan Jian ePayment Science and Technology Co., Ltd., as they have no assessable profit for the nine months and three months ended 30 September 2004.

There was no significant unprovided deferred taxation for the nine months and three months ended 30 September 2004 (2003: Nil).

5. LOSS PER SHARE

The calculation of basic losses per share for the nine months and three months ended 30 September 2004 are based on the loss attributable to shareholders of approximately RMB9,400,000 and approximately RMB2,472,000 respectively (nine months and three months ended 30 September 2003: loss attributable to shareholders of approximately RMB12,876,000 and approximately RMB4,535,000 respectively) and the number of 400,000,000 shares (2003: 400,000,000 shares) deemed to be in issue during the period.

No diluted loss per share has been presented for either period as the assumed exercise of the Company's share options would result in a decrease in loss per share.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (2003: Nil).

7. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Translation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Consolidated (unaudited)							
Balances,							
as at 1 January 2004	1,476	6,304	2,870	1,435	(9)	(7,189)	4,887
Foreign exchange adjustment	-	-	-	-	2	-	2
Loss attributed to shareholders	-	-	-	-	-	(9,400)	(9,400)
	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(7)</u>	<u>(16,589)</u>	<u>(4,511)</u>
Balances,							
as at 30 September 2004	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(7)</u>	<u>(16,589)</u>	<u>(4,511)</u>
Balances,							
as at 1 January 2003	1,476	6,304	2,870	1,435	(8)	43,939	56,016
Loss attributed to shareholders	-	-	-	-	-	(12,876)	(12,876)
	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(8)</u>	<u>31,063</u>	<u>43,140</u>

FINANCIAL REVIEW

The Group's turnover for the three months ended 30 September 2004 was approximately RMB 4,881,000, which represented an increase of approximately 7.2 times as compared to that of the corresponding period in 2003. Sale of hardware and software amounted to RMB4,497,000 approximately and no such sales in the corresponding period last year. Transaction levies amounted to RMB384,000 approximately, which represented a decrease of 35% as compared to that of the corresponding period last year. The sale of electronic parking hardware and software increased from second quarter this year. The increase in sale of hardware and software over the corresponding period of the preceding year was a result of the launch of roadside parking smart card readers in the existing cities where the electronic parking fee collection system was installed. The decrease in transaction levies was mainly due to Governmental construction and redevelopment work on roads in some cities that has already installed electronic parking collection system, such as Wuhan and Beijing etc. This made part of the collection transaction levies temporarily suspended and the Group's turnover in transaction levies decreased.

The Group's gross profit for the three months ended 30 September 2004 was RMB 1,945,000, which represented an increase of approximately 2.5 times. The gross profit ratio dropped by 55% to 40% this year was mainly due to sale of hardware and software, which are of lower margin, accounted for 92% of the turnover during the third quarter and no such sales in the corresponding period last year.

The Group's loss for the three months ended 30 September 2004 was approximately RMB2,472,000, which represented a decrease of approximately 45% as compared to that of the corresponding period in 2003. The decrease in loss was mainly due to turnover growth as well as the result of the Group's success in controlling expenses which made total expenses for the period decreased by 13% over the corresponding period last year.

The Group's turnover for the nine months ended 30 September 2004 was approximately RMB7,605,000, which represented an increase of approximately 1.7 times, as compared to that of the corresponding period last year. Loss attributable to shareholders was approximately RMB9,400,000, which represented a decrease of approximately 27% as compared to that of the corresponding period last year. Gross profit increased by 1.1 times and total expenses decreased by 13% as compared to that of the corresponding period last year.

The major task of the Group this year is to establish an all-rounded "One Card Multiple User" system, with target to raise turnover and systems transaction levies and to attain economies of sales. Although turnover recorded rocketing growth, our effort is not yet fully reflected during this quarter.

BUSINESS DEVELOPMENT

The Group has been committed from the beginning to developing the Jian ePayment smart card system into a large-scale electronic payment system accepted and used throughout China. In 2004, the Company strengthen the technology research and development, sale of hardware and software, marketing and operation function and will continue to focus on the development of "One Card Multiple Uses" system in Wuhan and the promotion of the system in Beijing, and will seek opportunities to develop the "One Card Multiple Uses" system in other cities.

The sale of hardware and software recorded rocketing growth. Third quarter sale of hardware and software increased by more than 1,000 sets, or 1.4 times as compared with second quarter.

As at the end of the third quarter, number of Jian Smart Pass in issue is by more than 27,000 as compared with the second quarter. More than 607,000 Jian Smart Passes are now in issue.

In Wuhan, the Group has installed a considerable number of Jian Smart Pass Readers for retail and commercial use in restaurants, drug stores, supermarkets, convenient stores and Chinese restaurants. Owing to the success of the promotion and utilization of "One Card Multiple Uses" system in Wuhan, the Group and Wuhan Traffic IC Card Management Limited, under the guidance and motivation from the relevant departments of Wuhan Municipal Government, cooperated to establish a "One Card Multiple Uses" system, which was similar to the Octopus Cards of Hong Kong. The work was done in accordance with the promotion mode of Jian ePayment smart card system and on the basis of the 1,000,000 Traffic IC Cards being issued in Wuhan. As at 22 March of the year, the Group and Wuhan Transportation Group Company Limited entered into an agreement to subscribe for 70% of the enlarged registered capital in Wuhan Traffic IC Card Management Limited.

The Group has extended the use of the commercial smart card reader system to Beijing according to the Wuhan model. Currently, the benefits of Jian ePayment smart commercial card readers can be seen. The consumption by using the smart card has increased by RMB1,610,000 as compared with the second quarter this year and attained RMB5,060,000. Correspondingly, the transaction levies on consumption has also risen up by 46%.

The Sales and Marketing Department of the Group also sought opportunities to promote "One Card Multiple Uses" in the emerging markets by conducting research on the market conditions of the cities where the parking meters are in use.

On 22 March 2004, the Company entered into an agreement with Wuhan Transportation Group Company Limited, pursuant to which, Jian ePayment (China) International Holdings Limited, a wholly-owned subsidiary of the Group, would subscribe for 70% interest in the enlarged registered capital of Wuhan Traffic IC Card Management Limited at a consideration of RMB28,200,000.

The Company announced on 24 March 2004 of the "Acquisition of Interests on Wuhan Traffic IC Card Management Limited." It was stated that, upon satisfaction of the condition precedent, "the consideration must be paid within three months from the date of the Agreement." As the "Approval Documents by the Relevant China Government Bodies" stated in item (C) of the condition precedent are still under processing, the Acquisition cannot be completed by 30 June 2004. The Company has negotiated with Wuhan Transportation Group Company Limited (i.e. the holding company of Wuhan Traffic IC Card Management Limited) that the legal documents such as the Acquisition Agreement are still effective, with the relevant procedures being under processing. The Company still maintains close relationship with Wuhan Transportation Group Company Limited, and the contents of the Agreement are still being implemented. The Company considers that the Acquisition is in line with the common interests of all the Shareholders, which is beneficial to the growth and development of the Company and the Company will procure completion of the Acquisition as soon as possible.

RESEARCH AND DEVELOPMENT

The Group made sustained efforts in the design, research, promotion and development of commercial applications and value-added services of "One Card Multiple Uses" system in response to the ever-changing market demands.

As one of the leaders in the production of payment terminal equipment in China, the Group continued to develop series of products with various usages. The research and development of hand-held collector P130 and infra-red hand-held collector P115 had been finished in this quarter and the products are already in use. The feedback from users is positive. The registration of the related intellectual property is in progress.

The research and development of J2000-2 meter which is compatible with Guangzhou ITS Systems is in final stage. The product is under testing and first phase production is expected to be commenced in the fourth quarter. There are also other new models under testing.

SALES AND MARKETING

The Group continued to promote Jian ePayment roadside parking system and other commercial fee collection systems among governments and merchant customers in various cities of China. Marketing activities were conducted in a number of cities throughout the country.

The payment terminal equipment sold and promoted by the Group has gained extensive recognition from our broad users, who are eager to increase their orders.

The Sales and Marketing Department of the Group also sought opportunities to promote "One Card Multiple Uses" in the emerging markets by conducting research on the market conditions of the cities where the parking meter has been in use.

OUTLOOK

The Group has been consistently committed to the development of smart card electronic payment system market in China, increasing steadily the number of cities using Jian Smart Passes. In the meantime, the application domain of each city continuously expands, a comprehensive development matrix is formed through increasing the number of cities vertically while expanding the commercial applications horizontally so as to achieve a great increase in the number of users and consumption.

The directors of the Company (the "Directors") believe that Jian Smart Passes will become convenient cards widely owned and used by the residents of a number of cities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had a approximately RMB5,485,000 cash balance as at 30 September 2004 approximately. In addition, the substantial shareholder, Mr. Chin Ying Hoi has provided financial assistance of RMB5,000,000 on 29 October 2004 to the Group to further improve its working capital requirement. Such funds are unsecured, interest-free and have no fixed terms of repayments.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 September 2004, the interest of the Directors and the chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Aggregate long positions in shares and underlying shares

Name of Director	Name of company	Class of shares	Number of shares hold			Aggregate percentage of long Position
			Personal interests	Family interests	Corporate interests	
Mr. Chin Ying Hoi	The Company	ordinary	2,000,000 underlying shares representing 0.5% of the shares then in issue (Note 1)	-	286,800,000 shares representing 71.7% of the shares then issued (Note 2)	72.2% (Note 3)
Mr. Chin Ying Hoi	Union Perfect International Limited	ordinary	84 shares of US\$1.00 each representing 80% of the shares then in issue	-	-	

Note 1: These are the underlying shares of the Company in respect of which an option was granted to Mr. Chin Ying Hoi (details of which are set out below.) The percentage was calculated on the basis of 400,000,000 shares in issue as at 30 September 2004.

Note 2: These shares are 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, who is Mr. Chin Ying Hoi's mother.

Note 3: Based on 400,000,000 shares in issue on 30 September 2004.

Aggregate long positions in underlying shares**Unlisted physically settled equity derivatives**

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 for a consideration of HK\$1 as follows:

Name of Director	Date of grant	Vesting Period	Exercise price per share	Outstanding number of share under option as at 30 September 2004
		and percentage of vested options <i>(Note)</i>		
Mr. Chin Ying Hoi	31 May 2002	75%	HK\$2.35	2,000,000
Mr. Liu De Fu	31 May 2002	75%	HK\$2.35	700,000
Mr. Guo Yan Hong	31 May 2002	75%	HK\$2.35	400,000
<i>(Note 2)</i>				
Mr. Li Sui Yang	31 May 2002	75%	HK\$2.35	1,000,000
				4,100,000
				4,100,000

Note 1: All options are exercisable to the extent of an additional 25 per cent at the beginning of every full year after the offer of the grant and they are exercisable in full until the fourth year after the offer of the grant. All options have a duration of 5 years from the date on which the offer of grant was made.

Note 2: Mr. Guo Yan Hong is resigned as a director on 28 September 2004 and 400,000 options entitled to him will be lapsed on 28 December 2004.

None of the above options were exercised or cancelled during the nine months ended 30 September 2004.

Save as disclosed herein, 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.

Aggregate short positions in underlying shares**Unlisted physically settled equity derivatives**

Name of Director	Name of Company	Number of shares in short position
Mr. Chin Ying Hoi	The Company	39,000,000 shares representing 9.75% of shares then issued. <i>(Note)</i>

Note: These shares in short position are represented by 35,000,000 options granted by the Company, with details shown in the section of "Share Option Granted" below and 4,000,000 shares which are convertible at an initial conversion price of HK\$2.50 per share under a HK\$10,000,000 convertible note issued by the Company.

Save as disclosed herein, none of the Directors and chief executives or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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 2004.

Other than the share option scheme as described below, 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 and neither the Directors or the chief executive of the Company, nor any of their respective spouses or children under the age of 18, had any right to subscribe for equity or debt securities of the Company, or had exercised any such right during the period.

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, 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 issued shares capital of the Company from time to time. Any options 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 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.

Details of the share options outstanding as at 30 September 2004 which have been granted under the scheme are as follows:

	Options held at 1 January 2004	Options granted during period	Options exercised during period	Options lapsed during period	Options held at 30 September 2004	Exercise Price	Grant Date	Exercisable from	Exercisable until	Closing price of the Company's share before date of grant
Directors	4,600,000	-	-	500,000	4,100,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Employees	13,900,000	-	-	1,700,000	12,200,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants, suppliers or customers	13,200,000	-	-	-	13,200,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants, suppliers or customers	3,000,000	-	-	-	3,000,000	HK\$2.03	16 Aug 2002	16 Aug 2002	16 Aug 2007	HK\$2.025
	<u>34,700,000</u>			<u>2,200,000</u>	<u>32,500,000</u>					

None of the above options were exercised or cancelled during the nine months ended 30 September 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, the following substantial shareholder and person (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Aggregate long positions in shares

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

Aggregate short position in underlying shares

Unlisted physically settled equity derivatives

Name of shareholder	Name of Company	Number of shares in short position
Union Perfect International Limited	The Company	39,000,000 shares representing 9.75% of shares then issued (Note)

Note: These shares in short position were represented by 35,000,000 options granted by the Company, with details shown in the section of "Share option granted" above and 4,000,000 shares which were convertible at an initial conversion price of HK\$2.50 per share under a HK\$10,000,000 convertible note issued by the Company.

Save as disclosed herein, no other person (other than a director or chief executive of the Company) and substantial shareholder has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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 has any interest in any business which competes with or may compete with the business of the Group or has any other conflicts of interests with the Group.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed in the sections "Interests and short positions of Directors and chief executive in the shares and underlying shares" and "Interests and short positions of substantial shareholders discloseable under the SFO" above, so far as is known to the Director, there is no other person who has an interest or short position in the shares and underlying shares that is discloseable under the SFO.

BOARD PRACTICES AND PROCEDURES

For the nine months ended 30 September 2004, the Company has complied with Rules 5.34 to 5.45 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 Rules 5.28 to 5.30 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 three independent non-executive directors, Mr Qu Xiao Guo, Mr Zhang Xiao Jing and Ms Tung Fong. The Group's unaudited consolidated results for the nine months and three months ended 30 September 2004 have been reviewed by the audit committee.

By Order of the Board
Jian ePayment Systems Limited
Chin Ying Hoi
Chairman

Beijing, the PRC, 12 November 2004

As at the date hereof, the Board comprises four executive directors, being Chin Ying Hoi, Yang Guo Wei, Liu De Fu and Li Sui Yang and three independent non-executive directors, being Qu Xiao Guo, Zhang Xiao Jing and Tung Fong.