



Jian ePayment Systems Limited

華普智通系統有限公司

(incorporated in the Cayman Islands with limited liability)



FIRST QUARTERLY REPORT

2005

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.

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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 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 full 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 three months ended 31 March 2005 was approximately RMB1,334,000, representing an increase of approximately 3.1 times as compared to that of the corresponding period in 2004.
- Loss attributable to shareholders amounted to approximately RMB2,939,000 for the three months ended 31 March 2005.
- Basic losses per share amounted to RMB0.007 for the three months ended 31 March 2005.

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 three months ended 31 March 2005 and the comparative figures for the corresponding period in 2004.

	<i>Notes</i>	For the three months ended 31 March	
		2005	2004
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Turnover and revenue	3	1,334	323
Cost of sales		(734)	(38)
Gross profit		600	285
Other income		421	–
Distribution expenses		(295)	(363)
Research and development costs		(114)	(452)
General and administration expenses		(3,470)	(3,900)
Loss from operations		(2,858)	(4,430)
Interest income		1	2
Interest expense		(82)	(160)
Loss before taxation		(2,939)	(4,588)
Taxation	4	–	–
Loss attributable to shareholders		<u>(2,939)</u>	<u>(4,588)</u>
Losses per share – basic	5	<u>RMB0.007</u>	<u>RMB0.011</u>
– diluted		<u>N/A</u>	<u>N/A</u>

NOTES TO THE ACCOUNTS

1. GROUP'S OPERATION 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.

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" or the "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 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 2004.

The financial statements are prepared on historical cost convention and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and generally accepted accounting principles in Hong Kong ("HK GAAP"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. TURNOVER AND REVENUE

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

Turnover consisted of:

	For the three months ended 31 March	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sales of hardware and software	902	28
Transaction levies	432	295
	<u>1,334</u>	<u>323</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 jurisdictions 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 three months ended 31 March 2005 (2004: 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 Enterprises, 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 Zhengzhou State Tax Bureau, Jian-O'Yuan is entitled to the EIT exemption from year 2001 as an enterprise with foreign investment. No EIT provision was made for Jian-O'Yuan as it has no assessable profit during the three months ended 31 March 2005.

No EIT provision for the two subsidiaries incorporated in the PRC, namely Beijing Jian ePayment Science and Technology Co., Ltd. and Wuhan Jian ePayment Science and Technology Co., Ltd. and Jian epayment (China) International Holdings Limited, incorporated in the British Virgin Islands, as there had been no assessable profit during the three months ended 31 March 2005.

There was no significant unprovided deferred taxation for the three months ended 31 March 2005 (2004: Nil).

5. LOSSES PER SHARE

The calculation of basic losses per share for the three months ended 31 March 2005 is based on the loss attributable to shareholders of approximately RMB2,939,000 (2004: loss attributable to shareholder RMB4,588,000) and the weighted average number of 400,000,000 shares (2004: 400,000,000 shares) deemed to be in issue during the period.

No diluted earnings per share for the three months ended 31 March 2005 and 2004 is presented because the exercise price of the Company's options was higher than the average market price of the Company's shares after the options were granted.

6. DIVIDEND

The directors do not recommend the payment of any dividend for the period from 1 January 2005 to 31 March 2005 (2004: 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>	Translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
Consolidated (unaudited)							
Balances,							
as at 1 January 2005	1,476	6,304	2,870	1,435	(7)	(42,790)	(30,712)
Loss attributed to shareholders	-	-	-	-	-	(2,939)	(2,939)
	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(7)</u>	<u>(45,729)</u>	<u>(33,651)</u>
Balances,							
as at 31 March 2005	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(7)</u>	<u>(45,729)</u>	<u>(33,651)</u>
Balances,							
as at 1 January 2004	1,476	6,304	2,870	1,435	(9)	(7,189)	4,887
Foreign exchange adjustment	-	-	-	-	3	-	3
Loss attributed to shareholders	-	-	-	-	-	(4,588)	(4,588)
	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(6)</u>	<u>(11,777)</u>	<u>302</u>
Balances,							
as at 31 March 2004	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(6)</u>	<u>(11,777)</u>	<u>302</u>

FINANCIAL REVIEW

The group's turnover for the three months ended 31 March 2005 amounted to approximately RMB1,334,000 which represented an increase of approximately 3.1 times as compared to that of the corresponding period in 2004. Sale of hardware and software amounted to RMB902,000 approximately which represented an increase of 31.2 times as compared to that of corresponding period in 2004; Transaction levies amounted to RMB432,000 approximately, which represented an increase of approximately 46% as compared to that of corresponding period in 2004. The revenue of sale of hardware and software of parking system for the three months ended 31 March 2005 began to restore and enter the rising trend, the continual 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 which the electronic parking fee collection system was installed.

The group's gross profit for the three months ended 31 March 2005 was RMB600,000, which represented an increase of approximately 1.1 times as compared to that of corresponding period in 2004. The gross profit ratio dropped by 49% to 45% this year was mainly due to the technology improvement, changes of relationship between supply and demand, reduction of product price.

The group's loss for the three months ended 31 March 2005 was approximately RMB2,939,000 which represented a decrease of approximately 36% as compared to that of the corresponding period in 2004. 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 18% over the corresponding period last year.

The group's turnover for the three months ended 31 March 2005 was approximately RMB1,334,000 which represented an increase of approximately 3.1 times, as compared to that of the corresponding period last year. Loss attributable to shareholders was approximately RMB2,939,000, which represented a decrease of approximately 36% as compared to that of the corresponding period last year. Gross profit increase by 1.1 times and total expenses decreased by 18% 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 to be in the level of economics of scales.

BUSINESS DEVELOPMENT

The group has been committed from the beginning to developing the Jian ePayment smart card system into a large-sale electronic payment system accepted and used throughout China, in 2005, 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, the first quarter sale of hardware and software increased by 284 sets.

As at the end of the first quarter, number of jian smart pass in issue increased by more than 43,000, amounts to 690,000. 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.

On 22 March 2004, the company entered into an agreement with Wuhan Transportation Group, pursuant to which, jian epayment (China) International Holding Limited, a wholly owned subsidiary of the company, would subscribe for 70% interest in the enlarged registered capital of wuhan traffic IC card management at a consideration of RMB28,200,000 payable in cash.

The company announced on 24 March 2005 of the “acquisition of interests on Wuhan Traffic IC Card Management Limited” the approval of the share transfer of wuhan traffic IC card management from relevant PRC authorities is still in administration stages. 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 research and development of J2000-2 meter which is compatible with Guangzhou ITS systems was finished and its relevant internal test has been completed while it has been in the test phase for readiness of testing production in potential client “Guangzhou Yangchengtong Co., Ltd.” (廣州羊城通有限公司).

After the research and development of J2002-3 meter which is compatible with Shanghai all-in-one public transportation card (上海公共交通一卡通) has also been completed, the group carried on the development of ground floor technology which have been protected through the confidential agreement signed.

In order to meet the need for roadside parking in shanghai city, the group is in the process of research for multiple spaces meter and handhold meter which can print note.

The core read-write module, which is compatible with the “all-in-one” card of Beijing municipal administration & communications, jointly developed by the group and Beijing Municipal Administration & Communication Card Co., Ltd. (北京市政交通一卡通公司) has been at the final stage of internal test.

In line with the demands for new functions of the back office system as well as the actual progress of “one card multiple uses” project in various district, the research and development department of the group has been engaged in the development of an upgraded back office system software which will include new functions such as information exchange, separation and settlement between the system and “Shanghai all-in-one public transportation card” and other systems in use, and improve the existing functions such as data storage, inquiry, printing and security. The project has already achieved preliminary result. Testing operation is expected to be conducted in Shanghai in May this year.

The group will provide continual support to “one card multiple uses” information centre in Wuhan and Beijing for their normal operation to ensure that information on transactions is correct and accurate.

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 31 March 2005, 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 31 March 2005, the interests of the Directors and the chief executive 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 Rules 5.46 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Aggregate long positions in shares and underlying shares

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	105 shares of US\$1.00 each representing 100% 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 31 March 2005.

Note 2: These shares were held through Union Perfect International Limited, which is beneficially wholly owned by Mr. Chin Ying Hoi.

Note 3: Based on 400,000,000 shares in issue as at 31 March 2005.

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 and percentage of vested options (Note)	Exercise price per share	Outstanding number of share under option as at 31 March 2005
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. Li Sui Yang	31 May 2002	75%	HK\$2.35	1,000,000
				3,700,000

Note: All options are exercisable to the extent of an additional 25 percent 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.

None of the above options were exercised, cancelled or lapsed during the year ended 31 March 2005.

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. (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" 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 31 March 2005.

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 (including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Company's 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 issued share capital of the Company 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 grant date and (iii) the nominal value of the shares on the grant date.

Details of the share options outstanding as at 31 March 2005 which have been granted under the scheme are as follows:

	Options held at 1 January 2005	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options held at 31 March 2005	Exercise Price	Grant Date	Exercisable from	Exercisable until	Closing price of the Company's share before date of grant
Directors	3,700,000	-	-	-	3,700,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Employees	12,200,000	-	-	-	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>32,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,100,000</u>					

None of the above options were exercised or redeemed during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, 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" 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, 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.

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

BOARD PRACTICE AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the year.

AUDIT COMMITTEE

An Audit Committee was established with written terms of reference in compliance with the requirements as set out in Rule 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 three months ended 31 March 2005 have been reviewed by the audit committee.

As at the date of this report, the Board comprises 4 Executive Directors, Chin Ying Hoi, Yang Guo Wei, Liu De Fu and Li Sui Yang; and 3 Independent Non-executive Directors, Qu Xiao Guo, Zhang Xiao Jing and Tung Fong.

By order of the Board
Chin Ying Hoi
Chairman

Beijing, the PRC, 13 May 2005