

INTERIM 2005 REPORT



Jian ePayment Systems Limited

華普智通系統有限公司

(Incorporated in the Cayman Islands with limited liability)

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

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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 six months ended 30 June 2005 was approximately RMB3,939,000, representing an increase of approximately 45% as compared to that of the corresponding period in 2004.
- Loss attributable to shareholders amounted to approximately RMB5,005,000 for the six months ended 30 June 2005.
- Basic losses per share amounted to RMB0.012 for the six months ended 30 June 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 six months ended 30 June 2005 and the comparative figures for the corresponding period in 2004.

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Turnover and revenue	3	2,605	2,401	3,939	2,724
Cost of sales		(1,047)	(310)	(1,781)	(348)
Gross profit		1,558	2,091	2,158	2,376
Other revenue	4	966	–	1,387	–
Distribution expenses		(302)	(393)	(597)	(756)
Research and development costs		(1,122)	(97)	(1,236)	(549)
General and administration expenses		(2,995)	(3,942)	(6,465)	(7,842)
Loss from operations		(1,895)	(2,341)	(4,753)	(6,771)
Interest income		2	1	3	3
Interest expense		(84)	–	(166)	(160)
Loss before taxation	5	(1,977)	(2,340)	(4,916)	(6,928)
Taxation	6	(89)	–	(89)	–
Loss attributable to shareholders		<u>(2,066)</u>	<u>(2,340)</u>	<u>(5,005)</u>	<u>(6,928)</u>
Losses per share					
– basic	7	<u>(RMB0.005)</u>	<u>(RMB0.006)</u>	<u>(RMB0.012)</u>	<u>(RMB0.017)</u>
– diluted	7	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2005	As at 31 December 2004
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Fixed assets, net	10	6,046	8,130
Current assets			
Inventories		175	412
Accounts receivable	11	855	909
Prepayments and deposits	12	2,407	2,777
Other receivables	13	1,088	2,295
Due from related companies		20	20
Other current assets		238	238
Cash and cash equivalents		5,436	6,428
Total current assets		10,219	13,079
Current liabilities			
Accounts payable	14	6,701	7,163
Due to related companies		509	509
Due to the ultimate holding company		1,131	1,099
Deposit from customers		1,008	1,028
Accruals and other payable	15	10,814	10,303
Convertible notes		5,306	5,306
Total current liabilities		25,469	25,408
Net current liabilities		(15,250)	(12,329)
Total assets less current liabilities		(9,204)	(4,199)
Capital and reserves:			
Share capital		21,208	21,208
Reserves	16	(30,412)	(25,407)
Total capital and reserves		(9,204)	(4,199)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2005*

	2005 <i>RMB'000</i> (Unaudited)	2004 <i>RMB'000</i> (Unaudited)
Net cash (outflow) inflow from operating activities	(1,027)	(11,653)
Net cash (outflow) inflow from investing activities	3	3
Net cash inflow (outflow) from financing activities	32	212
(Decrease)/increase in cash and cash equivalents	(992)	(11,438)
Cash and cash equivalents, beginning of period	6,428	17,021
Cash and cash equivalents as at 30 June	<u>5,436</u>	<u>5,583</u>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	<u>5,436</u>	<u>5,583</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2005*

	2005 <i>RMB'000</i> (Unaudited)	2004 <i>RMB'000</i> (Unaudited)
Total equity as at 1 January	(4,199)	26,095
Exchange difference on translation of the financial statements of foreign subsidiaries	-	2
Loss attributable to shareholders	(5,005)	(6,928)
Total equity as at 30 June	<u>(9,204)</u>	<u>19,169</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 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 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:

	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of hardware and software	2,127	2,003	3,029	2,031
Transaction levies	478	398	910	693
	<u>2,605</u>	<u>2,401</u>	<u>3,939</u>	<u>2,724</u>

4. Other revenue includes profit on sales of smart cards, subsidiary income raised from Value added tax (VAT) refund and others.

5. LOSS BEFORE TAXATION

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

	Six months ended	
	30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Crediting:		
Interest income on bank deposits	3	3
Charging:		
Cost of goods sold	1,781	348
Interest expense on convertible notes	166	160
Depreciation of fixed assets	2,107	3,721
	<u>2,107</u>	<u>3,721</u>

6. 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 for the six months ended 30 June 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. The Enterprise Income ("EIT") paid by Jian-O'Yuan amounted to RMB89,000 for the six months ended on 30 June 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 six months ended 30 June 2005.

There was no significant unprovided deferred taxation for the six months ended 30 June 2005 (2004: Nil).

7. LOSSES PER SHARE

The calculation of basic losses per share for the six months ended 30 June 2005 is based on the loss attributable to shareholders of approximately RMB5,005,000 (2004: loss attributable to shareholder RMB6,928,000) 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 loss per share for the six months ended 30 June 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.

8. DIVIDEND

The directors do not recommend the payment of any dividend for the period from 1 January 2005 to 30 June 2005 (2004: Nil).

9. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(i) Sales of hardware and software, provision of systems integration services and transaction levies		
– Guangzhou Electronic Parking Management Co. Ltd.	–	276
– Haikou Huapu Lide Parking Management Co. Ltd.	61	66
– Yichang Wuhua Electronic Parking Management Co., Ltd.	13	13
– Weihai Tian Chuang Electronic System Co., Ltd.	12	10
	<u>86</u>	<u>365</u>
(ii) Operating leases rentals paid/payable to:		
– Beijing Huapu International Plaza Co. Ltd.	46	234
– A director	1,131	1,030
	<u>1,177</u>	<u>1,264</u>

10. FIXED ASSETS

	2005 (Unaudited)			Total RMB'000
	Machinery RMB'000	Office equipment RMB'000	Leasehold improve- ments RMB'000	
COST				
As at 1 January	57,805	1,149	92	59,046
Additions	–	23	–	23
As at 30 June	57,805	1,172	92	59,069
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January	50,198	626	92	50,916
Charges for the period	1,982	125	–	2,107
As at 30 June	52,180	751	92	53,023
NET BOOK VALUE				
As at 30 June	5,625	421	–	6,046
As at 1 January	7,607	523	–	8,130

11. ACCOUNTS RECEIVABLE

Ageing analysis of accounts receivable was as follows:

	As at 30 June 2005 RMB'000 (Unaudited)	As at 31 December 2004 RMB'000 (Audited)
0-30 days	–	157
31-60 days	213	59
61-90 days	420	50
91-120 days	–	–
121-180 days	–	–
181-365 days	1,165	26
Over 365 days	11,194	12,784
	12,992	13,076
Provision for doubtful accounts	(12,167)	(12,167)
	825	909

12. PREPAYMENTS AND DEPOSITS

	As at 30 June 2005 <i>RMB'000</i> (Unaudited)	As at 31 December 2004 <i>RMB'000</i> (Audited)
Prepayments to suppliers	2,407	2,855
Prepayments of enterprise income tax ("EIT")	—	34
	<u>2,407</u>	<u>2,889</u>

13. OTHER RECEIVABLES

	As at 30 June 2005 <i>RMB'000</i> (Unaudited)	As at 31 December 2004 <i>RMB'000</i> (Audited)
Advances to staff	107	—
Others	981	1,676
	<u>1,088</u>	<u>1,676</u>

14. ACCOUNTS PAYABLE

The ageing analysis of accounts payable was as follows:

	As at 30 June 2005 <i>RMB'000</i> (Unaudited)	As at 31 December 2004 <i>RMB'000</i> (Audited)
0-30 days	324	—
31-60 days	463	—
61-90 days	—	—
91-120 days	—	—
121-180 days	—	—
181-365 days	177	—
Over 365 days	5,737	7,163
	<u>6,701</u>	<u>7,163</u>

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2005	As at 31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Provision for staff and workers' bonus and welfare fund	817	817
Other payables	3,233	3,728
Accruals for operating expenses	5,948	5,307
Salary and welfare payable	773	451
Tax payable	(125)	–
Interest payable	168	–
	<u>10,814</u>	<u>10,303</u>

16. RESERVES

	Share premium	Capital reserve	General reserve fund	Enterprise expansion fund	Translation reserve	Accumulated losses	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 2005	1,476	6,304	2,870	1,435	(7)	(42,790)	(30,712)
Loss attributed to shareholders	–	–	–	–	–	(5,005)	(5,005)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,005)</u>	<u>(5,005)</u>
Balances, as at 30 June 2005	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(7)</u>	<u>(47,795)</u>	<u>(35,717)</u>
Balances, as at 1 January 2004	1,476	6,304	2,870	1,435	(9)	(7,189)	4,887
Foreign exchange ⁶ adjustment	–	–	–	–	2	–	2
Loss attributed to shareholders	–	–	–	–	–	(6,928)	(6,928)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,928)</u>	<u>(6,928)</u>
Balances, as at 30 June 2004	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(7)</u>	<u>(14,117)</u>	<u>(2,039)</u>

17. COMMITMENTS

Capital commitments outstanding as at 30 June 2005 not provided for in the accounts are summarised as follows:

	As at 30 June 2005	As at 31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contracted	<u>28,200</u>	<u>28,200</u>

On 22 March 2004, the Company entered into an agreement with Wuhan Transportation Group, pursuant to which, Jian ePayment (China) International Holdings 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 group announced on 24 March that the group signed the formal contract and articles of association for joint-venture company involving "Acquisition of interest 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 group 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, the group keeps on close negotiating with Wuhan transportation group for fulfilling the detailed content of agreement signed during the relevant procedure of approval under the frame of China (mainland) law regulation. On 22 July 2005, the group got the registered approval of Wuhan state-owned asset management office (武漢市國有資產管理辦公室). As at the date of interim report, the group has applied for approval of Sino-foreign enterprise to the Hu Bei provincial business and trading office (湖北省商貿廳).

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 2005 and corresponding period of 2004 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		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	<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>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
External sales	<u>1,190</u>	<u>1,132</u>	<u>30</u>	<u>65</u>	<u>1,795</u>	<u>1,418</u>	<u>924</u>	<u>109</u>	<u>3,939</u>	<u>2,724</u>
Contribution to net income	<u>733</u>	<u>800</u>	<u>28</u>	<u>49</u>	<u>976</u>	<u>1,418</u>	<u>420</u>	<u>109</u>	<u>2,157</u>	<u>2,376</u>

FINANCIAL REVIEW

The group's turnover for the six months ended 30 June 2005 amounted to approximately RMB3,939,000 which represented an increase of approximate 45% as compared to that of the corresponding period in 2004. Sale of hardware and software amounted to RMB3,029,000 which represented an increase of approximate 49% as compared to that of corresponding period in 2004; Transaction levies amounted to RMB910,000 approximately which represented an increase of 31%. The revenue of sale of hardware and software of parking system for the six months ended 30 June 2005 began to restore and entered into the stable 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 where the electronic parking fee collection system was installed.

The group's gross profit for the second quarter ended 30 June 2005 was RMB2,158,000, which represented an decrease of approximate 9%. The gross profit ratio is 55% this year. It dropped approximately by 37% when compared to the same period in last year. This was mainly due to the technology improvement, changes of relationship between supply and demand, reduction of product price.

The group's loss for the second quarter ended 30 June 2005 was approximately RMB5,005,000 which represented a decrease of approximate 28% 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 9% year-on-year.

The group's turnover for the six months ended 30 June 2005 was approximately RMB3,939,000 which represented an increase of approximate 45%, as compared to that of the corresponding period last year. Loss attributable to shareholders was approximately RMB5,005,000, which represented a decrease of approximate 28% as compared to that of the corresponding period last year. Gross profit increase by approximate 10% and total expenses decreased by approximate 9% as compared to that of the corresponding period last year.

The major task of the group this year is to put great effort to increase the sale of product, increase the operation profit and continually establish an all-rounded "one card multiple user" system, with target to raise turnover and systems transaction levies and to attain economies of sales.

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.

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 "YiKaTong" 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 1,500,000 traffic IC cards being issued in Wuhan, as on 24 March 2005, the group and Wuhan transportation group entered into the restructuring agreement to subscribe for 70% of enlarged capital in Wuhan traffic IC card management Limited.

Since 2003, the group has extended the use of the commercial smart card reader system in Beijing, and has increased the number of cities adopting the system of "one card multiple use" to two, currently, 28 Jian ePayment smart commercial card readers have been installed in nine supermarkets in Beijing. The consumption in Beijing by using the smart card has increased by 140% in the first half of 2005 as compared with the corresponding period of last year, amount to RMB475,000.

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.

The group entered into the purchasing contract on 28 June 2005 involving providing the systematic solution and technology supports with ShangHai BaiYuLan intelligent transportation system management Co., Ltd., (known as BAI YU LAI Co., Ltd.). Which in March 2005 won the bid chosen as one sole investment entity among seven companies taking part in the global public bidding of the Shanghai parking meter launching project which was organized by Shanghai transportation management bureau. According to the above mentioned contract, the group would provide the software and hardware with relevant back system purchased by Shanghai BaiYuLan Intelligent Transportation System Management Co., Ltd., which is worthy of RMB3,400,000 in it. The first batch of software and hardware with relevant back system provided had been put into the trial operation.

As at the date ended on 30 June 2005, the sale of software and hardware involving parking meter amounts to 627 set, the recorded sale amount approximately amounts to 2,976,000.

As at the date ended on 30 June 2005, number of Jian smart pass in issue increased approximately by 28% year-on-year, amounts to 810,000.

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 by 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 group announced on 24 March 2004 that the group signed the formal contract and articles of association for Joint-venture company involving "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 group 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, the group keep close negotiating with Wuhan transportation group for keeping fulfilling the detailed content of agreement signed going during the relevant procedure of approval under the frame of china (mainland) law regulation. On 22 July 2005, the group got the registered approval of Wuhan state-owned asset management office (武漢市國有資產管理辦公室). As at the date of interim report, the group has applied for approval of Sino-foreign enterprise to the Hu Bei provincial business and trading office (湖北省商貿廳).

RESEARCH AND DEVELOPMENT

The group entered into the sales contract with Shanghai BaiYuLan Intelligent Transportation System Management Co., Ltd. which won bid in the public bidding of the Shanghai roadside parking auto-timing charge system which was organized by Shanghai transportation management bureau. The software and hardware with relevant back system operates correctly.

The equipments (including single space parking meter, portable parking meter and multiple-use concentrating parking equipped with printer of bill) researched and developed by the group had passed the testing and approval of Shanghai municipal government, was put into the trial operation.

The intellect property (back system software using mainly for data transferring and clearing, settlement in "Shanghai traffic IC card") researched and developed by the group was put into the trial operation on road of Shanghai.

The research and development of J2000-2 meter which is compatible with GuangZhou YangChongTong Ltd. has also been completed. It was placed in the process of trial manufacturing.

In line with the market demands from the whole Mainland China, the research and development department of the group had developed the handy parking meter, portable amount-charging machine and is upgrading the back system software.

The group is in the process of cooperating with Beijing municipal administration traffic IC company in the field of technology.

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. Jian roadside parking system of Jian ePayment system has been operating in Shanghai successfully.

The payment terminal equipment sold and promoted by the Group has gained extensive recognition among our old and new customers, 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's 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 based on continually increasing of sales and improvement of business profitability, 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 currently has cash and cash equivalents of RMB5,436,000, while the current ratio has changed from 0.47 times for 2004 to 0.40 times for the period end and the gearing ratio, defined as the ratio of total debt to total assets, has changed from 61% for 2004 to 157% for the period end. The group issued HK\$10,000,000 worth of convertible security (known as CB) in November of 2002. The substantial shareholder, Mr. Chin Ying Hoi has provided financial assistance of RMB5,000,000 to the group for repaying the outstanding the capital amount of such CB. Such funds are unsecured, interest-free and have no fixed terms of repayments. Up to the date of this report, the total outstanding capital amount of such CB amounts to HK\$5,000,000.

Significant investments

Save for the company's investment 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 investment and acquisition of material capital assets as at 30 June 2005.

Employee information

At 30 June 2005, the company employed 58 employees (2004: 63). They were employed in accordance with their expertise and market condition. All employees were provided with social insurance and provident fund. Staff cost was approximately RMB2,777,000 for the six months ended 30 June 2005 as compared with that of approximately RMB2,015,000 for the corresponding period of 2004.

Contingent liabilities

As at 30 June 2005, the group had no significant contingent liabilities.

Charge of assets

As at 30 June 2005, the group did not have any charge on its assets.

Exchange rate exposure risk

All the group's assets, liabilities and transactions are denominated either in Hong Kong dollar, US dollar or RMB. As the exchange rates among Hong Kong dollar, US dollar and RMB 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 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 30 June 2005, 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

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 30 June 2005.

Note 2: These shares are held through Union Perfect International Limited, which is beneficially owned as to 100% by Mr. Chin Ying Hoi.

Note 3: Based on 400,000,000 shares in issue on 30 June 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 30 June 2005
Mr Chin Ying Hoi	31 May 2002	100%	HK\$2.35	2,000,000
Mr. Liu De Fu	31 May 2002	100%	HK\$2.35	700,000
Mr Li Sui Yang	31 May 2002	100%	HK\$2.35	1,000,000
				3,700,000

Note: 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.

None of the above options were exercised or cancelled during the six months ended 30 June 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 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 June 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 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 June 2005 which have been granted under the scheme are as follows:

	Options held at 1 January 2005	Options granted during period	Options exercised during period	Options lapsed during period	Options held at 30 June 2005	Exercise Price HK\$	Grant Date	Exercisable from	Exercisable until	Closing price of the Company's share before date of grant HK\$
Directors	3,700,000	-	-	-	3,700,000	2.35	31 May 2002	31 May 2002	31 May 2007	2.35
Employees	12,200,000	-	-	-	12,200,000	2.35	31 May 2002	31 May 2002	31 May 2007	2.35
Consultants, suppliers or customers	13,200,000	-	-	-	13,200,000	2.35	31 May 2002	31 May 2002	31 May 2007	2.35
Consultants, suppliers or customers	3,000,000	-	-	-	3,000,000	2.03	16 Aug 2002	16 Aug 2002	16 Aug 2007	2.025
	<u>32,100,000</u>			<u>-</u>	<u>32,100,000</u>					

None of the above options were exercised or cancelled during the six months ended 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 <i>(Note)</i>

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 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.

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 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 six months ended 30 June 2005, 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 5.33 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 six months and three months ended 30 June 2005 have been reviewed by the audit committee.

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

Beijing, the PRC, 12 August 2005

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.