



FIRST
QUARTERLY REPORT 2006



Jian ePayment Systems Limited

華普智通系統有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8165



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.

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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 three months ended 31 March 2006 was approximately RMB452,000.
- Loss attributable to shareholders amounted to approximately RMB2,111,000 for the three months ended 31 March 2006.
- Loss per share amounted to RMB0.005 for the three months ended 31 March 2006.

RESULTS

The board (the "Board") of directors ("Directors") of Jian ePayment Systems Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2006 respectively with comparative figures of the same period in 2005:

		For the three months ended 31 March	
	<i>Notes</i>	2006	2005
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	3	452	1,334
Cost of sales		(28)	(734)
Gross profit		424	600
Other revenue		478	422
Distribution expenses		(116)	(295)
Research and development costs		(151)	(114)
General and administrative expenses		(2,668)	(3,470)
Loss from operations		(2,033)	(2,857)
Finance costs		(78)	(82)
Loss before taxation		(2,111)	(2,939)
Taxation	4	-	-
Loss attributable to shareholders		(2,111)	(2,939)
		RMB	RMB
Loss per share			
– Basic	5	(0.005)	(0.007)
– Diluted		N/A	N/A

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION

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 enterprises controlled by it. The control means the Group holds the power which can make it govern the financial and operation policies of enterprises and benefit from them. The results of subsidiaries shall be set out in the consolidated profit/loss statements respectively since the effect date of its acquisition or sale. The equity attributable to minority shareholders and net income have been presented in the balance sheet and profit/loss statements of the Group.

All significant intra-group transactions and balances have been eliminated on consolidation. The consolidated financial statement adopts the consistent principle to similar transactions and other events under the resemble conditions.

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 2005.

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	
	31 March	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of hardware and software	6	902
Transaction levies	446	432
	452	1,334

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 three months ended 31 March 2006 (2005: 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. The first profitable year of Jian-O'Yuan as foreign investment enterprise was in 2002. No EIT provision for Jian-O'Yuan as it has no assessable profit for the three months ended 31 March 2006.

No EIT provision for the subsidiaries incorporated in the PRC, Beijing Jian ePayment Science and Technology Co., Ltd., as it has no assessable profit for the three months ended 31 March 2006.

There was no significant unprovided deferred taxation for the three months ended 31 March 2006 (2005: Nil).

5. LOSS PER SHARE

The calculation of loss per share for the three months ended 31 March 2006 are based on the loss attributable to shareholders of approximately RMB2,111,000 (three months ended 31 March 2005: loss attributable to shareholders of approximately RMB2,939,000) and the number of 400,000,000 shares (2005: 400,000,000 shares) deemed to be in issue during the period.

No diluted loss per share is presented for the three months as at the date of 31 March 2005 and 2006 because the exercise prices of the Company's options and convertible notes were higher than the average market prices of the Company's share for the year.

6. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2006 (2005: 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 2006	1,476	6,304	2,870	1,435	-	(41,507)	(29,422)
Loss attributed to shareholders	-	-	-	-	-	(2,111)	(2,111)
	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>-</u>	<u>(43,618)</u>	<u>(31,533)</u>
Balances, as at 31 March 2006	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>-</u>	<u>(43,618)</u>	<u>(31,533)</u>
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>

FINANCIAL REVIEW

The Group's turnover for the three months ended 31 March 2006 amounted to approximately RMB452,000 which represented a decrease of approximately 66% as compared to that of the corresponding period in 2005. Sales of hardware and software amounted to RMB6,000 which represented sharp decrease of approximately 99% as compared to that of corresponding period of last year due to seasonal influence. Transaction levies amounted to RMB446,000 approximately which represented an increase of 3% as compared to that of the corresponding period in 2005.

The Group's gross profit for three months ended 31 March 2006 was approximately RMB424,000, which represented a decrease of approximately 29% as compared to that of the corresponding period in 2005.

The Group's loss for the three months ended 31 March 2006 was approximately RMB2,111,000 which represented a decrease of approximately 28% as compared to that of the corresponding period in 2005. The decrease in loss was mainly due to the result of the Group's success in controlling expenses. The total expenses for the three months ended 31 March 2006 are decreased by 24% as compared to that in last year.

BUSINESS DEVELOPMENT

The Group was committed from the beginning to develop the Jian ePayment System into a large-scale electronic payment system which should be accepted and used throughout China. In 2006, the Company strengthened the technology research and development, sales of hardware and software, marketing and operation function. It will continue to focus on the development of "One Card Multiple Uses" system in Wuhan and the promotion of the system in Beijing. The Company will seek more opportunities to develop the "One Card Multiple Uses" system in other cities.

Under the lead of relevant department of Wuhan Municipal Government, the Group and Wuhan Traffic IC Card Management Limited ("Wuhan Traffic") jointly established the "All in one card" system which is similar to "Octopus" of Hong Kong. The Group will continue to promote the 1.8 million Wuhan IC Cards on the similar basis of Jian Smart Passes. The Group signed the joint venture agreement with Wuhan Public Transportation Group Company Limited ("WTG") on 24 February 2005, and all the procedures of governmental approval had been completed by the end of 2005. Pursuant to the agreement, Wuhan Traffic would be established as a sino-foreign joint venture company with a registered capital of RMB40 million, which would be contributed partly by WTG with evaluated assets and cash worth RMB16 million representing 40% and partly by the Group with RMB24 million in cash representing 60% of the registered capital. The Group has signed the indicative term sheets in relation to the reorganization of shareholding structure and capital structure of the Company with a proposed investor, the convertible note holder and its controlling shareholder Mr Chin Ying Hoi in this quarter, which expected to be implemented after the resumption of trading of the Company's shares on GEM. Further details in relation thereto were disclosed in an announcement of the Company titled "Indicative Term Sheets Regarding Proposed Reorganization of Shareholding Structure and Proposed Capital Restructuring" dated 21 April 2006.

The Group's existing business is expected to have a continuous growth in this year as the orders by the existing clients in various markets such as Guangzhou, Wuhan, Shanghai, etc. are on a rising trend. However, the sales of hardware and software in this quarter fails to embody a financial increase due to the seasonal influence.

As at the date ended on 31 March 2006, the number of Jian Smart Passes in issue has been increased to 1,150,000 units which represents an increase of approximately 67% as compared to the corresponding period of last year.

RESEARCH AND DEVELOPMENT

The Group has provided the software and hardware with relevant back system which are compatible with the "Shanghai Roadside Parking Management System". It operated satisfactorily in Shanghai. In 2005, the Company completed the research and development of J1000A parking meter which was equipped with bill printer. It meets the needs of some customers who called for direct printing of charge bill from Shanghai Municipal Government.

The success of research conducted by the Group is on the model of J1000A. It is a super-low power-drainage battery parking meter (one meter of two spaces and one meter of multiple spaces) which is simple in design. It adopted the monitor of OLED which is comparatively bright and extended the lifetime of battery. This product would become the main saleable product of the Company for this year.

The Group also has made improvement in the inner construction of card by providing the back systems of data clearing. It improved the system of the inter-exchange & inter-authentication and applied the improved system into the road parking management system in Panyu, Guangzhou. All of these make a good basis for the data clearing and information platform of multi-card categories and multi-operator of city parking to be developed.

The Group has developed the J2000-2 parking meter, which uses the battery that is compatible with Guangzhou YangChengTung card. Its test at "Guangzhou Yang Cheng Tung Co., Ltd." has been completed, and now it is being in the stage of preparation of production.

SALES AND MARKETING

The Group continued to promote its roadside parking system and other commercial fee collection systems among governmental and merchant customers in various cities of China. Since 2005, the Group has focused its market development on Beijing, Shanghai, Guangzhou and Wuhan which are the main cities located in the northern, eastern, southern and central parts of China. The roadside parking system derived from Jian ePayment System has been operated successfully in Shanghai. Besides, the Group plans to extend the market share by focusing on parking meters which are compatible with Guangzhou "YangChengTung" card and Beijing Municipal "All in one" card.

The payment terminal equipment promoted by the Group had gained extensive recognition among our existing and new customers, who are eager to increase their orders in view of the market demands.

The sales and marketing department of the Group also got opportunities to promote "One Card Multiple Uses" in the emerging markets by conducting research in the existing markets 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: with high speed development of mainland economy and rapid increase of motor vehicle, Jian Smart Passes gaining vigorous promotion and issue through the platform of electronic parking system, as well as making use of the technical platform of "One Card Multiple Uses" and the card using environment in market, plus further acquisition similar to that of Wuhan Traffic, Jian Smart Passes will become the convenient cards widely owned and used by the residents of a number of cities in China.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 31 March 2006, 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 2006, 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	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 2006.

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 31 March 2006.

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 <i>(Note 1)</i>	Exercise price per share	Outstanding number of share under option as at 31 March 2006 <i>(Note 2)</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. Li Sui Yang	31 May 2002	75%	HK\$2.35	1,000,000
				3,700,000

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 fifth 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. Liu De Fu, the former director of the Company, has resigned on 1 February 2006, and the option of 700,000 shares held is valid up to 1 May 2006.

None of the above options were exercised, cancelled or lapsed during the three months ended 31 March 2006.

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 Scheme" 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 2006.

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% (limited number of scheme) 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 31 March 2006 which have been granted under the scheme are as follows:

	Options held at 1 January 2006	Options granted during period	Options exercised during period	Options lapsed during period	Options held at 31 March 2006 <i>(Note)</i>	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	31/05/2002	31/05/2002	30/05/2007	HK\$2.35
Employees	10,700,000	-	-	-	10,700,000	HK\$2.35	31/05/2002	31/05/2002	30/05/2007	HK\$2.35
Other persons	13,200,000	-	-	-	13,200,000	HK\$2.35	31/05/2002	31/05/2002	30/05/2007	HK\$2.35
Other persons	<u>3,000,000</u>	-	-	-	<u>3,000,000</u>	HK\$2.03	16/08/2002	16/08/2002	15/08/2007	HK\$2.03
	<u>30,600,000</u>				<u>30,600,000</u>					

Note: Mr. Liu De Fu, the former director of the Company, has resigned on 1 February 2006, and the option of 700,000 shares held is valid up to 1 May 2006.

None of the above options were exercised or redeemed during the three months ended 31 March 2006.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, 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

Number of shares	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 Scheme" 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 three months ended 31 March 2006, 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 three months ended 31 March 2006 have been reviewed by the audit committee.

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

Beijing, the PRC, 15 May 2006

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