



INTERIM 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.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website 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 six months ended 30 June 2006 was approximately RMB6,043,000.
- Profit attributable to shareholders amounted to approximately RMB713,000 for the six months ended 30 June 2006.
- Basic earnings per share amounted to RMB0.002 for the six months ended 30 June 2006.

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 2006 and the comparative figures for the corresponding period in 2005.

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Turnover	3	6,043	3,939	5,591	2,605
Cost of sales		(2,106)	(1,781)	(2,078)	(1,047)
Gross profit		3,937	2,158	3,513	1,558
Other revenue	4	1,902	1,390	1,424	968
Distribution costs		(128)	(597)	(12)	(302)
General and administration expenses		(4,613)	(7,701)	(1,794)	(4,117)
Profit/(loss) from operation		1,098	(4,750)	3,131	(1,893)
Finance costs		(238)	(166)	(160)	(84)
Profit/(loss) before taxation	5	860	(4,916)	2,971	(1,977)
Taxation	6	(147)	(89)	(147)	(89)
Profit/(loss) for the period attributable to shareholders of the Company		713	(5,005)	2,824	(2,066)
Dividends	8	–	–	–	–
		RMB	RMB	RMB	RMB
Earnings/(loss) per share					
– Basic	7	0.002	(0.012)	0.007	(0.005)
– Diluted	7	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
Non-current assets			
Fixed assets	10	<u>2,097</u>	<u>2,682</u>
Current assets			
Inventories		414	199
Trade and other receivables	11	9,611	9,187
Due from a related company		20	20
Other current assets	12	371	371
Bank and cash balances		<u>2,018</u>	<u>5,305</u>
		12,434	15,082
Current liabilities			
Trade and other payables	13	10,796	13,937
Deposits from customers		—	805
Due to a director		6,314	6,314
Due to a related company		10	10
Convertible notes		<u>4,912</u>	<u>4,912</u>
		22,032	25,978
Net current liabilities		<u>(9,598)</u>	(10,896)
		(7,501)	(8,214)
Capital and reserves			
Share capital		21,208	21,208
Reserves	14	<u>(28,709)</u>	<u>(29,422)</u>
Total Equity		<u>(7,501)</u>	<u>(8,214)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2006*

	2006 RMB'000 (Unaudited)	2005 <i>RMB'000</i> (Unaudited)
Net cash used in operating activities	<u>(3,217)</u>	<u>(1,027)</u>
Net cash (used in)/generated from investing activities	<u>(70)</u>	<u>3</u>
Net cash generated from financing activities	<u>-</u>	<u>32</u>
Net decrease in cash and cash equivalent	(3,287)	(992)
Cash and cash equivalents at 1 January	<u>5,305</u>	<u>6,428</u>
Cash and cash equivalents at 30 June Bank and cash balances	<u>2,018</u>	<u>5,436</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2006*

	2006 RMB'000 (Unaudited)	2005 <i>RMB'000</i> (Unaudited)
Total equity as at 1 January	(8,214)	(4,199)
Profit/(loss) attributable to shareholders	<u>713</u>	<u>(5,005)</u>
Total equity as at 30 June	<u>(7,501)</u>	<u>(9,204)</u>

NOTES TO THE CONDENSED CONSOLIDATED 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" 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 Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 2005.

The financial statements are prepared on historical cost convention and in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA 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

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

Turnover consisted of:

	Six months ended 30 June		Three months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Sales of hardware and software	5,122	3,029	5,116	2,127
Transaction levies	921	910	475	478
	<u>6,043</u>	<u>3,939</u>	<u>5,591</u>	<u>2,605</u>

4. OTHER REVENUE

Other revenue includes profit on sales of Jian ePayment Smart Cards, write-off of trade payables, interest income and other revenues.

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation was arrived at after crediting and charging the following:

	Six months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Crediting:		
Interest income on bank deposits	3	3
Charging:		
Cost of inventory	2,060	1,781
Interest expense on convertible notes	238	166
Research and development costs	368	1,236
Depreciation of fixed assets	655	2,107
	<u>655</u>	<u>2,107</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 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 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 2006, Jian-O'Yuan continued to enjoy the exemption from EIT for a 50% reduction which is 7.5%. According to the calculating base, the Enterprise Income ("EIT") paid by Jian-O' Yuan amounted to RMB147,000 for the six months ended on 30 June 2006.

There is no EIT provision for the subsidiaries incorporated in the PRC, Beijing Jian ePayment Science and Technology Co., Ltd. as there had been no assessable profit during the six months ended 30 June 2006.

There was no significant unprovided deferred taxation for the six months ended 30 June 2006 (2005: Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2006 is based on the profit attributable to shareholders of approximately RMB713,000 (2005: loss attributable to shareholder RMB5,005,000) and on 400,000,000 shares (2005: 400,000,000 shares) deemed to be in issue during the period.

No diluted earnings per share for the six months ended 30 June 2006 and 2005 is presented because the exercise price of the Company's options and convertible notes were higher than the average market price of the Company's shares for the period.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2006 (2005: 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	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Sales of hardware and software, transaction levies and sales of Jian Smart Card		
– Haikou Huapu Lide Parking Management Co. Ltd.	–	61
– Yichang Wuhua Electronic Parking Management Co. Ltd.	–	13
– Weihai Tian Chuang Electronic System Co., Ltd.	16	12
– Shanghai Bai Yu Lan Intelligent Transportation System Management Co. Ltd.	2,382	–
– Beijing Huapu Roadside Parking Facilities Construction and Management Co. Ltd.	51	–
	2,449	86
(ii) Operating leases rentals paid/payable to		
– Beijing Huapu International Plaza Co. Ltd.	–	46
– A director	–	31
	–	77
(iii) Compensation of key management personnel		
The remuneration of directors and other members of key management during the period was as follows:		
– Directors' fees	320	390
– Salaries, allowances and benefits-in-kind	409	459
– Retirement scheme contributions	45	43
	774	892

10. FIXED ASSETS

	Leasehold Improvements <i>RMB'000</i> (Unaudited)	Machinery Equipment <i>RMB'000</i> (Unaudited)	Office Equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
COST				
At 1 January 2005	92	57,805	1,149	59,046
Additions	–	–	141	141
Disposals/written off	–	(31,530)	(626)	(32,156)
	<u>92</u>	<u>26,275</u>	<u>664</u>	<u>27,031</u>
At 31 December 2005	<u>92</u>	<u>26,275</u>	<u>664</u>	<u>27,031</u>
At 1 January 2006	92	26,275	664	27,031
Additions	–	–	70	70
	<u>92</u>	<u>26,275</u>	<u>734</u>	<u>27,101</u>
At 30 June 2006	<u>92</u>	<u>26,275</u>	<u>734</u>	<u>27,101</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2005	92	50,198	626	50,916
Charge for the year	–	3,409	195	3,604
Disposals/written off	–	(29,735)	(436)	(30,171)
	<u>92</u>	<u>23,872</u>	<u>385</u>	<u>24,349</u>
At 31 December 2005	<u>92</u>	<u>23,872</u>	<u>385</u>	<u>24,349</u>
At 1 January 2006	92	23,872	385	24,349
Charge for the period	–	601	54	655
	<u>92</u>	<u>24,473</u>	<u>439</u>	<u>25,004</u>
At 30 June 2006	<u>92</u>	<u>24,473</u>	<u>439</u>	<u>25,004</u>
NET BOOK VALUE				
At 30 June 2006	<u>–</u>	<u>1,802</u>	<u>295</u>	<u>2,097</u>
At 31 December 2005	<u>–</u>	<u>2,403</u>	<u>279</u>	<u>2,682</u>

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
Trade receivables	5,784	6,528
Prepayment and deposits	2,031	1,763
Other receivables	1,796	896
	<u>9,611</u>	<u>9,187</u>

(a) The ageing analysis of trade receivables was as follows:

	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
0-30 days	2,469	5,494
31-90 days	522	227
91-180 days	924	831
181-365 days	1,893	299
Over 365 days	6,719	6,420
	<u>12,527</u>	13,271
Impairment	<u>(6,743)</u>	<u>(6,743)</u>
	<u>5,784</u>	<u>6,528</u>

(b) Prepayments and deposits

	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
Prepayments of enterprise income tax ("EIT")	1,418	1,418
Prepayments to suppliers	507	239
Others	106	106
	<u>2,031</u>	<u>1,763</u>

(c) Other receivables

	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
Advances to staff	362	114
Tax receivables	—	253
Others	1,434	529
	<u>1,796</u>	<u>896</u>

12. Other current assets

Other current assets represented the cost of smart cards provided by the Group to customers for the operation of Jian ePayment System at the period end.

13. Trade and other payables

	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
Trade payables	1,465	2,601
Other payables	9,331	11,336
	<u>10,796</u>	<u>13,937</u>

(a) The ageing analysis of trade payables was as follows:

	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
0-30 days	969	441
31-60 days	1	156
61-120 days	13	36
121-180 days	3	72
181-365 days	81	260
over 365 days	398	1636
	<u>1,465</u>	<u>2,601</u>

(b) Other Payables

	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
Business tax payable	80	72
Interest payable	394	156
VAT payable	162	444
Income tax payable	125	-
Provision for staff and workers' bonus and welfare fund	1,006	1,006
Accruals for operating expenses	4,777	6,136
Salary and welfare payables	469	905
Others	2,318	2,617
	<u>9,331</u>	<u>11,336</u>

14. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Cumulative exchange Difference RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2006	1,476	6,304	2,870	1,435	-	(41,507)	(29,422)
Profit attributable to shareholders	-	-	-	-	-	713	713
At 30 June 2006	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>-</u>	<u>(40,794)</u>	<u>(28,709)</u>
At 1 January 2005	1,476	6,304	2,870	1,435	(7)	(42,790)	(30,712)
Loss attributable to shareholders	-	-	-	-	-	(5,005)	(5,005)
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>

15. 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 2006 and corresponding period of 2005 are mainly conducted in the Southern China, Northern China, Central China and Eastern China in the PRC. An analysis by geographical segments is as follows:

	Southern China		Northern China		Central China		Eastern China		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	<u>3,175</u>	<u>1,190</u>	<u>17</u>	<u>30</u>	<u>476</u>	<u>1,795</u>	<u>2,375</u>	<u>924</u>	<u>6,043</u>	<u>3,939</u>
Segment results	<u>2,232</u>	<u>733</u>	<u>16</u>	<u>28</u>	<u>405</u>	<u>977</u>	<u>1,284</u>	<u>420</u>	<u>3,937</u>	<u>2,158</u>
Other revenue									<u>1,902</u>	<u>1,390</u>
Unallocated costs									<u>(4,741)</u>	<u>(8,298)</u>
Operating profit									<u>1,098</u>	<u>(4,750)</u>
Finance costs									<u>(238)</u>	<u>(166)</u>
Profit before taxation									<u>860</u>	<u>(4,916)</u>
Taxation									<u>(147)</u>	<u>(89)</u>
Earnings attributable to shareholders									<u>713</u>	<u>(5,005)</u>
Segment assets	-	-	<u>5,190</u>	<u>7,981</u>	<u>9,341</u>	<u>8,284</u>	-	-	<u>14,531</u>	<u>16,265</u>
Unallocated assets									-	-
Total assets									<u>14,531</u>	<u>16,265</u>
Segment liabilities	-	-	<u>606</u>	<u>1,518</u>	<u>21,426</u>	<u>23,951</u>	-	-	<u>22,032</u>	<u>25,469</u>
Unallocated liabilities										
Total liabilities									<u>22,032</u>	<u>25,469</u>
Capital expenditure	-	-	-	-	<u>70</u>	-	-	-	<u>70</u>	-
Depreciation	-	-	<u>613</u>	<u>602</u>	<u>42</u>	<u>1,505</u>	-	-	<u>655</u>	<u>2,107</u>

FINANCIAL REVIEW

The Group's turnover for the six months ended 30 June 2006 amounted to approximately RMB6,043,000 (2005: RMB3,939,000) which represented an increase of approximately 53% as compared to the same period in 2005. Sale of hardware and software for the period amounted to RMB5,122,000 (2005: RMB3,029,000) which represented an increase of approximately 69% as compared to that of corresponding period in 2005; Transaction levies for the period amounted to approximately RMB921,000 (2005: RMB910,000).

The Group's gross profit for the six months ended 30 June 2006 was RMB3,937,000 (2005: RMB2,158,000), which represented an increase of approximately 82%. The gross profit ratio represented an increase of approximately 10% when compared to the same period in 2005.

The Group's net profits for the six months ended 30 June 2006 was approximately RMB713,000 (while the loss in the same period of 2005 was RMB5,005,000), which represented an increase of RMB5,718,000. The increase was mainly due to turnover growth as well as the result of the group's success in reducing expenses by 43%.

BUSINESS DEVELOPMENT

The Group has been committed to develop the Jian ePayment smart card system into a large-scale electronic payment system which are accepted and used throughout China. In 2006, the company focuses on the technology research and development, sale of hardware and software and the promotion of "One Card Multiple Uses" system in different cities of China.

The Group and Wuhan Traffic IC card management Limited (Wuhan Traffic), with the assistance of Wuhan Municipal government, cooperate 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. On 24 February 2005, a joint venture agreement of Wuhan Traffic was signed between the Group and Wuhan Public Transport Group Company Limited (WTG). All the administrative and procedural examination and approval from local government has been completed by June 2006. The new joint venture equity company has been issued a licence by local government with the operation term for 50 years. On 26 July 2006, the Group has completed the acquisition of interests in Wuhan Traffic. Wuhan Traffic with the character of Sino-foreign equity was injected RMB40,000,000 as registered capital, of which RMB16,000,000 was contributed by WTG with the evaluated assets and cash which represents 40% of the total registered capital of Wuhan Traffic with Sino-foreign equity, and RMB24,000,000 is contributed by the Group in cash which represents 60% of the registered capital.

The Group continues its existing business. The orders from the existing customers in Guangzhou, Wuhan, Shanghai keeps on a rising trend. Both the sales and gross profits of software and hardware had been increased progressively. It has met the production and sales budgets.

As at the date ended on 30 June 2006, the number of Jian Smart Pass in issue increased approximately by 49% year-on-year, amounted to 1,210,000 cards (2005: 810,000 cards).

The Group puts great efforts on increasing. The operating income and exploiting new income sources. It has also strengthened the internal control and system integration. This enhances the overall quality of the staff. The reduction of redundant staff lowers the cost and management expenses, which thus makes an efficient organisation.

RESEARCH AND DEVELOPMENT

New J1000 meters are developed and launched to production and application in batch by the Group through re-molding, making good use of the application experience, in the light of some historical shortcomings of the older meter, such as the display screen was not clear in foggy and rainy days in South China and needs enormous power consumption, ordinary design of the main board, etc., and on the basis of the older meter J1000, which kept the production and sales of our meter continually be in the leading position of science and technology and made the new meter popularized among the users.

New J1000C printing meters are re-developed to solve the problems as paper jamming, difficulty to change paper and color band, bad waterproof. A general bracket, a guide board for paper outing and electronic door at the entrance of paper outing are installed in the printing meter. Currently, this improved meter has been applied in Shanghai, and has been in batch of production.

The Group developed relative system software and upgraded the back system of Shanghai Bai Yu Lan Intelligent Transportation System Management Co., Ltd. for the purpose of access of the information of meter and parking of Shanghai for the local government. The system software is planned to be tested through connecting and jointly adjusting the system of Financial Bureau in Shanghai in the second half year.

SALES AND MARKETING

The Group continues to promote Jian ePayment roadside parking system and other commercial fee collection systems among governments and merchant customers in various cities of China.

The meter equipments manufactured and sold by the Group are widely accepted by the new and existing users after upgrade.

The Sales and Marketing Department of the Group will continue to seek opportunities to promote "One Card Multiple Uses" in the potential markets by conducting more market researches.

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 and ultimately create good economic results and social effect for the Group.

The Directors of the Company (the "Directors") believe that the business of "One Card Multiple Uses" will be implemented on a wider platform with the completion of the acquisition of interests in Wuhan Traffic. As a result, Jian Smart Passes will become convenient cards that are widely owned and used by the residents of a number of cities in China.

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of RMB2,018,000, while the current ratio has changed from 0.58 times for 2005 to 0.56 times for the period end and the gearing ratio, defined as the ratio of total debt to total assets, has changed from 1.46 for 2005 to 1.52 for the period end.

Significant investments

Save for the company's investment in its subsidiaries, the Group did not have any significant investment ended 30 June 2006. On 26 July 2006, Jian ePayment (China) International Holdings Limited, the wholly-owned subsidiary of the Group, contributed RMB24 million (equal to HK\$23.3 million) to acquire the interest of Wuhan Traffic by 60%. The investment has been disclosed in relative announcement of the Group.

Employee information

As at 30 June 2006, the company employed 40 employees (2005: 54). All employees were provided with social insurance or provident fund. Staff cost was approximately RMB2,402,000 for the six months ended 30 June 2006 as compared with that of approximately RMB2,777,000 for the corresponding period in 2005.

COMMITMENTS

Capital commitments in relation to investment in a PRC company:

	2006	2005
	RMB'000	RMB'000
Contracted but not provided for	24,000	28,200

On 22 March 2004, the Company entered into an agreement ("the Agreement") with Wuhan Transportation Group Company Limited (武漢市公共交通集團有限責任公司) ("WTG"). Pursuant to the Agreement, a subsidiary of WTG, Wuhan Traffic IC Card Management Limited ("Wuhan Traffic"), will be restructured to become a Sino-foreign equity joint venture in the PRC with registered capital of RMB40,000,000 and Jian ePayment (China) International Holdings Limited ("Jian ePayment (China)"), a wholly owned subsidiary of the Company, will subscribe 70% equity interest in Wuhan Traffic after the restructuring by cash contribution of RMB28,200,000. During 2005, the Company entered into a supplementary agreement ("the Supplementary Agreement") with WTG to revise certain terms of the Agreement. Pursuant to the Supplementary Agreement, Jian ePayment (China) will only subscribe 60% equity interest in Wuhan Traffic after the restructuring by cash contribution of RMB24,000,000. All the administrative and procedural examination and approval from local government has been completed by June 2006. The new joint venture equity company has been issued a licence by local government. On 26 July 2006, the Group has completed the acquisition of interests in Wuhan Traffic.

CONTINGENT LIABILITIES

As at 30 June 2006, the Group had no significant contingent liabilities.

Charge of assets

As at 30 June 2006, 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 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 30 June 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

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 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 30 June 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 (Note)	Exercise price per share	Outstanding number of share under option as at 30 June 2006
Mr. Chin Ying Hoi	31 May 2002	100%	HK\$2.35	2,000,000
Mr. Li Sui Yang	31 May 2002	100%	HK\$2.35	1,000,000
				3,000,000

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 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.

None of the above options were exercised or cancelled during the six months ended 30 June 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 (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 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% 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 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 (Note)	Options held at 30 June 2006	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	-	-	700,000	3,000,000	2.35	31 May 2002	31 May 2002	30 May 2007	2.35
Employees	10,700,000	-	-	200,000	10,500,000	2.35	31 May 2002	31 May 2002	30 May 2007	2.35
Other persons	13,200,000	-	-	-	13,200,000	2.35	31 May 2002	31 May 2002	30 May 2007	2.35
Other persons	3,000,000	-	-	-	3,000,000	2.03	16 Aug 2002	16 Aug 2002	15 Aug 2007	2.03
	<u>30,600,000</u>	<u>-</u>	<u>-</u>	<u>900,000</u>	<u>29,700,000</u>					

Note: The share options of 700,000 shares originally held by Mr. Liu De Fu, the former director of the Company, who has resigned on 1 February 2006 were lapsed in the period. The share options of 200,000 shares held by two employees of the Company who have resigned were lapsed in the period.

None of the above options were exercised or cancelled during the six months ended 30 June 2006.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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

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 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 six months ended 30 June 2006, the Company has complied with the requirements of the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules concerning board practices and procedures.

AUDIT COMMITTEE

An Audit Committee has been 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 six months ended 30 June 2006 have been reviewed by the audit committee.

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

Beijing, the PRC, 8 August 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-executives directors, being Qu Xiao Guo, Zhang Xiao Jing and Tung Fong.