

First Quarterly Report

07



Jian ePayment



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

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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 2007 was approximately RMB3,518,000 which represented an increase of approximately 678% as compared to that of the corresponding period in 2006.
- Loss attributable to shareholders amounted to approximately RMB2,528,000 for the three months ended 31 March 2007.
- Loss per share amounted to RMB0.006 for the three months ended 31 March 2007.

RESULTS

The Board of Directors (the "Board") of Jian ePayment Systems Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2007 respectively with comparative figures of the same periods in 2006.

		For the three months ended 31 March	
	<i>Notes</i>	2007	2006
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	3	3,518	452
Cost of sales		(1,464)	(28)
Gross profit		2,054	424
Other revenue		682	478
Distribution expenses		(172)	(116)
General and administrative expenses		(4,931)	(2,819)
Loss from operations		(2,367)	(2,033)
Finance costs		(545)	(78)
Loss before taxation		(2,912)	(2,111)
Taxation	4	-	-
Loss for the period		(2,912)	(2,111)
Loss attributable to:			
– Shareholders of the Company		(2,528)	(2,111)
– Minority interests		(384)	0
		(2,912)	(2,111)
		RMB	RMB
Loss per share			
– Basic	5	(0.006)	(0.005)

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.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited financial statements have been prepared on a basis consistent with the accounting policies adopted by the Group in preparation of its financial statements for the year ended 31 December 2006. 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	
	2007	2006
	RMB'000	RMB'000
Sales of hardware and software	1,012	6
Transaction levies	2,506	446
	<u>3,518</u>	<u>452</u>

4. TAXATION

The companies comprising the Group are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been provided for as the Group has no assessable profit arising in or derived from those jurisdictions for the three months ended 31 March 2007 (2006: 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. There is no Enterprise Income Tax ("EIT") paid by Jian-O'Yuan for the three months ended 31 March 2007.

No EIT provision for the subsidiary incorporated in the PRC, Beijing Jian ePayment Science, as it has no assessable profit for the three months ended 31 March 2007.

There was no significant unprovided deferred taxation for the three months ended 31 March 2007 (2006: Nil).

5. EARNINGS/(LOSS) PER SHARE

The calculation of loss per share for the three months ended 31 March 2007 are based on the loss attributable to shareholders of approximately RMB2,528,000 (three months ended 31 March 2006: loss attributable to shareholders of approximately RMB2,111,000) and the number of 400,000,000 shares (2006: 400,000,000 shares) deemed to be in issue during the period.

No diluted loss per share is presented for the three months ended at the date of 31 March 2006 and 2007 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 2007 (2006: Nil).

7. RESERVES

RMB'000

	Share premium	Capital reserve	General reserve fund	Enterprise expansion fund	Retained earnings/ accumulated losses	Total	Minority interests	Total
Consolidated (unaudited)								
Balances, as at 1 January 2007	1,476	6,304	2,870	1,435	(62,984)	(50,899)	6,639	(44,260)
Loss attributed to shareholders	-	-	-	-	(2,528)	(2,528)	(384)	(2,912)
Balances as at 31 March 2007	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(65,512)</u>	<u>(53,427)</u>	<u>6,255</u>	<u>(47,172)</u>
Balances as at 1 January 2006	1,476	6,304	2,870	1,435	(41,507)	(29,422)	-	(29,422)
Loss attributed to shareholders	-	-	-	-	(2,111)	(2,111)	-	(2,111)
Balances as at 31 March 2006	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(43,618)</u>	<u>(31,533)</u>	<u>-</u>	<u>(31,533)</u>

FINANCIAL REVIEW

The Group's turnover for the three months ended 31 March 2007 amounted to approximately RMB3,518,000 which represented a dramatic increase as compared to that of the corresponding period in 2006. Sales of hardware and software amounted to RMB1,012,000. After the acquisition of Wuhan Traffic IC card Management Limited, it is not only strengthen our core business, but also increase the transaction levies amounted to RMB2,506,000 approximately which represented an increase of 461% as compared to that of the corresponding period in 2006.

The Group's gross profit for the three months ended 31 March 2007 was approximately RMB2,054,000, which represented an increase of approximately 384% as compared to that of the corresponding period in 2006.

The Group's loss for the three months ended 31 March 2007 was approximately RMB2,528,000 which represented an increase of approximately 20% as compared to that of the corresponding period in 2006.

BUSINESS DEVELOPMENT

The Group was committed from the beginning to develop the Jian epayment Smart Card System into a large-scale electronic payment system which should be accepted and used throughout China. In 2007, the Company is strengthening 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 china.

In March 2007, the Wuhan Commodity Prices bureau consented to ratification the Traffic IC card deposit rises from RMB8 to RMB20, whose cards have been issued from Wuhan Traffic IC card Management Limited. After a period of operation, the general public are generally expressed their satisfaction with the understanding

In research and development of Meters, The Group with MISCO of South Korea continue the in-depth cooperation on the basis of the joint development agreement. The new IC cards application equipment and systems development work continue to proceed smoothly. This will further enhance the Group's overall competitiveness of the market.

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. Marketing activities has been being conducted in a number of cities.

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 31 March 2007, 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 2007 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	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 2007.

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 2007.

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)</i>	Exercise price per share	Outstanding number of share under option as at 31 March 2007
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 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 three months ended 31 March 2007. 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 28,700,000 options granted by the Company, with details shown in the section of "Share Option Granted" below and 4,000,000 shares which are convertible at an initial conversion price of HK\$2.50 per share under a HK\$10,000,000 convertible note issued by the Company.

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

Save as disclosed above, the Company has no notice of any interest to be recorded under Section 29 of the SDI Ordinance as at 31 March 2007.

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 31 March 2007 which have been granted under the scheme are as follows:

	Options held at 1 January 2007	Options granted during period	Options exercised during period	Options lapsed during period	Options held at 31 March 2007	Exercise Price	Grant Date	Exercisable from	Exercisable until	Exercise Price
Directors	3,700,000	-	-	-	3,700,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Employees	8,800,000	-	-	-	8,800,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants, suppliers or customers	13,200,000	-	-	-	13,200,000	HK\$2.35	31 May 2002	31 May 2002	31 May 2007	HK\$2.35
Consultants suppliers or customers	3,000,000	-	-	-	3,000,000	HK\$2.03	16 August 2002	16 August 2002	16 August 2007	HK\$2.025
	<u>28,700,000</u>				<u>28,700,000</u>					

None of the above options were exercised or cancelled during the three months ended 31 March 2007.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, 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 28,700,000 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 2007, 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 2007 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 2007

As at the date hereof, the Board comprises three executive directors, being Chin Ying Hoi, Yang Guo Wei and Li Sui Yang.