

Third 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

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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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 gazetted 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.

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This report, for which the directors (the “Directors”) of Jian ePayment Systems Limit (the “Company”) collectively and individually accept full responsibility includes particular 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 nine months ended 30 September 2007 was approximately RMB10,743,000 which represent an increase of approximate 25.6% as compared to that of corresponding period in 2006
- Loss attributable to shareholders amounted to approximately RMB4,995,000 for the nine months ended 30 September 2007.
- Basic loss per share amounted to RMB0.006 for the nine months ended 30 September 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 (the "Group") for the nine months and three months ended 30 September 2007 and the comparative figures for the corresponding period in 2006.

	Notes	For the three months Ended 30 September		For the nine months Ended 30 September	
		2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Turnover	3	4,400	2,511	10,743	8,554
Cost of sales		(1,518)	(748)	(3,652)	(2,855)
Gross profit		2,882	1,763	7,091	5,699
Other revenue		829	1,674	3,200	3,575
Distribution cost		(4,855)	(164)	(5,404)	(292)
Administrative expense		(724)	(4,308)	(9,345)	(8,921)
(Loss)/profit before taxation		(1,868)	(1,035)	(4,458)	61
Financial Cost		(88)	(17)	(1,119)	(255)
(Loss)/profit before Taxation		(1,956)	(1,052)	(5,577)	(194)
Taxation	4	-	-	-	(147)
(Loss)/profit for the period		(1,956)	(1,052)	(5,577)	(341)
Attributable to					
- Shareholders of the Company		(1,974)	(1,039)	(4,995)	328
- Minority interest		18	(13)	(582)	(13)
		(1,956)	(1,052)	(5,577)	(341)
(Loss)/Earnings per share		RMB	RMB	RMB	RMB
- Basic	5	(0.002)	0.003	(0.006)	(0.001)
- Diluted	5	N/A	N/A	N/A	N/A

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.

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited financial statements have been prepared in accordance with 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 2006.

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 sales of goods to customers, revenue from transaction levies, rental income from smart cards issued and advertising income as follows :-.

Turnover consisted of:

	Three months ended		Nine months ended	
	30 September 2007	2006	30 September 2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of hardware and software	1,777	569	2,902	5,691
Transaction levies	1,566	1,942	5,530	2,863
Rental income from smart cards issued	696	0	1,663	0
Advertising income	361	0	648	0
	4,400	2,511	10,743	8,554

4. TAXATION

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

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been provided for as the Group has no assessable profit arising in or derived from those jurisdictions for the nine months ended 30 September 2007 (2006: Nil).

There was no significant unprovided deferred taxation for the nine months ended 30 September 2007 (2006: Nil).

5. LOSS PER SHARE

The calculation of loss per share for the nine months and three months ended 30 September 2007 are based on the loss attributable to shareholders of approximately RMB4,995,000 and based on the loss attributable to shareholders of approximately RMB1,974,000 respectively (nine months and three months ended 30 September 2006: loss and profit attributable to shareholders of approximately RMB328,000 and approximately RMB1,039,000 respectively) and the number of 895,000,000 shares (2006: 400,000,000 shares) deemed to be in issue during the period.

No diluted loss per share is presented for the nine months ended 30 September 2007 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 period.

6. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2007 (2006: Nil)

7. RESERVES

RMB'000

	Share Premium	Capital Reserve	General reserve fund	Enterprise expansion fund	Accumulated losses	Total	Minority Interest	Total
Balance at 1 January 2006	1,476	6,304	2,870	1,435	(41,507)	(29,422)	-	(29,422)
Acquisition of a subsidiary	0	0	0	0	0	0	1,921	1,921
Loss Attribute to Shareholders	0	0	0	0	(328)	(328)	(13)	(341)
Balance at 30 September 2006	<u>1,476</u>	<u>6,304</u>	<u>2,875</u>	<u>1,435</u>	<u>(41,835)</u>	<u>(29,750)</u>	<u>1,908</u>	<u>(27,842)</u>
Balance at 1 January 2007	1,476	6,304	2,870	1,435	(62,984)	(50,899)	6,639	(44,260)
Share issuing premium	24,029	0	0	0	0	24,029	0	24,029
Loss for the year	0	0	0	0	(4,995)	(4,995)	(582)	(5,577)
Balance at 30 September 2007	<u>25,505</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(67,979)</u>	<u>(31,865)</u>	<u>6,057</u>	<u>(25,808)</u>

FINANCIAL REVIEW

The group's turnover for the nine months ended 30 September 2007 amounted to approximately RMB10,743,000 which represented an increase of approximate 25.6 % as compared to that of the corresponding period in 2006. Sale of hardware and software amounted to RMB2, 903,000 which represented a decrease of approximate 49% as compared to that of corresponding period in 2006, this is due to the parking card reader for those cities which increased its parking space and using parking meter system that ordered from company, has all completed in 2006; Transaction levies amounted to approximately RMB5, 530,000 which has increased 93% when compared with that of last year. The main cause of that is the Acquisition of Wuhan Traffic IC Card brought transaction levies and other new incomes sources, which are RMB1, 663,000 from Rental income from smart cards issued and RMB648, 000 from Transaction levies.

As end to the 30 September 2007, the gross profit of the Group is RMB7,091,000 which present an increase of 24% when compared with that of the same period last year, and the gross profit ratio is 66% which maintain the same level as that of 2006. The net loss is RMB4,995,000 as end to the 30 September 2007 which has increased when compared with that of last year, it is due to the payable RMB1,100,000 of interest of loan from substantial Shareholders and Agent service fee RMB2,600,000 during the process of company resumption. Besides that, after the acquisition of Wuhan Traffic IC card, there are also some cost from company market expansion and other sales marketing activities.

BUSINESS DEVELOPMENT

The Group has been committed to developing the Jian e-payment smart card system into a large-scale electronic payment system accepted and used throughout China, In 2007, the company strengthen the technology research and development, sale of hardware and software, marketing and operation function and will continue to focus on the promotion of "one card multiple uses" system in different cities of China

When the Wuhan Traffic IC put great efforts on increasing the card swipe rate and transaction levies, it also continue to promote the "One Card Multiple Uses" in many areas, such as retail business, Supermarket, Taxi and Campus, the application of IC card in retail business has reached to more than 300 shops in Wuhan City; the "One Card Passing Different Cities" has been set up in Traffic IC Card of Daye City and Xian tao City which contributed to group's experience for further development in different cities.

In research and development of Meters, the Group with MISCO of South Korea continues 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.

With the sustained effort of Company management and hard support from each shareholder and creditor of company, the Group has completed the Shareholding Restructuring and Loan Capitalization and placed 4,950,000,000 new Shares during the time June to August 2007, in August 2, 2007, the Company resumed its shares trade on the HK GEM, it ensured brilliant future for the sustainable development of the company.

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 Group believe Jian Smart Card will ultimately create good economic results and social effect for the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

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.

As end to the 16 August 2007, all the sold but never exercised option in 31 May 2005 and 16 August 2002, are cancelled and lapsed automatically in light of the Agreement.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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	Name of shares held	Percentage of shareholding
Union Perfect International Limited	386,800,000	43.22%
Chief Financial Limited	30,000,000	3.35%
Oriental Patron Asia Limited	28,200,000	3.15%
Mr. Meng	137,000,000	15.31%
Public Shareholders		
Other Placer	213,000,000	23.80%
Other Public Shareholders	100,000,000	11.17%
Total	<u>895,000,000</u>	<u>100.00%</u>

Aggregate short position in underlying shares

Unlisted physically settled equity derivatives

These shares in short position are represented by 3,000,000 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. With the Loan Capitalization Agreement and its Supplemental Agreement signed by the Company and Chief Financial Limited (the "CF") in 7 March 2007 and 6 June 2007, has been fully fulfilled in 26 July 2007, so the above 4,000,000 Shares are lapsed.

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 nine months ended 30 September 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 six months ended 30 June 2007 have been reviewed by the audit committee.

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

Wuhan, the PRC, 13 November 2007

As at the date hereof, the Board comprises four executive directors, being Chin Ying Hoi, Yang Guo Wei and Li Sui Yang and Fok Ho Yin Thomas; two non-executive directors, being Chow Pok Yu Augustine and Hu Hai Yuan; three independent non-executives directors, being Qu Xiao Guo, Zhang Xiao Jing and Tung Fong.