



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



*First
Quarterly* **2008**
Report

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

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This report, for which the directors (the “Directors”) of Jian ePayment Systems Limited (the “Company”) collectively and individually accept 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 three months ended 31 March 2008 was approximately RMB2,378,000 (2007: RMB3,518,000) which represented a decrease of approximately 32% as compared to that of the corresponding period in 2007.
- Loss attributable to shareholders amounted to approximately RMB5,148,000 for the three months ended 31 March 2008.
- Loss per share amounted to RMB0.006 for the three months ended 31 March 2008.

UNAUDITED CONSOLIDATED RESULTS

The Board of Directors (the "Board") of Jian ePayment Systems Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2008 respectively with comparative figures of the same periods in 2007.

		For the three months ended 31 March	
		2008	2007
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Turnover	3	2,378	3,518
Cost of sales		641	1,464
		<hr/>	<hr/>
Gross profit		1,737	2,054
Other revenue		931	682
Distribution expenses		(93)	(172)
General and administrative expenses		(7,609)	(4,931)
		<hr/>	<hr/>
Loss from operations		(5,034)	(2,367)
Finance costs		(183)	(545)
		<hr/>	<hr/>
Loss before taxation		(5,217)	(2,912)
Taxation	4	-	-
		<hr/>	<hr/>
Loss for the period		(5,217)	(2,912)
		<hr/>	<hr/>
Loss attributable to:			
– Shareholders of the Company		(5,148)	(2,528)
– Minority interests		(69)	(384)
		<hr/>	<hr/>
		5,217	2,912
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
– Basic	5	(0.006)	(0.006)
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

1. GROUP'S OPERATION AND 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 IC and smart cards back end electronic receipt/payment and data recording and processing software system ("Jian ePayment System") and manufacturing and distribution of the associated commercial applications in the PRC.

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the GEM Listing Rules.

The unaudited consolidated results have been prepared under the historical cost convention.

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 31 December 2007.

3. TURNOVER

The Group's turnover which represents sales of goods to customers, revenue from transaction levies, rental income from smart cards issued and advertising income are as follows:

	Three months ended	
	31 March	
	2008	2007
	RMB'000	RMB'000
Sales of hardware and software	—	1,012
Transaction levies	1,582	2,506
Rental income from smart cards issued	755	—
Advertising income	41	—
	<hr/> 2,378 <hr/>	<hr/> 3,518 <hr/>

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 three months ended 31 March 2008 (2007: Nil).

There was no significant unprovided deferred taxation for the three months ended 31 March 2008 (2007: Nil).

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprise at 25%. The new tax law is effective from 1 January 2008. Hong Kong profits tax has been provided at the rate of 17.5%.

5. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the period attributable to equity holders of the Company of approximately RMB5,148,000 (2007: approximately RMB2,528,000) and the number of ordinary shares of 895,000,000 (2007: 400,000,000) in issue during the period.

Diluted loss per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 March 2008.

6. DIVIDEND

No dividend had been declared by the Board of the Directors for the three months ended 31 March 2008 (2007: Nil).

7. MOVEMENTS OF RESERVES

	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Consolidated (unaudited)								
Balances as at 1 January 2008	24,486	6,307	2,870	1,435	(73,043)	(37,945)	4,916	(33,029)
Loss attributed to shareholders	-	-	-	-	(5,148)	(5,148)	(69)	(5,217)
	<u>24,486</u>	<u>6,307</u>	<u>2,870</u>	<u>1,435</u>	<u>(78,191)</u>	<u>(43,093)</u>	<u>4,847</u>	<u>(38,246)</u>
Balances as at 31 March 2008	<u>24,486</u>	<u>6,307</u>	<u>2,870</u>	<u>1,435</u>	<u>(78,191)</u>	<u>(43,093)</u>	<u>4,847</u>	<u>(38,246)</u>
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)
	<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 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>

FINANCIAL REVIEW

For the three months ended 31 March 2008, the Group recorded a turnover of approximately RMB2,378,000, representing a 32% decrease compared to last period. Loss attributable to shareholders for the period was approximately RMB5,148,000, mainly attributed by the decrease in sales of hardware and software of approximately RMB1,000,000, depreciation of approximately RMB641,000 and the research and development of approximately RMB666,000.

BUSINESS OPERATION

On 21 January 2008, the Wuhan City Transportation Committee (武漢市交通委員會) of the PRC government issued its consent to the making of the application by Hubei "E-Tong-Ka" System Company Limited (湖北鄂通卡系統有限公司) (the "Hubei ETK") to the Ministry of Construction of the PRC as a provincial-level testing centre for developing the Hubei Provincial "One-card-multiple-uses" (一卡多用) IC card system.

On 12 March 2008, Hubei ETK entered into the Technology Management Agreement with the Application Service Centre of Ministry of Construction of the PRC Government. Pursuant to the Technology Management Agreement, Hubei “E-Tong-Ka” System Company Limited commissioned the Application Service Centre to provide technology management services for the purpose of upgrading the Hubei “E-Tong-Ka” system (湖北鄂通卡系統) in order to commence the establishment of the Hubei Province IC Card Project (湖北省一卡通工程). The Board believes that, as a result, “E-Tong-Ka” will become an IC card which is commonly owned and widely used by the people in the Hubei Province.

The Hubei IC Card Project (湖北省一卡通工程) has already been approved by Wuhan City Transportation Committee (武漢市交委) and Construction Department of Hubei Province (湖北省建設廳) and obtained the consent of Ministry of Construction of the PRC (中國建設部) for commissioning the Application Service Centre to provide technology management services.

The Application Service Centre is established by the Ministry of Construction of the PRC government for the development of the IC cards applications, management and technologies in the PRC. It is headed by State Golden Card Office (國家金卡辦) and Ministry of Construction of the PRC (中國建設部) and has established the standards for IC card technologies and quality controls and the related five-year development plan. The Board trusts that Hubei “E-Tong-Ka” system will have a demonstrative effect and be regarded as a national testing centre in the PRC for future IC card business development. The Board also believes that such development will be in the interest of the Company and its shareholders as a whole.

The Group plans to increase its capital investment in the development of “E-Tong-Ka” applications. Leveraging on its existing IC card applications and clearing system on public transportation, the Group will further expand and promote the One-Card-Multiple-Use (一卡通多用) and Common Acceptance in Different Cities (異城通用) in the whole Hubei Province. It is expected that “E-Tong-Ka” will become an IC card which is commonly owned and widely used by the people in the whole Hubei Province. Moreover, Hubei ETK will continue its commitment to further develop the Hubei “E-Tong-Ka” system into a large-scale electronic payment system generally accepted and used throughout the PRC.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company had not purchase, sell or redeem any of the Company’s listed securities during the three months ended 31 March 2008.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2008, the interest of the Directors and the chief executive 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 Rules 5.40 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Aggregate long positions in shares

Director	Personal interests	Corporate interests	Number of ordinary shares	
			Total number of Shares held	Percentage of issued share capital
Mr. Chin Ying Hoi (<i>Note 1</i>)	100,000,000	286,800,000	386,800,000	43.22%

Note 1: These shares were held through Union Perfect International Limited, which is beneficially owned as to 100% by Mr. Chin Ying Hoi. As at 31 March 2008, none of the Directors held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated companies.

SUBSTANTIAL SHAREHOLDER OF THE COMPANY

As at 31 March 2008, the following substantial shareholder and person (other than a director or chief executive of the Company) who have interests in the shares of the Company 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
Chin Ying Hoi	100,000,000	11.17%
Union Perfect International Limited (<i>Note1</i>)	286,800,000	32.05%
Mr. Meng Kin Keung	137,000,000	15.31%

Note 1: Union Perfect International Limited is beneficially owned as to 100% by Mr. Chin Ying Hoi.

As at 31 March 2008, none of the above-listed substantial shareholders held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

SHARE OPTIONS

On 13 March 2008, the share option scheme adopted by the Company on 19 November 2001 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted during the life of the Old Scheme will continue to be exercisable in accordance with their terms of issue and the provisions of Chapter 23 of the GEM Listing Rules. The purpose of the New Scheme is to reward persons who have contributed to the Group and/or provide an incentive to them to contribute to the Group.

Pursuant to the New Scheme, the Company may grant options to the participants of the New Scheme to subscribe for shares of the Company. The participants include any employees (whether full-time or part-time and including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board or a duly authorised committee thereof, have contributed to the Group. Unless otherwise terminated or amended, the New Scheme will remain valid and effective for a period of 10 years commencing on 13 March 2008.

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 New Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of all options granted and to be granted to each participant or grantee (as the case may be) including both exercised and outstanding options in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant.

Any option granted under the New 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, but the board of directors of the Company may impose restrictions on the exercise of options including a minimum period for which all or part of an option may be exercised and/or a minimum period of which all or part of an option shall be held before it can be exercised.

The subscription price will be determined by the Board and will not be less than the highest of the closing price of the shares quoted on the GEM on the date on which the option is granted, the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date on which the option is granted, and the nominal value of the shares on grant date.

As end to the 16 August 2007, all the granted but never exercised options of the Group on 31 May 2002 and 16 August 2002 under the Scheme are lapsed and cancelled automatically according to the Old Scheme.

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the three months ended 31 March 2008.

BOARD PRACTICE AND PROCEDURES

The Company has complied with GEM Listing Rules concerning board practices and procedures during the three months ended 31 March 2008.

CORPORATE GOVERNANCE

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2008.

(1) Board Composition and Board Practices

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total of nine Directors, comprising four Executive Directors, two Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise as required by the GEM Listing Rules.

The positions of the Chairman of the Board ("Chairman") and the Chief Executive Officer are held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group's business. All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to regular Board meetings, the Chairman has meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors at least once every year.

