



# 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



*Interim  
Report*

**2008**

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate.**

**Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This report, for which the directors (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 2008 was approximately RMB5,218,000
- Loss attributable to equity holders amounted to approximately RMB8,175,000 for the six months ended 30 June 2008
- Loss per share amounted to RMB0.009 for the six months ended 30 June 2008

## 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 six months ended 30 June 2008 with the comparative figures for the corresponding period in 2007.

		For the six months ended 30 June		For the three months ended 30 June	
	Notes	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
<b>Turnover</b>	3	<b>5,128</b>	6,343	<b>2,840</b>	2,825
Cost of sales and services rendered		<b>(643)</b>	(2,134)	<b>(92)</b>	(670)
Gross profit		<b>4,485</b>	4,209	<b>2,748</b>	2,155
Other revenue	4	<b>605</b>	2,371	<b>-</b>	1,689
Distribution costs		<b>(340)</b>	(549)	<b>(247)</b>	(377)
Administrative expenses		<b>(12,982)</b>	(8,621)	<b>(5,699)</b>	(3,690)
Loss from operations		<b>(8,232)</b>	(2,590)	<b>(3,198)</b>	(223)
Finance costs		<b>(222)</b>	(1,031)	<b>(39)</b>	(486)
<b>Loss before tax</b>		<b>(8,454)</b>	(3,621)	<b>(3,237)</b>	(709)
Taxation	6	<b>-</b>	-	<b>-</b>	-
<b>Loss for the period</b>		<b>(8,454)</b>	(3,621)	<b>(3,237)</b>	(709)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(8,175)</b>	(3,021)	<b>(3,027)</b>	(493)
Minority interests		<b>(279)</b>	(600)	<b>(210)</b>	(216)
		<b>(8,454)</b>	(3,621)	<b>(3,237)</b>	(709)
		<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>Loss per share</b>					
Basic	7	<b>(0.009)</b>	(0.008)	<b>(0.003)</b>	(0.001)
Diluted	7	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>As at 30 June 2008 RMB'000 (Unaudited)</b>	As at 31 December 2007 RMB'000 (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Fixed assets	9	<b>10,153</b>	10,819
Deposit paid for acquisition of property, plant and equipment		<b>4,098</b>	4,098
		<b>14,251</b>	14,917
<b>Current assets</b>			
Inventories		<b>2,708</b>	1,687
Trade and other receivables	10	<b>33,448</b>	26,006
Due from a related company		<b>20</b>	20
Due from a director		<b>–</b>	61
Bank and cash balances		<b>26,521</b>	40,451
		<b>62,697</b>	68,225
<b>Current liabilities</b>			
Trade and other payables	11	<b>67,717</b>	66,037
Due to a director		<b>134</b>	80
Due to a related company		<b>–</b>	10
Deposit from customers		<b>5,211</b>	4,809
Provision for taxation		<b>133</b>	–
		<b>73,195</b>	70,936
<b>Net current liabilities</b>		<b>(10,498)</b>	(2,711)
<b>Net assets</b>		<b>3,753</b>	12,206
<b>Capital and reserves</b>			
Share capital		<b>45,237</b>	45,237
Reserves	12	<b>(46,121)</b>	(37,947)
Equity attributable to equity holders of the Company		<b>(884)</b>	7,290
Minority Interests		<b>4,637</b>	4,916
<b>Total Equity</b>		<b>3,753</b>	12,206

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share premium RMB'000	Capital reserves RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Accumulated losses RMB'000	Total RMB'000	Minority Interests RMB'000	Total equity RMB'000
Consolidated (unaudited)								
Balance as at								
1 January 2007	1,476	6,304	2,870	1,435	(62,984)	(50,899)	6,639	(44,260)
Loss attributed to equity holders	-	-	-	-	(3,021)	(3,021)	(600)	(3,621)
30 June 2007	<u>1,476</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(66,005)</u>	<u>(53,920)</u>	<u>6,039</u>	<u>(47,881)</u>
Balance as at								
1 January 2008	24,488	6,304	2,870	1,435	(73,043)	(37,946)	4,916	(33,030)
Loss attributed to equity holders	-	-	-	-	(8,175)	(8,175)	(279)	(8,454)
30 June 2008	<u>24,488</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(81,218)</u>	<u>(46,121)</u>	<u>4,637</u>	<u>(41,484)</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	<b>(12,941)</b>	1,253
Net cash (used in) investing activities	<b>(989)</b>	(3,699)
Net decrease in cash and cash equivalents	<b>(13,930)</b>	(2,446)
Cash and cash equivalents, at 1 January	<b>40,451</b>	41,803
Cash and cash equivalents at 30 June	<b>26,521</b>	39,357

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 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 financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules.

The unaudited consolidated financial statements are prepared on 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 as follows:

	Six months ended 30 June		Three months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Sales of hardware and software	326	1,125	326	113
Transaction levies	3,230	3,964	1,648	2,053
Rental income from smart card issued	1,550	967	795	476
Advertising income	112	287	71	183
	<b>5,218</b>	6,343	<b>2,840</b>	2,825

**4. OTHER REVENUE**

Other revenue includes profit on sales of Jian e-payment smart cards, service income, interest income and other revenues.

## 5. 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 2008 (2007: Nil).

There was no significant unprovided deferred taxation for the six months ended 30 June 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 rates 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%.

## 6. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2008 is based on the loss attributable to equity holders of approximately RMB8,175,000 (for the six months ended 30 June 2007: loss attributable to equity holders RMB3,021,000) and on 895,000,000 (2007: 400,000,000) ordinary shares in issue during the period.

### Diluted loss per share

No diluted earnings per share for the six months ended 30 June 2008 and 2007 is presented during the period.

## 7. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30 June 2008 (2007: Nil).

## 8. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties, which the Board considered were conducted in the normal course of business:

	<b>Six months ended 30 June</b>	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of hardware and software, transaction levies and sales of Jian Smart Card		
Shanghai Bai Yu Lan Intelligent Transportation System Management Co. Ltd.	-	462
Beijing Huapu Roadside Parking Facilities Construction and Management Co., Ltd.	-	57
	-	57
	-	519

**9. FIXED ASSETS**

	<b>Leasehold improvements</b>	<b>Machineries</b>	<b>Office equipments</b>	<b>Motor vehicles</b>	<b>Computer equipments</b>	<b>Smart cards</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Cost</b>							
As at 1 January 2007	484	33,326	1,103	844	852	4,106	40,715
Additions	63	2,243	280	415	529	1,116	4,646
Disposal/written off	(3)	(1,888)	(406)	-	(25)	(544)	(2,866)
As at 31 December 2007 and 1 January 2008	544	33,681	977	1,259	1,356	4,678	42,495
Additions/Disposal	-	61	79	(51)	206	694	989
As at 30 June 2008	544	33,742	1,056	1,208	1,562	5,372	43,484
<b>Accumulated depreciation and impairment</b>							
As at 1 January 2007	111	28,311	478	70	118	795	29,883
Charge for the year	93	1,962	188	228	355	1,773	4,599
Disposal/written off	(3)	(1,870)	(369)	-	(20)	(544)	(2,806)
As at 31 December 2007 and 1 January 2008	201	28,403	297	298	453	2,024	31,676
Charge for the period	45	661	90	20	116	785	1,717
Disposal/written off	-	-	-	(62)	-	-	(62)
As at 30 June 2008	246	29,064	387	257	569	2,809	33,331
<b>Net book value</b>							
As at 30 June 2008	<u>298</u>	<u>4,678</u>	<u>669</u>	<u>951</u>	<u>993</u>	<u>2,563</u>	<u>10,153</u>
As at 31 December 2007	<u>343</u>	<u>5,278</u>	<u>680</u>	<u>961</u>	<u>903</u>	<u>2,654</u>	<u>10,819</u>

**10. TRADE AND OTHER RECEIVABLES**

	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Trade receivables	6,047	3,777
Trade deposits	14,391	14,391
Prepayment and other deposits	7,451	1,932
Other receivables	5,559	5,906
	<u>33,448</u>	<u>26,006</u>



(a) The aging analysis of trade receivables, based on the invoice date, is as follows:

	<b>As at 30 June 2008 RMB'000 (Unaudited)</b>	As at 31 December 2007 RMB'000 (Audited)
0-30 days	4,583	2,321
31-60 days	109	141
61-90 days	97	130
91-120 days	99	132
121-180 days	-	205
181-365 days	160	29
Over 365 days	3,183	3,062
	<hr/>	<hr/>
	8,231	6,020
Allowance for impairment losses	(2,184)	(2,243)
	<hr/>	<hr/>
	<b>6,047</b>	<b>3,777</b>
	<hr/> <hr/>	<hr/> <hr/>

(b) Prepayments and other deposits

	<b>As at 30 June 2008 RMB'000 (Unaudited)</b>	As at 31 December 2007 RMB'000 (Audited)
Enterprises income tax refundable	1,418	1,418
Prepayments to suppliers	5,806	50
Others	227	464
	<hr/>	<hr/>
	<b>7,451</b>	<b>1,932</b>
	<hr/> <hr/>	<hr/> <hr/>

(c) Other receivables

	<b>As at 30 June 2008 RMB'000 (Unaudited)</b>	As at 31 December 2007 RMB'000 (Audited)
Advances to staff	226	207
Temporary receipts by business associates on behalf of the Group	5,183	5,666
Others	150	33
	<hr/>	<hr/>
	<b>5,559</b>	<b>5,906</b>
	<hr/> <hr/>	<hr/> <hr/>

## 11. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2008 RMB'000 (Unaudited)</b>	As at 31 December 2007 RMB'000 (Audited)
Trade payables	4,269	1,539
Other payables	<b>63,448</b>	64,498
	<b>67,717</b>	66,037

- (a) The aging analysis of the trade payables, based on the date of receipt of goods, is as follows:

	<b>As at 30 June 2008 RMB'000 (Unaudited)</b>	As at 31 December 2007 RMB'000 (Audited)
0-30 days	3,050	385
31-60 days	57	64
61-90 days	30	3
181-365 days	21	12
Over 365 days	<b>1,111</b>	1,075
	<b>4,269</b>	1,539

- (b) Other payables

	<b>As at 30 June 2008 RMB'000 (Unaudited)</b>	As at 31 December 2007 RMB'000 (Audited)
Business tax payable	40	131
Interest payable	291	203
VAT payable	-	201
Provision for staff and worker's bonus and welfare fund	817	817
Accruals for operating expenses	3,168	4,284
Salary and welfare payables	229	129
Deposits received from the holders of smart cards	58,172	49,926
Amount due to minority shareholder	134	80
Others	597	8,727
	<b>63,448</b>	64,498

**12. RESERVES**

The amounts of the Group's reserves and the movements therein for the current and the same period of previous year are presented in the Consolidated Statement of Changes in Equity.

**13. SEGMENT REPORTING**

**(a) Primary reporting form – Business Segment**

The Group conducts its business within one business segment – the development and operation of IC and smart cards back end electronic receipt/payment and data recording and processing software systems; and manufacturing and distribution of the associated commercial applications in the PRC.

**(b) Secondary reporting format – geographical segments**

The Group's businesses operate in four main geographical areas:

Southern China  
 Northern China  
 Central China  
 Eastern China

	Revenue		Total Assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Southern China	326	1,429	118	155	25	1
Northern China	–	7	76	1,701	–	–
Central China	5,407	4,446	14,057	70,935	964	3,899
Eastern China	–	462	–	–	–	–
	<b>5,733</b>	<b>6,344</b>	<b>14,251</b>	<b>72,791</b>	<b>989</b>	<b>3,900</b>

## FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group recorded a turnover of approximately RMB5.1 million (2007 : RMB6.3 million), representing a 19% decrease as compared to the corresponding period in 2007. The Group's gross profit for the six months ended 30 June 2008 was approximately RMB4.5 million (2007 : RMB4.2 million), representing an increase of approximately 7% as compared to the corresponding period in 2007. Loss attributable to equity holders for the period was approximately RMB8.2 million (2007 : RMB3.0 million) and loss per share was 0.9 cents (2007 : 0.8 cents).

## REVIEW OF BUSINESS OPERATION

The Company's 60% subsidiary Hubei "E-Tong-Ka" System Company Limited ("Hubei ETK") 湖北鄂通卡系統有限公司 continued its strong promotion and expansion of the One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用) in the Wuhan Cities Ring 1+8 (武漢1+8城市圈). The operating performance of Hubei ETK and Zhengzhou Jian O'Yuan ITS Systems Company Limited ("Zhengzhou Jian O'Yuan") 鄭州華普奧原電子泊車設備有限公司 were briefly summarized as follows:

1. For the 3 months ended 30 June 2008, turnover of transaction levies, rental income from smart cards issued and advertising income remained steady and recorded an increase of approximately 4.2%, 5.3% and 73% respectively as compared to 3 months ended 31 March 2008. Operating expenses amounted to RMB12.9 million. The rise in operating expenses was mainly attributable to the increase in the human resources and marketing expenses in relation to the "One-Card-Multiple-Use" expansion strategy.
2. To accommodate the increasing use of the cards, Hubei ETK had invested approximately RMB6 million to upgrade the existing IC card hardware and software systems which had been used since 1999 (including the 6,300 smart card readers installed on the bus and the other readers used in the ferries, supermarkets, business retail shops and etc.). The system upgrade commenced in 3Q 2007 and completed in June 2008. The upgraded IC card system has been running smoothly and steadily and the testing after completion proved the system transformation successful.
3. On 12 March 2008, Hubei ETK had successfully entered into a Technology Management Agreement with the Application Service Centre of the Ministry of Construction of the PRC Government (建設部IC應用服務中心). Pursuant to the Technology Management Agreement, Hubei ETK commissioned the Application Service Centre to provide technology management services to establish a Hubei "E-Tong-Ka System" (湖北省一卡通工程). Immediately following the signing of the management agreement, Hubei ETK had commenced the tender process for the building of the new E-Tong-Ka IC card system. In April 2008, Hubei ETK received a total of 5 tenders from various system integration providers. In May 2008, four industry experts were invited to carry out the assessment and evaluation of the tenders received. In June 2008, Hubei ETK decided to assign the project to Shanghai HuaTeng Software System Company Limited (上海華騰軟件系統有限

公司)。The investment amount of the new IC card system was estimated to be approximately RMB5-6 million and will commence in 3Q 2008. It is expected to complete by the end of 2008. The development of the new IC cards application equipment and systems will further enhance the Group's overall competitiveness in the market:

- a) It will be able to meet the technological requirements and industry standards as continuously imposed by the Application Service Centre. This strengthens the future cooperation of Hubei ETK with the Ministry for Construction in promoting the national use of the IC card application;
  - b) It will largely increase its current data processing and settlement capacity. The enhanced capability IC card system will provide a more efficient, stable, reliable and accurate platform between IC card holders and merchant customers through Hubei ETK's advanced transaction and settlement new system, thus facilitating the large-scale expansion of the One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用). The enhanced capability IC card system is also able to accommodate various business aspects in city/provincial transportation (bus, mass transit railway, taxi, ferry, highway, carparks), and retailing (supermarkets, department stores, mega-stores, campus, gas, water, electricity, residence security, gambling and etc.). It further provides comprehensive and professional services to merchandise customers including faster account settlement, cross-sector settlement, business data analysis and etc.
4. To accommodate the establishment of the large and new IC card system as stated above and to meet with the future expansion of the IC card application business in Hubei Province, Hubei ETK had purchased a new office premise in May 2008. The new office site is located at the heart of Wuhan City and occupies an area of approximately 1,500 square meters. It provided a permanent site for Hubei ETK to accommodate its large-scale computer terminals and equipment which avoid the potential risk of system breakdown because of frequent office re-location. The cost of the new premise was RMB6.5 million and the new office will commence in use by the end of 2008.
5. Hubei ETK has not only put great efforts on consolidating its investments in existing hardware and software application and fixed assets, it also has placed great effort to increase sales to achieve improvement of business profitability through continually extending cooperation with other commercial fee collection systems among governments and merchant customers:
- a) In retailing front, Hubei ETK had entered into cooperation agreement with Wuhan ZhongBai Group Company Limited (武漢中百集團有限公司) pursuant to which the use of ETK IC cards was further extended to Wuhan Zhongbai Department Store (武漢中心百貨) and Wuhan Zhongbai Mega-Store (武漢中百倉儲超市) respectively. The cooperation was an important break-through as it represented that IC card could be used not only in small amount electronic payment, but also in large amount transaction arena. As a whole, more than 300 supermarkets, 30 mega-stores and 7 department stores operating under Zhongbai Group had joined to the ETK IC card system;

- b) In other business cooperation premises, free-ride passes (including senior-citizen pass, disability pass, soldier pass and etc.) currently operating in Wuhan are required to transform into IC cards in accordance to the directives of Hubei Provincial Government. Upon commencement in June 2008, approximately 1 million IC cards will be issued gradually and the transformation of the various passes into IC cards will increase the sales and income of Hubei ETK;
  - c) Hubei ETK has also signed marketing agreement with XinFengXue Information Technology Company Limited (新風雪信息科技有限公司) for the IC card application in university campus and telecommunication. Other IC card projects include “Wuhan Student Comfort Milk “(武漢學生放心奶工程), automatic vending machines (自動售貨機具) and etc.
6. In the marketing front, Hubei ETK had cooperated with Hubei Television to commission a state-owned media unit, namely Hubei Film Production Company to produce a documentary for corporate branding and business promotion. The documentary was broadcasted in TV channels of Wuhan and Hubei Province. Hubei ETK had also engaged a professional advertising company to design new logo and relevant products for the company.
  7. Turnover for the sales of the electronic car-parking hardware and software remained sluggish and it is expected that the Group will continue to face severe competition and challenges. During the period under review, Zhengzhou Jian O’Yuan continued improving the functionality, durability and reliability of its existing J1000 products. In research and development, JIAN-MISCO electronic parking meter had undergone a comprehensive upgrade in system configuration (including the upgrade in computer main-board, blue-tooth receiver, reader module, protection cover, locks and sealing rubber bands, pillars and etc.) to cater for the specific needs in the domestic market. A total of 30 modified meters were completed during the period and delivered to Guangzhou, Wuhan and Shanghai for testing and sales promotion. The modification reinforces the commercialization of the JIAN-MISCO electronic parking meter in the domestic market.
  8. The Group will continue to promote Jian e-parking smart cards and roadside parking system in various cities of China. By strengthening its research and development capabilities and sales effort, the Group is confident that its newly developed hardware and software products will be widely accepted by national car-parking operators. The Group will adopt new sales and expansion strategy for its hardware and software business by focusing on the merger and acquisition of major car-parking operators. The advantage of the strategy is twofold. Firstly, the Group’s management is experienced in the operation of roadside parking and leveraging on the management expertise, the Group is able to generate stream of income and cash-flow from the car-parking sector. Secondly, through vertical integration expansion strategy, the Group is able to secure a stable and reliable demand for our Group’s hardware and software e-parking products, thus enhancing the operating profitability of Zhengzhou Jian O’Yuan. Marketing activities for the merger and acquisition has been being conducted in a number of cities and hopefully 1-2 acquisition will be materialized by the end of 2008.

## OUTLOOK

The Group has been consistently committed to developing the Jian e-payment smart card system into a large-scale electronic payment system generally accepted and used throughout China. The Group continues to focus on the promotion of One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用) in different cities of China. In the meantime, the application domain continuously expands, a comprehensive development matrix has been formed through (a) increasing the number of cities vertically and (b) 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.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of approximately RMB26,521,000. The current ratio has changed from 0.96 times for 2007 to 0.86 times for the period ended 2008 and the gearing ratio, defined as the ratio of total debt to total assets, has changed from 0.85 for 2007 to 0.95 for the period ended 2008.

## SIGNIFICANT INVESTMENTS

Save for the company's investment in its subsidiaries, the group did not have any significant investment ended 30 June 2008.

## EMPLOYEE INFORMATION

As at 30 June 2008, the company had approximately 64 employees (2007: 58 employees) in the PRC and Hong Kong. They were employed in accordance with their expertise and market condition. All employees were provided with social insurance and provident fund. Staff cost was approximately RMB 4,646,000 for the six months ended 30 June 2008 as compared with that of approximately RMB2,981,302 for the corresponding period of 2007.

## CONTINGENT LIABILITIES

As at 30 June 2008, the group had no significant contingent liabilities.

### Charge of assets

As at 30 June 2008, 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 LISTED SECURITIES OF THE COMPANY

The Company had not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2008.

## DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 June 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	Number of ordinary shares			Percentage of issued share capital
	Personal interests	Corporate interests	Total number of Shares held	
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 30 June 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 30 June 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
Union Perfect International Limited ( <i>Note 1</i> )	286,800,000	32.05%
Mr. Meng Kin Keung	137,000,000	15.31%

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





## **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 six months ended 30 June 2008.

## **BOARD PRACTICE AND PROCEDURES**

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the six months ended 30 June 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 six months ended 30 June 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.

## (2) Audit Committee

An Audit Committee was established with written terms of reference in compliance with the requirements 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 audited consolidated results for the six months ended 30 June 2008 have been reviewed by the audit committee.

## APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank the management and staff for their dedication and commitment throughout the period. Besides, I would like to thank all shareholders, business partners, customers and vendors for their support and encouragement given to the Group in the past period. My thanks are also extended to the lawyers, auditors, consultants and relevant enterprises who always give us help and support.

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

Wuhan, the PRC, 8 August 2008

*As at the date of this report, the executive directors of the Group are Mr. Chin Yin Hoi, Mr. Yang Guo Wei, Mr. Li Sui Yang and Mr. Fok Ho Yin Thomas; the non-executive directors of the Group are Dr. Chow Pok Yu Augustine and Mr. Hu Hai Yuan, Vanessa; and the independent non-executive directors of the Group are Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fongn.*