



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



Third
Quarterly
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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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Jian ePayment Systems 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 2008 was approximately RMB8.6 million (2007: RMB10.7 million) which represented a decrease of approximately 19.5% as compared to the corresponding period in 2007
- Loss attributable to shareholders amounted to approximately RMB10.4 million (2007: RMB5.6 million) for the nine months ended 30 September 2008.
- Loss per share amounted to RMB0.011 for the nine months ended 30 September 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 nine months ended 30 September 2008 with the comparative figures for the corresponding period in 2007.

	Notes	For the three months Ended 30 September		For the nine months Ended 30 September	
		2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Turnover	3	3,422	4,400	8,640	10,743
Cost of sales and services rendered		(967)	(1,518)	(1,700)	(3,652)
Gross profit		2,455	2,882	6,940	7,091
Other revenue		306	829	911	3,200
Distribution costs		(2,066)	(4,855)	(8,008)	(5,404)
Administrative expenses		(2,667)	(724)	(10,048)	(9,345)
Loss from operations		(1,972)	(1,868)	(10,205)	(4,458)
Finance costs		2	(88)	(220)	(1,119)
Loss before taxation		(1,970)	(1,956)	(10,425)	(5,577)
Taxation	4	-	-	-	-
Loss for the period		(1,970)	(1,956)	(10,425)	(5,577)
Loss attributable to					
- Shareholders of the Company		(2,009)	(1,974)	(10,186)	(4,995)
- Minority interests		39	18	(239)	(582)
		(1,970)	(1,956)	(10,425)	(5,577)
Loss per share	5	(0.002)	(0.002)	(0.011)	(0.006)

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 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

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of hardware and software	593	1,777	919	2,902
Transaction levies	1,981	1,566	5,210	5,530
Rental income from smart cards issued	786	696	2,337	1,663
Advertising income	62	361	174	648
	3,422	4,400	8,640	10,743

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 2008 (2007: Nil).

There was no significant unprovided deferred taxation for the nine months ended 30 September 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

The calculation of loss per share attributable to shareholders of the Company is based on the loss for the period attributable to shareholders of the Company of approximately RMB10,186,000 (2007: approximately RMB4,995,000) and the number of ordinary shares of 895,000,000 in issue during the period.

6. DIVIDEND

No dividend had been declared by the Board of the Directors for the nine months ended 30 September 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	24,488	6,304	2,870	1,435	(73,044)	(37,947)	4,916	(33,031)
Loss attributed to shareholders	-	-	-	-	(10,186)	(10,186)	(240)	(10,426)
Balances as at 30 September 2008	<u>24,488</u>	<u>6,304</u>	<u>2,870</u>	<u>1,435</u>	<u>(83,230)</u>	<u>(48,133)</u>	<u>4,676</u>	<u>(43,457)</u>
Balances as 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	-	-	-	-	24,029	-	24,029
Loss attributed to shareholders	-	-	-	-	(4,995)	(4,995)	(582)	(5,577)
Balances as 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

For the nine months ended 30 September 2008, the Group recorded a turnover of approximately RMB8.6 million (2007: RMB10.7 million) which represented a decrease of approximately 19.5% as compared to the corresponding period in 2007. The Group's gross profit for the nine months ended 30 September 2008 was approximately RMB6.9 million (2007: RMB7.1 million), representing a decrease of approximately 2.8% as compared to the corresponding period in 2007. Loss attributable to shareholders for the period was approximately RMB10.4 million (2007: RMB5.6 million) and loss per share was RMB0.011 (2007: RMB0.006).

REVIEW OF BUSINESS OPERATION

The Company's 60% subsidiary Hubei "E-Tong-Ka" System Company Limited ("Hubei ETK") 湖北鄂通卡系统有限公司 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 9 months ended 30 September 2008, turnover of transaction levies remained steady and recorded a decrease of approximately 5.8% as compared to the corresponding in 2007. Turnover of rental income from smart cards issued however surged and recorded an increase of approximately 40.5% as compared to the corresponding period in 2007 due to the strong promotion and expansion of the use of E-Tong-Ka. Operating expenses amounted to RMB18.1 million (2007: RMB14.8 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. As reported in the Group's 2008 interim financial report, Hubei ETK had engaged Shanghai HuaTeng Software System Company Limited (上海華騰軟件系統有限公司) to carry out the development of the new IC cards application equipment and systems. The implementation of the new IC card system has already commenced in 3Q 2008 and is expected to complete by the end of 2008. The upgrade of the system will further enhance the Group's overall competitiveness in the market to meet with the future expansion of the IC card application business:
 - 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.
3. As reported in the Group's 2008 interim financial report, Hubei ETK had purchased a new office premise in May 2008 located at the heart of Wuhan City. The new office occupies an area of approximately 1,500 square meters and had finished internal decoration and structural changes by the end of October 2008. Hubei ETK had relocated its operation and administration to the new office premise on 10 November 2008.
4. Turnover for the sales of the electronic car-parking hardware and software improved in the 3Q 2008 due to reinforced sales promotion and marketing effort. During the period under review, orders were received from car-parking operator in Guangzhou. Zhengzhou Jian O'Yuan will continue to improve and upgrade the functionality, durability and reliability of its existing products. It is expected that the Group will continue to face severe competition and challenges.
5. As reported in the Group's 2008 interim financial report, the Group intends to adopt new sales and expansion strategy by merger and acquisition of major car-parking operators for the development of its existing hardware and software business.

Reference is made to the announcement of the Company dated 5 September 2008 which on 1 September 2008, the purchaser, being a wholly-owned subsidiary of the Company, had entered into an agreement with the vendor pursuant to which the purchaser agreed to acquire 100% Titantic Leap Investments Limited, a company incorporated with limited liability in the British Virgin Islands, at a total consideration of RMB24,000,000 (equivalent to HK\$27,360,000). On 27 October 2008, the purchaser and the vendor further entered into supplemental agreement for amending certain terms.

The principal business of Titanic Leap is investment holding and the only asset and business operation of Titanic Leap will be 59.2% equity interest in Guangzhou Electronic Parking Management Company Limited (廣州電子泊車管理有限公司). Guangzhou Electronic is a PRC company incorporated with limited liability and principally engages in the operation and management of road-side parking spaces in Guangzhou City, Guangdong Province. Guangzhou Electronic operates and manages approximately 3,000 road-side car parking spaces in Guangzhou City and has issued more than 600,000 car parking IC cards. It also has 40% equity interest in 廣州市番禺道建停車經營管理有限公司 (Guangzhou City Panyu Dao Jian Parking Management Company Limited) which is a company incorporated in PRC. The principal activity of Guangzhou Panyu Dao Jian Parking Management Company Limited is the operation and management of road-side parking spaces in Panyu and it currently operates approximately 2,000 car parking spaces in the area.

The consideration of RMB24,000,000 will be satisfied as to (i) RMB3,000,000 in cash to be made by the Purchaser to the Vendor; and (ii) RMB21,000,000 (equivalent to HK\$23,940,000) by the Purchaser procuring the Company to allot and issue 97,714,286 Consideration Shares credited as fully paid in the capital of the Company at the Issue Price to the Vendor (or her nominee). Details of the acquisition was set out in the Company's circular dated 30 October 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.

The Group will also 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 carrying out its merger and acquisition strategy, the Group is confident that its hardware and software products will be widely accepted by national car-parking operators.

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 nine months ended 30 September 2008.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 September 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 September 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 September 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.

As at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 Directors 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 unaudited consolidated results for the nine months ended 30 September 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, 14 November 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; and the independent non-executive directors of the Group are Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fong.