



# Jian ePayment Systems Limited 華普智通系統有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份編號 : 8165



FIRST QUARTERLY REPORT **2009**  
第一季度業績報告

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 2009 was approximately RMB4,065,000 (2008: RMB2,378,000) which represented an increase of approximately 71% as compared to that of the corresponding period in 2008.
- Loss attributable to shareholders amounted to approximately RMB758,000 for the three months ended 31 March 2009.
- Loss per share amounted to RMB0.0005 for the three months ended 31 March 2009.

## 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 2009 respectively with comparative figures of the same periods in 2008.

		<b>For the three months ended 31 March</b>	
	<i>Notes</i>	<b>2009 RMB'000</b>	2008 RMB'000
Turnover	3	<b>4,065</b>	2,378
Cost of sales		<b>467</b>	641
Gross profit		<b>3,598</b>	1,737
Other revenue		<b>291</b>	931
Distribution expenses		<b>(2,540)</b>	(93)
General and administrative expenses		<b>(1,782)</b>	(7,609)
Loss from operations		<b>(433)</b>	(5,034)
Finance costs		<b>(7)</b>	(183)
Loss before taxation		<b>(440)</b>	(5,217)
Taxation	4	-	-
<b>Loss for the period</b>		<b>(440)</b>	(5,217)
Loss attributable to:			
– Shareholders of the Company		<b>(758)</b>	(5,148)
– Minority interests		<b>318</b>	(69)
		<b>(440)</b>	(5,217)
Loss per share			
– Basic	5	<b>(0.0005)</b>	(0.006)

# 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 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 2008.

### 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:

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Sales of hardware and software	<b>204</b>	–
Transaction levies	<b>2,607</b>	1,582
Rental income from smart cards issued	<b>1,109</b>	755
Advertising income	<b>145</b>	41
	<b>4,065</b>	2,378

### 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 2009 (2008: Nil).

There was no significant unprovided deferred taxation for the three months ended 31 March 2009 (2008: 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%. 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 RMB758,000 (2008: approximately RMB5,148,000) and the number of ordinary shares of 895,000,000 (2008: 895,000,000) 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 2009.

## 6. DIVIDEND

No dividend had been declared by the Board of the Directors for the three months ended 31 March 2009 (2008: 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 (unaudited) RMB'000
Balances as at								
1 January 2009	24,486	6,307	2,870	1,435	(92,865)	(57,767)	3,808	(53,959)
Loss attributed to shareholders	-	-	-	-	(758)	(758)	318	(440)
Balances as at								
31 March 2009	24,486	6,307	2,870	1,435	(92,623)	(58,525)	4,126	(54,399)
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)
Balances as at								
31 March 2008	24,486	6,307	2,870	1,435	(78,191)	(43,093)	4,847	(38,246)

## FINANCIAL REVIEW

For the three months ended 31 March 2009, the Group recorded a turnover of approximately RMB4,065,000, representing a 71% increase compared to last period. Loss attributable to shareholders for the period was approximately RMB758,000.

## REVIEW OF OPERATION

### 1. 湖北鄂通卡系統有限公司 (HUBEI "E-TONG-KA" SYSTEM COMPANY LIMITED)

The Company's 60% subsidiary Hubei ETK continued its promotion and expansion of One-Card-Multiple-Use (一卡多用) and Common Acceptance in Different Cities (異城通用) in Wuhan and the surrounding cities. The Hubei ETK's operating results were briefly summarized as follows:–

- 1 Transaction levies amounted to approximately RMB2.6 million (2007: RMB1.6 million), representing 65% increase over the last corresponding period. Over 90% of IC card levies were derived from bus transport.
- 2 Rental income from smart cards issued increased to approximately RMB1.1 million (2007: RMB0.76 million), representing 47% increase over the last corresponding period. Approximately 144,171 (2007: 39,351) traffic IC cards were issued during the period.
- 3 Interest Income amounted to RMB0.1 million (2007: RMB0.16 million), representing a decrease of 38% as compared to the last corresponding period;
- 4 Advertising income amounted to RMB0.15 million (2007: RMB0.04 million), representing an increase of 275% as compared to the last corresponding period;

In January 2009, Hubei ETK received notice from Wuhan Public Bus Transport Group (own 40% shareholding of Hubei ETK), that bus fare would enjoy discount should passengers using IC card for bus fare payment payment. Implementation of the fare discount policy had boosted both the sales and the use of the IC cards. On the other hand, in light of the global financial crisis, the Company had also adopted various policies to constraint the cost of operation. During the period under review, general and administrative expenses decreased 77% compared to the corresponding period of last year.



## 2. SALES OF ELECTRONIC CAR-PARKING HARDWARE AND SOFTWARE

Turnover for the sales of the hardware and software was approximately RMB0.2 million (2007: Nil). During the period under review, Zhengzhou Jian O'Yuan continued improving the functionality, durability and reliability of its existing J1000 products.

## 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 2009.

## DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2009, 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		Total number of Shares held	Percentage of issued share capital
	Personal interests	Corporate interests		
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 2009, 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 2009, 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

<b>Name of Shareholder</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
Chin Ying Hoi	100,000,000	11.17%
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 Limited is beneficially owned as to 100% by Mr. Chin Ying Hoi.

As at 31 March 2009, 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 2009.

## **BOARD PRACTICE AND PROCEDURES**

The Company has complied with GEM Listing Rules concerning board practices and procedures during the three months ended 31 March 2009.

## **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. Except that there was no separation of the roles of the chairman and the chief executive officer, both of the roles are currently undertaken by Mr. Chin Ying Hoi, 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 2009.

## (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 eight Directors, comprising three 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.

Mr. Chin assumes the roles of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Chin leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed to and discussed by the Board.

The Group deviates from Code Provision A.2.1 in the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 15 to the GEM Listing Rules. The roles of chairman and chief executive officer of the Group rests on the same individual without having a clear division of responsibilities. However, the Board is of the view that, such non-compliance does not compromise accountability and independent decision making for the following reasons:

- the three independent non-executive Directors and two non-executive Directors form the majority of the eight-member Board;
- the Audit Committee is composed exclusively of independent non-executive Directors; and

- the independent non-executive Directors could have free and direct access to the Company's external auditors and independent professional advice whenever necessary.

Mr. Chin has considerable experience in the industry. He is dedicated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman, so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and their progress, for the purpose of facilitating open dialogue between the Board and the management.

In order to comply with the CG Code, the Company is now seeking for proper candidate to serve as the chief executive officer of the Company.

Save as disclosed above, for the three months ended 31 March 2009, the Company complied with the code provisions of the CG Code.

## **(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 three months ended 31 March 2009 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*

Hong Kong, 15 May 2009

*As at the date of this report, the executive directors of the Group are Mr. Chin Yin Hoi, 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.*

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