



# 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



INTERIM REPORT 2009  
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## 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 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 2009 was approximately RMB8,987,000
- Loss attributable to equity holders amounted to approximately RMB5,912,000 for the six months ended 30 June 2009
- Loss per share amounted to RMB0.006 for the six months ended 30 June 2009

## 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 2009 with the comparative figures for the corresponding period in 2008.

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
<b>Turnover</b>	3	<b>8,987</b>	5,128	<b>4,922</b>	2,840
Cost of sales and services rendered		<b>(1,159)</b>	(643)	<b>(962)</b>	(92)
Gross profit		<b>7,828</b>	4,485	<b>3,960</b>	2,748
Other revenue	4	<b>537</b>	605	<b>246</b>	–
Distribution costs		<b>(593)</b>	(340)	<b>(323)</b>	(247)
Administrative expenses		<b>(9,268)</b>	(12,982)	<b>(4,946)</b>	(5,699)
Loss from operations		<b>(1,496)</b>	(8,232)	<b>(1,063)</b>	(3,198)
Finance costs		<b>(142)</b>	(222)	<b>(135)</b>	(39)
Equity-settled compensation	9	<b>(4,000)</b>	–	<b>(4,000)</b>	–
Loss before tax		<b>(5,638)</b>	(8,454)	<b>(5,198)</b>	(3,237)
Taxation	6	–	–	–	–
Loss for the period		<b>(5,638)</b>	(8,454)	<b>(5,198)</b>	(3,237)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(5,912)</b>	(8,175)	<b>(5,154)</b>	(3,027)
Minority interests		<b>274</b>	(279)	<b>(44)</b>	(210)
		<b>(5,638)</b>	(8,454)	<b>(5,198)</b>	(3,237)
		<b>RMB</b>	RMB	<b>RMB</b>	RMB
<b>Loss per share</b>					
Basic	7	<b>(0.006)</b>	(0.009)	<b>(0.0057)</b>	(0.003)
Diluted	7	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2009 RMB'000 (Unaudited)	As at 31 December 2008 RMB'000 (Audited)
<b>Non-current assets</b>			
Fixed assets	10	26,420	27,463
Interests in associates		150	–
Prepaid land lease payments		1,451	1,451
		<b>28,021</b>	28,914
<b>Current assets</b>			
Inventories		2,115	1,060
Prepaid land lease payments		43	43
Trade and other receivables	11	22,890	14,080
Bank and cash balances		35,342	35,108
		<b>60,390</b>	50,291
<b>Current liabilities</b>			
Trade and other payables	12	90,862	80,579
Due to a related company		12	10
Deposit from customers		7,004	6,030
Due to Directors		9	424
Other loan	13	885	885
		<b>98,772</b>	87,928
<b>Net current liabilities</b>		<b>(38,382)</b>	(37,637)
<b>Net assets</b>		<b>(10,361)</b>	(8,723)
<b>Capital and reserves</b>			
Share capital		45,237	45,237
Reserves	14	(59,680)	(57,768)
Equity attributable to equity holders of the Company		<b>(14,443)</b>	(12,531)
Minority Interests		4,082	3,808
<b>Total Equity</b>		<b>(10,361)</b>	(8,723)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2009*

	Share premium	Capital reserves	General reserve fund	Enterprise expansion fund	Share option reserves	Accumulated losses	Total	Minority Interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated (unaudited)									
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)
<b>30 June 2008</b>	<b>24,488</b>	<b>6,304</b>	<b>2,870</b>	<b>1,435</b>	<b>-</b>	<b>(81,218)</b>	<b>(46,121)</b>	<b>(4,637)</b>	<b>(41,484)</b>
Balance as at									
1 January 2009	24,488	6,304	2,870	1,435	-	(92,865)	(57,718)	(3,808)	(53,960)
Share-based payments	-	-	-	-	4,000	-	4,000	-	4,000
Loss attributed to equity holders	-	-	-	-	-	(5,912)	(5,912)	274	(5,638)
<b>30 June 2009</b>	<b>24,488</b>	<b>6,304</b>	<b>2,870</b>	<b>1,435</b>	<b>4,000</b>	<b>(98,777)</b>	<b>(59,680)</b>	<b>(4,082)</b>	<b>(55,598)</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2009*

	<b>2009</b> <b>RMB'000</b> <b>(Unaudited)</b>	2008 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	<b>2,710</b>	(12,941)
Net cash (used in) investing activities	<b>(2,477)</b>	(989)
Net decrease in cash and cash equivalents	<b>233</b>	(13,930)
Cash and cash equivalents, at 1 January	<b>35,109</b>	40,451
Cash and cash equivalents at 30 June	<b>35,342</b>	26,521

# 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; 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 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 as follows:

	Six months ended		Three months ended	
	30 June	2008	30 June	2008
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of hardware and software	562	236	358	236
Transaction levies	5,860	3,230	3,253	1,648
Rental income from smart card issued	2,297	1,550	1,188	795
Advertising income	268	112	123	71
	<b>8,987</b>	5,128	<b>4,922</b>	2,750

### 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 2009 (2008: Nil).

There was no significant unprovided deferred taxation for the six months ended 30 June 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 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 2009 is based on the loss attributable to equity holders of approximately RMB5,912,000 (2008: RMB8,175,000) and on 895,000,000 (2008: 895,000,000) ordinary shares in issue during the period.

### **Diluted loss per share**

No diluted earnings per share for the six months ended 30 June 2009 and 2008 is presented during the period.

## **7. DIVIDEND**

The directors do not recommend the payment of any dividend for the six months ended 30 June 2009 (2008: Nil).

## **8. RELATED PARTY TRANSACTIONS**

During the period, there were no transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules.

## **9. SHARE-BASED PAYMENTS**

### **Equity-settled share option scheme**

Pursuant to the share option scheme of the Company adopted on 19 November 2001 (the "Old Scheme"), the Company may grant options to the participants of the Old Scheme to subscribe for shares of the Company. The participants include any employees (including directors) and certain other persons who, in the sole discretion of the board of directors or a duly authorised committee thereof (the "Board"), have contributed to the Group. The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Old Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time. Any option granted under the Old Scheme may be exercised at any time during a period which shall not be more than ten years after the date on which the option is granted. The subscription price will be determined by the Board and will not be less than the highest of (i) the closing price of the shares quoted on the GEM on the grant date, (ii) the average closing price of the shares quoted on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the shares on the date of grant.

On 13 March 2008, 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. On 30 May 2007 and 15 August 2007 all the outstanding options granted under the Old Scheme were lapsed and cancelled automatically according to the Old Scheme.

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 (i) the closing price of the shares quoted on the GEM on the date on which the option is granted, (ii) 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 (iii) nominal value of the shares on grant date.

Details of specific categories of share options are as follows:

### New Scheme

Name or category of participant	Date of grant	Exercise period	Exercise price HK\$
Directors, employees and others	18 May 2009	18 May 2009 to 17 May 2019	0.155
Other eligible persons	18 May 2009	18 May 2009 to 17 May 2019	0.155

Name or category of participant	Number of share options					At 30 June 2009 '000
	At 1 January 2009 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Cancelled during the period '000	
<b>Directors</b>						
Chin Ying Hoi	-	8,000	-	-	-	8,000
Li Sui Yang	-	6,000	-	-	-	6,000
Fok Ho Yin Thomas	-	6,000	-	-	-	6,000
Chow Pok Yu Augustine	-	3,000	-	-	-	3,000
Hu Hai Yuan	-	3,000	-	-	-	3,000
<b>Employees other than directors</b>						
In aggregate	-	8,000	-	-	-	8,000
<b>Other participants</b>						
In aggregate	-	50,000	-	-	-	50,000
	-	84,000	-	-	-	84,000

*Notes:*

- (a) There was no vesting period for the share options granted.
- (b) There were no share options exercised, cancelled or lapsed during the period ended 30 June 2009.
- (c) The above options were granted to each grantee at consideration of HK\$1 each.
- (d) The fair values of share options granted under the Scheme and measured at the date of grant were approximately RMB4,000,000. The following significant assumptions were used to derive the fair values, using the Binomial option pricing model:

<b>Date of grant</b>	<b>18 May 2009</b>
Expected volatility	64%
Expected life (in years)	10
Risk-free interest rate	2.2%
Expected dividend yield	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

In total, RMB4,000,000 of employee compensation expense has been included in the consolidated income statement for the period ended 30 June 2009, the corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to these share-based payment transactions.

## 10. FIXED ASSETS

	Leasehold		Machineries	Office equipments	Motor vehicles	Computer equipments	Smart cards	Construction in progress	Total
	Buildings improvements	improvements							
	RMB'000 (Unaudited)	RMB'000 (Unaudited)							
<b>Cost</b>									
As at 1 January 2008	-	544	33,681	977	1,259	1,356	4,678	-	42,495
Additions	5,100	-	11,215	125	362	438	1,626	3,629	22,495
Disposal/written off	-	(412)	(79)	(63)	(414)	(6)	(2,446)	-	(3,420)
As at 31 December 2008 and 1 January 2009	5,100	132	44,817	1,039	1,207	1,788	3,858	3,629	61,570
Additions/Disposal	-	211	174	(92)	-	55	1,927	-	2,275
<b>As at 30 June 2009</b>	<b>5,100</b>	<b>343</b>	<b>44,991</b>	<b>947</b>	<b>1,207</b>	<b>1,843</b>	<b>5,785</b>	<b>3,629</b>	<b>63,845</b>
<b>Accumulated depreciation and impairment</b>									
As at 1 January 2008	-	201	28,403	297	298	453	2,024	-	29,883
Charge for the year	141	90	3,021	184	332	334	1,506	-	5,608
Disposal/written off	-	(184)	(77)	(55)	(414)	(1)	(2,446)	-	(3,177)
As at 31 December 2008 and 1 January 2009	141	107	31,347	426	216	786	1,084	-	34,107
Charge for the period	-	218	1,936	105	126	195	801	-	3,381
Disposal/written off	-	-	(3)	(35)	-	(14)	(11)	-	(63)
<b>As at 30 June 2009</b>	<b>141</b>	<b>325</b>	<b>33,280</b>	<b>496</b>	<b>342</b>	<b>967</b>	<b>1,874</b>	<b>-</b>	<b>37,425</b>
<b>Net book value</b>									
<b>As at 30 June 2009</b>	<b>4,959</b>	<b>18</b>	<b>11,711</b>	<b>451</b>	<b>865</b>	<b>876</b>	<b>3,911</b>	<b>3,629</b>	<b>26,420</b>
As at 31 December 2008	4,959	25	13,470	613	991	1,002	2,774	3,629	27,463

## 11. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2009 RMB'000 (Unaudited)</b>	As at 31 December 2008 RMB'000 (Audited)
Trade receivables	<b>1,307</b>	284
Trade deposits	<b>2,391</b>	2,391
Prepayment and other deposits	<b>6,532</b>	306
Other receivables	<b>12,660</b>	11,099
	<b>22,890</b>	14,080

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

	<b>As at 30 June 2009 RMB'000 (Unaudited)</b>	As at 31 December 2008 RMB'000 (Audited)
0-30 days	–	–
31-60 days	<b>25</b>	–
61-90 days	<b>65</b>	–
91-120 days	–	1
121-180 days	–	47
181-365 days	–	–
Over 365 days	<b>4,884</b>	3,903
	<b>4,974</b>	3,951
Allowance for impairment losses	<b>(3,667)</b>	(3,667)
	<b>1,307</b>	284

**(b) Prepayments and other deposits**

	<b>As at 30 June 2009 RMB'000 (Unaudited)</b>	As at 31 December 2008 RMB'000 (Audited)
Enterprises income tax refundable	–	–
Prepayments to suppliers	<b>3,260</b>	157
Others	<b>3,272</b>	149
	<b>6,532</b>	306

**(c) Other receivables**

	<b>As at 30 June 2009 RMB'000 (Unaudited)</b>	As at 31 December 2008 RMB'000 (Audited)
Advances to staff	<b>64</b>	66
Temporary receipts by business associates on behalf of the Group	<b>12,596</b>	11,020
Others	–	13
	<b>12,660</b>	11,099

**12. TRADE AND OTHER PAYABLES**

	<b>As at 30 June 2009 RMB'000 (Unaudited)</b>	As at 31 December 2008 RMB'000 (Audited)
Trade payables	<b>5,483</b>	1,121
Other payables	<b>85,342</b>	79,458
	<b>90,825</b>	80,579



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

	<b>As at 30 June 2009 RMB'000 (Unaudited)</b>	As at 31 December 2008 RMB'000 (Audited)
0-30 days	<b>4,373</b>	–
31-60 days	–	–
61-90 days	–	9
91-180 days	–	2
181-365 days	–	21
Over 365 days	<b>1,110</b>	1,089
	<b>5,483</b>	1,121

**(b) Other payables**

	<b>As at 30 June 2009 RMB'000 (Unaudited)</b>	As at 31 December 2008 RMB'000 (Audited)
Business tax payable	–	122
Interest payable	<b>291</b>	241
VAT payable	–	5
Provision for staff and worker's bonus and welfare fund	<b>974</b>	817
Accruals for operating expenses	<b>229</b>	3,950
Salary and welfare payables	<b>64</b>	625
Deposits received from the holders of smart cards	<b>78,393</b>	59,587
Amount due to minority shareholder	<b>100</b>	101
Others	<b>5,291</b>	14,010
	<b>85,342</b>	79,458

### 13. OTHER LOAN

The carrying amount of the Group's other loan for the period ended 30 June 2009 is denominated in Hong Kong dollars. The other loan is unsecured.

The other loan is arranged at fixed interest rate and expose the Group to fair value interest rate risk. The effective interest rate of the other loan for the period ended 30 June 2009 is 11.9% per annum.

On 20 February 2009, the Group and the lender entered into a supplemental agreement pursuant to which the repayment date of the loan was extended to 21 February 2010.

### 14. 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.

### 15. 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	
	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Southern China	667	326	220	118	23	25
Northern China	15	7	70	76	-	-
Central China	8,832	5,407	88,121	76,754	2,252	964
Eastern China	-	-	-	-	-	-
	<b>9,524</b>	5,733	<b>88,411</b>	76,948	<b>2,275</b>	989

## FINANCIAL REVIEW

For the 6 months ended 30 June 2009, the Group recorded turnover of approximately of RMB8.9 million (2008: RMB5.1 million), representing approximately increase of 75% as compared to the corresponding period in 2008. Loss attributable to shareholders for the period amounted to RMB5.9 million (2008: RMB8.1 million).

## REVIEW OF OPERATION

### A. 湖北鄂通卡系統有限公司 (Hubei “E-Tong -Ka” System Company Limited)

The Hubei ETK’s operating results for the period were briefly summarized as follows:–

1. Transaction levies amounted to approximately RMB5.8 million (2008: RMB3.2 million), representing 81% 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 RMB2.3 million (2008: RMB1.6 million), representing 44% increase over the last corresponding period. Approximately 260,000 traffic IC cards (2008: 90,000 cards) were issued during the period;
3. Advertising income amounted to RMB0.27 million (2008: RMB0.11 million), representing 145% increase over the last corresponding period;
4. Interest Income amounted to RMB0.29 million (2008: RMB0.19 million), representing 52% increase over the last corresponding period;
5. IC card transaction amount increased to nearly RMB300 million (2008: RMB170 million), representing an increase of 76% over the last corresponding period;
6. Circulation of traffic IC cards increased steadily and the accumulated number of cards issued reached to approximately 2,790,000 cards;

The Company's 60% subsidiary Hubei ETK continued its promotion and expansion of IC card development. In January 2009, Hubei ETK received notice from Wuhan Public Bus Transport Group (own 40% Hubei ETK) that passenger are able to enjoy fare discount should they use IC card for the bus fare payment. Implementation of the fare discount policy had boosted both the sales and the use of the IC cards. In July 2009, investments of IC card application system in Xiaogan (孝感) was completed. A total of 44 terminals in 2 bus routes are in operation. The Group thus far had already established the IC card application sub-system in Xiaotao (仙桃), Daye (大冶) and Xiaogan (孝感). 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 29% compared to the corresponding period of last year.

As reported in the company's annual report, the Group had invested last year to upgrade the existing IC card hardware and software system in order to meet with the relevant regulatory requirements and industry standards. The IC card system had completed its upgrade in 2009 3Q and is currently at the final stage of testing before up and running.

As reported previously in the company's annual report, upon commencement in June 2008, free-ride passes (including senior-citizen pass, disability pass, soldier pass and etc.) currently operating in Wuhan are required to transform gradually into IC cards in accordance to the directives of Hubei Provincial Government. As at 30 June 2009, approximately 350,000 senior-citizen passes were replaced by Hubei ETK IC cards. In July 2009, Hubei ETK received notice from Wuhan Public Bus Transport Group that commencing in August 2009, all senior-citizen passes will be gradually replaced by another IC card issued by a stated-owned company, namely Wuhan City Yi-ka-tong Company Limited (武漢城市一卡通有限公司). The new IC cards (senior-citizen card) issued by Wuhan City Yi-ka-tong Company Limited will be able to use in Hubei ETK IC card application system.

## B. Sales of Electronic Car-parking Hardware and Software

Turnover for the sales of the hardware and software was approximately RMB0.56 million (2008: RMB0.23 million), representing increase of 143% over the last corresponding period. 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. The Group will continue to promote the use of the Jian e-parking smart cards and electronic parking system in various cities in China.

## FUTURE PROSPECT

To accommodate and support the comprehensive reform as advocated by the State Council of the PRC for developing “武漢城市圈1+8 (Wuhan Cities Ring 1+8)” into a “Resources Saving and Environmentally Friendly Society” (兩型社會—資源節約型、環境友好型), the Group launched the Hubei IC Card Project (湖北省一卡通工程) in Hubei Province. Leveraging on its existing IC card applications in the four cities, the Group plans to promote and expand the development of “E-Tong-Ka”. The establishment of Hubei ETK has been approved by State-owned Assets Supervision & Administration Commission of Wuhan Municipal Government (武漢市國資委), Wuhan City Transportation Committee (武漢市交委), Wuhan Municipal Development and Reform Commission (武漢市發改委), Hubei Provincial Department of Commerce (湖北省商務廳) and Industrial & Commercial Administration Bureau of Hubei Province (湖北省工商局) as a company operating IC card applications and clearing system on public transportation in Hubei Province.

Since April 2009, the Group continuously carried out meetings with relevant Wuhan Municipal Government officials for the purpose of discussing the “Future IC Card Development in Wuhan” (武漢市一卡通發展). During the discussions, it was emphasised that future IC Card development in Wuhan shall be under government’s guidance. To promote the development of One-Card-Multiple-Use (一卡多用), existing IC card applications shall be extended to mass-transit-railway, highways, water, gas, electricity and etc. Since majority of the industry are under control or influence of the government, it was believed that state-owned entity operating future IC card development would be in the best interests of Wuhan. It was mutually agreed to continue further discussions as soon as possible in order to meet the government’s demand. No formal agreements were reached during the discussions. As future IC card development in Wuhan have uncertain factors, shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash and cash equivalents of approximately RMB35,342,000 (2008: RMB35,108,000). The current ratio has changed from 0.57 times as at 31 December 2008 to 0.61 times for the period ended 2009 and the gearing ratio, defined as the ratio of total debt to total assets, has changed from 1.11 as at 31 December 2008 to 1.21 for the period ended 2009.

## SIGNIFICANT INVESTMENTS

Save for the company's investment in its subsidiaries, the group did not have any significant investment ended 30 June 2009.

## EMPLOYEE INFORMATION

As at 30 June 2009, the company had approximately 49 employees (2008: 64 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 RMB2,679,000 for the six months ended 30 June 2009 as compared with that of approximately RMB4,646,000 for the corresponding period of 2008.

## CONTINGENT LIABILITIES AND LITIGATION

At 30 June 2009, the Group had the following contingent liabilities and outstanding litigation:

- (a) The Group is undergoing a legal proceeding with a former employee in respect of the salaries dispute for the aggregate amount of RMB277,000. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's operating results and financial position.

- (b) On 28 October 2008, the Group received a claim from a supplier in respect of the breach of contracts relating to the subcontracting services. The aggregate amount of claims made by the supplier against the Group was approximately RMB104,000. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's operating results and financial position.

## **CHARGE OF ASSETS**

As at 30 June 2009, 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 or RMB. As the exchange rates among Hong Kong 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**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 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:

### Interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations

#### (a) *Interests in shares*

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 October 2008
Mr. Chin Ying Hoi	Beneficiary owner	100,000,000	-	286,800,000 <i>(Note 1)</i>	386,800,000	43.22%

*Note 1:* Those shares were held through Union Perfect International Limited, which is beneficially owned as to 100% by Mr. Chin Ying Hoi.



(b) *Interests in share option*

<b>Name</b>	<b>Type of interests</b>	<b>Outstanding shares option as at 30 June 2009</b>	<b>Approximate percentage of the underlying shares to the share capital of the Company as at 30 June 2009</b>
Chin Ying Hoi	Personal	8,000,000	0.89%
Li Sui Yang	Personal	6,000,000	0.67%
Fok Ho Yin Thomas	Personal	6,000,000	0.67%
Chow Pok Yu Augustine	Personal	3,000,000	0.33%
Hu Hai Yuan	Personal	3,000,000	0.33%

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed herein, at no time during the period was the Company, its subsidiaries or holding company a party to any arrangements to enable any of the Company's directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the following persons, other than the Directors or Chief Executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register which was required to be kept by the Company under Section 336 of the SFO:

### Interests in shares and underlying shares

#### *Long positions*

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Number of share options/ underlying shares</b>	<b>Percentage of shareholding</b>
Mr. Chin Ying Hoi	100,000,000	8,000,000	12.07%
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.

Save as disclosed above, as at 30 June 2009, the Directors were not aware of any other person who had an interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

## SHARE OPTIONS

Details of the share option scheme of the Company are set out in note 9 to the financial statements.

## **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 2009.

## **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 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. Save as disclosed as follows, 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 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 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.

Since 1 January 2009, Mr. Chin Ying Hoi assumed the roles of both the Chairman of the Board ("Chairman") and Chief Executive Officer of the Company. On 23 June 2009, Mr. Li Sui Yang was appointed as Chief Executive Officer to replace Mr. Chin. The positions of the Chairman and the Chief Executive Officer since then 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 six months ended 30 June 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*

Wuhan, the PRC,  
11 August 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, Vanessa; and the independent non-executive directors of the Group are Mr. Qu Xiao Guo, Mr. Zhang Xiao Jing and Ms. Tung Fongn.*



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

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