



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)

Third Quarterly Report 2011 第三季度業績報告

Stock Code 股份代號 : 8165

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

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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 nine months ended 30 September 2011 was approximately RMB2.4 million
- Loss attributable to owners of the Company amounted to approximately RMB13.1 million for the nine months ended 30 September 2011
- Loss per share amounted to RMB0.013 for the nine months ended 30 September 2011

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 2011 with the comparative figures for the corresponding period in 2010.

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Turnover	4	2,373	13,977	651	1,241
Cost of sales and services rendered		(819)	(4,339)	(83)	(405)
Gross profit		1,554	9,638	568	836
Other income		362	2,165	28	(181)
Gain on disposal		–	33,645	–	33,645
Distribution costs		(273)	(185)	(109)	(30)
Administrative expenses		(14,484)	(17,124)	(7,229)	(4,700)
(Loss)/Profit from operations		(12,841)	28,139	(6,742)	29,570
Finance costs	5	–	(85)	–	(70)
(Loss)/Profit before tax		(12,841)	28,054	(6,742)	29,500
Taxation	6	–	(1,659)	–	(1,659)
(Loss)/Profit and total comprehensive (loss)/profit for the period		(12,841)	26,395	(6,742)	27,841
(Loss)/Profit and total comprehensive (loss)/profit for the period attributable to:					
– Owners of the Company		(13,145)	25,900	(7,155)	27,633
– Non-controlling interests		304	495	413	208
		(12,841)	26,395	(6,742)	27,841
(Loss)/Profit per share					
– Basic (RMB)	8	(0.013)	0.0288	(0.006)	0.0306
– Diluted (RMB)	8	N/A	N/A	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681, GT George Town, Grand Cayman, British West Indies. The Company's shares are 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's is principally engaged in the development and operation of back end electronic receipt/payment and data recording and processing software system; and manufacturing and distribution of the associated commercial application in the PRC.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group engaged in the single type business of development and operation of back end electronic receipt/payment and data recording and processing software system; and manufacturing and distribution of the associated commercial application. Accordingly, no business segment information is presented.

4. TURNOVER

The Group's turnover which represents sales of hardware, software and smart cards to customers and rental income from leasing of machinery are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Sales of hardware and software	1,719	3,725	143	222
Rental income from leasing of machinery	654	–	508	–
Transaction levies	–	6,674	–	130
Rental income from smart cards issued	–	3,512	–	889
Advertising income	–	66	–	–
	2,373	13,977	651	1,241

5. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Interest on other loan wholly repayable within five years	–	85	–	–

6. TAXATION

	Nine months ended 30 September		Three months ended 30 September	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
PRC	-	1,659	-	-

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong are required as the Group has no assessable profits arising in or derived from those jurisdictions for the three months ended and nine months ended 30 September 2011 and 2010.

7. DIVIDENDS

No dividend had been paid or declared by the Company during the period (2010: Nil).

8. (LOSS)/PROFIT PER SHARE

	Nine months ended 30 September		Three months ended 30 September	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
(A) BASIC (LOSS)/PROFIT PER SHARE				
(Loss)/Profit for the purposes of basic (loss)/profit per share for the period attributable to owners of the Company	(13,145)	25,900	(7,155)	27,633
Weighted average number of ordinary shares for the purposes of basic (loss)/profit per share	1,035,441,868	899,385,184	1,159,456,521	904,500,000

(B) DILUTED (LOSS)/PROFIT PER SHARE

No diluted (loss)/profit per share are presented as the effects of all potential ordinary shares would be anti-dilutive for the three months ended and nine months ended 30 September 2011 and 2010 respectively.

9. RESERVES

(Unaudited)

Attributable to owners of the Company

	Share capital	Share premium account	Capital reserves	General reserve fund	Enterprise expansion fund	Option reserve	Accumulated losses	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	45,727	25,995	6,304	2,870	1,435	6,439	(75,466)	13,304	2,122	15,426
Issue of shares on exercise of share options	221	686	-	-	-	(221)	-	686	-	686
Issue of shares on placement of shares	17,947	38,787	-	-	-	-	-	56,734	-	56,734
Total comprehensive loss for the period	-	-	-	-	-	-	(13,145)	(13,145)	304	(12,841)
At 30 September 2011	63,895	65,468	6,704	2,870	1,435	6,218	(88,611)	57,579	2,426	60,005
At 1 January 2010	45,370	24,897	6,304	2,870	1,435	3,522	(96,400)	(12,002)	4,024	(7,978)
Recognition of share-based payments	-	-	-	-	-	1,520	-	1,520	-	1,520
Issue of shares on exercise of share options	368	1,120	-	-	-	(348)	-	1,140	-	1,140
Total comprehensive profit for the period	-	-	-	-	-	-	25,900	25,900	495	26,395
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(4,519)	(4,519)
At 30 September 2010	45,738	26,017	6,304	2,870	1,435	4,694	(70,500)	16,558	-	16,558

FINANCIAL REVIEW

For the nine months ended 30 September 2011, the Group recorded a turnover of approximately RMB2.4 million (2010: 13.9 million), representing approximately decrease of 83% as compared to the corresponding period in 2010. Loss attributable to owners of the Company for the period was approximately RMB13.1 million (2010: profit of 25.9 million).

On 29 August 2011, the Company completed the placing exercise pursuant to which a total of 200,000,000 shares were placed at a price of HK\$0.13 per placing share. Net proceeds from the placing of approximately HK\$25.35 million were intended to use as the Group's general working capital and for the financing of the possible acquisition of the potassium operation as disclosed in the Company's announcement dated 24 January 2011 and 26 April 2011 respectively.

REVIEW OF OPERATION

鄭州華普奧原電子泊車設備有限公司 (ZHENGZHOU JIAN-O'YUAN ITS SYSTEMS COMPANY LIMITED) ("JIAN-O'YUAN")

Turnover for the sales of the hardware and software was approximately RMB1.72 million (2010: RMB3.7 million), representing decrease of approximately 53% over the last corresponding period. Both the hardware and software of the contactless electronic payment systems developed and produced by the Group were sold to Guangzhou, Panyu, Wuhan, Nanning and Haikou, which will continue to be the main markets of the Group's business.

On the basis of the existing business, Jian O'Yuan will leverage its existing long-term and sound relationship with the parking operators in various regions and the solid relationship with the local governments, and capitalize on its core technology and historical background to seek growth opportunities.

SHARE OPTIONS

EQUITY-SETTLED SHARE OPTION SCHEME

On 13 March 2008, the share option scheme of the Company adopted 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. 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 options are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price HK\$
Directors, employees and others	18 May 2009	N/A	18 May 2009 to 17 May 2019	0.155
Directors	1 June 2010 (A)	N/A	1 June 2010 to 31 May 2020	0.147
Directors	1 June 2010 (B)	1 June 2010 to 31 May 2011	1 June 2011 to 31 May 2020	0.147
Others	1 June 2010 (C)	1 June 2010 to 31 December 2010	1 January 2011 to 31 May 2013	0.147
Others	1 June 2010 (D)	1 June 2010 to 31 December 2011	1 January 2012 to 31 May 2013	0.147

Details of the share options outstanding during the period are as follows:

	2011		2010	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
Outstanding at the beginning of the period	162,800,000	0.151	81,000,000	–
Granted during the period	–	–	89,800,000	0.147
Exercised during the period	(5,000,000)	0.155	(2,000,000)	0.155
Outstanding at the end of the period	157,800,000	0.150	168,800,000	0.151
Exercisable at the end of the period	132,300,000	0.151	98,400,000	0.153

Name or category of participant	Number of share options					At 30 September 2011
	At 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
	'000	'000	'000	'000	'000	'000
Directors						
Chin Ying Hoi	15,800	–	–	–	–	15,800
Li Sui Yang	12,800	–	–	–	–	12,800
Fok Ho Yin Thomas	12,800	–	–	–	–	12,800
Hu Hai Yuan	8,000	–	–	–	–	8,000
Tung Fong	800	–	–	–	–	800
Zhang Xiao Jing	800	–	–	–	–	800
Qu Xiao Guo	800	–	–	–	–	800
Employees other than directors						
In aggregate	800	–	–	–	–	800
Other participants						
In aggregate	110,200	–	(5,000)	–	–	105,200
	162,800	–	(5,000)	–	–	157,800

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 nine months ended 30 September 2011.

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 September 2011, 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 30 September 2011
Mr. Chin Ying Hoi	Beneficiary owner	101,000,000	–	286,800,000 (Note 1)	387,800,000	30.05%
Mr. Li Sui Yang	Beneficiary owner	670,000	–	–	670,000	0.05%
Mr. Fok Ho Yin Thomas	Beneficiary owner	300,000	–	–	300,000	0.02%

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 OPTIONS

Name	Type of interests	Outstanding	Approximate
		shares option	percentage of the
		as at	underlying shares
		30 September 2011	to the share capital
			of the Company
			as at
			30 September 2011
Chin Ying Hoi	Personal	15,800,000	1.22%
Li Sui Yang	Personal	12,800,000	1.00%
Fok Ho Yin Thomas	Personal	12,800,000	1.00%
Hu Hai Yuan	Personal	8,000,000	0.62%
Tung Fong	Personal	800,000	0.06%
Zhang Xiao Jing	Personal	800,000	0.06%
Qu Xiao Guo	Personal	800,000	0.06%

Save as disclosed above, as at 30 September 2011, 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 September 2011, 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

Name of shareholder	Number of shares	Number of share options/ underlying shares	Percentage of shareholding
Union Perfect International Limited (<i>Note 1</i>)	286,800,000	–	22.22%
Mr. Mung Kin Keung	131,670,000	–	10.2%

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

Save as disclosed above, as at 30 September 2011, 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.

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 2011.

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 2011.

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 nine months ended 30 September 2011.

(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.

(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 2011 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
14 November 2011

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 Mr. Tang Hao 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.



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

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