



Jian ePayment Systems Limited

華普智通系統有限公司

(incorporated in the Cayman Islands with limited liability)



FIRST QUARTERLY REPORT 2002

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This report, for which the directors (the “Directors”) of Jian ePayment Systems Limited (the “Company”) collectively and individually accept responsibility induces 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 2002 was RMB8,824,000.
- Profit attributable to shareholders amounted to RMB4,552,000 for the three months ended 31 March 2002.
- Basic earning per share amounted to RMB0.011 for the three months ended 31 March 2002.

RESULTS

The Board of Directors (“the Board”) of Jian ePayment Systems Limited (“the Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries for the 3 months ended 31 March 2002 and the comparative figures for the corresponding period in 2001.

		Three months ended	
		31 March	
		2002	2001
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover and revenue	3	8,824	5,271
Cost of sales		<u>(930)</u>	<u>(1,995)</u>
Gross profit		7,894	3,276
Distribution expenses		(424)	(321)
Research and development costs		(262)	(232)
General and administration expenses		<u>(2,884)</u>	<u>(1,063)</u>
Profit from operations		4,324	1,660
Subsidy income		410	–
Interest income		15	14
Interest expense		<u>(140)</u>	<u>–</u>
Profit before taxation		4,609	1,674
Taxation	4	<u>–</u>	<u>–</u>
Profit after taxation but before minority interests		4,609	1,674
Minority interests		<u>(57)</u>	<u>(18)</u>
Profit attributable to shareholders		<u><u>4,552</u></u>	<u><u>1,656</u></u>
Earnings per share – basic	5	<u><u>RMB0.011</u></u>	<u><u>RMB0.006</u></u>
– diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

1. GROUP REORGANISATION 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.

On 19 November 2001, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (the “Reorganisation”) which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the financial statements have been prepared as if the Group had been in existence throughout the period ended 31 March 2001.

The Company is an investment holding company. The Group is principally engaged in the development and operation of a back end electronic receipt/payment and data recording and processing software system (“Jian ePayment System”) and manufacturing and distribution of the associated commercial applications.

The consolidated financial statements of the Group include the accounts of the Company and the enterprises that it controls. This control is normally evidenced when the Group has the power to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired or disposed of during the year (other than those included in the Reorganisation described above) are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders’ interests are shown separately in the Group’s balance sheet and income statement, respectively.

Significant intra-group transactions and balances have been eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on historical cost convention and in accordance with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong (“HK GAAP”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. TURNOVER AND REVENUE

Turnover represents gross invoiced sales (excluding value-added tax), net of discounts and returns.

Turnover consisted of:

	Three months ended	
	31 March	
	2002	2001
	RMB'000	RMB'000
Sales of hardware and software	1,290	5,002
Provision of systems integration services	7,076	174
Transaction levies	458	95
	<u>8,824</u>	<u>5,271</u>

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 jurisdiction 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 during the three months ended 31 March 2002 (2001: Nil).

The Group's subsidiary, Zhengzhou Jian-O'Yuan ITS Systems Co. Ltd. ("Jian-O'Yuan"), is subject to the PRC enterprise income tax ("EIT") at a rate of 33%. However, Jian-O'Yuan is qualified as a newly established software enterprise and is entitled to full exemption from EIT for the first two years and a 50% reduction for the next three years, commencing from the first profitable year. The first profitable year of Jian-O'Yuan was 2000. Jian-O'Yuan has no assessable profit arising in or derived from PRC during the three months ended 31 March 2002 (2001: Nil).

There was no significant unprovided deferred taxation for the three months ended 31 March 2002 (2001: Nil).

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2002 is based on the profit attributable to shareholders of approximately RMB4,552,000 (2001: RMB1,656,000) and the weighted average number of 400,000,000 shares (2001: 300,000,000 shares) deemed to be in issue during the period, on the basis of presentation relating to the Reorganisation as described in Note 1.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2002 (2001: Nil).

6. DIVIDEND

The directors do not recommend the payment of any dividend for the period from 1 January 2002 to 31 March 2002 (2001: Nil).

7. RESERVES

	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	General reserve fund <i>RMB'000</i>	Enterprise expansion fund <i>RMB'000</i>	Cumulative translation adjustment <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total
Consolidated							
Balances, as at 1 January 2001	-	1,766	1,362	681	-	1,963	5,772
Foreign exchange adjustment	-	-	-	-	2	-	2
Profit attributed to shareholders	-	-	-	-	-	1,656	1,656
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,656</u>	<u>1,656</u>
Balances, as at 31 March 2001	-	1,766	1,362	681	2	3,619	7,430
	<u>-</u>	<u>1,766</u>	<u>1,362</u>	<u>681</u>	<u>2</u>	<u>3,619</u>	<u>7,430</u>
Balances, as at 1 January 2002	1,476	6,304	1,362	681	5	21,865	31,693
Foreign exchange adjustment	-	-	-	-	50	-	50
Profit attributed to shareholders	-	-	-	-	-	4,552	4,552
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,552</u>	<u>4,552</u>
Balances, as at 31 March 2002	1,476	6,304	1,362	681	55	26,417	36,295
	<u>1,476</u>	<u>6,304</u>	<u>1,362</u>	<u>681</u>	<u>55</u>	<u>26,417</u>	<u>36,295</u>

FINANCIAL REVIEW

The Group's turnover for the three months ended 31 March 2002 amounted to approximately RMB8,824,000, and its profit attributable to shareholders during the period was RMB4,552,000.

The Group is dedicated to establishing the Jian ePayment System (華普智通卡系統) as the leading nationwide electronic payment system in the PRC.

Income for the quarter was mainly generated from systems integration of roadside car parking meter projects in Nanning and Qingdao, amounting to approximately RMB7,076,000. Income from sales of hardware and software was approximately RMB1,290,000. Additionally, transaction levies from all operating cities served was RMB458,000. Total turnover had a 67% increase against the corresponding period in previous year.

The gross profit margin increased to 89% per the quarter under review, against 62% per the corresponding period last year. The improvement of gross profit margin was mainly attributable to the increase in system integration revenue which has a higher profit margin, when compared to the sale of hardware and software.

As the Group expanded its operation considerably during the quarter, there was a surge in general and administration expenses and distribution expenses in the quarter as compared to the corresponding period in previous year.

The Group's liquidity remains sound. As at 31 March 2002, the Group maintained no long-term loans and only short-term loans in the sum of RMB10,850,000.

Business development

The operation of roadside car parking system in Nanning commenced in the quarter, increasing the total number of cities operating Jian ePayment System to four, namely Wuhan, Haikou, Guangzhou and Nanning. In addition, roadside car parking system project in and Qingdao was also inspected and accepted by customer, and recognized as revenue in the quarter according to Hong Kong generally accepted accounting principles. The Group continues to promote Jian ePayment System in other cities in the PRC, with marketing efforts underway in various major cities such as Beijing.

Installation, testing and pre-launch have begun in other contracted cities as scheduled and are making satisfactory progress.

Research and development

The Group continues to research and develop a variety of commercial application systems for the Jian ePayment System. In addition to the successfully developed public transportation sub-system, highway toll sub-system and retail commercial application sub-system, the Group is also developing other commercial application sub-systems according to market demand.

The Group is particularly concerned with application of new technologies, keeping abreast with the development of the latest IC card application technologies and wireless data communication technologies, and applying these new technologies into its sub-systems.

Sales and Marketing

The Group continuously promotes Jian ePayment System to various municipal governments and companies in the PRC. Marketing teams have begun active marketing activities in a number of cities in the PRC.

The Group places high value on after-sales services. As such, Jian ePayment Operations Centres were set up in Wuhan, Guangzhou and Haikou. Further operations centres will also be gradually set up in other Jian ePayment System operating cities in the near future. In addition to systems operation, these centres also provide high quality after-sales maintenance and technological support services to existing customers.

Outlook

For the first quarter, business usually experiences slow growth due to long vacations and major government conferences in the PRC. Despite these factors, the Group recorded a satisfactory growth in profit attributable to shareholders of 175% over last year.

Total number of cities using the Jian ePayment System increased from three at the end of last year to four in the first quarter, whereas circulation of Jian Smart Passes increased from 94,000 at the end of last year to 112,000 in the quarter, representing a 19% increase.

With the increase in the number of both Jian Smart Passes and cities operating the Jian ePayment System, the PRC general public is gaining in depth knowledge of and familiarity with electronic payment systems, which is laying solid foundations for the Group's development of an electronic payment system with multiple applications. The Group will continue to develop more commercial application sub-systems and increase the number of operating cities, so that the system can become a nationwide phenomenon.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 31 March 2002, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN SHARES, WARRANTS AND SHARE OPTIONS

As at 31 March 2002, a director had or was deemed to have interests in the shares of the Company within the meaning of the SDI Ordinance as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance which are required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or any interests which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein. The relevant details are as follows:

Director	Name of company	Number of shares hold		
		Personal interests	Family interests	Corporate interests
Mr. Chin Ying Hoi	The Company	-	-	286,800,000 shares representing 71.7% of the shares then issued (Note)

Note: These shares were held through Union Perfect International Limited, which is beneficially owned as to 80% by Mr. Chin Ying Hoi and as to 20% by Ms. Ya Zhen Quan, Mr. Chin's mother.

The Company has a share option scheme under which it may grant options to executive directors and employees of the Group to subscribe for shares in the Company. Details of the scheme are set out in Note below.

Save as disclosed above, the Company has no notice of any interest to be recorded under Section 29 of the SDI Ordinance as at 31 March 2002.

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 or any other body corporate.

SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 19 November 2001 (the "Share Option Scheme"), the Company may grant options to the participants of the Share Option Scheme to subscribe for shares of the Company. The participants include any employees (including directors) and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Company's board of directors (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 Share Option Scheme and other share option schemes must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. Any option granted under the Share Option 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 grant date and (iii) the nominal value of the shares on the grant date.

No options have been granted or agreed to be granted since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had a beneficial interest of 10 per cent or more in the issued share capital of the Company:

Name	Number of shares held	Percentage of shareholding
Union Perfect International Limited	286,800,000	71.7%

Save as disclosed above, the Company has no notice of any interests to be recorded under Section 16(1) of the SDI ordinance as at 31 March 2002.

COMPETING INTEREST

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 have any interest in any business which competes with or may compete with the business of the Group.

SPONSOR'S INTEREST

Pacific Top Holding Limited, a fellow subsidiary of Oriental Patron Asia Limited ("Oriental Patron"), and an employee of Oriental Patron is interested in 13,200,000 and 20,000 shares of the Company respectively as at 31 March 2002.

Pursuant to an agreement dated 26 November 2001 entered into between the Company and Oriental Patron, Oriental Patron is entitled to received a fee respect of the appointment by the Company as sponsor of the Company as required under the GEM Listing Rules for the period from 10 December 2001 to 31 December 2003.

Save as disclose above, neither Oriental Patron, its directors, employees or associates (as referred in note 3 of Rule 6.35 of the GEM Listing Rules) has any interest in the Group as at 31 March 2002.

By order of the Board
Mr. Chin Ying Hoi
Chairman

Hong Kong, 13 May 2002