



TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited
incorporated in the Cayman Islands with limited liability

INTERIM REPORT

For the period ended
30th September 2001

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This report, for which the directors of Universal Technologies Holdings Limited 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 for the purpose of giving information with regard to Universal Technologies Holdings Limited. The directors of Universal Technologies Holdings Limited, 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.



Universal Technologies Holdings Limited

(incorporated in the Cayman Islands with limited liability)

SUMMARY

- Universal Technologies Holdings Limited (the “Company”) is principally engaged in the provision of enterprise solutions with a focus on online payment and logistics. The Company and its subsidiaries (together the “Group”) provide enterprise solutions principally to enterprises in the People’s Republic of China (“PRC”) to enable them to conduct online payment and logistics processes.
- Turnover for the half-year ended 30th September 2001 amounted to approximately HK\$2.28 million, representing an increase of 216 % over that for the last financial year.
- The Company was successfully listed on GEM on 26th October 2001.
- As at the date hereof, the Group has net current assets of approximately HK\$47 million, of which approximately HK\$45 million is cash and bank balances. The Group has no outstanding bank loans.

RESULTS

The board of Directors (“Board”) of the Company is pleased to announce the unaudited combined results of the Group for the half-year ended 30th September 2001 together with the comparative unaudited combined half-yearly and quarterly results for the same period last financial year as follows:

| | Notes | Combined Results (Note 1) | | | |
|---|-------|--|--|--|--|
| | | For the half-year ended 30th September 2001 HK\$'000 | For the half-year ended 30th September 2000 HK\$'000 | For the period from 1st July 2001 to 30th September 2001 HK\$'000 | For the period from 1st July 2000 to 30th September 2000 HK\$'000 |
| Turnover | 2 | 2,278 | 720 | 1,333 | 496 |
| Other revenue | | 100 | 80 | 89 | 50 |
| | | <u>2,378</u> | <u>800</u> | <u>1,422</u> | <u>546</u> |
| Cost of computer hardware | | – | (589) | – | (382) |
| Staff costs | | (2,156) | (571) | (1,230) | (250) |
| Depreciation | | (127) | (30) | (71) | (12) |
| Operating lease rental | | (237) | (178) | (134) | (89) |
| Other operating expenses | | (2,024) | (470) | (1,130) | (214) |
| Loss from operations | | <u>(2,166)</u> | <u>(1,038)</u> | <u>(1,143)</u> | <u>(401)</u> |
| Finance costs | | <u>(10)</u> | <u>(5)</u> | <u>(3)</u> | <u>(5)</u> |
| Operating loss | | <u>(2,176)</u> | <u>(1,043)</u> | <u>(1,146)</u> | <u>(406)</u> |
| Share of results of a former jointly controlled entity | 3 | <u>–</u> | <u>(158)</u> | <u>–</u> | <u>(133)</u> |
| Loss from ordinary activities before taxation | | <u>(2,176)</u> | <u>(1,201)</u> | <u>(1,146)</u> | <u>(539)</u> |
| Taxation | 4 | | | | |
| – Hong Kong | | – | – | – | – |
| – PRC | | – | – | – | – |
| Loss after taxation | | <u>(2,176)</u> | <u>(1,201)</u> | <u>(1,146)</u> | <u>(539)</u> |
| Minority interests | | <u>336</u> | <u>43</u> | <u>203</u> | <u>(1)</u> |
| Loss attributable to shareholders | | <u><u>(1,840)</u></u> | <u><u>(1,158)</u></u> | <u><u>(943)</u></u> | <u><u>(540)</u></u> |
| Loss per share – Basic (in cents) | 5 | <u><u>(0.41)</u></u> | <u><u>(0.26)</u></u> | <u><u>(0.21)</u></u> | <u><u>(0.12)</u></u> |

Notes:

1. Bases of presentation

The Company was incorporated in the Cayman Islands on 27th March 2001 as an exempted company with limited liability. Pursuant to a reorganisation of the Group in October 2001 to rationalise the structure of the Group in preparation for the listing of the shares of the Company on GEM and pursuant to which the Company became the holding company of the Group (“Reorganisation”), the businesses of the Group were carried on by Universal Cyberworks (Group) Limited (“UCW”) and its subsidiaries (together the “UCW Group”) during the periods presented. The Company was successfully listed on GEM on 26th October 2001.

The combined income statements for the periods presented include the combined results of the UCW Group for the respective periods as if the Company had been the ultimate holding company of UCW under the current Group structure throughout the periods presented.

The principal accounting policies adopted in preparing the unaudited combined results conform with Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

2. Turnover represents revenue recognised from the provision of enterprise solution services and sale of computer products, net of value-added tax and business tax.
3. In March 2001, the UCW Group disposed of its entire interest in Synenet Limited, a former jointly controlled entity of the UCW Group, to a company controlled by Mr. Lau Yeung Sang, an executive Director, at a consideration of US\$250,000 being UCW’s cost of investment in Synenet Limited.

4. Taxation

- (i) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the periods presented.
- (ii) The Company’s subsidiaries operating in the PRC did not generate any profits assessable to the PRC’s enterprise income tax during the periods presented.
- (iii) No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred taxation in respect of the periods presented.

5. Loss per share

The calculation of loss per share is based on the net loss attributable to the shareholders of the respective periods and the assumption that 450,000,000 shares had been in issue throughout the periods presented. No diluted loss per share is shown as there were no dilutive potential shares.

6. Reserve

There was no movement to or from reserve during the periods presented.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30th September 2001 (for the half-year ended 30th September 2000: Nil).

BUSINESS REVIEW AND PROSPECTS

General

The Group is principally engaged in the provision of enterprise solutions with a focus on online payment and logistics. The Group's enterprise solutions are principally provided to enterprises in the PRC to enable them to conduct online payment and logistics processes. During the half-year ended 30th September 2001, the Group obtained 2 new online payment enterprise solution projects and 1 logistics enterprise solution project, and completed 4 online payment enterprise solution projects. As at 30th September 2001, the Group still had 2 enterprise solution projects on hand with an aggregate contract size of approximately HK\$840,000.

Financial

The Group reported a turnover of approximately HK\$2.28 million and a loss of approximately HK\$1.84 million for the half-year ended 30th September 2001, representing an increase of 216% and 59% respectively as compared to the same period of the previous financial year. The loss per share for the half-year ended 30th September 2001 was approximately HK cents 0.41.

The Group's turnover for the half-year ended 30th September 2001 primarily represented project income from the provision of online payment and logistics enterprise solutions while the Group's turnover for the same period last year mainly comprised sales of computer hardware. As the Directors considered that the market potential for online payment and logistics in the PRC was huge, all the resources of the Group have been deployed to the development of such business. Therefore, the business of sales of computer hardware was disposed of in March 2001.

Loss of the Group increased by HK\$682,000 as compared to the same period of the last financial year. This was primarily due to the expansion of the Group in the PRC. In the first quarter of 2001, the Group acquired 60% shareholding in iPayment China Limited and established a 55% owned subsidiary – iLogistics China Limited and a 100% owned subsidiary, iLogistics China (Shanghai) Limited, to enhance its enterprise solutions business in the PRC.

As at the date hereof, the Group has net current assets of approximately HK\$47 million, of which approximately HK\$45 million is cash and bank balances. The Group has no outstanding bank loans.

Expansion and business alliance

Due to the establishment of subsidiary companies in the PRC, the number of staff members of the Group as at 30th September 2001 has increased sharply by 32 staff members as compared to the end of the same period in the last financial year. The expansion was mainly in the areas of technical support, sales and marketing, administration and finance.

During the half-year ended 30th September 2001, the Group obtained the rights to act as value-added resellers for SLI Co. Ltd and EXE Technologies Korea Ltd, both of which are logistics solution providers in Korea, to provide their software products in the Greater China Region and the PRC (and to the clients worldwide to whom iLogistics China Limited provides services) respectively.

The Group also entered into a memorandum of understanding with QIVA Inc. in relation to the marketing and provision of its software products as part of the Group's services of provision of logistics enterprise solutions in Korea and the Greater China region.

Marketing

The target of the Group's marketing strategies is to build up the Group's brandname and to promote the Group's enterprise solutions. As such, the Group participated in the exhibition "Comdex China 2001" held in Beijing and "CeBit Asia 2001" held in Shanghai in early April and August 2001 respectively.

Potential and outlook

The Directors are of the view that the provision of online payment and logistics enterprise solutions is of significant potential in the PRC. Therefore, the Group will continuously enhance its payment system and logistics products. In addition, with the view of providing more timely local support for clients of its enterprise solutions, the Group intends to expand the coverage of its technical teams by establishing branch offices in Shenzhen, Beijing, Wuhan, Chongqing and Xian by the end of the first quarter of the year 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at the date hereof, the interests of the Directors and chief executives of the Company in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange were as follows:

| Name | Number of shares of the Company | | | |
|--------------------|---------------------------------|-----------------------|-------------------------|-------------|
| | Personal interests | Family interests | Corporate interests | Total |
| Mr. Lau Yeung Sang | – | 4,800,000 (Note 1) | 418,470,000 (Note 2) | 423,270,000 |
| Mr. Lau Sik Suen | 10,800,000 | – | – | 10,800,000 |
| Mr. Man Wing Pong | 7,200,000 | – | – | 7,200,000 |

Notes:

1. These shares are held by Madam Wu Wai Lai, the wife of Mr. Lau Yeung Sang. Mr. Lau Yeung Sang is therefore deemed to be interested in these shares by virtue of the SDI Ordinance.
2. These shares are held by World One Investments Limited. The entire issued share capital of World One Investments Limited is wholly beneficially owned by Mr. Lau Yeung Sang. Mr. Lau Yeung Sang is therefore deemed to be interested in these shares by virtue of the SDI Ordinance.

Mr. Lau Sik Suen and Mr. Man Wing Pong, being executive Directors, have been granted certain share options under the pre-IPO share option scheme A (“Pre-IPO Share Option Scheme A”) and the pre-IPO share option scheme B (“Pre-IPO Share Option Scheme B”) of the Company (collectively referred to herein as the “Pre-IPO Share Option Schemes”), both adopted by the shareholders of the Company on 12th October 2001, the principal terms of which were set out in the prospectus of the Company dated 19th October 2001 (“Prospectus”). Details of such options are set out in the paragraph below headed “Outstanding share options”.

Save as disclosed herein, as at the date hereof, none of the Directors or chief executives of the Company had any interests in the share capital of the Company or its associated corporations as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange.

DIRECTORS’ AND CHIEF EXECUTIVES’ RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed herein, and other than in connection with the Reorganisation prior to the listing of the Company’s shares on GEM, as at the date hereof, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and/or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their respective spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at the date hereof, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that the following persons (other than a Director or chief executive of the Company) were interested in 10 per cent or more of the issued share capital of the Company:

| Name | Number of shares | Percentage of issued share capital |
|---|-------------------------|---|
| World One Investments Limited (<i>Note</i>) | 418,470,000 | 69.745% |

Note: World One Investments Limited is wholly and beneficially owned by Mr. Lau Yeung Sang. As Mr. Lau Yeung Sang is entitled to exercise or control the exercise of one-third or more of the voting rights of World One Investments Limited, he is deemed by virtue of the SDI Ordinance to be interested in the same 418,470,000 shares held by World One Investments Limited.

OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Option Schemes

As at the date hereof, options to subscribe for an aggregate of 15,600,000 shares and 16,240,000 shares in the Company were granted under the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B, respectively to the following persons:

| Name of grantee | Date granted | Exercise period | No. of shares eligible for subscription under the share options | Exercise price |
|--|----------------------------|--------------------------------------|---|----------------|
| Scheme A | | | | |
| <i>Executive Directors</i> | | | | |
| Mr. Lau Sik Suen [△] | 17th October 2001 | 26th April 2002 To 25th October 2011 | 4,200,000 | HK\$0.01 |
| Mr. Man Wing Pong [△] | 17th October 2001 | 26th April 2002 To 25th October 2011 | 1,800,000 | HK\$0.01 |
| <i>Other participants</i> | | | | |
| Senior management of the Company | 17th October 2001 | 26th April 2002 To 25th October 2011 | 9,600,000 | HK\$0.01 |
| | | | 15,600,000 | |
| Scheme B | | | | |
| <i>Executive Director</i> | | | | |
| Mr. Lau Sik Suen [△] | 17th October 2001 | 26th April 2002 To 25th October 2011 | 7,840,000 | HK\$0.084 |
| <i>Other participants</i> | | | | |
| Senior management/ consultants of the Company | 17th and 18th October 2001 | 26th April 2002 To 25th October 2011 | 8,400,000 | HK\$0.084 |
| | | | 16,240,000 | |
| Grand total under the Pre-IPO Share Option Schemes | | | 31,840,000 | |

△ initial management shareholder of the Company

Details of the Pre-IPO Share Option Schemes have been disclosed in the Prospectus.

None of the options granted under any of the Pre-IPO Share Option Schemes have been exercised, cancelled or lapsed during the period from the date of grant of such options to the date hereof.

(b) Share Option Scheme

On 12th October 2001, the shareholders of the Company adopted a share option scheme (“Share Option Scheme”), the principal terms of which were set out in the Prospectus. Under the terms of the Share Option Scheme, the Board may, at their discretion, invite any Director (whether executive, non-executive and whether independent or not), any employees (whether full-time or part-time), any consultants or advisers (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) and any other persons who, in the absolute opinion of the Board, have contributed to the Group to take up options to subscribe for shares in the Company.

As at the date hereof, no options have been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Company was listed on 26th October 2001 and up to the date hereof, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group.

INTERESTS OF SPONSOR

Pursuant to a stock borrowing agreement dated 19th October, 2001 entered into by Vickers Ballas Capital Limited and World One Investments Limited, World One Investments Limited has lent to Vickers Ballas Capital Limited 8,300,000 shares to cover over-allocations in the placing of the shares of the Company immediately prior to its listing on GEM.

Saved as disclosed herein, the sponsor of the Company, Vickers Ballas Capital Limited, its directors, employees and associates, as at 8th November 2001 (being the latest practicable date for ascertaining such information), did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Vickers Ballas Capital Limited has entered into a sponsorship agreement with the Company whereby, for a fee, Vickers Ballas Capital Limited will act as the Company’s continuing sponsor for the period up to 31st March 2004.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee on 12th October 2001 with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprises of the two independent non-executive Directors, namely Mr. Lee Yee Bun and Dr. Lo Wing Yan, William, and the company secretary of the Group, Mr. Chor Ngai.

By order of the Board
Man Wing Pong
Director

Hong Kong, 9th November 2001