



TECHNOLOGIES
UNIVERSAL

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

THIRD QUARTERLY REPORT

For the nine-month period ended
31 December 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 Stock 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 the contents 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 (“GEM”) of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) 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)

Quarterly Report For the nine-month period ended 31 December 2001

SUMMARY

- The Company is principally engaged in the provision of enterprise solutions with a focus on online payment and logistics. The Group provides enterprise solutions principally to enterprises in the PRC to enable them to effect online payment and logistics processes.
- Turnover for the nine-month period ended 31 December 2001 amounted to approximately HK\$3.2 million, representing an increase of approximately 20.7% over the corresponding period in the last financial year.
- Net loss for the nine-month period ended 31 December 2001 amounted to approximately HK\$4.6 million (2000: net loss of approximately HK\$1.1 million) which was primarily due to business expansion.
- As at 31 December 2001, the Group had net current assets of approximately HK\$46.0 million, of which approximately HK\$45.5 million was cash and bank balances. Such strong financial position provides the Group opportunities for future business development.
- On 16 January 2002, the Company entered into a subscription agreement with TeraSource, for the subscription of new shares in UCW, representing approximately 4.169% of the enlarged issued share capital, at an aggregate consideration of US\$637,500 (approximately HK\$4,972,500). Upon completion of the subscription, the subscribers will, together, be indirectly interested in approximately 2.5% of the issued share capital of iPayment China. In addition, the subscribers have been granted an option to subscribe for an aggregate of a further 388,000 new shares of UCW at an aggregate consideration of US\$637,500 (approximately HK\$4,972,500).

RESULTS

The board (“Board”) of directors (the “Directors”) of Universal Technologies Holdings Limited (the “Company”) is pleased to announce the unaudited combined results of the Company and its subsidiaries (together, the “Group”) for the nine-month period ended 31 December 2001 and the three-month period ended 31 December 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

		For the nine-month period ended 31 December 2001	For the nine-month period ended 31 December 2000	For the period from 1 October 2001 to 31 December 2001	For the period from 1 October 2000 to 31 December 2000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	3,160	2,618	882	1,898
Other revenue		290	181	190	101
		<u>3,450</u>	<u>2,799</u>	<u>1,072</u>	<u>1,999</u>
Cost of computer hardware		(280)	(931)	(280)	(342)
Staff costs		(3,836)	(1,032)	(1,680)	(461)
Depreciation		(205)	(65)	(78)	(35)
Operating lease rental		(430)	(283)	(193)	(105)
Other operating expenses		(4,244)	(1,066)	(2,220)	(596)
(Loss)/profit from operations		(5,545)	(578)	(3,379)	460
Finance costs		(12)	(8)	(2)	(3)
Operating (loss)/profit		(5,557)	(586)	(3,381)	457
Share of results of a former jointly controlled entity	3	–	(266)	–	(108)
(Loss)/profit from ordinary activities before taxation		(5,557)	(852)	(3,381)	349
Taxation	4				
– Hong Kong		–	–	–	–
– PRC		–	–	–	–
(Loss)/profit after taxation		(5,557)	(852)	(3,381)	349
Minority interests		1,002	(282)	666	(325)
(Loss)/profit attributable to shareholders		<u>(4,555)</u>	<u>(1,134)</u>	<u>(2,715)</u>	<u>24</u>
Loss per share					
– Basic (in cents)	5	<u>(0.94)</u>	<u>(0.25)</u>	<u>(0.49)</u>	<u>–</u>

Notes:

1. Bases of presentation

The Company was incorporated in the Cayman Islands on 27 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, the Company became the holding company of the Group (the "Reorganisation"). Prior to the Reorganisation, the businesses of the Group were carried on by Universal Cyberworks (Group) Limited ("UCW") and its subsidiaries (together the "UCW Group"). The Company was successfully listed on GEM on 26 October 2001.

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

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

2. Turnover represents revenue recognised from the provision of payment and logistics enterprise solution, the related 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 People's Republic of China ("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 basic loss per share for the nine-month and three-month period ended 31 December 2001 is based on the unaudited combined net loss attributable to the shareholders of approximately HK\$4,555,000 and HK\$2,715,000 respectively (nine-month and three-month period ended 31 December 2000: net loss of approximately HK\$1,134,000 and net profit of approximately HK\$24,000 respectively) and the weighted average number of 484,717,000 and 554,150,000 ordinary shares in issue throughout the nine-month and three-month period ended 31 December 2001 respectively (nine-month and three-month period ended 31 December 2000: 450,000,000 ordinary shares in issue), on the assumption that the Reorganisation (see note 1) had been completed on 1 April 2000.

No diluted loss per share is shown as there were no dilutive potential shares.

6. Reserve

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine-month period ended 31 December 2001 (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 effect online payment and logistics processes. During the nine-month period ended 31 December 2001, the Group obtained 2 new online payment enterprise solution projects and 1 new logistics enterprise solution project, and completed 5 online payment enterprise solution projects and 1 logistics enterprise solution project.

Financial

The Group reported a turnover of approximately HK\$3.2 million and a loss of approximately HK\$4.6 million for the nine-month period ended 31 December 2001, representing an increase of approximately 20.7% and 301.7% respectively as compared to the same period of the previous financial year. The loss per share for the nine-month period ended 31 December 2001 was approximately HK0.94 cents (2000: approximately HK0.25 cents loss).

The Group's turnover for the nine-month period ended 31 December 2001 primarily represented project income from the provision of online payment and logistics enterprise solutions and the related technical services income while the Group's turnover for the corresponding period in the last financial year comprised mainly sales of computer hardware. Given the encouraging prospects of online payment and logistics in the PRC, resources have been deployed to the development of such business and the business of sales of computer hardware was disposed of in March 2001.

Net loss of the Group increased by approximately HK\$3.4 million as compared to the same period of the last financial year. This was primarily due to the expansion of the Group in the PRC.

As at 31 December 2001, the Group had net current assets of approximately HK\$46.0 million, of which approximately HK\$45.5 million was cash and bank balances.

Expansion and business alliance

Due to the establishment of subsidiary companies in the PRC, the number of staff members of the Group as at 31 December 2001 has increased sharply by 36 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 nine-month period ended 31 December 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.

On 8 January 2002, the Group entered into a distributorship agreement with QIVA Inc. (“QIVA”) in relation to the marketing and distribution of QIVA’s software products as part of the Group’s services of provision of logistics enterprise solutions in Korea and the Greater China region.

On 16 January 2002, the Company entered into a subscription agreement (the “Agreement”) with TeraSource Venture Capital Company Limited (“TeraSource”) in relation to the subscription of new shares of UCW. The subscribers are private investment funds in the form of limited partnership managed by TeraSource. Pursuant to the Agreement, the subscribers shall subscribe for an aggregate of 388,000 new shares of UCW, representing approximately 4.169% of the enlarged issued share capital of UCW, at an aggregate consideration of US\$637,500 (approximately HK\$4,972,500). Upon completion of the subscription, the subscribers will, together, be indirectly interested in approximately 2.5% of the issued share capital of iPayment China Limited (“iPayment China”), a 60% owned subsidiary of UCW. In addition, pursuant to the Agreement, the subscribers have been granted an option to subscribe for an aggregate of a further 388,000 new shares of UCW at an aggregate consideration of US\$637,500 (approximately HK\$4,972,500) on or before 28 February 2002. UCW and iPayment China are engaged in investment holding and the provision of online payment solutions and related services in the PRC respectively.

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.

In December 2001, the Group held a forum in Shanghai which was the first forum held in the PRC in relation to online payment business development. Participants include representatives from the China Ministry of Information Industry, MasterCard International Incorporated Shanghai Representative Office, 11 banks in Shanghai such as Construction Bank of China, Bank of China, Industrial and Commercial Bank of China etc.

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 a 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, Nanchang, Wuhan, Chongqing and Xian by the end of the first quarter of the year 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2001, 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	Personal interests	Number of shares of the Company			Total
		Family interests	Corporate interests	Class of shares	
Mr. Lau Yeung Sang	–	4,800,000 (Note 1)	418,470,000 (Note 2)	Ordinary	423,270,000
Mr. Lau Sik Suen	10,800,000	–	–	Ordinary	10,800,000
Mr. Man Wing Pong	7,200,000	–	–	Ordinary	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 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 12 October 2001. The principal terms of the Pre-IPO Share Option Schemes are set out in the prospectus of the Company dated 19 October 2001 (the “Prospectus”). Details of the options granted under the Pre-IPO Share Option Schemes are set out in the paragraph headed “Outstanding share options” below.

Save as disclosed herein, as at 31 December 2001, none of the Directors or chief executives of the Company had any interests in the share capital or any securities 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, as at 31 December 2001, 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 31 December 2001, 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% 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	68.793%

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 31 December 2001, 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 ^Δ	17 October 2001	26 April 2002 to 25 October 2011	4,200,000	HK\$0.01
Mr. Man Wing Pong ^Δ	17 October 2001	26 April 2002 to 25 October 2011	1,800,000	HK\$0.01
<i>Other participants</i>				
Senior management of the Company	17 October 2001	26 April 2002 to 25 October 2011	9,600,000	HK\$0.01
			<hr/>	
			<u>15,600,000</u>	

Name of grantee	Date granted	Exercise period	No. of shares Eligible for subscription under the share options	Exercise price
Scheme B				
<i>Executive Director</i>				
Mr. Lau Sik Suen ^Δ	17 October 2001	26 April 2002 to 25 October 2011	7,840,000	HK\$0.084
<i>Other participants</i>				
Senior management/ consultants of the Company	17 and 18 October 2001	26 April 2002 to 25 October 2011	8,400,000	HK\$0.084
			16,240,000	
Grand total under the Pre-IPO Share Option Schemes			31,840,000	

^Δ *director and 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 31 December 2001.

(b) Share Option Scheme

On 12 October 2001, the shareholders of the Company adopted a share option scheme (the “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 31 December 2001, 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 26 October 2001 and up to 31 December 2001, 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

DBS Asia Capital Limited ("DBS Asia") has been appointed as the continuing sponsor of the Company for the purpose of the GEM Listing Rules. Pursuant to the sponsorship agreement between the Company and DBS Asia, for a fee, DBS Asia acts as the Company's continuing sponsor for the period up to 31 March 2004.

As updated and notified by DBS Asia, DBS Asia, its directors, employees and associates (as defined in the GEM Listing Rules), as at 31 December 2001, 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.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee on 12 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
Lau Yeung Sang
Director

Hong Kong, 6 February 2002