

環球實業科技控股有限公司
Universal Technologies Holdings Limited

(incorporated in the Cayman Islands with limited liability)



ANNUAL REPORT **2001 - 2002**

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.

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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 (the “Directors”) of Universal Technologies Holdings 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 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.

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Highlights of the Twelve-Month Period

- Turnover for the year ended 31st March, 2002 amounted to approximately HK\$3.6 million, representing an increase of approximately 174.4% over the last financial year.
- Net loss for the year ended 31st March, 2002 amounted to approximately HK\$3.3 million (2001: net loss of approximately HK\$2.3 million) which was primarily due to business expansion.
- As at 31st March, 2002, the Group had net current assets of approximately HK\$51.0 million, of which HK\$38.0 million was cash and bank balances. Such strong financial position provides the Group with tremendous opportunities for future business development.
- Loss per share was approximately HK 0.64 cents for the year ended 31st March, 2002, representing an increase of approximately 25.5% over last year.
- On 16th January, 2002, the Company entered into a subscription agreement with TeraSource Venture Capital Company Limited for the subscription of new shares in its subsidiary company, 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).
- On 25th February, 2002, the Group signed an agreement with TGCORP to form a joint venture, namely Universal mPayment, to provide mobile payment and relevant consulting services in the PRC.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Lau Yeung Sang (Chairman)
Lau Sik Suen
Man Wing Pong

Independent Non-Executive Directors:

Lee Yee Bun
Lo Wing Yan, William

COMPANY SECRETARY

Chor Ngai AHKSA, ACCA

COMPLIANCE OFFICER

Lau Sik Suen

QUALIFIED ACCOUNTANT

Chor Ngai AHKSA, ACCA

AUDIT COMMITTEE

Lee Yee Bun (Chairman)
Lo Wing Yan, William
Chor Ngai

SPONSOR

DBS Asia Capital Limited

AUTHORISED REPRESENTATIVES

Man Wing Pong
Chor Ngai

AUDITORS

PKF
Certified Public Accountants

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1713-1716, Technology Park,
18 On Lai Street, Shatin,
New Territories
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square,
Hutchins Drive, P.O. Box 2681 GT,
George Town, Grand Cayman,
British West Indies

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Limited
Butterfield House
Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1901-5, 19/F, Hopewell Centre,
183, Queen's Road East, Wan Chai,
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual report of Universal Technologies Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31st March, 2002.

Background

2001 was a unique year for the Company. During the year, we recorded an audited revenue of approximately HK\$4.1 million, representing an increase of 170% when compared to that in the previous financial year. In addition, the Company was successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26th October, 2001, which represented a key milestone in the history of the Group.



Business Review

The rapid growth in turnover was mainly driven by the increased usage of the Internet Payment System ("IPS") operated by Universal iPayment China Limited ("iPayment China") and the completion of several logistics enterprise solution projects by Universal iLogistics China (Shanghai) Limited ("iLogistics Shanghai").

Backed by advanced technology, iPayment China has become one of the leading online payment solutions providers in the PRC market. iPayment China is benefiting from the increased Internet usage rate and e-commerce in the PRC. iPayment China's IPS platform can settle both Renminbi denominated and foreign currency transactions. Currently this service is used by 15 commercial banks and financial institutions in the PRC. IPS supports credit cards issued by VISA and MasterCard and is also the only online payment platform in the PRC which supports real-time foreign currency transactions.

At the same time, iLogistics Shanghai has been expanding its businesses, offering logistics solutions to clients in the PRC market. All our strategic partners are leading solutions providers in the logistics industry. Together with our diverse experience in the different industries, we are able to develop the most suitable logistics solutions for clients.

Chairman's Statement

During the year under review, the Group established two new joint ventures, Universal mPayment International Limited ("Universal mPayment") and Universal Media (China) Limited, specialising in the provision of mobile payment and media business related technology solutions, respectively. Since both companies only commenced operations in March and April 2002, respectively, they have not yet made any significant contribution to the Group. However, we are confident that both of these companies will become a driving force for the group's growth in the near future.

Prospects

Facing the overall downturn of the global economy, the management team implemented a series of cost rationalisation measures to deal with the difficult economic environment and to increase the competitiveness of the Group. The Group have every confidence that in the long-term the Group will benefit from the rapid growth of the PRC economy.

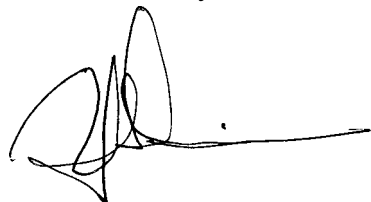
Since the PRC economy continues to grow rapidly in comparison to most other countries in the world together with its entry into the World Trade Organisation, the Directors expect the demand for both payment and logistics solutions in the PRC to surge accordingly with many business opportunities for the Group.

In the coming year, the Group will focus on expanding market share through the upgrading and enhancing our products and systems, marketing and brand building activities. We are also planning to establish more branch offices in the PRC to provide a better service network to customers.

Appreciation

In conclusion, I would like to express my gratitude to all our staff members for their hard work and contribution to the Group during the past year. I would also like to take this opportunity to express my sincere thanks to our shareholders, investors and clients for their continuing support.

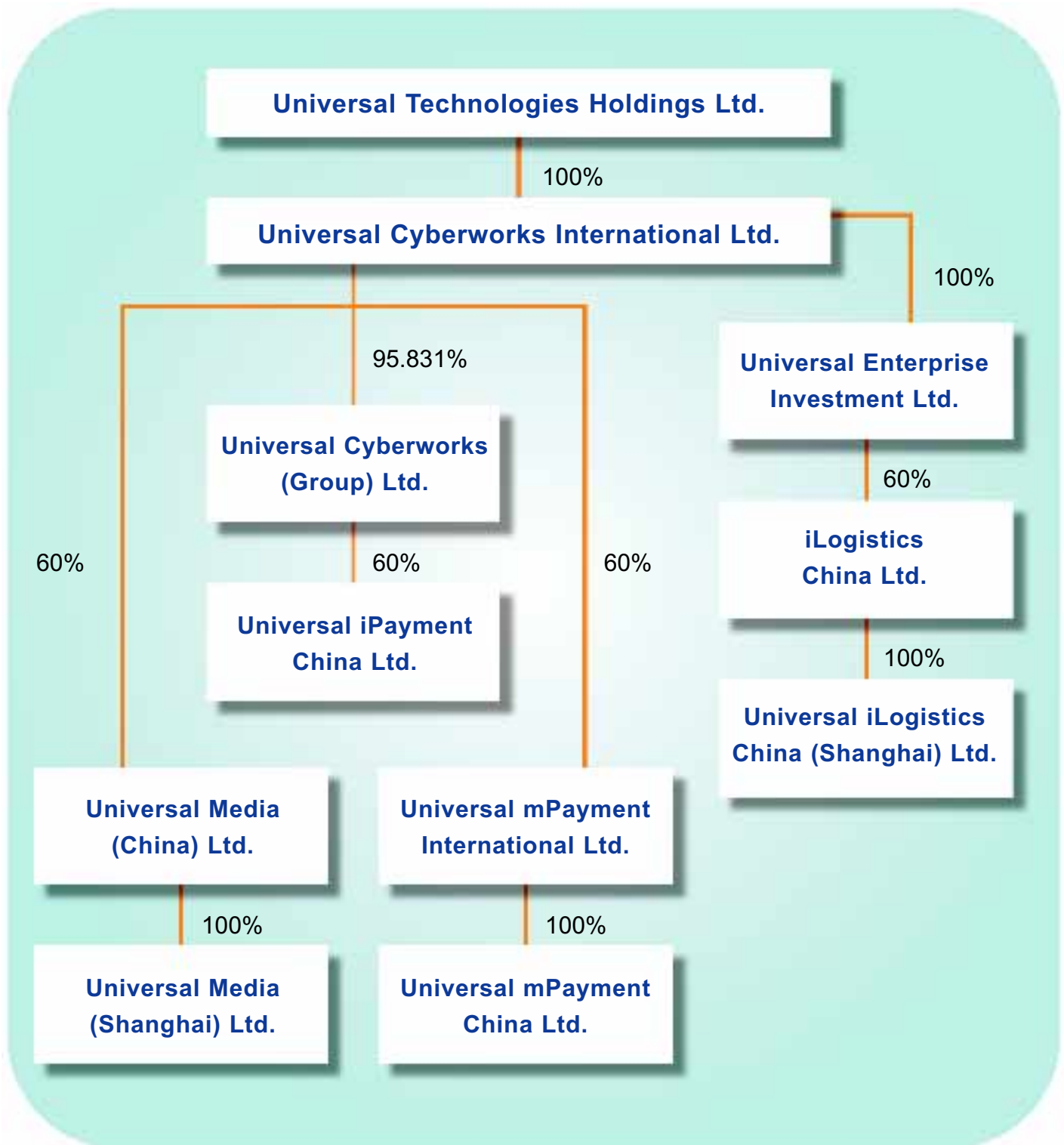
Your Sincerely,



Lau Yeung Sang
Chairman

Hong Kong, 27th June, 2002

Corporate Structure



Management's Discussion and Analysis

BUSINESS OVERVIEW

The Group is principally engaged in the provision of enterprise solutions with a focus on online payment and logistics. The Directors believe that the Group is ready to capture the opportunities arising from the large commercial market and the general acceptance towards online transactions in the People's Republic of China (the "PRC").

FINANCIAL OVERVIEW

The Group recorded a turnover of HK\$3.6 million for the year ended 31st March, 2002, representing an increase of approximately 174.4% as compared to the previous financial year. The increase in turnover was attributable to increasing number of projects completed and the rapidly increasing usage of iPayment China's IPS online payment platform.

The net loss attributable to shareholders amounted to approximately HK\$3.3 million for the year ended 31st March, 2002, representing an increase of approximately 45.3% as compared to the previous financial year. The increase was primarily due to expansion of the Group and the increase in the number of staff employed.

As at 31st March, 2002, the Group had a cash and bank balance of approximately HK\$38.0 million of which approximately HK\$24.1 million were unpledged time deposits with maturity over three months. This strong financial position enables the Group to seek more investment opportunities and to upgrade the Group's products and services.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2002, the Group had net current assets of approximately HK\$50,984,000. Current assets comprised debtors of approximately HK\$110,000, deposits, prepayments and other receivables of approximately HK\$1,048,000, amounts due from related companies of approximately HK\$27,931,000, pledged deposits of approximately HK\$5,660,000 and cash and bank balances of approximately HK\$37,993,000. Current liabilities comprised deposits received, accruals and other payables of approximately HK\$1,099,000, an amount due to a director of approximately HK\$700,000, amounts due to related companies of approximately HK\$1,078,000, secured bills payable of approximately HK\$18,868,000 and Mainland China taxes payable of approximately HK\$13,000.

The source of the Group's finance is primarily from the initial placing proceeds of the listing. Apart from intra-group finances, bills payable and directors' short-term advances, the Group had no other borrowings as at 31st March, 2002. The gearing ratio of the Group was zero as at 31st March, 2002 (2001: Nil). The calculation is based on the Group's interest bearing debt over the total equity interest as at 31st March, 2002. However, if the calculation of the gearing ratio includes the non-interest bearing bills payable amounting to approximately HK\$18.9 million, the gearing ratio of the Group would have been 35.4% as at 31st March, 2002 (2001: Nil). The bills were subsequently settled in May 2002.

Management's Discussion and Analysis

In May 2002, the Group completed a placement of new shares and the net placing proceeds amounted to approximately HK\$14.7 million. Together with the cash and bank balance of HK\$38.0 million as at 31st March, 2002, the Group has sufficient cash to cope with its future expansion and development. No debt financing is considered as necessary in the short-term. In the long-run, the Directors believe that the Group will continue to fund foreseeable expenditures through cash flow from operations and, if necessary, additional equity financing or bank borrowing.

PAYMENT SOLUTIONS

During the year, the Group has been expanding and exploring online payment related business opportunities with a view to maintaining the Group's position as one of the leading online payment enterprise solutions service providers in the PRC. As such, the Group participated in various nationwide exhibitions such as "Comdex China 2001" and "CeBIT Asia 2001" held in Beijing and Shanghai, respectively. Furthermore, the Group also held industry forums and seminars to enhance the market awareness of the Group's expertise and services. A typical example would be "The 1st Forum on the Third Party Online Payment for Ecommerce Business in China" held in December 2001 in Shanghai which was the first forum held in the PRC in connection with online payment for ecommerce businesses. Participants included the China Information Industry Department, China Ecommerce Association, Shanghai Information Office and various banks in Shanghai.

Major customers using IPS, one of the software system components of the online payment enterprise solutions developed by the Group, include Shanghai Bookmall, NetEase, CTRIP.com, etc. During the year, the Group completed 7 online payment enterprise solutions projects with an aggregate revenue of approximately HK\$2.9 million.

Apart from the core businesses of the Group, in view of the recent development in payment on mobile devices, the Directors decided to accelerate and commercialise its plans in the development of mobile payments. In early March 2002, the Group established Universal mPayment, an indirect 60% owned subsidiary of the Company. Universal mPayment is principally engaged in the provision of enterprise and related technical solutions as well as consulting and support services with a focus on mobile payment systems and related value-added services in the PRC.

LOGISTICS SOLUTIONS

The Group's logistics enterprise solutions also obtained recognition from users. As a leading third-party solutions and consultancy provider of supply chain management in the PRC, the Group has formed alliances with three overseas logistics software developers, namely SLI Co. Ltd ("SLI"), EXE Technologies Korea Ltd ("EXE") and Qiva Inc. and has obtained the rights to act as the value-added reseller of their software packages in the PRC. Major customers using the Group's logistics enterprise solutions and consultancy services include Pan Korea Express Co. Ltd and Orient Overseas Container Line Ltd.

Management's Discussion and Analysis

In May 2002, the Group also entered an agreement with China Shipping Container Lines Co., Ltd., a wholly-owned subsidiary company of the second largest shipper in the PRC - China Shipping Group, to provide logistics solutions and consultancy services. This cooperation not only demonstrates the recognition of industry leaders in the Group's supply chain management and related services, but also acknowledges advanced information technology system being used by leading shippers in the PRC, which will increase their competitive edge.

PROSPECTS

The Directors anticipate that both competition and opportunities will arise in the next two years. In view of this, the Group will continue to implement effective strategies and measures to meet challenges and changes. In the near future, the Directors foresee the following business opportunities:-

- following its entry into the World Trade Organisation and continual economic growth, the PRC will be opening up its enormous market to the world;
- online payment services will gain increasing popularity due to the growing number of Internet users in the PRC as people become confident and accustomed to online payment;
- with the increasing demands in transportation, warehousing and shipping management systems in the PRC, the Group's logistics business will benefit from the tremendous opportunities ahead; and
- with the growing popularity of mobile phones, the Group's mobile payment systems and related value-added services will see tremendous potential in the PRC;

EMPLOYEES

As at 31st March, 2002, the total number of employees of the Group was 64 (2001: 36 staff), representing a 78% increase as compared with that as at 31st March, 2001. The dedication and hard work of the Group's staff during the year ended 31st March, 2002 is greatly appreciated and recognised.

Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. In addition, the Group also provides social security benefits such as mandatory provident fund scheme and central pension scheme to its staff.

Management's Discussion and Analysis

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Apart from the establishment of Universal mPayment and Universal Media (China) Limited, an indirect 60% owned subsidiary of the Company with issued and fully paid up share capital amounted to HK\$1 million, the Group made no significant investment nor made any material acquisition or disposal of subsidiaries during the year.

CHARGES ON GROUP'S ASSETS

As at 31st March, 2002, bank deposit of Rmb6 million (equivalent to approximately HK\$5.7 million) was pledged against acceptance bills amounted to Rmb20 million (equivalent to approximately HK\$18.9 million) issued by iPayment China. Apart from the above, none of the Group's assets was pledged as at 31st March, 2002.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In early April 2002, Universal mPayment established Universal mPayment China Limited ("mPayment China"), a wholly-owned subsidiary of Universal mPayment in Shanghai to carry on the business of mobile payment enterprise solutions in the PRC. Apart from mPayment China, the Group had no detailed future plans for material investment or capital assets as at 31st March, 2002.

EXCHANGE RISK

The Group's enterprise solution services are mainly transacted in Renminbi. Since the exchange rate fluctuation between the Hong Kong dollars and Renminbi is minimal, the Board considers that the Group's exposure to the exchange risk is very low and accordingly, no hedging transactions were entered into during the year.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities exist as at 31st March, 2002.

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 19th October, 2001	Actual business progress/change in business objectives (if any)
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Research & Product Development

- | | |
|---|---|
| 1. Complete localisation of software products of SLI | In view of market demand, the Group now focuses on localisation of software products of other strategic alliances such as EXE |
| 2. Commence development modules for micro-payment | Completed and such modules were implemented in IPS, one of the software system components of the online payment enterprise solutions developed by the Group |
| 3. Enhance sales and purchase modules of iwareZ in terms of functionality and performance | Postponed as the Group targets at using the strategic alliances' products instead of using its own product – iwareZ in order to avoid huge research and development costs |

Services

- | | |
|---|---|
| 1. Enable clients using the Group's online payment enterprise solutions to process payment supported by other card payment services providers such as American Express, Diners Club and JCB | Still under negotiation and expected to be completed in August 2002 |
| 2. Offer local version of the products of EXE in Chinese to the PRC market | Such products are available in the PRC market |
| 3. Offer local version of the products of SLI in Chinese to the PRC market | Pending as the Group's focus is on EXE's products first in view of market demand |
| 4. Continue the provision of enterprise solutions | The Group continues to engage in the provision of enterprise solutions |
| 5. Continue to provide support services to clients using the Group's online payment enterprise solutions to ensure satisfactory online payment process of its users | The Group continues to engage in the provision of these support services to its clients |

Comparison of Business Objectives with Actual Business Progress

Marketing

- | | |
|---|--|
| 1. Apply for membership of relevant professional organisation as well as other reputable logistics-related associations | Pending as the Group considers that the cost to be incurred is greater than the benefit received at this moment |
| 2. Expand client base by way of direct marketing | The Directors recognise the positive effect of direct marketing and will continue to carry on |
| 3. Promote the Group's overall image by attending industry exhibition and conference and placing advertisement in the media | Attended several industry exhibitions and conferences such as "The 1st Shanghai International Exhibition for Net-Bank & On-line Finance Management Service" and "Forum on the WTO and China's Economy in the 21st Century" |

Resources deployment

- | | |
|--|--|
| 1. Establish branch offices in Shenzhen and Beijing | Pending as the Directors consider that it is more cost effective to consolidate its resources in Shanghai first |
| 2. Establish technical research centre in Shenzhen and policy research centre in Beijing | Pending as the Directors decided to concentrate its technical research center in Shanghai, instead of diversifying its resources |
| 3. Recruit about 18 staff members for Shenzhen office including 1 for management, 4 for administration, 9 for technical and 4 for marketing and about 28 staff members for Beijing office including 1 for management, 8 for administration, 10 for technical and 9 for marketing | Postponed as the Group prefers to strengthen its client base in Shanghai first and to utilise its resources more efficiently and effectively in Shanghai |

Comparison of Business Objectives with Actual Business Progress

Use of proceeds

- | | | |
|----|---|--|
| 1. | Up to approximately HK\$20 million for the repayment of a director's loan advanced by Mr. Lau Yeung Sang for paying up the remaining registered capital of iPayment China | The director's loan was fully repaid |
| 2. | Up to approximately HK\$0.6 million for R&D of logistics and other e-commerce related technologies and applications | Approximately HK\$261,000 was incurred for R&D of logistics and other e-commerce related technologies and applications |
| 3. | Up to approximately HK\$1.1 million for marketing and brand building activities of the Group | Up to 31st March, 2002, approximately HK\$729,000 has been spent on marketing activities such as technical seminars, forums and industry exhibitions |
| 4. | Up to approximately HK\$2.1 million for general working capital of the Group | HK\$2.1 million has been fully utilised for general working capital of the Group |

Unused proceeds are mainly kept as short-term bank deposits and the Directors believe that the net proceeds will be sufficient for future business objectives as stated in the prospectus dated 19th October, 2001.

Directors and Senior Management

Directors

Executive Directors

Mr. Lau Yeung Sang, aged 55, is one of the founders, the Chairman and an Executive Director of the Group. Mr. Lau is responsible for the overall strategic planning and coordination of all the directors and key management of the Group. He has over 20 years' experience in the general trading business including electronic parts in the PRC.

Mr. Lau Sik Suen, aged 31, is one of the founders and an Executive Director of the Group. Mr. Lau is responsible for the overall business development of the Group. Before founding the Group, Mr. Lau worked for a conglomerate company in Hong Kong and was responsible for business development in the PRC. Mr. Lau has substantial experience and knowledge of the Internet industry and of investment in technology companies in the PRC. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong. Mr. Lau is the son of Mr. Lau Yeung Sang, the Chairman of the Group.

Mr. Man Wing Pong, aged 31, is one of the founders and an Executive Director of the Group. Mr. Man is responsible for the corporate development and corporate communication strategy of the Group. Mr. Man has over 4 years of experience in corporate development and management in the PRC. Before founding the Group, Mr. Man worked in the corporate communications department of a company with its headquarters based in Hong Kong. Mr. Man graduated from an university in Hong Kong with a Bachelor degree in Social Science.

Independent Non-Executive Directors

Mr. Lee Yee Bun, aged 61, is currently a director of a number of companies in Hong Kong and the PRC. Mr. Lee is the founder and founding president of Sunbrite Business Association, a non-profit and non-political organisation formed by a group of investors in Canada. He was its chairman for the initial four years until 1996. Mr. Lee holds a Bachelor of Science (Engineering) degree from the University of Hong Kong. Mr. Lee was appointed as the Company's Independent Non-Executive Director in October 2001. Mr. Lee had been a director for a few years of Canadian Maple Leaf fund, the largest immigration fund in Canada and a director for a few years of a famous and successful private school in Vancouver, Canada named Collingwood School.

Dr. Lo Wing Yan, William, J.P., aged 41, has substantial experience in the IT industry. Dr. Lo is at present the non-executive chairman of WPP China. WPP Group plc is one of the world's leading communication services group providing a range of advertising, marketing, specialist communications and public relations services to clients worldwide. Previously, Dr. Lo was the chairman and the chief executive officer of netalone.com Limited, the shares of which were listed on the Stock Exchange, from 1999 to April 2001. Before founding netalone.com Limited, Dr. Lo was the chief executive officer of Citibank's Global Consumer Banking business for Hong Kong, from 1998 to 1999. Prior to his appointment at Citibank, Dr. Lo was the founder and the first managing director of Cable & Wireless HKT's wholly-owned interactive multimedia subsidiary, Hong Kong Telecom IMS Limited, and was responsible for developing the world's first commercial broadband interactive television (iTV) service and the Internet access and portal service (Netvigator) in Hong Kong. Dr. Lo was appointed as the Company's Independent Non-Executive Director in October 2001.

Directors and Senior Management

Senior Management

Mr. Liu Yun, aged 31, is the Chief Technology and Operation Officer of the Group and is responsible for the R&D activities and business operations of the Group. Mr. Liu joined the Group in April 1999. Mr. Liu has over six years' working experience in the areas of the Internet, software and computer systems. Prior to joining the Group, Mr. Liu worked in an Internet company in the PRC. Mr. Liu is a graduate from Chongqing University in the PRC and has professional qualifications in Computer Science.

Mr. Michael Doo Young Lim, aged 39, is the Chief Executive Officer of Universal iLogistics (Shanghai) Limited ("iLogistics Shanghai") and is responsible for the sales, marketing and operations of iLogistics Shanghai. Mr. Lim joined the Group in April 2001. Before joining the Group, Mr. Lim was the Managing Director of EXE for the North Asia region. Mr. Lim has over 10 years of experience in software development and marketing in the United States and Asia. Mr. Lim holds a Bachelor of Science degree from the University of Lowell in the United States.

Mr. Au Wai Keung, aged 30, is the Vice President and Chief Finance Officer of the Group. He is responsible for the corporate development, corporate finance and strategic investment of the Group. Mr. Au joined the Group in February 2001. Before joining the Group, Mr. Au worked in a commercial bank in Hong Kong. He holds a Bachelor of Social Science degree and a Master degree in Business Administration from universities in Hong Kong.

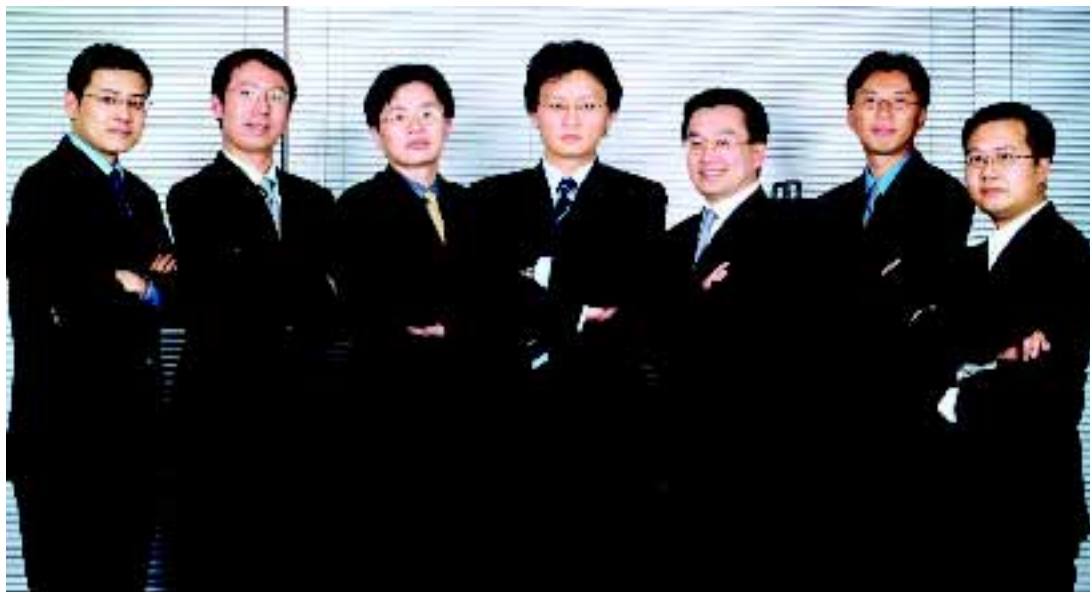
Mr. Chor Ngai, aged 30, is the Financial Controller of the Group, the Company Secretary and one of the members of the audit committee and Authorised Representatives of the Company. He is responsible for the Group's financial management. Mr. Chor joined the Group in February 2001. Before joining the Group, Mr. Chor worked with an international accounting firm for over five years. He holds a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. Mr. Chor is an associate member of the Hong Kong Society of Accountants and an associate member of the Association of Chartered Certified Accountants.

Directors and Senior Management

Consultants

Professor Cheng Yurong, is a professor of the Centre for Software Technology of Tsinghua University in the PRC. Professor Cheng graduated from Tsinghua University in the PRC with professional qualification in Computer Science. He was a member of the Year 2000 expert team of Ministry of Information Industry in the PRC. Professor Cheng became the Group's consultant in October 1999.

Mr. Li Ye, is an e-commerce consultant in the PRC. Mr. Li graduated from Tsinghua University in the PRC with a professional qualification in Computer Science. Mr. Li was previously the Commissioner for Computer of the Ministry of Electronic Industry and a senior staff of the People's Bank of China. Mr. Li became the Group's consultant in March 2001.



– Management Team of the Company

Directors' Report

The directors have pleasure in presenting their first report together with the audited financial statements of the Company for the period from 27th March, 2001 (date of incorporation) to 31st March, 2002 and the Group for the year ended 31st March, 2002.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Company was incorporated in the Cayman Islands on 27th March, 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 12th October, 2001. Details of the Reorganisation are set out in note 1 to the financial statements.

The Company's shares have been listed on GEM since 26th October, 2001.

CHANGE OF COMPANY NAME

Pursuant to a resolution passed on 25th May, 2001, the name of the Company was changed from Universal Cyberworks Holdings Limited to Universal Technologies Holdings Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and that of the subsidiaries are set out in note 15 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 29.

The directors do not recommend the payment of any dividend in respect of the year ended 31st March, 2002.

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for each of the three years ended 31st March, 2002 and the assets and liabilities of the Group as at 31st March, 2000, 2001 and 2002 are set out on page 68.

Directors' Report

FIXED ASSETS

The Group purchased fixed assets amounted to approximately HK\$1,596,000 during the year. Details of movements in fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital of the Company during the year and the reason thereof and share options are set out in notes 21 and 22 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions as disclosed in note 30 to the financial statements, no other contracts of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:—

Executive directors:

Lau Yeung Sang	(appointed on 6th April, 2001)
Lau Sik Suen	(appointed on 6th April, 2001)
Man Wing Pong	(appointed on 6th April, 2001)

Independent non-executive directors:

Lee Yee Bun	(appointed on 11th October, 2001)
Lo Wing Yan, William	(appointed on 12th October, 2001)

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Man Wing Pong for the time being shall retire from office by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(cont'd)*

The independent non-executive directors were appointed for a specific term of six months from the date of listing of the Company's shares and renewed for another six months after the expiry of the initial term of the appointment.

Each of the executive directors has entered into a service contract with the Company for an initial term of two years commencing from 18th October, 2001 and will continue thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party on the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

CONNECTED TRANSACTIONS

The details of connected transactions under the GEM Listing Rules during the year are set out in note 30 to the financial statements.

SHARE OPTION

Pursuant to the written resolutions passed by all the shareholders of the Company on 12th October, 2001, the Company adopted the following share option schemes:-

(A) Share Option Scheme

The purpose of the Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward all the directors (whether executive or non-executive and whether independent or not), the employees (whether full-time or part-time), any consultants or advisers of or to any company in the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid ("Eligible Persons") and any other persons who, in the absolute opinion of the Board, have contributed to the Group and to provide to the Eligible Persons a performance incentive for continued and improved service with the Group and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership. The directors may at their discretion, invite any Eligible Persons to take up options to subscribe for shares.

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

Directors' Report

SHARE OPTION *(cont'd)*

(A) Share Option Scheme *(cont'd)*

The period within which the shares must be taken up under the option must not be more than ten years from the date of grant of the option. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion may determine save that such price shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

A summary of the movements of the share options granted under the Share Option Scheme during the year is as follows:—

Grantees	Date of grant	Exercise period	Exercise price	Number of share options			
				Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st March, 2002
Initial management shareholder and employees	7th February, 2002	7th February, 2002 to 6th February, 2012	HK\$1.30	3,000,000	-	-	3,000,000
Initial management shareholder and employees	7th February, 2002	7th August, 2002 to 6th February, 2012	HK\$1.30	3,000,000	-	-	3,000,000
				6,000,000	-	-	6,000,000

Directors' Report

SHARE OPTION (cont'd)

(B) Pre-IPO Share Option Schemes

The purpose of each of the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B is to recognise the contribution of certain directors and senior management staff of the Group to the growth of the Group and/or to the listing of the Company's shares on GEM.

(i) Pre-IPO Share Option Scheme A

The persons qualified under this scheme to accept options include executive directors and senior management of the Group.

Under this scheme, options were granted to the executive directors and senior management of the Group to subscribe for an aggregate of 15,600,000 shares in the Company at a price of HK\$0.01 per share.

None of these options can be exercised during the first six months after 26th October, 2001 ("Listing Date"). The period within which the shares must be taken up under the option must be within a period of ten years commencing on the expiry of six months after the Listing Date and expiring on the last day of such ten-year period.

Upon acceptance of an option under this scheme, the grantee must pay HK\$1.00 to the Company as consideration for the grant.

A summary of the movements of the share options granted under the Pre-IPO Share Option Scheme A during the year is as follows:-

Grantees	Date of grant	Exercise period	Exercise price	Number of share options			Outstanding as at 31st March, 2002
				Granted during the year	Exercised during the year	Lapsed during the year	
Executive director	17th October, 2001	26th April, 2002 to 25th April, 2012	HK\$0.01	6,000,000	-	-	6,000,000
Senior management of the Group	17th October, 2001	26th April, 2002 to 25th April, 2012	HK\$0.01	9,600,000	-	-	9,600,000
				<u>15,600,000</u>	<u>-</u>	<u>-</u>	<u>15,600,000</u>

Directors' Report

SHARE OPTION *(cont'd)*

(B) Pre-IPO Share Option Schemes *(cont'd)*

(ii) Pre-IPO Share Option Scheme B

The persons qualified under this scheme to accept options include an executive director, an employee and two consultants.

Under this scheme, options were granted to the director, employee and consultants of the Group to subscribe for an aggregate of 16,240,000 shares in the Company at a price of HK\$0.084 per share.

None of these options can be exercised during the first six months after Listing Date. The period within which the shares must be taken up under the option must be within a period of ten years commencing on the expiry of six months after the Listing Date and expiring on the last day of such ten-year period.

Upon acceptance of an option under this scheme, the grantee must pay HK\$1.00 to the Company as consideration for the grant.

A summary of the movements of the share options granted under the Pre-IPO Share Option Scheme B during the year is as follows:—

Grantees	Date of grant	Exercise period	Exercise price	Number of share options			
				Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st March, 2002
Executive director	17th October, 2001	26th April, 2002 to 25th April, 2012	HK\$0.084	7,840,000	—	—	7,840,000
Senior management/ consultants of the Group	17th and 18th October, 2001	26th April, 2002 to 25th April, 2012	HK\$0.084	8,400,000	—	—	8,400,000
				16,240,000	—	—	16,240,000

Directors' Report

SHARE OPTION *(cont'd)*

In aggregate, options to subscribe for 37,840,000 shares representing approximately 6.2% of the issued share capital of the Company as at 31st March, 2002, have been granted under the Share Option Scheme, the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B.

On 8th April, 2002, the shareholders of the Company approved the refreshment of the limit under the Share Option Scheme pursuant to which the Board of Directors of the Company may grant options for subscription of up to a total of 60,830,000 shares, representing 10% of the issued share capital of the Company as at the date of the refreshment.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2002, the directors and their associates had the following interests in shares of the Company as recorded in the Register of Directors' Interests kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI" Ordinance):—

Director	Type of interest	Number of shares
Mr. Lau Yeung Sang	Family	4,800,000 <i>(Note 1)</i>
	Corporate	418,470,000 <i>(Note 2)</i>
Mr. Lau Sik Suen	Personal	10,800,000
Mr. Man Wing Pong	Personal	7,200,000

Notes:

1. These shares are registered in the name of Ms. 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 registered in the name of World One Investments Limited. The entire issued share capital of World One Investments Limited is wholly and 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.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Directors' rights to acquire shares or debentures" below.

Save as disclosed above, as at 31st March, 2002, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31st March, 2002, the directors who had personal interests in respect of options granted under the Pre-IPO Share Option Schemes of the Company within the meaning of SDI Ordinance are as follows:–

(i) Options granted under Pre-IPO Share Option Scheme A adopted on 12th October, 2001:–

Name of director	Date of grant	Exercise period	Exercise price	Number of share options		
				Granted during the year	Exercised during the year	Outstanding as at 31st March, 2002
Mr. Lau Sik Suen	17th October, 2001	26th April, 2002 to 25th April, 2012	HK\$0.01	4,200,000	–	4,200,000
Mr. Man Wing Pong	17th October, 2001	26th April, 2002 to 25th April, 2012	HK\$0.01	1,800,000	–	1,800,000
				<u>6,000,000</u>	<u>–</u>	<u>6,000,000</u>

(ii) Options granted under Pre-IPO Share Option Scheme B adopted on 12th October, 2001:–

Name of director	Date of grant	Exercise period	Exercise price	Number of share options		
				Granted during the year	Exercised during the year	Outstanding as at 31st March, 2002
Mr. Lau Sik Suen	17th October, 2001	26th April, 2002 to 25th April, 2012	HK\$0.084	7,840,000	–	7,840,000
				<u>7,840,000</u>	<u>–</u>	<u>7,840,000</u>

Apart from the foregoing, at no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report

SUBSTANTIAL SHAREHOLDER

At 31st March, 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following person was interested in 10% or more of the issued share capital of the Company:—

Name of shareholder	Number of shares held	Percentage of the 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.

Save as disclosed above, the Company has not been notified of any other interests as at 31st March, 2002 representing 10% or more of the issued share capital of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' interests in securities" and "Substantial shareholder" above, as at 31st March, 2002, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and was able, as a practical matter, to direct or influence the management of the Company.

COMPETING INTERESTS

None of the directors, the substantial shareholder or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 86% of the total sales for the year and sales to the largest customer included therein amounted to approximately 27%. Purchases from the Group's five largest suppliers accounted for approximately 87% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 29%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SPONSORS' INTERESTS

As updated and notified by the Company's sponsor, DBS Asia Capital Limited ("DBS Asia"), as at 31st March, 2002, neither DBS Asia nor any of its directors, employees or associates had any interests in the shares of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 4th May, 2001 entered with the Company, DBS Asia received and will receive fees for acting as the Company's continuing sponsor for the period from 26th October, 2001 to 31st March, 2004.

Directors' Report

AUDIT COMMITTEE

The Company has established an audit committee on 12th October, 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control systems.

The audit committee comprises 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. Mr. Lee Yee Bun is the chairman of the audit committee.

Up to the date of approval of these financial statements, the audit committee has held one meeting and has reviewed the quarterly results of the Group and the annual accounts for the year ended 31st March, 2002 prior to recommending such accounts to the Board of Directors for approval.

COMPLIANCE

In the opinion of the directors, the Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures since the listing of its shares on GEM on 26th October, 2001.

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Lau Yeung Sang

Chairman

Hong Kong, 27th June, 2002

Auditors' Report

**TO THE SHAREHOLDERS OF
UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
(FORMERLY KNOWN AS UNIVERSAL CYBERWORKS HOLDINGS LIMITED)**
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 29 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st March, 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF

Certified Public Accountants

Hong Kong, 27th June, 2002

Consolidated Income Statement

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	3	3,597	1,311
Other revenue	3	483	200
		4,080	1,511
Cost of computer hardware and software		(66)	(876)
Staff costs		(6,069)	(1,453)
Goodwill written off		–	(63)
Depreciation		(472)	(89)
Minimum operating lease rentals		(451)	(362)
Other operating expenses		(6,351)	(1,191)
Loss from operations		(9,329)	(2,523)
Profits on Reorganisation	4	–	497
Profit on disposal of partial interest in a subsidiary	5	33	–
Profit on deemed disposal of interest in a subsidiary	6	4,301	–
Operating loss		(4,995)	(2,026)
Share of results of a former jointly controlled entity		–	(369)
Loss from ordinary activities before taxation	7	(4,995)	(2,395)
Taxation	9	–	–
Loss for the year		(4,995)	(2,395)
Minority interests		1,684	117
Loss attributable to shareholders	10	(3,311)	(2,278)
Dividend	11	–	–
Loss per share – Basic (in cents)	12	(0.64)	(0.51)

Consolidated Balance Sheet

As at 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	<u>2,290</u>	<u>1,166</u>
CURRENT ASSETS			
Debtors		110	679
Deposits, prepayments and other receivables		1,048	3,020
Amounts due from related companies	16	27,931	179
Pledged deposit	17	5,660	–
Cash and bank balances		<u>37,993</u>	<u>7,630</u>
		<u>72,742</u>	<u>11,508</u>
DEDUCT:			
CURRENT LIABILITIES			
Bills payable, secured	17	18,868	–
Deposits received, accruals and other payables		1,099	519
Amounts due to related companies	18	1,078	198
Amount due to a director	19	700	5
Amount due to the former ultimate holding company	20	–	8,984
Mainland China taxes payable		13	192
		<u>21,758</u>	<u>9,898</u>
NET CURRENT ASSETS		<u>50,984</u>	<u>1,610</u>
		<u>53,274</u>	<u>2,776</u>
REPRESENTING:–			
SHARE CAPITAL	21	6,083	10
RESERVES	23	<u>26,518</u>	<u>(1,392)</u>
SHAREHOLDERS' FUNDS/(CAPITAL DEFICIENCY)		<u>32,601</u>	<u>(1,382)</u>
MINORITY INTERESTS		<u>20,673</u>	<u>4,158</u>
		<u>53,274</u>	<u>2,776</u>

APPROVED AND AUTHORISED FOR ISSUE BY
THE BOARD OF DIRECTORS ON 27TH JUNE, 2002

LAU YEUNG SANG
DIRECTOR

MAN WING PONG
DIRECTOR

Balance Sheet

As at 31st March, 2002

	Note	2002 HK\$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	15	<u>33,345</u>
CURRENT ASSETS		
Prepayments		178
Cash at bank		<u>26</u>
		<u>204</u>
DEDUCT:		
CURRENT LIABILITIES		
Accruals		397
Amount due to a director	19	<u>700</u>
		<u>1,097</u>
NET CURRENT LIABILITIES		<u>(893)</u>
		<u>32,452</u>
REPRESENTING:—		
SHARE CAPITAL	21	6,083
RESERVES	23	<u>26,369</u>
SHAREHOLDERS' FUNDS		<u>32,452</u>

APPROVED AND AUTHORISED FOR ISSUE BY
THE BOARD OF DIRECTORS ON 27TH JUNE, 2002

LAU YEUNG SANG
DIRECTOR

MAN WING PONG
DIRECTOR

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	24	(5,751)	(4,886)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		364	32
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		364	32
INVESTING ACTIVITIES			
Net cash inflow from acquisition of subsidiaries	25	–	3,131
Net cash outflow from disposal of subsidiaries	26	–	(27)
Payments to acquire fixed assets		(1,596)	(517)
Increase in amount due from a related company		(27,358)	–
Increase in unpledged time deposits		(24,058)	–
Increase in pledged deposit		(5,660)	–
Proceeds from disposal of partial interest in a subsidiary		39	–
Proceeds from deemed disposal of interest in a subsidiary		4,993	–
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(53,640)	2,587
NET CASH OUTFLOW BEFORE FINANCING		(59,027)	(2,267)

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
FINANCING	27		
Issue of shares by a subsidiary		1,354	–
Proceeds from placing of shares		31,500	–
Proceeds from exercise of over-allotment option		1,743	–
Share issue expenses		(7,283)	–
Contributions from minority shareholders of subsidiaries		17,449	1,027
Increase in bills payable		18,868	–
Increase in amount due to a director		695	374
Increase in amount due to the former ultimate holding company		1,006	6,532
NET CASH INFLOW FROM FINANCING		<u>65,332</u>	<u>7,933</u>
INCREASE IN CASH AND CASH EQUIVALENTS		6,305	5,666
CASH AND CASH EQUIVALENTS AT 1ST APRIL		<u>7,630</u>	<u>1,964</u>
CASH AND CASH EQUIVALENTS AT 31ST MARCH		<u>13,935</u>	<u>7,630</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		37,993	7,630
Less: Unpledged time deposits with maturity over three months		(24,058)	–
		<u>13,935</u>	<u>7,630</u>

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March, 2002

	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Exchange differences arising on translation of financial statements of the subsidiaries established in the People's Republic of China ("PRC")	23(a)	<u>39</u>	<u>13</u>
Net gain not recognised in the consolidated income statement		39	13
Loss for the year	23(a)	<u>(3,311)</u>	<u>(2,278)</u>
Total recognised losses		(3,272)	(2,265)
Negative goodwill arising on acquisition of a subsidiary	23(a)	–	1,140
Realisation of capital reserve and exchange reserve on deemed disposal of interest in a subsidiary	23(a)	(49)	–
Special reserve arising on the Reorganisation	23(a)	<u>10,754</u>	–
Net increase/(decrease) in reserves		<u>7,433</u>	<u>(1,125)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 27th March, 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001 (the "Reorganisation"), the Company acquired the entire issued share capital of Universal Cyberworks (Group) Limited ("UCW") in consideration of the allotment of 59,999,990 shares of HK\$0.01 each in the share capital of the Company credited as fully paid and thereafter the Company became the holding company of the companies now comprising the Group. Prior to the Reorganisation, the businesses of the Group were carried on by UCW and its subsidiaries (the "UCW Group"). Details of the Reorganisation are set out in the prospectus issued by the Company dated 19th October, 2001.

The shares of the Company were listed on GEM on 26th October, 2001.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:—

(a) Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") and are prepared under the historical cost convention.

The Group resulting from the Reorganisation as defined in note 1 above is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on a merger accounting basis as if the Company had always been the holding company of the UCW Group in accordance with SSAP 27 "Accounting for group reconstruction".

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

In the current year, the Group adopted the following SSAPs issued by the HKSA which are effective for the current year's financial statements:—

SSAP 9 (Revised)	:	Events after the balance sheet date
SSAP 14 (Revised)	:	Leases
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new and revised SSAPs is set out in the accounting policies below.

(b) Basis of consolidation

The Reorganisation has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. Apart from the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intra-group transactions and balances have been eliminated on consolidation.

(c) Goodwill and negative goodwill

Goodwill represents the excess of the purchase consideration over the attributable share of the fair value of separable net assets of a subsidiary at the date of acquisition.

Negative goodwill represents the excess of the fair value of separable net assets of a subsidiary at the date of acquisition over the purchase consideration.

In prior years, goodwill arising on acquisition of a subsidiary was written off immediately against the income statement and negative goodwill was taken directly to reserves.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(c) Goodwill and negative goodwill (cont'd)

With effect from 1st April, 2001, with the introduction of SSAP 30, the Group adopted an accounting policy to recognise goodwill arising on acquisition of a subsidiary as an asset which is amortised on a straight-line basis over its estimated useful life of not more than 20 years. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement. On disposal, any attributable amount of purchased goodwill not previously amortised in the income statement and balance of negative goodwill not previously taken to the income statement is included in the calculation of the profit and loss on disposal. In respect of goodwill and negative goodwill arising on acquisition of subsidiaries in prior years, the Group has taken advantage of the transitional provisions in SSAP 30 which do not require the reinstatement of goodwill and negative goodwill taken to reserves prior to 1st April, 2001. The above change in accounting policy has no financial impact on the Group for the current and prior years.

(d) Recognition of revenue

Revenue from the provision of enterprise solutions services is recognised on a straight-line basis over the period in which the work is performed.

The Group prepares project timetables for all contracts signed with its customers. Revenue from the provision of enterprise solutions services is recognised over the period of service set out in the project timetable. Project timetables are reviewed regularly. The effect of changes in the project timetable on the amount of revenue recognised is accounted for in the period in which the change is made.

Management fee income is recognised upon rendering of services.

Interest income is recognised on an accrual basis, taking into account the principal amounts outstanding and the interest rates applicable.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) Recognition of revenue (cont'd)

Dividend income is recognised as follows:–

- dividends from listed investments are recognised when the share price of such investments is quoted ex-dividend; and
- interim dividends from unlisted investments are recognised when the directors of the investee companies declare such dividends; final dividends from unlisted investments are recognised when the shareholders of the investee companies approve the dividends proposed by the directors at the general meeting.

(e) Research and development costs

Research and development costs comprise all costs which are directly attributable to research and development activities or which can be allocated on a reasonable basis to such activities. As no research and development costs satisfy the criteria for the recognition of such costs as an asset during the year, such costs are therefore recognised as an expense in the period in which they are incurred.

(f) Fixed assets and depreciation

Fixed assets are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the asset.

The carrying amount of fixed assets is reviewed regularly to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. In determining the recoverable amount, expected future cash flows are discounted to their present values.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Fixed assets and depreciation (cont'd)

Depreciation is calculated to write off the cost of fixed assets less any estimated residual value, on a straight-line basis over their estimated useful lives as follows:-

Leasehold improvement	-	Shorter of 5 years and the unexpired terms of the leases
Office, computer and other equipment	-	5 years
Furniture and fixtures	-	5 years
Motor vehicles	-	5 years

Gain or loss arising from the retirement or disposal of a fixed asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in the income statement on the date of retirement or disposal.

(g) Subsidiaries

A subsidiary is an enterprise over which the company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Interest in subsidiaries is stated in the Company's balance sheet at cost less any identified impairment loss. Income from subsidiaries is recognised in the Company's financial statements when the Company's right to receive dividends is established.

(h) Equity joint venture companies established in the PRC

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity. The joint venture agreement stipulates the composition of the equity joint venture parties' capital contributions, the duration of the joint venture, and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the joint venture parties in proportion to their respective capital contributions.

An equity joint venture is treated as a subsidiary if, under the joint venture agreement, the Group holds more than 50% of the joint venture company's registered capital and the Group can control the composition of the board of directors and exercise unilateral control over the equity joint venture.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired:—

- fixed assets; and
- investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, except where the assets are carried at revalued amounts, in which case the reversal of impairment loss is treated as a revaluation movement.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(j) Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases" for the first time.

The revised standard has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been made. Comparative amounts have been restated in order to achieve a consistent presentation.

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the periods of the respective leases.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(l) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(l) Translation of foreign currencies (cont'd)

On consolidation, the financial statements of the PRC subsidiaries denominated in Renminbi are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. All exchange differences arising from translation are dealt with as movements in exchange reserve.

(m) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(n) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in provision of enterprise solutions or trading of computer products (business segment), or in provision of enterprise solutions or trading of computer products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise other financing liabilities and Mainland China taxes liabilities.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(p) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

3. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of online payment and logistics enterprise solutions and related services. Turnover for the year ended 31st March, 2002 represents revenue recognised from the provision of enterprise solutions services, net of business tax. Turnover for the year ended 31st March, 2001 also includes revenue recognised from sale of computer products, net of value-added tax, which has been discontinued after the Reorganisation. An analysis of the Group's turnover and other revenue is set out below:—

	2002 HK\$'000	2001 HK\$'000
Enterprise solutions	3,597	120
Trading of computer products	—	1,191
Turnover	3,597	1,311
Management fee income received from a former jointly controlled entity	—	144
Management fee income received from a related company	11	—
Interest on bank deposits	364	32
Others	108	24
Total revenue	4,080	1,511

Notes to the Financial Statements

For the year ended 31st March, 2002

4. PROFITS ON REORGANISATION

	Note	2002 HK\$'000	2001 HK\$'000
Profits on Reorganisation comprised gains arising from			
Disposal of UCW's entire interest in Synenet Limited	<i>(i), (iii), (iv)</i>	–	369
Disposal of UCW's entire interest in Jiangxi Universal Online Information & Technology Limited	<i>(ii), (iii), (iv)</i>	–	128
		<u>–</u>	<u>497</u>

Notes:

- (i) UCW disposed of its entire interest in Synenet Limited to a company controlled by Mr. Lau Yueng Sang at a consideration of US\$250,000 being UCW's cost of investment in Synenet Limited.
- (ii) UCW disposed of its entire interest in Jiangxi Universal Online Information & Technology Limited to a company controlled by Mr. Lau Yueng Sang at a nominal consideration of RMB1,000 as UCW has not yet contributed to the registered capital of Jiangxi Universal Online Information & Technology Limited.
- (iii) The above gains represent the difference between the disposal proceeds and the Group's attributable share of the assets and liabilities of these entities at the dates of disposal.
- (iv) These companies were disposed of pursuant to the Reorganisation as their operations were not related to the core business of the Group.

5. PROFIT ON DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

The amount represents gain on disposal of 1.65% interest in iLogistics China Limited ("iLogistics China"), an indirectly 60% owned subsidiary of the Company, to a shareholder at a total consideration of US\$4,950. The gain represents the difference between the disposal proceeds and the Group's attributable share of the net assets of this entity and Universal iLogistics China (Shanghai) Limited, a wholly owned subsidiary of iLogistics China at the date of disposal.

Notes to the Financial Statements

For the year ended 31st March, 2002

6. PROFIT ON DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

The amount represents gain on deemed disposal of 4.169% interest in UCW, an indirectly 95.831% owned subsidiary of the Company, to a shareholder. The gain represents the difference between the Group's attributable share of the net assets of this entity immediately before and after the investment from this shareholder in UCW.

7. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2002 HK\$'000	2001 HK\$'000
Loss from ordinary activities before taxation is arrived at after charging:–		
Auditors' remuneration	290	53
Cost of computer hardware and software used/sold	66	876
Staff costs (including directors' remuneration) – <i>Note</i>		
– Salaries and other benefits	5,562	1,430
– Pension scheme contributions	507	23
Depreciation	472	89
Minimum operating lease rentals		
– Land and buildings	350	356
– Servers	101	6
	<u> </u>	<u> </u>

Note:

Include in staff costs are research and development costs estimated by the directors amounting to approximately HK\$261,000 for the year ended 31st March, 2002 (2001: HK\$366,000).

Notes to the Financial Statements

For the year ended 31st March, 2002

8. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
(a) Directors		
Executive directors		
Fees	–	–
Other emoluments		
– Basic salaries, allowances and benefits in kind	1,026	357
– Pension scheme contributions	27	6
	<u>1,053</u>	<u>363</u>
Independent non-executive directors		
Fees	<u>286</u>	–
	<u>1,339</u>	<u>363</u>

Three executive directors received individual emoluments of approximately HK\$412,000, HK\$389,000 and HK\$252,000 respectively for the year ended 31st March, 2002 (HK\$101,000, HK\$262,000 and HK\$Nil respectively for the year ended 31st March, 2001).

During the year, no other emoluments were paid by the Group to the independent non-executive directors.

The number of directors whose remuneration fell within the following band were:–

	2002	2001
Emoluments		
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

During the year, 13,840,000 share options were granted to the executive directors in respect of their services to the Group, further details of which are set out under the section headed "Directors' rights to acquire shares or debentures" in the directors' report.

No directors waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 31st March, 2002

8. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (CONT'D)

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, two are directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining three non-director, highest paid employees were as follows:—

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	1,197	296
Retirement scheme contributions	27	6
	1,224	302

The emoluments of the three non-director, highest paid employees fell within the band of nil to HK\$1,000,000.

During the year, 6,000,000 share options were granted to two of the above three non-director, highest paid employees in respect of their services to the Group, further details of which are set out under the section headed "Share option" in the directors' report.

During the year, no emoluments were paid by the Group to the five highest paid employees, including the directors of the Company, as an inducement to join, or upon joining the Group, or as compensation for loss of office.

9. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year. The Company's subsidiaries operating in the PRC did not generate any profits assessable to Mainland China enterprise income tax during the year.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred taxation in respect of the year.

Notes to the Financial Statements

For the year ended 31st March, 2002

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes a loss of HK\$1,672,000 which has been dealt with in the financial statements of the Company.

11. DIVIDEND

No dividend has been paid or declared by the Company since the date of its incorporation.

12. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the following data:—

	2002 HK\$'000	2001 HK\$'000
Earnings		
Loss for the year used in the calculation of basic loss per share	<u>(3,311)</u>	<u>(2,278)</u>
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>517,704,110</u>	<u>450,000,000</u>

No diluted loss per share are shown because the potential ordinary shares have no dilutive effect.

13. RETIREMENT BENEFIT COSTS

Before 30th November, 2000, the Company's subsidiaries operating in Hong Kong did not operate any pension schemes. Since 1st December, 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the year ended 31st March, 2002 amounted to HK\$89,000 (2001: HK\$21,000).

Notes to the Financial Statements

For the year ended 31st March, 2002

13. RETIREMENT BENEFIT COSTS (cont'd)

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on 25.5% of the applicable payroll costs. The Group has no obligation other than above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the year ended 31st March, 2002 amounted to HK\$418,000 (2001: HK\$2,000).

14. FIXED ASSETS – THE GROUP

	Leasehold improvement HK\$'000	Office, computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:–					
At 1.4.2001	494	459	61	288	1,302
Additions	853	601	8	134	1,596
At 31.3.2002	1,347	1,060	69	422	2,898
Aggregate depreciation:–					
At 1.4.2001	50	44	4	38	136
Charge for the year	200	176	14	82	472
At 31.3.2002	250	220	18	120	608
Net book value:–					
At 31.3.2002	1,097	840	51	302	2,290
At 31.3.2001	444	415	57	250	1,166

The Company had no fixed assets as at 31st March, 2002.

Notes to the Financial Statements

For the year ended 31st March, 2002

15. INTERESTS IN SUBSIDIARIES – THE COMPANY

	2002 HK\$'000
Unlisted shares, at cost	8,164
Amounts due from subsidiaries – Note 15(b)	25,181
	33,345

(a) The details of the subsidiaries as at 31st March, 2002 are as follows:–

Name of company	Place of incorporation / establishment and operation	Particulars of issued share capital / registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Universal Cyberworks International Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	–	Investment holding
Universal Enterprise Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each	–	100	Investment holding
iLogistics China Limited	Hong Kong	500,000 ordinary shares of US\$1 each	–	60	Investment holding
Universal iLogistics China (Shanghai) Limited (formerly known as iLogistics China (Shanghai) Limited)	People's Republic of China	US\$280,000	–	60	Provision of logistics enterprise solutions and related services
Universal Cyberworks (Group) Limited	Hong Kong	9,306,740 ordinary shares of HK\$1 each	–	95.831	Investment holding and research and development of online payment and logistics enterprise solutions
Universal iPayment China Limited (formerly known as iPayment China Limited)	People's Republic of China	US\$5,100,000	–	57.499	Provision of online payment enterprise solutions and related services

Notes to the Financial Statements

For the year ended 31st March, 2002

15. INTERESTS IN SUBSIDIARIES – THE COMPANY (cont'd)

(a) (cont'd)

Name of company	Place of incorporation / establishment and operation	Particulars of issued share capital / registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Universal Media (China) Limited (formerly known as Wealth Triumph Holdings Limited)	Hong Kong	1,000,000 ordinary shares of HK\$1 each	–	60	Investment holding
Universal Media (Shanghai) Limited	People's Republic of China	US\$880,000	–	60	Dormant
Universal mPayment International Limited (formerly known as Hopelink Holdings Limited and mPayment International Limited)	Hong Kong	3,900,000 ordinary shares of HK\$1 each	–	60	Investment holding

(b) The amounts are interest-free, unsecured and have no fixed terms of repayment.

16. AMOUNTS DUE FROM RELATED COMPANIES

The amounts are interest-free, unsecured and repayable on demand. The amounts include an advance of Rmb20,000,000 (equivalent to approximately HK\$18,868,000) made to Shanghai Yi Mei Trading Company Limited (“Shanghai Yi Mei”), a shareholder of Shanghai Gao Yuan Property (Group) Company Limited which is one of the joint venturers of Universal iPayment China Limited, by issuing master acceptance bills (the “Bills”) of the same amount in favour of Shanghai Yi Mei. The advance was fully repaid on 10th May, 2002 upon full settlement of the Bills on the same date.

Notes to the Financial Statements

For the year ended 31st March, 2002

17. PLEDGED DEPOSIT

At 31st March, 2002, deposit of Rmb6,000,000 (equivalent to approximately HK\$5,660,000) has been pledged to a bank to secure the Bills as mentioned in note 16 above.

18. AMOUNTS DUE TO RELATED COMPANIES

The amounts are interest-free, unsecured and repayable on demand.

19. AMOUNT DUE TO A DIRECTOR

The amount is interest-free, unsecured and repayable on demand.

20. AMOUNT DUE TO THE FORMER ULTIMATE HOLDING COMPANY

On 10th October, 2001, the amount due to Universal Enterprise (HK) Group Limited, the former ultimate holding company, amounted to HK\$9,989,684 as that date was capitalised by issuing 8,907,926 shares in the share capital of UCW to Universal Enterprise (HK) Group Limited pursuant to the Reorganisation.

Notes to the Financial Statements

For the year ended 31st March, 2002

21. SHARE CAPITAL

For the purposes of the preparation of the financial statements, the balance of the share capital shown in the consolidated balance sheet at 31st March, 2001, represented the issued share capital of UCW which was acquired by the Company on 12th October, 2001 pursuant to the Reorganisation.

	<i>Note</i>	Number of shares	HK\$'000
Authorised:–			
Ordinary shares of HK\$0.10 each			
At date of incorporation	(a)	3,800,000	380
Subdivision of shares	(b)	34,200,000	–
Ordinary shares of HK\$0.01 each		38,000,000	380
Increase in authorised share capital	(c)	1,962,000,000	19,620
At 31st March, 2002		<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:–			
Ordinary shares of HK\$0.10 each			
Issue of share to subscriber	(a)	1	–
Subdivision of shares	(b)	9	–
Ordinary shares of HK\$0.01 each		10	–
Issue of shares in accordance with the Reorganisation	(d)	59,999,990	600
Placing of shares	(e)	150,000,000	1,500
Issue of shares by capitalisation of the share premium account	(f)	390,000,000	3,900
Issue of shares by exercise of over-allotment option	(g)	8,300,000	83
At 31st March, 2002		<u>608,300,000</u>	<u>6,083</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

21. SHARE CAPITAL (cont'd)

Notes:

- (a) The Company was incorporated on 27th March, 2001 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. One share was allotted and issued at par on that date.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 25th May, 2001, the then entire issued and unissued share capital of the Company represented by 3,800,000 shares of HK\$0.10 each was sub-divided into 38,000,000 shares of HK\$0.01 each.
- (c) Pursuant to the written resolutions of the sole shareholder of the Company passed on 10th October, 2001, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (d) On 12th October, 2001, pursuant to the Reorganisation, 59,999,990 shares of HK\$0.01 each were allotted and issued, credited as fully paid, as consideration for the acquisition by the Company of the entire issued share capital in UCW.
- (e) On 23rd October, 2001, 150,000,000 new shares of HK\$0.01 each were issued by way of placing at a premium of HK\$0.20 per share for cash (the "Placing"). The excess of the issue price over the par value of the shares issued upon the Placing amounted to HK\$30,000,000 was credited to the share premium account of the Company.
- (f) On 23rd October, 2001, immediately after the Placing, 390,000,000 shares of HK\$0.01 each were allotted and issued at par, credited as fully paid, to the shareholders in proportion to their respective shareholdings on the register of the members of the Company at the close of business on 16th October, 2001 by way of the capitalisation of the share premium available.
- (g) On 12th November, 2001, over-allotment option was exercised in part solely to cover over-allocations in the Placing. 8,300,000 new shares of HK\$0.01 each were allotted and issued at a premium of HK\$0.20 per share for cash. The excess of the issue price over the par value of the shares issued upon the exercise of the over-allotment option amounted to HK\$1,660,000 was credited to the share premium account of the Company.

Notes to the Financial Statements

For the year ended 31st March, 2002

22. SHARE OPTIONS

A summary of the movements of share options granted under the Company's share option schemes during the year is as follows:–

Option schemes adopted on	Date of grant	Exercise price	Exercise period	Number of share options			
				Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st March, 2002
12th October, 2001	7th February, 2002	HK\$1.30	7th February, 2002 to 6th February, 2012	3,000,000	–	–	3,000,000
12th October, 2001	7th February, 2002	HK\$1.30	7th August, 2002 to 6th February, 2012	3,000,000	–	–	3,000,000
12th October, 2001	17th October, 2001	HK\$0.01	26th April, 2002 to 25th April, 2012	15,600,000	–	–	15,600,000
12th October, 2001	17th October, 2001	HK\$0.084	26th April, 2002 to 25th April, 2012	15,040,000	–	–	15,040,000
12th October, 2001	18th October, 2001	HK\$0.084	26th April, 2002 to 25th April, 2012	1,200,000	–	–	1,200,000
				<u>37,840,000</u>	<u>–</u>	<u>–</u>	<u>37,840,000</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

23. RESERVES

(a) The Group

	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.4.2000	–	–	–	–	(267)	(267)
Negative goodwill arising on acquisition of a subsidiary – Note 25	–	1,140	–	–	–	1,140
Exchange differences arising on translation of financial statements of the PRC subsidiaries	–	–	–	13	–	13
Loss for the year	–	–	–	–	(2,278)	(2,278)
At 31.3.2001	–	1,140	–	13	(2,545)	(1,392)
At 1.4.2001	–	1,140	–	13	(2,545)	(1,392)
Special reserve arising on the Reorganisation – Note 23(i)	–	–	10,754	–	–	10,754
Premium arising on placing of shares – Note 21(e)	30,000	–	–	–	–	30,000
Capitalisation issue – Note 21(f)	(3,900)	–	–	–	–	(3,900)
Share issue expenses	(7,283)	–	–	–	–	(7,283)
Premium arising on exercise of over-allotment option – Note 21(g)	1,660	–	–	–	–	1,660
Realised on deemed disposal of a subsidiary	–	(47)	–	(2)	–	(49)
Exchange differences arising on translation of financial statements of the PRC subsidiaries	–	–	–	39	–	39
Loss for the year	–	–	–	–	(3,311)	(3,311)
At 31.3.2002	20,477	1,093	10,754	50	(5,856)	26,518

Notes to the Financial Statements

For the year ended 31st March, 2002

23. RESERVES (cont'd)

(b) The Company

	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Surplus arising on the Reorganisation – Note 23(ii)	7,564	-	-	-	-	7,564
Premium arising on placing of shares – Note 21(e)	30,000	-	-	-	-	30,000
Capitalisation issue – Note 21(f)	(3,900)	-	-	-	-	(3,900)
Share issue expenses	(7,283)	-	-	-	-	(7,283)
Premium arising on exercise of over-allotment option – Note 21(g)	1,660	-	-	-	-	1,660
Loss for the period	-	-	-	-	(1,672)	(1,672)
At 31.3.2002	28,041	-	-	-	(1,672)	26,369

- (i) The special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of a subsidiary acquired pursuant to the Reorganisation.
- (ii) The share premium of the Company includes (i) share issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the Reorganisation. Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- (iii) At 31st March, 2002, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$ 26,369,000 subject to the restrictions as stated above.

Notes to the Financial Statements

For the year ended 31st March, 2002

24. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Operating loss	(4,995)	(2,026)
Depreciation	472	89
Goodwill written off	–	63
Interest income	(364)	(32)
Profits on Reorganisation	–	(497)
Profit on disposal of partial interest in a subsidiary	(33)	–
Profit on deemed disposal of interest in a subsidiary	(4,301)	–
Increase in inventories	–	(21)
Decrease/(increase) in debtors	569	(163)
Decrease/(increase) in deposits, prepayments and other receivables	1,972	(2,838)
Increase in amounts due from related companies	(394)	(40)
Increase in deposits received, accruals and other payables	580	330
Increase in amounts due to related companies	880	180
(Decrease)/increase in Mainland China taxes payable	(179)	48
Effect of foreign exchange rate changes	42	21
	<u>(5,751)</u>	<u>(4,886)</u>
Net cash outflow from operating activities	<u>(5,751)</u>	<u>(4,886)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

25. ACQUISITION OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets acquired comprised:–		
Fixed assets	–	637
Debtors	–	558
Deposits, prepayments and other receivables	–	122
Amounts due from related companies	–	139
Amount due from a director	–	201
Cash and bank balances	–	6,777
Deposits received, accruals and other payables	–	(172)
Amount due to a related company	–	(18)
Amount due to the former ultimate holding company	–	(149)
Mainland China taxes payable	–	(192)
Minority interests	–	(3,180)
	–	4,723
Goodwill arising on acquisition of a subsidiary	–	63
Negative goodwill arising on acquisition of a subsidiary	–	(1,140)
	–	3,646
Satisfied by:		
Cash consideration	–	3,646
Analysis of net cash inflow of cash and cash equivalents in connection with the acquisition of subsidiaries		
Cash and bank balances acquired	–	6,777
Cash consideration	–	(3,646)
Net cash inflow of cash and cash equivalents	–	3,131

Notes to the Financial Statements

For the year ended 31st March, 2002

26. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net liabilities disposed of comprised:–		
Fixed assets	–	18
Inventories	–	21
Debtors	–	42
Deposits, prepayments and other receivables	–	7
Cash and bank balances	–	28
Deposits received, accruals and other payables	–	(86)
Amount due to a director	–	(168)
Mainland China taxes payable	–	(48)
Minority interests	–	59
	<u>–</u>	<u>–</u>
Profits on Reorganisation	–	(127)
	<u>–</u>	<u>128</u>
	<u>–</u>	<u>1</u>
Satisfied by:		
Cash consideration	<u>–</u>	<u>1</u>
Analysis of net cash outflow of cash and cash equivalents in connection with the disposal of subsidiaries		
Cash consideration	–	1
Cash and bank balances disposed	–	(28)
	<u>–</u>	<u>(27)</u>
Net cash outflow of cash and cash equivalents	<u>–</u>	<u>(27)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Bills payable HK\$'000	Amount due to a director HK\$'000	Amount due to the former ultimate holding company HK\$'000	Minority interests HK\$'000
At 1.4.2000	10	-	-	-	-	2,303	-
Negative goodwill arising on acquisition of a subsidiary	-	-	-	-	-	-	-
Attributable to acquisition of subsidiaries	-	-	-	-	(201)	149	3,180
Attributable to disposal of subsidiaries	-	-	-	-	(168)	-	59
Contributions from minority shareholders of subsidiaries	-	-	-	-	-	-	1,027
Share of losses by minority shareholders	-	-	-	-	-	-	(117)
Cash inflow from financing	-	-	-	-	374	6,532	-
Effect of foreign exchange rate changes	-	-	-	-	-	-	9
At 31.3.2001	10	-	-	-	5	8,984	4,158
At 1.4.2001	-	-	-	-	5	8,984	4,158
Issue share capital of UCW at 1.4.2001	-	-	10	-	-	-	-
Issue of shares by UCW	-	-	1,354	-	-	-	-
Issue of shares by UCW for capitalisation of shareholder loan – Note 28(a)	-	-	9,990	-	-	(9,990)	-
Issue of shares in accordance with the Reorganisation – Note 28(b)	600	-	(600)	-	-	-	-
Proceeds from placing of shares	1,500	30,000	-	-	-	-	-
Capitalisation issue – Note 28(c)	3,900	(3,900)	-	-	-	-	-
Proceeds from issue of shares by exercise of over-allotment option	83	1,660	-	-	-	-	-
Share issue expenses	-	(7,283)	-	-	-	-	-
Contributions from minority shareholders of subsidiaries	-	-	-	-	-	-	17,449
Share of losses by minority shareholders	-	-	-	-	-	-	(1,684)
Movement in minority interests due to dilution and disposal of interests in subsidiaries	-	-	-	-	-	-	747
Cash inflow from financing	-	-	-	18,868	695	1,006	-
Effect of foreign exchange rate changes	-	-	-	-	-	-	3
At 31.3.2002	6,083	20,477	10,754	18,868	700	-	20,673

Notes to the Financial Statements

For the year ended 31st March, 2002

28. MAJOR NON-CASH TRANSACTIONS

- (a) On 10th October, 2001, 8,907,926 shares of HK\$1.00 each in UCW credited as fully paid, were allotted to Universal Enterprise (HK) Group Limited, the former ultimate holding company, for capitalisation of the outstanding balance due to it of approximately HK\$9,990,000.
- (b) On 12th October, 2001, pursuant to the Reorganisation, 59,999,990 shares of HK\$0.01 each were allotted and issued, credited as fully paid, as consideration for the acquisition by the Company of the entire issued share capital in UCW.
- (c) On 23rd October, 2001, immediately after the Placing, 390,000,000 shares of HK\$0.01 each were allotted and issued at par, credited as fully paid, to the shareholders in proportion to their respective shareholdings on the register of the members of the Company at the close of business on 16th October, 2001 by way of the capitalisation of the share premium available.

29. COMMITMENTS

(a) Operating leases commitment

As at 31st March, 2002, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases which fall due as follows:-

	2002	2001
	HK\$'000	(Restated) HK\$'000
Within one year	314	240
After one year but within five years	22	349
	336	589

Operating lease payments represent rentals payable by the Group for the use of servers and office premises. Leases are negotiated for an average term of two years with fixed monthly rentals.

As at 31st March, 2002, the Company had no operating leases commitments.

Notes to the Financial Statements

For the year ended 31st March, 2002

29. COMMITMENTS (cont'd)

(b) Capital commitment

As at 31st March, 2002, the Group had capital expenditure contracted for but not yet provided in the financial statements in respect of unpaid capital contributions to two of the subsidiaries of approximately HK\$6,006,000.

As at 31st March, 2002, the Company had no capital commitments.

30. RELATED PARTY TRANSACTIONS

Apart from the transactions as disclosed in notes 16 to 20 to the financial statements, the Group had the following material transactions with its related parties during the year:—

	Note	2002 HK\$'000	2001 HK\$'000
Purchase of monitors from Universal Enterprise (HK) Group Limited	(i)	—	6
Sales of Internet Payment Runtime System to Universal eCommerce China Limited	(ii)	755	—
Technical support services fee received from Universal eCommerce China Limited	(iii)	225	—
Office premises rental paid to Shanghai Gao Yuan Property (Group) Company Limited	(iv)	68	2
Service fee received from Universal eCommerce China Limited	(v)	11	—
Management fee received from Synenet Limited	(vi)	—	144

Notes:

- (i) Mr. Lau Yeung Sang is a shareholder and director of Universal Enterprise (HK) Group Limited. Mr. Lau Sik Suen is also a director of Universal Enterprise (HK) Group Limited. Mr. Lau Yeung Sang and Mr. Lau Sik Suen are directors of UCW and Universal Enterprise (HK) Group Limited is the former ultimate holding company of UCW. These transactions were carried out with reference to the market price.

Notes to the Financial Statements

For the year ended 31st March, 2002

30. RELATED PARTY TRANSACTIONS (cont'd)

Notes: (cont'd)

- (ii) Mr. Liu Ruisheng is a shareholder of Universal eCommerce China Limited (Universal eCommerce China Limited was formerly known as Ecommerce China Limited). He is the brother of Mr. Lau Yeung Sang who is a director of the Company. These transactions were carried out at cost plus a certain percentage of profit mark-up.
- (iii) Pursuant to a technical support services agreement dated 7th September, 2001 between Universal iPayment China Limited and Universal eCommerce China Limited, Universal iPayment China Limited agreed to provide technical support services in respect of the custom-designed online payment enterprise solutions to Universal eCommerce China Limited. Service fee was determined by reference to the market price.
- (iv) Shanghai Gao Yuan Property (Group) Company Limited is one of the joint venturers of Universal iPayment China Limited. Office premises rental paid was determined by reference to the floor area occupied by the Group.
- (v) Pursuant to the agreement stated in (iii) above, Universal eCommerce China Limited also agreed to pay a monthly management fee of Rmb2,000 to Universal iPayment China Limited for monthly online payment amount equal to or greater than Rmb100,000.
- (vi) Pursuant to a management services agreement dated 1st June, 2000 between UCW and Synenet Limited, a former jointly controlled entity, UCW agreed to provide a working place as an office to Synenet Limited and its staff and to provide management and accounting services to facilitate the daily operations of Synenet Limited with effect from 1st June, 2000. In consideration for the services provided by UCW, Synenet Limited agreed to pay to UCW a monthly fee of HK\$12,000 for the months of June and July 2000 and HK\$15,000 for the month thereafter up to 31st March, 2001.

All the transactions except (i), (iv) and (vi) set out above also constituted connected transactions under the GEM Listing Rules. The directors have reviewed the connected transactions and are of the opinion that these transactions were effected on normal commercial terms and in the ordinary course of the business of the Group.

31. SUBSEQUENT EVENTS

The following events have occurred subsequent to 31st March, 2002 and up to the date of this report:-

- (a) At an Extraordinary General Meeting held on 8th April, 2002, the shareholders of the Company approved the refreshment of the limit under the Share Option Scheme so that the Board of Directors of the Company may grant options for subscription of up to a total of 60,830,000 shares, representing 10% of the issued share capital of the Company as at the date of this report. Further details are set out in the circular to shareholders dated 21st March, 2002.

Notes to the Financial Statements

For the year ended 31st March, 2002

31. SUBSEQUENT EVENTS *(cont'd)*

- (b) A Placing Agreement dated 30th April, 2002 entered into between DBS Asia Capital Limited ("DBS Asia") and World One Investments Limited ("World One") whereby World One agreed to sell and DBS Asia agreed to procure placees to purchase 16,670,000 shares in the Company ("Placing Shares") with an option to sell up to an additional 10,000,000 existing shares in the Company at a price of HK\$0.90 per Placing Share subject to the terms and conditions contained therein. A Subscription Agreement dated 30th April, 2002 was entered into between the Company and World One whereby World One agreed to subscribe for and the Company agreed to allot and issue 16,670,000 shares in the Company at a price of HK\$0.90 per share in the Company with an option to subscribe for up to a further 10,000,000 shares in the Company. The Placing was completed on 6th May, 2002 and the options were not exercised and has therefore lapsed. Further details are set out in the circular to shareholders dated 21st May, 2002.

32. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:—

(a) Online payment enterprise solutions

Provision of online payment enterprise solutions and ongoing technical support services.

(b) Logistics enterprise solutions

Provision of logistics enterprise solutions and system maintenance services.

Other operating segment represents the operating segment which do not meet the quantitative threshold for determining reportable segment. It represents investment holding activities.

In prior year, the Group was also involved in the trading of computer products which was discontinued after the disposal of the subsidiary pursuant to the Reorganisation.

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Notes to the Financial Statements

For the year ended 31st March, 2002

32. SEGMENT REPORTING (cont'd)

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments:—

	Online payment enterprise solutions		Logistics enterprise solutions		Trading of computer products		Others		Inter-segment elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Revenue												
Revenue from external customers	2,855	120	742	-	-	1,200	-	-	-	(9)	3,597	1,311
Other revenue	144	26	-	-	-	18	74	149	(99)	(26)	119	167
Total revenue	2,999	146	742	-	-	1,218	74	149	(99)	(35)	3,716	1,478
Segment results	(2,355)	39	(1,763)	(93)	-	(132)	(5,575)	(2,370)	-	-	(9,693)	(2,556)
Interest income	341	1	1	-	-	-	22	32	-	-	364	33
Loss from operations											(9,329)	(2,523)
Profits on Reorganisation											-	497
Profit on disposal of partial interest in a subsidiary											33	-
Profit on deemed disposal of interest in a subsidiary											4,301	-
Operation loss											(4,995)	(2,026)
Share of results of a former jointly controlled entity											-	(369)
Loss from ordinary activities before taxation											(4,995)	(2,395)
Taxation											-	-
Loss for the year											(4,995)	(2,395)
Minority interests											1,684	117
Loss attributable to shareholders											(3,311)	(2,278)
Depreciation for the year	294	4	23	1	-	1	155	83	-	-	472	89

Notes to the Financial Statements

For the year ended 31st March, 2002

32. SEGMENT REPORTING (cont'd)

(a) Business segments (cont'd)

	Online payment enterprise solutions		Logistics enterprise solutions		Trading of computer products		Others		Inter-segment elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment assets	59,611	8,218	1,016	23	-	-	14,405	4,433	-	-	75,032	12,674
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	59,611	8,218	1,016	23	-	-	14,405	4,433	-	-	75,032	12,674
Segment liabilities	942	416	681	-	-	-	1,254	9,290	-	-	2,877	9,706
Unallocated liabilities	18,878	192	3	-	-	-	-	-	-	-	18,881	192
Total liabilities	19,820	608	684	-	-	-	1,254	9,290	-	-	21,758	9,898
Capital expenditure incurred during the year	1,244	678	171	1	-	20	181	504	-	-	1,596	1,203

(b) Geographical segments

The Group operates within one geographical segment because over 90% of its revenue are generated from customers located in the PRC. Accordingly, no segment information is presented.

33. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be World One Investments Limited, a company incorporated in the British Virgin Islands.

Financial Summary

RESULTS

Years ended 31st March,

	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>3,597</u>	<u>1,311</u>	<u>521</u>
(Loss)/profit for the year	<u>(3,311)</u>	<u>(2,278)</u>	<u>180</u>

Notes:

1. The results of the Group for each of the two years ended 31st March, 2001 are extracted from the Company's prospectus dated 19th October, 2001.
2. The results of the Group for the year ended 31st March, 2002 are extracted from the consolidated income statement as set out on page 29 to the financial statements.

ASSETS AND LIABILITIES

	2002	At 31st March,	2000
	HK\$'000	2001	HK\$'000
		HK\$'000	HK\$'000
NON-CURRENT ASSETS	<u>2,290</u>	<u>1,166</u>	<u>118</u>
CURRENT ASSETS	72,742	11,508	2,032
DEDUCT:			
CURRENT LIABILITIES	<u>21,758</u>	<u>9,898</u>	<u>2,407</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>50,984</u>	<u>1,610</u>	<u>(375)</u>
NET ASSETS/(LIABILITIES)	<u>53,274</u>	<u>2,776</u>	<u>(257)</u>

The assets and liabilities of the Group as at 31st March, 2001 and 2002 are extracted from the consolidated balance sheet as set out on page 30 to the financial statements.