



TECHNOLOGIES
UNIVERSAL

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



INTERIM REPORT

For the period ended
30th September 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

The Stock Exchange 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 responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



Universal Technologies Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTERIM RESULT

For the six-month period ended 30 September 2002

SUMMARY

- Turnover for the six-month period ended 30 September 2002 amounted to approximately HK\$2.9 million, representing an increase of approximately 25.3% over the corresponding period in the last financial year.
- Net loss for the six-month period ended 30 September 2002 amounted to approximately HK\$6.2 million (2001: net loss of approximately HK\$1.8 million) which was primarily due to the worldwide sluggish economy and the commencement of the operations of the mobile payment enterprise solutions business during the period.
- Loss per share for the six-month period ended 30 September 2002 amounted to approximately 1.0 cent (2001: loss per share amounted to approximately 0.41 cent)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the three-month and six-month periods ended 30 September 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

		Six-month period ended 30 September		Three-month period ended 30 September	
		2002	2001	2002	2001
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	2,854	2,278	2,328	1,333
Other revenue		151	100	102	89
		<u>3,005</u>	<u>2,378</u>	<u>2,430</u>	<u>1,422</u>
Cost of sales		(1,255)	–	(1,255)	–
Staff costs		(3,166)	(2,156)	(1,622)	(1,230)
Depreciation		(291)	(127)	(198)	(71)
Minimum operating lease rental		(290)	(237)	(113)	(134)
Other operating expenses		<u>(5,647)</u>	<u>(2,024)</u>	<u>(1,880)</u>	<u>(1,130)</u>
Loss from operations		(7,644)	(2,166)	(2,638)	(1,143)
Finance costs		<u>(10)</u>	<u>(10)</u>	<u>(6)</u>	<u>(3)</u>
Loss from ordinary activities before taxation	5	(7,654)	(2,176)	(2,644)	(1,146)
Taxation	6				
– Hong Kong		–	–	–	–
– PRC		–	–	–	–
Loss after taxation		<u>(7,654)</u>	<u>(2,176)</u>	<u>(2,644)</u>	<u>(1,146)</u>
Minority interests		<u>1,434</u>	<u>336</u>	<u>482</u>	<u>203</u>
Loss attributable to shareholders		<u><u>(6,220)</u></u>	<u><u>(1,840)</u></u>	<u><u>(2,162)</u></u>	<u><u>(943)</u></u>
Loss per share – Basic (in cents)	7	<u><u>(1.0)</u></u>	<u><u>(0.41)</u></u>	<u><u>(0.34)</u></u>	<u><u>(0.21)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

		As at 30 September 2002	As at 30 September 2001
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	9	9,365	2,222
CURRENT ASSETS			
Inventories		64	–
Accounts receivable	10	1,672	102
Deposits, prepayments and other receivables	11	21,891	3,705
Amounts due from related companies	12	21,525	776
Pledged deposit	13	5,660	–
Cash and bank balances		21,064	40,994
		<u>71,876</u>	<u>45,577</u>
DEDUCT:			
CURRENT LIABILITIES			
Bills payable, secured	12	18,868	–
Accounts payable	14	129	–
Deposits received, accruals and other payables		924	1,242
Amount due to a director	15	–	20,701
Amount due to the former ultimate holding company	16	–	9,990
Mainland China taxes payable		33	310
		<u>19,954</u>	<u>32,243</u>
NET CURRENT ASSETS		<u>51,922</u>	<u>13,334</u>
		<u>61,287</u>	<u>15,556</u>
REPRESENTING:–			
SHARE CAPITAL		6,284	10
RESERVES		34,826	(1,840)
SHAREHOLDERS' FUNDS/ (CAPITAL DEFICIENCY)		41,110	(1,830)
MINORITY INTERESTS		20,177	17,386
		<u>61,287</u>	<u>15,556</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six-month period ended 30 September 2002 <i>HK\$'000</i>	Six-month period ended 30 September 2001 <i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(10,678)	(2,169)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	2,840	(25,073)
NET CASH FROM FINANCING ACTIVITIES	<u>14,958</u>	<u>36,620</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,120	9,378
CASH AND CASH EQUIVALENTS AT 1 APRIL	13,935	7,630
Effect on foreign exchange rate changes	<u>9</u>	<u>38</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u><u>21,064</u></u>	<u><u>17,046</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	21,064	17,046
<i>Less:</i> Unpledged time deposits with maturity over three Months	<u>–</u>	<u>23,948</u>
	<u><u>21,064</u></u>	<u><u>40,994</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

	Share capital HK\$ '000	Share premium HK\$ '000	Capital reserve HK\$ '000	Special reserve HK\$ '000	Exchange reserve HK\$ '000	Accumu- lated losses HK\$ '000	Total HK\$ '000
At 1.4.2001	10	–	1,140	–	13	(2,545)	(1,382)
Premium arising on issue of new shares	–	1,354	–	–	–	–	1,354
Exchange differences arising on translation of financial statements of the PRC subsidiaries	–	–	–	–	38	–	38
Loss for the period	–	–	–	–	–	(1,840)	(1,840)
At 30.9.2001	10	1,354	1,140	–	51	(4,385)	(1,830)
At 1.4.2002	6,083	20,477	1,093	10,754	50	(5,856)	32,601
Placing of shares – <i>Note 1</i>	167	–	–	–	–	–	167
Exercise of pre-IPO share options – <i>Note 2</i>	34	–	–	–	–	–	34
Premium arising on placing of shares – <i>Note 1</i>	–	14,836	–	–	–	–	14,836
Share issue expenses	–	(322)	–	–	–	–	(322)
Premium arising on exercise of pre-IPO share options – <i>Note 2</i>	–	7	–	–	–	–	7
Exchange differences arising on translation of financial statements of the PRC subsidiaries	–	–	–	–	7	–	7
Loss for the period	–	–	–	–	–	(6,220)	(6,220)
At 30.9.2002	6,284	34,998	1,093	10,754	57	(12,076)	41,110

Note 1:

On 6 May 2002, 16,670,000 new shares of HK\$0.01 each were issued by way of placing at a premium of HK\$0.89 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 approximately HK\$14.8 million was credited to the share premium account of the Company.

Note 2:

During the period from 3 May 2002 to 15 August 2002, options to subscribe for 3,300,000 shares and 100,000 shares granted under the pre-IPO Share Option Scheme A and the pre-IPO Share Option Scheme B respectively have been exercised by certain senior management and consultants of the Company. The excess of the exercise price granted under the pre-IPO Share Option Scheme B over the par value of the shares issued amounted to approximately HK\$7,000 was credited to the share premium account of the Company.

Notes:–

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 27 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 Group in the preparation for the listing of the Company's shares (the "Shares") on GEM in October 2001 (the "Reorganisation"), the Company acquired the entire issued share capital of Universal iPayment International Limited ("UII") (formerly known as Universal Cyberworks (Group) Limited) 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 UII and its subsidiaries (the "UII Group"). Details of the Reorganisation are set out in the prospectus issued by the Company dated 19 October 2001 (the "Prospectus").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated income statements presented above include the combined results of the UII Group for the three-month and six-month periods ended 30 September 2001 as if the Company had been the ultimate holding company of its subsidiaries under the current structure throughout the periods presented.

The accounting policies and basis of preparation adopted for the preparation of the condensed interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2002 except that the Group has adopted certain revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002.

The major impact on the financial statements after the adoption of the revised SSAPs is summarised as follows:

SSAP 1 (revised) "Presentation of financial statements" prescribes the basis for the presentation of financial statements and set out guidelines for their structure and minimum requirements for the content thereof. As a result of the revision to SSAP 1, a statement of changes in equity is included on page 6, instead of the statement of recognised gains and losses, which was previously presented.

SSAP 11 (revised) "Foreign currency translation" prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revised SSAP on the condensed consolidated interim financial statements is that the profit and loss account of subsidiaries operating in the People's Republic of China (the "PRC") are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.

SSAP 15 (revised) “Cash flow statements” prescribes the provision of information about the changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the period into those from operating, investing and financing activities. The format of the cash flow statement as set out on page 5 has been revised in accordance with the revised SSAP 15.

SSAP 34 “Employee benefits” prescribes the accounting and disclosure for employee benefits. This SSAP has no major impact on the condensed consolidated interim financial statements.

Comparative figures for the prior periods have been restated to conform to the presentation prescribed by the revised SSAPs adopted. The condensed consolidated interim financial statements have also been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and SSAP 25 “Interim financial reporting”.

3. TURNOVER AND REVENUE

The Group is principally engaged in the provision of online payment and logistics enterprise solutions. Apart from these, the Group’s mobile payment solutions business also commenced to contribute income to the Group during the three-month period ended 30 September 2002. Turnover for the three-month and six-month periods ended 30 September 2002 mainly represented revenue recognised from the provision of enterprise solutions services and the related consultancy services, net of business tax.

4. SEGMENT INFORMATION

(a) Business segments

The following table presents revenue and loss for the Group’s business segments for the six-month periods ended 30 September 2001 and 2002:–

	Online payment enterprise solutions		Logistics enterprise solutions		Mobile payment enterprise solutions		Other technology solutions information		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	2002 HK\$'000	2001 HK\$'000
Revenue														
Revenue from customers	1,182	2,165	455	113	348	–	867	–	2	–	–	–	2,854	2,278
Other revenue	358	92	–	–	–	–	–	–	6	37	(275)	(46)	89	83
Total revenue	<u>1,540</u>	<u>2,257</u>	<u>455</u>	<u>113</u>	<u>348</u>	<u>–</u>	<u>867</u>	<u>–</u>	<u>8</u>	<u>37</u>	<u>(275)</u>	<u>(46)</u>	<u>2,943</u>	<u>2,361</u>
Segment results	(1,210)	91	(953)	(840)	(85)	–	90	–	(5,833)	(1,490)	275	46	(7,716)	(2,193)
Interest income	16	9	1	4	10	–	–	–	35	4	–	–	62	17
Loss from ordinary activities before taxation													(7,654)	(2,176)
Taxation													–	–
Loss for the period													(7,654)	(2,176)
Minority interests													1,434	336
Loss attributable to shareholders													<u>(6,220)</u>	<u>(1,840)</u>

(b) Geographical segments

An analysis of the Group's turnover and other revenue for the six-month periods ended 30 September 2001 and 2002 respectively by geographical segments is as follows:–

	Turnover		Other revenue	
	Six-month period ended 30 September		Three-month period ended 30 September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	1,987	2,278	83	46
Hong Kong	<u>867</u>	<u>–</u>	<u>6</u>	<u>37</u>
	<u>2,854</u>	<u>2,278</u>	<u>89</u>	<u>83</u>

5. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Six-month period ended 30 September		Three-month period Ended 30 September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from ordinary activities before taxation is arrived at after charging:–				
Cost of sales	1,255	–	1,255	–
Staff costs (including directors' remuneration)				
– Salaries and other benefits	2,899	2,113	1,469	1,211
– Pensions scheme contributions	267	43	153	19
Depreciation	291	127	152	71
Minimum operating lease rentals				
– Land and buildings	242	207	89	104
– Servers	<u>48</u>	<u>30</u>	<u>24</u>	<u>30</u>

6. 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 periods. The Company's subsidiaries operating in the PRC did not generate any profits assessable to the PRC enterprise income tax during the periods.

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

7. LOSS PER SHARE

The calculation of basic loss per share for the periods is based on the following data:-

	Six-month period ended 30 September		Three-month period ended 30 September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings				
Loss for the periods used in the calculation of basic loss per share	<u>6,220</u>	<u>1,840</u>	<u>2,162</u>	<u>943</u>
Shares				
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>623,415,137</u>	<u>450,000,000</u>	<u>682,267,826</u>	<u>450,000,000</u>

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

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2002. (2001: Nil)

9. FIXED ASSETS

	Leasehold improvement	Office, computer and other equipment	Furniture and fixtures	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:-					
At 1 April 2002	1,347	1,060	69	422	2,898
Additions	-	6,874	8	688	7,570
Disposals	<u>-</u>	<u>(43)</u>	<u>-</u>	<u>(288)</u>	<u>(331)</u>
At 30 September 2002	<u>1,347</u>	<u>7,891</u>	<u>77</u>	<u>822</u>	<u>10,137</u>
Accumulated depreciation:-					
At 1 April 2002	250	220	18	120	608
Charge for the period	109	111	6	65	291
Written Back	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(115)</u>	<u>(127)</u>
At 30 September 2002	<u>359</u>	<u>319</u>	<u>24</u>	<u>70</u>	<u>772</u>
Net book value:-					
At 30 September 2002	<u>988</u>	<u>7,572</u>	<u>53</u>	<u>752</u>	<u>9,365</u>
At 31 March 2002	<u>1,097</u>	<u>840</u>	<u>51</u>	<u>302</u>	<u>2,290</u>

10. ACCOUNTS RECEIVABLE

The Group has a policy of allowing an average credit period of 30 to 60 days to its trade customers.

An aged analysis of accounts receivable at the balance sheet date is as follows:

	At 30 September 2002	At 30 September 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<u>1,672</u>	<u>102</u>

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The amount mainly includes a deposit of Rmb20,800,000 (equivalent to approximately HK\$19,623,000) paid to an independent third party for purchase of office premises in Shanghai.

12. AMOUNTS DUE FROM RELATED COMPANIES

The amounts are interest-free, unsecured and repayable on 10 November 2002. The amounts mainly 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) 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 11 November 2002.

13. PLEDGED DEPOSIT

At 30 September 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 12 above.

14. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date is as follows:

	At 30 September 2002	At 30 September 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<u>129</u>	<u>–</u>

15. AMOUNT DUE TO A DIRECTOR

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

16. AMOUNT DUE TO THE FORMER ULTIMATE HOLDING COMPANY

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

FINANCIAL ASSISTANCE TO AN ENTITY

As announced on 28 June 2002, the Group has arranged bills amounting to RMB20 million (equivalent to approximately HK\$18.9 million) for Shanghai Yi Mei, an independent third party of the Group, in May 2002. As a result of the issuance of the bills in May 2002, the Group's amounts due from related companies, which were interest-free and unsecured, increased by approximately HK\$18.9 million and its bills payable increased by approximately HK\$18.9 million. Such amounts represent approximately 46% of the net tangible assets of the Group as at 30 September 2002. On 11 November 2002, such amounts have been fully repaid.

BUSINESS REVIEW AND PROSPECTS

The operations of the Group in the period under review still encountered a harsh environment. Although the Group achieved a turnover of approximately HK\$2.9 million for the six-month period ended 30 September 2002 and increased by approximately HK\$576,000 or 25% as compared to the same period last year, the loss from the operations of the Group increased by approximately HK\$5.5 million or 253%. Such increase in loss was attributable to the expansion of the Group's operation, which mainly comprised staff costs, and the mandatory expenses incurred after the listing of the Shares on GEM in October 2002.

Although the Group's loss from operation was enlarging, the Directors are confident that the Group will be able to narrow down its loss in the coming fourth quarter. This is evidenced by the significant increase in turnover of approximately HK\$2.3 million in the second quarter representing approximately 343% increase as compared to the first quarter of the same year. Moreover, the Group's mobile payment enterprise solutions business also commenced to generate revenue in the second quarter. In August 2002, the Group entered into an agreement with a mobile virtual network operator in the PRC to provide mobile payment solutions and related consultancy services. The Group also obtained another contract with a mobile and payment solutions provider in Korea.

Besides the mobile payment enterprise solutions business in the PRC, the Group is also engaged in the system integration and related technical support services in Hong Kong. Such business contributed revenue of approximately HK\$867,000 to the Group in the second quarter. The Directors expect that more revenue will be derived from the system integration business in the coming quarters.

In order to enhance the functionality of Internet Payment System ("IPS") and to explore new market, the management team of Universal iPayment China Limited ("iPayment China"), a 57.499% owned subsidiary of the Company has decided to invest in in-house development of Internet Electronically Funds Transfer System ("IEFT"), an advanced version of IPS, which is able to serve the payment transactions between Person to Person. IEFT is expected to be in service in December 2002.

Prospects

The Directors are confident that following the expansion of the operations of the mobile payment solutions business, the system integration business carried on in Hong Kong and the implementation of IEFT, the Group's turnover is expected to increase in the coming quarters. The situation of the loss on operations is also expected to be narrowed down through its more diversified sources of revenue and effective cost control policy.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

As at 30 September 2002, the Group had net current assets of approximately HK\$51,922,000. Current assets comprised inventories of approximately HK\$64,000, accounts receivable of approximately HK\$1,672,000, deposits, prepayments and other receivables of approximately HK\$21,891,000, amounts due from related companies of approximately HK\$21,525,000, pledged deposit of approximately HK\$5,660,000 and cash and bank balances of approximately HK\$21,064,000. Current liabilities comprised accounts payable of approximately HK\$129,000, deposits received, accruals and other payables of approximately HK\$924,000, secured bills payable of approximately HK\$18,868,000 and the PRC taxes payable of approximately HK\$33,000.

The source of finance of the Group is primarily from the initial placing proceeds during the listing of the Shares on GEM in October 2001 and the second placing completed in May 2002. Apart from intra-group finances and bills payable, the Group had no other borrowings as at 30 September 2002.

As at 30 September 2002, the Group had cash and bank balances of approximately HK\$21 million for its future expansion and development. No debt financing is considered as necessary in the short-run. In the long-run, the Directors believe that the Group will continue to fund its foreseeable expenditures through cash flow from operations and, if necessary, through additional equity financing or bank borrowing.

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

In order to cope with rapid expansion of the Group's business development in the PRC, the Directors have decided to purchase a property in Shanghai to act as the Group's headquarter in the PRC. The Directors identified a property located at Xu Jia Hui in Shanghai and a deposit of Rmb20.8 million (equivalent to approximately HK\$19.6 million) has been paid. The purchase is subject to certain conditions and may or may not materialise.

In order to enhance the business of payment solutions, the Group has decided to invest in in-house development of IEFT. Total investment cost is estimated to be HK\$6.5 million. The service of IEFT is expected to commence in December 2002. Following the implementation of IEFT, both the Group's IPS transaction volume and revenue are expected to be increased.

EMPLOYEE

As at 30 September 2002, the total number of employees of the Group was 73 (2001: 48), representing a 52% increase as compared with that as at 30 September 2001. The dedication and hard work of the Group's staff during the six-month period ended 30 September 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.

CHARGES ON GROUP'S ASSETS

As at 30 September 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 30 September 2002.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from the capital investments in in-house development of IEFT and the purchase of property as mentioned above, the Directors consider that the Group did not have any future plans for material investments or capital assets as at 30 September 2002.

GEARING RATIO

The gearing ratio of the Group was zero as at 30 September 2002 (2001: Nil). The calculation is based on the Group's interest bearing debt over the total equity interest as at 30 September 2002. However, if the calculation of gearing ratio includes the non-interest bearing bills payable amounted to approximately HK\$18.9 million, the gearing ratio of the Group will be 30.8% as at 30 September 2002 (2001: Nil). The bills were settled on 11 November 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 periods.

CONTINGENT LIABILITIES

The Directors consider that the Group did not have any contingent liabilities existing as at 30 September 2002.

COMPARISON OF IMPLEMENTATION PLANS WITH ACTUAL PROGRESS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2002

Business objectives as stated in the Prospectus *Actual business progress/change in business objects (if any)*

Research & product development

- | | | |
|----|---|--|
| 1. | Commence development of modules for online buyer checking function | In progress and will be applied in the development of IEFT |
| 2. | Continue development of modules for micropayment | The Group continued to engage in the development of modules for micropayment |
| 3. | Commence development of the modules for private certificate authority for B2B clients | In progress and expected to be completed in December 2002 |
| 4. | Commence development of modules for e-cert services | In progress and will be applied in the development of IEFT |

Services

- | | | |
|----|--|--|
| 1. | Enable clients using the Group's online payment enterprise solutions to process payment supported by bank cards issued by certain European banks | Still under negotiation and expected to be completed in December 2002 |
| 2. | Enable clients using the Group's online payment enterprise solutions to provide micropayment services | IPS is able to provide micropayment services |
| 3. | Continue the provision of enterprise solutions | The Group continued to engage in the provision of enterprise solutions |
| 4. | 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 continued to provide such kind of services |

Marketing

- | | | |
|----|--|---|
| 1. | Expand client base by way of direct marketing | The Directors recognised the positive effect of direct marketing and will continue to carry on |
| 2. | 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 "Forum on the WTO and China's Economy in the 21st Century" and "2002 Shanghai Annual Software Exhibition" |

Business objectives as stated in the Prospectus

Actual business progress/change in business objects (if any)

Resources deployment

- | | |
|---|---|
| 1. Establish branch office in Wuhan | Pending as the Directors consider that it is more cost effective to consolidate its resources in Shanghai first |
| 2. Recruit about 8 staff members for Wuhan office including 1 for management, 2 for administration, 2 for technical and 3 for marketing | Pending as the Directors consider that it is more cost effective to consolidate its resources in Shanghai first |

USE OF PROCEEDS

The proceeds from the Company's issue of new shares at the time of its listing on GEM in October 2001, after deduction of related issuance expenses, amounted to approximately HK\$23.8 million. The Group has applied the net proceeds as follows:

- | | |
|---|--|
| 1. Up to approximately HK\$9.5 million for further development of the IPS to enhance its functionality and capacity | Approximately HK\$6.5 million has been spent on the development of IPS and IEFT |
| 2. Up to approximately HK\$0.6 million for research and development of online payment, logistics and other e-commerce related technologies and applications | Approximately HK\$0.3 million has been incurred for research and development of logistics and other e-commerce related technologies and applications |
| 3. Up to approximately HK\$5.6 million for marketing and brand building activities of the Group | Up to 30 September 2002, approximately HK\$1.4 million has been spent on marketing activities such as technical seminars, forums and industry exhibitions. |
| 4. Up to approximately HK\$4 million for expanding its operations in the PRC by establishing 5 new branch offices | Pending as the Directors consider that it is more cost effective to consolidate its resources in Shanghai first |
| 5. Up to approximately HK\$4.1 million for general working capital of the Group | HK\$4.1 million has been fully utilised for general working capital of the Group. |

Unused proceeds are mainly kept as bank deposits and the Directors believe that the net proceeds will be sufficient for future business objectives as stated in the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2002, the interests of the Directors and chief executives of the Company in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange were as follows:

Name	Personal interests	Number of shares of the Company			Total
		Family interests	Corporate interests	Class of shares	
Mr. Lau Yeung Sang	–	4,800,000 (Note 1)	359,570,000 (Note 2)	Ordinary	364,370,000
Mr. Lau Sik Suen	5,750,000	–	–	Ordinary	5,750,000
Mr. Man Wing Pong	6,610,000	–	–	Ordinary	6,610,000

Notes:

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

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

Save as disclosed herein, as at 30 September 2002, none of the Directors or chief executives of the Company had any interests in the share capital or any securities of the Company or its associated corporations as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange.

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

Save as disclosed herein, as at 30 September 2002, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and/or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their respective spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons (other than a Director or chief executive of the Company) were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares	Percentage of issued share capital
World One (<i>Note</i>)	359,570,000	57.22

Note: World One 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, he is deemed by virtue of the SDI Ordinance to be interested in the same 359,570,000 shares held by World One.

OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Option Schemes

As at 30 September 2002, options to subscribe for an aggregate of 15,600,000 shares and 16,240,000 shares in the Company were granted under the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B, respectively to the following persons:

Name of grantee	Date granted	Exercise period	No. of shares eligible for subscription under the share options	Exercise price
Scheme A				
<i>Executive Directors</i>				
Mr. Lau Sik Suen ^Δ	17 October 2001	26 April 2002 to 25 April 2012	4,200,000	HK\$0.01
Mr. Man Wing Pong ^Δ	17 October 2001	26 April 2002 to 25 April 2012	1,800,000	HK\$0.01
<i>Other participants</i>				
Senior management of the Company	17 October 2001	26 April 2002 to 25 April 2012	9,600,000	HK\$0.01
			<hr/>	
			<u>15,600,000</u>	

Name of grantee	Date granted	Exercise period	No. of shares eligible for subscription under the share options	Exercise price
Scheme B				
<i>Executive Director</i>				
Mr. Lau Sik Suen ^Δ	17 October 2001	26 April 2002 to 25 April 2012	7,840,000	HK\$0.084
<i>Other participants</i>				
Senior management/ consultants of the Company	17 and 18 October 2001	26 April 2002 to 25 April 2012	8,400,000	HK\$0.084
			16,240,000	
Grand total under the Pre-IPO Share Option Schemes			31,840,000	

^Δ *director and initial management shareholder of the Company*

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

As at 30 September 2002, options to subscribe for 3,300,000 shares and 100,000 shares granted under the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B respectively have been exercised by certain senior management and consultants of the Company. Save as disclosed herein, none of the options granted under any of the Pre-IPO Share Option Schemes have been exercised, cancelled or lapsed during the period from the date of grant of such options to 30 September 2002.

(b) Share Option Scheme

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

On 8 April 2002, the shareholders of the Company approved the refreshment of the limit under the Share Option Scheme pursuant to which the Board 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 approval of the refreshment.

Share options granted under the Share Option Scheme

On 7 February 2002 and 9 April 2002, options to subscribe for an aggregate of 6,000,000 shares and 11,030,000 shares respectively were granted under the Share Option Scheme to the following persons:

Name of grantee	Date granted	Exercise period	No. of shares eligible for subscription under the share options	Exercise price
<i>Executive Director</i>				
Man Wing Pong	9 April 2002	9 April 2002 to 8 April 2012	1,500,000	HK\$1.40
	9 April 2002	9 October 2002 to 8 April 2012	1,500,000	HK\$1.40
<i>Other participants</i>				
Senior management and staff of the Group	7 February 2002	7 February 2002 to 6 February 2012	3,000,000	HK\$1.30
Senior management and staff of the Group	7 February 2002	7 August 2002 to 6 February 2012	3,000,000	HK\$1.30
Senior management and staff of the Group	9 April 2002	9 April 2002 to 8 April 2012	4,015,000	HK\$1.40
Senior management and staff of the Group	9 April 2002	9 October 2002 to 8 April 2012	4,015,000	HK\$1.40
Grand total under the Share Option Scheme			17,030,000	

None of the options granted under the Share Option Scheme have been exercised, cancelled or lapsed during the period from the date of grant of such options to 30 September 2002.

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

The Company was listed on 26 October 2001 and up to 30 September 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPETING INTERESTS

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

INTERESTS OF SPONSOR

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

As updated and notified by DBS Asia, DBS Asia, its directors, employees and associates (as defined in the GEM Listing Rules), as at 30 September 2002, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 26 October 2001.

AUDIT COMMITTEE

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

By order of the Board
Lau Yeung Sang
Director

Hong Kong, 12 November 2002

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the day of its publication and on the website of the Company at www.uth.com.hk.