



TECHNOLOGIES
UNIVERSAL

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



THIRD QUARTERLY REPORT

**For the nine-month period ended
31 December 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 the 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)

QUARTERLY REPORT

For the nine-month period ended 31 December 2002

SUMMARY

- Turnover for the nine-month period ended 31 December 2002 amounted to approximately HK\$6 million, representing an increase of approximately 88.7% over the corresponding period in the last financial year.
- Net loss for the nine-month period ended 31 December 2002 amounted to approximately HK\$9.7 million (2001: net loss of approximately HK\$4.6 million) which was primarily due to the Group's business expansion.
- Loss per share for the nine-month period ended 31 December 2002 amounted to approximately 1.55 cents (2001: loss per share amounted to approximately 0.93 cents).

RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three-month and nine-month periods ended 31 December 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

		Nine-month period ended 31 December		Three-month period ended 31 December	
		2002	2001	2002	2001
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	5,964	3,160	3,110	882
Other revenue		723	290	572	190
		<u>6,687</u>	<u>3,450</u>	<u>3,682</u>	<u>1,072</u>
Cost of sales		(2,824)	(280)	(1,569)	(280)
Staff costs		(4,959)	(3,836)	(1,793)	(1,680)
Depreciation		(472)	(205)	(181)	(78)
Minimum operating lease rental		(573)	(430)	(283)	(193)
Other operating expenses		<u>(9,069)</u>	<u>(4,244)</u>	<u>(3,422)</u>	<u>(2,220)</u>
Loss from operations		(11,210)	(5,545)	(3,566)	(3,379)
Finance costs		<u>(16)</u>	<u>(12)</u>	<u>(6)</u>	<u>(2)</u>
Loss from ordinary activities before taxation		(11,226)	(5,557)	(3,572)	(3,381)
Taxation	3				
– Hong Kong		–	–	–	–
– PRC		–	–	–	–
Loss after taxation		<u>(11,226)</u>	<u>(5,557)</u>	<u>(3,572)</u>	<u>(3,381)</u>
Minority interests		<u>1,530</u>	<u>1,002</u>	<u>96</u>	<u>666</u>
Loss attributable to shareholders		<u><u>(9,696)</u></u>	<u><u>(4,555)</u></u>	<u><u>(3,476)</u></u>	<u><u>(2,715)</u></u>
Loss per share – Basic (in cents)	4	<u><u>(1.55)</u></u>	<u><u>(0.93)</u></u>	<u><u>(0.55)</u></u>	<u><u>(0.52)</u></u>

Notes:

1. BASIS OF PRESENTATION

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").

The income statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and are prepared under the historical cost convention.

2. Turnover represents revenue recognised from the provision of online payment, logistics enterprise solutions and mobile payment enterprise solutions services and the related consultancy services, net of value-added tax and business tax.

3. TAXATION

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

4. LOSS PER SHARE

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

	Nine-month period ended 31 December		Three-month period ended 31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings				
Loss for the periods used in the calculation of basic loss per share	<u>9,696</u>	<u>4,555</u>	<u>3,476</u>	<u>2,715</u>
Shares				
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>626,269,127</u>	<u>488,054,545</u>	<u>631,946,087</u>	<u>522,303,269</u>

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

5. CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Special reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.4.2001	10	-	1,140	-	13	(2,545)	(1,382)
Transfer to special reserve	(10)	-	-	10	-	-	-
Premium arising on issue of share by UII	-	-	-	1,354	-	-	1,354
Issue of shares by UII for capitalisation of shareholders' loan	-	-	-	9,990	-	-	9,990
Issue of shares in accordance with the reorganisation	600	-	-	(600)	-	-	-
Placing of shares	1,500	-	-	-	-	-	1,500
Premium arising on placing of shares	-	30,000	-	-	-	-	30,000
Issue of shares by capitalisation of the share premium account	3,900	(3,900)	-	-	-	-	-
Issue of shares by exercise of over-allotment option	83	-	-	-	-	-	83
Share issue expenses	-	(7,231)	-	-	-	-	(7,231)
Premium arising on exercise of over-allotment option	-	1,660	-	-	-	-	1,660
Exchange differences arising on translation of financial statements of the PRC subsidiaries	-	-	-	-	41	-	41
Loss for the period	-	-	-	-	-	(4,555)	(4,555)
At 31.12.2001	<u>6,083</u>	<u>20,529</u>	<u>1,140</u>	<u>10,754</u>	<u>54</u>	<u>(7,100)</u>	<u>31,460</u>
At 1.4.2002	6,083	20,477	1,093	10,754	50	(5,856)	32,601
Placing of shares	167	-	-	-	-	-	167
Exercise of pre-IPO share options	104	-	-	-	-	-	104
Premium arising on placing of shares	-	14,836	-	-	-	-	14,836
Share issue expenses	-	(322)	-	-	-	-	(322)
Premium arising on exercise of pre-IPO share options	-	7	-	-	-	-	7
Exchange differences arising on translation of financial statements of the PRC subsidiaries	-	-	-	-	10	-	10
Loss for the period	-	-	-	-	-	(9,696)	(9,696)
At 31.12.2002	<u>6,354</u>	<u>34,998</u>	<u>1,093</u>	<u>10,754</u>	<u>60</u>	<u>(15,552)</u>	<u>37,707</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine-month period ended 31 December 2002 (2001: Nil).

FINANCIAL ASSISTANCE TO AN ENTITY

As announced on 18 November, 29 November, 11 December and 19 December 2002, Universal iPayment China Limited (“iPayment China”), an indirect 57.499% owned subsidiary of the Company, has entered into a conditional sale and purchase agreement with Bai Ma Investment Company Limited (“Bai Ma”), a privately owned enterprise established in the PRC and an independent third party to the Group, on 20 September 2002 in relation to the sale and purchase of a property in Shanghai, the PRC (the “Property”). The purchase consideration amounted to RMB20.8 million (equivalent to approximately HK\$19.6 million) and was paid by the Group by way of deposit in late September 2002. Such deposit was interest-free and unsecured and was financed by internal funds of iPayment China. As at the date hereof, the title of the Property has not yet been transferred to iPayment China. The transfer of title and ownership of the Property are expected to be completed by the end of February 2003.

The deposit paid by the Group is deemed to be an advance to an entity under the GEM Listing Rules. Pursuant to Rules 17.14 and 17.15 of the GEM Listing Rules, the deposit paid by the Group of RMB20.8 million (equivalent to approximately HK\$19.6 million) represented approximately 60% of the Group’s audited net tangible assets of approximately HK\$32.6 million as at 31 March 2002 and approximately 52% of the Group’s adjusted net tangible assets of approximately HK\$37.5 million (which is equivalent to the Group’s audited net tangible assets as at 31 March 2002, adjusted by the Group’s unaudited loss for the nine-month period ended 31 December 2002 of approximately HK\$9.7 million and the net proceeds from the placing of shares in May 2002 of approximately HK\$14.6 million).

BUSINESS REVIEW AND PROSPECTS

The Group’s business development for the nine-month period ended 31 December 2002 has improved. Apart from the core business of provision of online payment and logistics enterprise solutions services, the Group was also engaged in the mobile payment enterprise solutions business in the PRC and system integration and related technical support services in Hong Kong. The new businesses contributed revenue of approximately HK\$1 million and approximately HK\$1.9 million, respectively, to the Group for the nine-month period ended 31 December 2002. As a result, the Group’s turnover for the three-month and nine-month periods ended 31 December 2002 increased by approximately 252.6% and approximately 88.7%, respectively, as compared to the same periods last year.

However, even though the Group’s turnover increased during the nine-month period ended 31 December 2002, the Group recorded an operating loss of approximately HK\$9.7 million, representing an increase of approximately 112.9% as compared to same period last year. Such increase in operating loss was attributable to the expansion of the Group’s operation, which mainly comprised of staff costs and other mandatory expenses incurred after the listing of the Shares on GEM in October 2002.

In September 2002, the Group has entered into a conditional sale and purchase agreement with Bai Mai to acquire the Property as the executive Directors were of the view that the purchase will allow the Group to have more space for its operation and will enhance the Group’s image in Shanghai with a building of its own. In addition, the Group also plans to strengthen its headquarter operations in Shanghai as soon as possible. As at the date hereof, the title of the Property has not yet been transferred to iPayment China. The title and ownership of the Property are expected to be transferred to the Group from Bai Ma by the end of February 2003.

Prospects

The Directors anticipate that the business opportunity in Shanghai in the coming decade is indefinite especially after Shanghai has been elected as the host city for the “2010 World Expo” in December 2002. The Directors are confident that following the establishment of its headquarters in Shanghai and the expansion of the operations of online payment services, logistics and mobile payment solutions business in the PRC and the system integration business carried on in Hong Kong, 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 cost control policy.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SECURITIES

As at 31 December 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 interests
		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	34,790,000	–	–	Ordinary	34,790,000
Mr. Man Wing Pong	8,310,000	–	–	Ordinary	8,310,000

Notes:

1. These shares are held by Madam Wu Wai Lai, the wife of Mr. Lau Yeung Sang. Mr. Lau Yeung Sang is therefore deemed to be interested in these shares by virtue of the SDI Ordinance.
2. These shares are held by World One Investments Limited (“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 31 December 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 31 December 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 31 December 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	56.59

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 31 December 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	No. of share options exercised	Exercise price
Scheme A					
<i>Executive Directors</i>					
Mr. Lau Sik Suen ^A	17 October 2001	26 April 2002 to 25 April 2012	4,200,000	(4,200,000)	HK\$0.01
Mr. Man Wing Pong ^A	17 October 2001	26 April 2002 to 25 April 2012	1,800,000	(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	(4,300,000)	HK\$0.01
			<u>15,600,000</u>	<u>(10,300,000)</u>	

Name of grantee	Date granted	Exercise period	No. of shares eligible for subscription under the share options	No. of share options exercised	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	(100,000)	HK\$0.084
			16,240,000	(100,000)	
Grand total under the Pre-IPO Share Option Schemes			31,840,000	(104,000)	

^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 31 December 2002, options to subscribe for 10,300,000 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 Directors, 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 31 December 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, 9 April, 22 November and 23 December 2002, options to subscribe for an aggregate of 6,000,000 shares, 11,030,000 shares, 5,000,000 shares and 18,570,000 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	No. of share options exercised	Exercise price
<i>Executive Directors</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
	23 December 2002	23 December 2002 to 22 December 2012	2,000,000	–	HK\$0.108
Lau Sik Suen	23 December 2002	23 December 2002 to 22 December 2012	3,500,000	–	HK\$0.108
<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
Senior management and staff of the Group	22 November 2002	22 November 2002 to 21 November 2012	5,000,000	–	HK\$0.09
Senior management and staff of the Group	23 December 2002	23 December 2002 to 22 December 2012	2,000,000	–	HK\$0.108
Senior management and staff of the Group	23 December 2002	1 July 2003 to 22 December 2012	5,535,000	–	HK\$0.108
Senior management and staff of the Group	23 December 2002	1 January 2004 to 22 December 2012	5,535,000	–	HK\$0.108
Grand total under the Share Option Scheme			<u>40,600,000</u>	<u>–</u>	

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

The Company was listed on 26 October 2001 and up to 31 December 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 31 December 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 Rules 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 Mr. Wan Xie Qiu, and the company secretary of the Group, Mr. Chor Ngai.

By order of the Board
Lau Yeung Sang
Chairman

Hong Kong, 11 February 2003