



TECHNOLOGIES
UNIVERSAL

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



ANNUAL REPORT 2002-2003

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.

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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 GEM 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 Year

- Turnover for the year ended 31 March 2003 amounted to approximately HK\$6.7 million, representing an increase of approximately 87% over the last financial year.
- As at 31 March 2003, the Group had net current assets of approximately HK\$16.0 million of which approximately HK\$11.4 million was cash and bank balances.
- Net loss for the year ended 31 March 2003 amounted to approximately HK\$13.3 million (2002: loss of HK\$3.3 million) which was primarily due to the Group's continuing efforts in exploring new businesses as well as marketing and promotional strategies to build up and expand its business coverage in the PRC.
- Loss per share was approximately HK2.12 cents for the year ended 31 March 2003 (2002: loss of HK0.64 cent).



BOARD OF DIRECTORS

Executive Directors:

Lau Sik Suen (Chairman)

Wu Wai Lai

Non-Executive Director:

Zhang Wen Bing

Independent Non-Executive Directors:

Meng Li Hui

Wan Xie Qiu

COMPANY SECRETARY

Wong Chun Kit *AHKSA, ACCA*

COMPLIANCE OFFICER

Lau Sik Suen

QUALIFIED ACCOUNTANT

Wong Chun Kit *AHKSA, ACCA*

AUDIT COMMITTEE

Meng Li Hui (Chairman)

Wan Xie Qiu

Wong Chun Kit

SPONSOR

DBS Asia Capital Limited

AUTHORISED REPRESENTATIVES

Lau Sik Suen

Wong Chun Kit

AUDITORS

PKF

Certified Public Accountants

WEBSITE

www.uth.com.hk

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New Territories

Hong Kong

REGISTERED OFFICE

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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

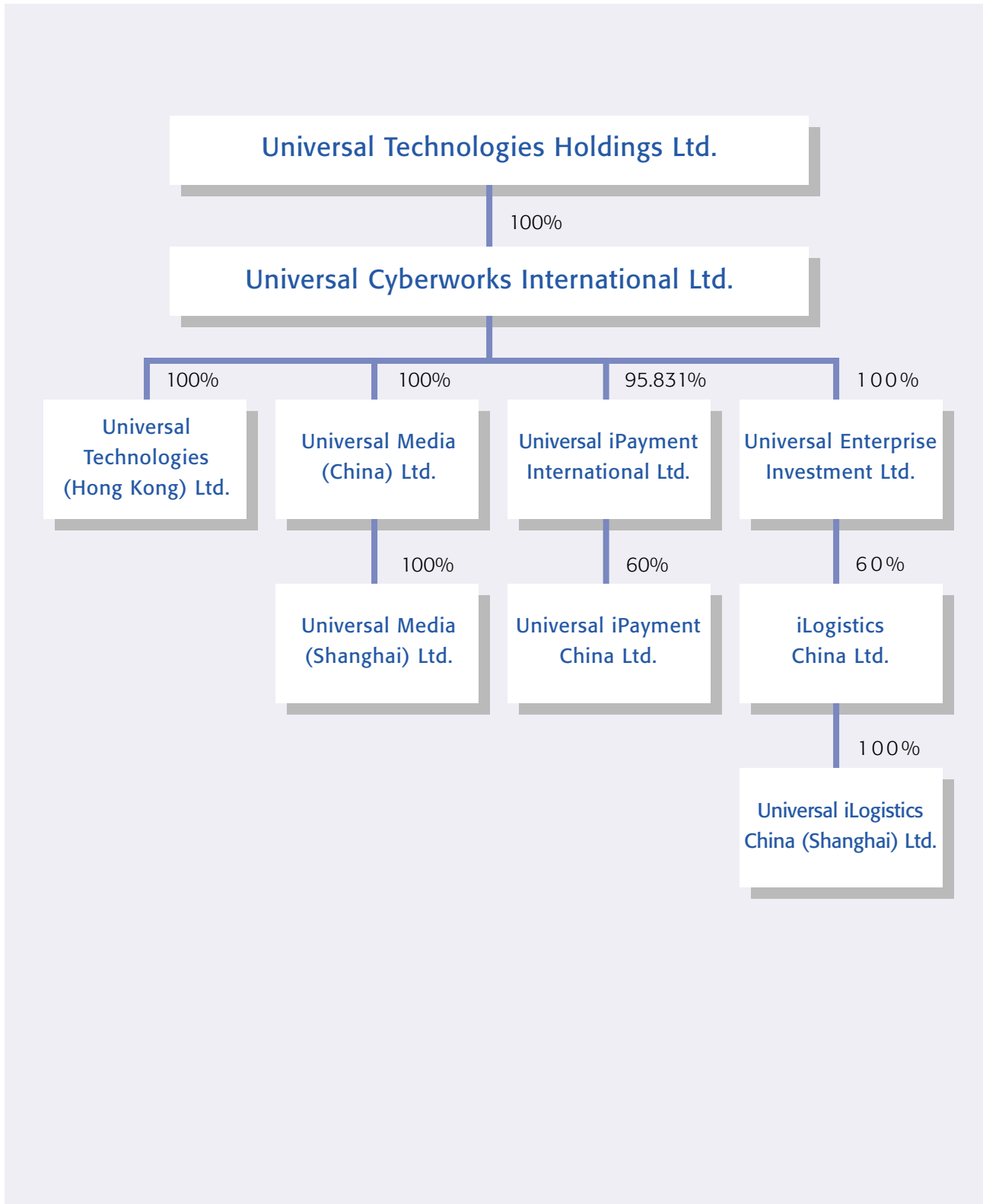
Rooms 1901-5, 19/F, Hopewell Centre,

183, Queen's Road East, Wan Chai,

Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank





On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2003.

PLACING OF SHARES

On 6 May 2002, the Company successfully completed the placing of 16,670,000 ordinary shares to professional investors at HK\$0.90 each. Net proceeds amounted to approximately HK\$14.7 million were mainly raised for the Group's product development, marketing and brand building activities as well as general working capital.

BUSINESS REVIEW

The year 2002 was definitely a harsh year for many industries. In particular, stagnated global economy and adverse sentiments in the operating environment affected the confidence of customers. Nevertheless, the Group still recorded an audited revenue of approximately HK\$6.7 million during the year, representing an increase of approximately 87% as compared to the last financial year. The increase in turnover was mainly attributable to the enterprise solutions service provided by Universal iPayment China Limited ("iPayment China"), one of the subsidiaries of the Company, during the year. In addition, iPayment China continued to implement the Internet Payment System ("IPS"). As of today, IPS service is being used by over 300 merchants in the People's Republic of China (the "PRC"). IPS supports credit cards issued by VISA and MasterCard and is able to support real-time foreign currency transactions in the PRC.

Apart from the core businesses, the Group also explored into new business opportunities during the year. During the year, the Group engaged in mobile payment enterprise solutions business in the PRC and the provision of system integration and related technical support services in Hong Kong. During the year, this line of business contributed revenue of approximately HK\$1.0 million and HK\$2.0 million, respectively, to the Group. For the purpose of improving the Group's operational efficiency, the Directors decided to dispose of the Group's 60% indirect interest in the share capital of Universal mPayment International Limited ("Universal mPayment") in March 2003. Following the disposal of Universal mPayment, as the Group has sufficient human resources and expertise for the provision of mobile payment enterprise solutions, the Group maintained to engage in the provision of mobile enterprise solutions and related technical support services business in the PRC in accordance with its business plans.

Although the Group's turnover increased during the year, the Group recorded a loss attributable to shareholders of approximately HK\$13.3 million. The loss was mainly attributable to the Group's continuing efforts in expanding its businesses as well as marketing and promotional activities to build up and expand its business coverage in the PRC.

In order to consolidate the Group's operations for optimising operational efficiency and building up clear image in the PRC, the Group completed the purchase of a new property in Shanghai during the year. The Directors are confident that by strengthening the operation base in Shanghai, the Group could be able to further cope with the expanding business and extend its reach in the PRC.



PROSPECTS

Regarding the Group's existing businesses, the Directors plan to devote more resources in the Group's payment business. During the year, the Group has invested in the development of the Internet Electronically Funds Transfer System ("IEFT"), an advanced version of IPS, which will be able to serve the payment transactions between Person to Person. IEFT possesses a much more powerful database storage and more extensive network coverage. By means of such powerful and efficient system, the Directors are confident that the Group can provide its clients with the best and valuable services as well as technical support. Although the global economy is relatively weak at the moment, the Directors are confident that by means of due investments in the Group's technology and clients today, the Group can cope with the potential sharp growth once the overall economy turnaround in the future. In order to further concrete the client's habitat of using the Group's online service, the Directors are planning to build up a membership database in the IEFT. The Directors believe that the Group's clients are the intangible assets of the Group's business. With such membership database, the Group is able to provide instant and efficient services and technical support to its clients which in turn reinforce the loyalty of its clients towards its services.

The Directors anticipate that the business opportunity in Shanghai in the coming decade is indefinite especially after Shanghai has been selected as the host city for the "2010 World Expo" in December 2002. The Directors are confident that following the establishment of its headquarter in Shanghai, the Group could further expand its payment and logistics business in the PRC. In addition, such establishment will also reinforce the Group's corporate image in the business which is crucial to the Group's future development.

To expand its business coverage, the Group has already commenced the provision of system integration and related technical support services in Hong Kong. Despite the difficult business environment, the Directors identified the potential of such business and expect it would contribute to the good performance for the Group in near future.

Regarding internal operations, the Group will continue to adopt a stringent cost control strategy with appropriate level of re-engineering in the coming year. Besides, the Group will continue to focus on expanding its market share through upgrading, enhancing and exploring its products and systems.

The Directors will continue to position the Group to capitalise on the opportunities arising from the growth of e-commerce in the PRC. The Directors will identify prospective complementary business to invest in and will also continue to seek cooperative opportunities with other market practitioners.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all staff members of the Group for their dedication and contribution 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 and confidence in our Group.

Lau Sik Suen

Chairman

Hong Kong, 26 June 2003



BUSINESS OVERVIEW

The Group is principally engaged in the provision of enterprise solutions with a focus on payment and logistics. The Directors believe that the Group will continue to capture the opportunities arising from the large commercial market and the general acceptance towards Internet transactions in the PRC.

FINANCIAL OVERVIEW

During the year, the Group recorded a turnover of approximately HK\$6.7 million, representing an increase of approximately 87% as compared to the previous financial year. The increase in turnover was mainly attributable to the enterprise solutions service provided by iPayment China and the additional turnover contributed from the provision of mobile payment enterprise solutions in the PRC and the provision of system integration and related technical support services in Hong Kong.

The net loss attributable to shareholders amounted to approximately HK\$13.3 million for the year ended 31 March 2003 (2002: Loss of HK\$3.3 million). The increase was primarily due to the Group's continuing efforts in exploring new businesses as well as marketing and promotional strategies to build up and expand its business coverage in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2003, the Group had net current assets of approximately HK\$16.0 million. Current assets comprised inventories of approximately HK\$59,000, debtors of approximately HK\$627,000, deposits, prepayments and other receivables of approximately HK\$3,871,000, amounts due from related companies of approximately HK\$1,055,000 and cash and bank balances of approximately HK\$11,416,000. Current liabilities comprised deposits received, accruals and other payables of approximately HK\$916,000, amounts due to related companies of approximately HK\$87,000 and Mainland China taxes payable of approximately HK\$10,000.

The source of the Group's finance is primarily from the initial placing proceeds of the listing in October 2001 and the placing proceeds in May 2002. Apart from intra-group finances, the Group had no any other borrowings as at 31 March 2003. The gearing ratio of the Group was zero as at 31 March 2003 (2002: Nil). The calculation is based on the Group's interest bearing debt over the total equity interest as at 31 March 2003. The Group did not have any bank borrowing for the two years ended 31 March 2003.

The Directors consider that the Group has sufficient cash to cope with its recent 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 its foreseeable expenditures through cash flow from operations and, if necessary, additional equity financing or bank borrowing.



PAYMENT SOLUTIONS

During the year, the Group continued the expansion and exploration of online payment related business opportunities with a view of maintaining the Group's position as one of the leading online payment enterprise solutions service providers in the PRC. In view of this, the Group has participated in various worldwide exhibitions such as "Forum on the WTO and China's Economy in the 21st Century" in May 2002 and "Shanghai Software Annual Expo" in June 2002. Besides, in order to build up the Company's brand and reputation for medium-long term development, the Group had devoted great efforts in promotional activities such as the placing of advertisements in media during the year.

Major customers using IPS, one of the software system components of the online payment enterprise solutions developed by the Group, includes Shanghai Bookmall, NetEase, Sohu, 卓越, 騰訊 and CTRIP.com etc.. In order to enhance the functionality of IPS and to explore new market, iPayment China has decided to invest in the development of IEFT, an advanced version of IPS, which will be able to serve the payment transactions between Person to Person. IEFT possesses a much more powerful database storage and more extensive network coverage. By means of such powerful and efficient system, the Directors are confident that the Group can provide its clients with the best and valuable services and technical support.

To expand its business coverage, in view of the recent development in payment on mobile device, the Group also engaged in the provision of enterprise and related technical solutions as well as consulting and support services with a focus on mobile payment system. 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 Korean mobile and payment solutions provider in PRC. Besides the mobile payment enterprise solutions business in the PRC, the Group has also engaged in the system integration and related technical support services in Hong Kong. Such business contributed revenue of approximately HK\$2.0 million to the Group during the year. The Directors expect that more revenue will be derived from the system integration business in the coming year.

LOGISTICS SOLUTIONS

During the year, the Group continued to provide logistics solutions and consultancy services to Pan Korea Express Co. Ltd. and Orient Overseas Container Line Ltd.. In May 2002, the Group entered into an agreement with China Shipping Container Lines Co., Ltd., a wholly-owned subsidiary 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 leaders in the different industries for the Group's supply chain management and related services, but also acknowledges advanced information technology used by the leading shippers in the PRC will increase their competitive edge.

In addition to the above, the Group has already started dealing certain projects with companies in various business fields, including manufacturers of electronic appliances, food distributors, medicine suppliers and railway developer for the provision of logistic solutions and consultancy services. These projects were still under negotiation stage and are expected to complete the dealing in the next two quarters.



PROSPECTS

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

- enormous business opportunity in Shanghai is expected after Shanghai being selected as the host city for the “2010 World Expo”;
- the number of Internet users in the PRC will keep growing since the popularity of online payment services keep increasing as a result of people becoming more confident and accustomed to online payment;
- following the completion in the development of IEFT, the database storage and network coverage of IPS were empowered. This enables the Group to accommodate more potential clients to use the Group’s services;
- as a result of the continuing growth of the PRC’s market, demand for transportation, warehousing and shipping management systems in the PRC will be getting higher. The Group’s logistics business will benefit from the tremendous opportunities ahead;
- following the expansion of the operations of the mobile payment solutions business, the Group’s turnover is expected to increase; and
- the full potential of the business in the provision of system integration and related technical support services carried out in Hong Kong is still not being recognised.

EMPLOYEES

As at 31 March 2003, the total number of employees of the Group was 74 (2002: 64 staff), representing approximately a 16% increase as compared with that as at 31 March 2002. The dedication and contribution of the Group’s staff during the year ended 31 March 2003 are greatly appreciated and recognised.

Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share options 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.

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

On 21 February 2003, the Group completed the purchase of a property located at Shanghai for a consideration of approximately HK\$19.6 million. In addition, on 31 March 2003, the Group completed the disposal of 60% indirect interest in the share capital of Universal mPayment for a consideration of approximately HK\$3.5 million. Save as above, the Group made no significant investment nor made any material acquisition or disposal of subsidiaries during the year.

CHARGES ON GROUP'S ASSETS

None of the Group's assets was pledged as at 31 March 2003.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no detailed future plans for material investments or capital assets as at 31 March 2003.

EXCHANGE RISK

The Group's enterprise solutions services are mainly transacted in Renminbi. Since the exchange rate fluctuate between the Hong Kong dollars and Reminbi 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 as at 31 March 2003.



Business objectives as stated in the prospectus dated 19 October 2001

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

Research & Product Development

- | | |
|--|---|
| 1. Commence development of modules for paying utility bills online | Preliminary research activities have been carried out |
| 2. Complete development of modules for online customer checking function | In progress and will be applied in the development of IEFT |
| 3. Commence research on payment on mobile device | Preliminary research activities have been carried out |
| 4. Complete development of modules for e-cert services | The development of modules for e-cert services was in progress and will be applied in the development of IEFT |
| 5. Commence development of modules for order management system of iwareZ package | 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 |
| 6. Commence development of modules for logistics management of iwareZ package | 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 offer additional value-added services such as buyer checking function | Still under development and expected to be completed in year 2003 |
| 2. Offer embedded online payment enterprise solutions to ICPs in the PRC | Such product has been available in the PRC market |
| 3. Continue the provision of enterprise solutions | The Group continued to be engaged 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 |



Comparison of Business Objectives with Actual Business Progress

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", "2002 Shanghai Annual Software Exhibition" and "Intellectual Logistics Seminar". Besides, the Group had also placed advertisement in the media |

Resources deployment

- | | |
|---|---|
| 1. Establish branch offices in Chongqing and Xián | 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 Chongqing office including 1 for management, 2 for administration, 2 for technical and 3 for marketing and about 8 staff members for Xián 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

- | | |
|---|--|
| 1. Up to approximately HK\$9.5 million for further development of the IPS to enhance its functionality and capacity | Approximately HK\$7.2 million has been spent on the development of IPS |
| 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\$0.6 million has been fully 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 | HK\$5.6 million has been fully utilised on marketing activities such as television broadcasts, technical seminars, forums and industry exhibitions |
| 4. Up to approximately HK\$4.0 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 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 19 October 2001.



Directors

Executive Directors

Mr. Lau Sik Suen, aged 32, 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.

Madam Wu Wai Lai, aged 55, is an executive director of the Group. Madam Wu is mainly responsible for the overall strategic planning of the Group. Madam Wu has over 20 years of experience in trading of various products such as electronic parts in the PRC. Madam Wu joined the Group in May 2003.

Non-executive Director

Mr. Zhang Wen Bing, aged 49, is a non-executive director of the Group. Mr. Zhang is a businessman in the PRC. He holds a Master of Business Administration degree from a reputable university in the PRC and has years of solid experiences gained from electronic and e-commerce related companies in the PRC and the United States. Mr. Zhang joined the Group in June 2003.

Independent non-executive Directors

Mr. Meng Li Hui, aged 41, is currently a General Manager of a company jointly established by several professors of Fudan University in Shanghai, the PRC. The principal activity of that company is the provision of consultancy services on ecological environmental protection to both private companies and local government authorities in various cities in the PRC. Mr. Meng holds a Bachelor of Arts degree from Shanghai Fudan University. Mr. Meng was appointed as the Company's independent non-executive director and the chairman of audit committee in April 2003.

Mr. Wan Jie Qiu, aged 48, is currently a Professor and Dean of School of Finance in Suzhou University. Mr. Wan also acts as a committee member of the Economics Committee of Jiangsu Province, the Financial Committee of Jiangsu Province and the Taxation Committee of Jiangsu Province. Mr. Wan was appointed as the Company's independent non-executive director in December 2002.

Qualified Accountant

Mr. Wong Chun Kit, aged 29, is the Qualified Accountant, the Company Secretary and one of the members of the audit committee and authorised representatives of the Group. He is responsible for the Group's financial management and corporate affairs. Mr. Wong joined the Group in April 2003. Mr. Wong possesses over seven years of auditing, finance and accounting experience. Mr. Wong is an associate member of the Hong Kong Society of Accountants and an associate member of the Association of Chartered Certified Accountants.



The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 14 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 27.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2003.

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for each of the four years ended 31 March 2003 and the assets and liabilities of the Group as at 31 March 2000, 2001, 2002 and 2003 are set out on page 64.

FIXED ASSETS

The Group purchased fixed assets amounted to approximately HK\$29,564,000 during the year. Details of movements in fixed assets of the Group during the year are set out in note 13 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 20 and 21 to the financial statements respectively.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 32 and note 22 to the financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions as disclosed in note 26 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 who held office during the year and up to the date of this report were:-

Executive directors:

Lau Yeung Sang	(resigned on 22 April 2003)
Man Wing Pong	(resigned on 6 June 2003)
Lau Sik Suen	
Wu Wai Lai	(appointed on 19 May 2003)

Non-executive director:

Zhang Wen Bing	(appointed on 6 June 2003)
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Independent non-executive directors:

Lo Wing Yan, William	(resigned on 12 December 2002)
Lee Yee Bun	(resigned on 4 April 2003)
Wan Xie Qiu	(appointed on 12 December 2002)
Meng Li Hui	(appointed on 4 April 2003)

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

Each of the remaining executive directors, except for Madam Wu Wai Lai, has entered into a service contract with the Company for an initial term of two years commencing from 18 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.

Madam Wu Wai Lai has entered into a service contract with the Company for an initial term of two years commencing from 19 May 2003 and will continue thereafter on an annual basis until terminated by not less than two months' notice in writing served by either party on the other.

The non-executive director was appointed for an initial term of two years commencing from 6 June 2003 and will continue thereafter on an annual basis until terminated by not less than two months' notice in writing served by either party on the other.

The remaining independent non-executive directors were appointed for an initial term of twelve months which is renewable for another twelve months after the expiry of the initial term of appointment.

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 Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") during the year are set out in note 26 to the financial statements.

SHARE OPTION

Pursuant to the written resolutions passed by all the shareholders of the Company on 12 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.

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.



SHARE OPTION (Cont'd)

(A) Share Option Scheme (Cont'd)

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	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 April 2002	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2003
Initial management shareholder and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK\$1.300	3,000,000	–	–	(1,750,000)	1,250,000
Initial management shareholder and employees	7 February 2002	Fully vested on 7 August 2002	7 August 2002 to 6 February 2012	HK\$1.300	3,000,000	–	–	–	3,000,000
Executive director	9 April 2002	9 April to 9 October 2002 (inclusive)	Maximum 50%: 9 April 2002 to 8 April 2012	HK\$1.400	–	3,000,000 (Note 1)	–	–	3,000,000
			Remaining 50%: 9 October 2002 to 8 April 2012						
Senior management and staff of the Group	9 April 2002	Fully vested on 9 April 2002	9 April 2002 to 8 April 2012	HK\$1.400	–	8,030,000 (Note 1)	–	(4,060,000)	3,970,000
Senior management and staff of the Group	22 November 2002	Fully vested on 22 November 2002	22 November 2002 to 21 November 2012	HK\$0.090	–	5,000,000 (Note 2)	(1,200,000) (Note 4)	–	3,800,000
Executive director	23 December 2002	Fully vested on 23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	–	5,500,000 (Note 3)	–	–	5,500,000
Senior management and staff of the Group	23 December 2002	Fully vested on 23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	–	2,000,000 (Note 3)	–	–	2,000,000



SHARE OPTION (Cont'd)

(A) Share Option Scheme (Cont'd)

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 April 2002	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2003
Senior management and staff of the Group	23 December 2002	1 July 2003 to 1 January 2004 (inclusive)	Maximum 50%: 1 July 2003 to 22 December 2012	HK\$0.108	–	11,070,000 (Note 3)	–	–	11,070,000
			Remaining 50%: 1 January 2004 to 22 December 2012						
					6,000,000	34,600,000	(1,200,000)	(5,810,000)	33,590,000

(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 26 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.



SHARE OPTION (Cont'd)

(B) Pre-IPO Share Option Schemes (Cont'd)

(i) Pre-IPO Share Option Scheme A (Cont'd)

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	Vesting period	Exercise period	Exercise price	Number of share options			
					Outstanding as at 1 April 2002	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2003
Executive director	17 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.010	6,000,000	(6,000,000) (Note 5)	–	–
Senior management of the Group	17 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.010	9,600,000	(9,600,000) (Note 6)	–	–
					<u>15,600,000</u>	<u>(15,600,000)</u>	<u>–</u>	<u>–</u>

(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.



SHARE OPTION (Cont'd)

(B) Pre-IPO Share Option Schemes (Cont'd)

(ii) Pre-IPO Share Option Scheme B (Cont'd)

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	Vesting period	Exercise period	Exercise price	Number of share options			
					Outstanding as at 1 April 2002	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2003
Executive director	17 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.084	7,840,000	–	–	7,840,000
Senior management/ consultants of the Group	17 and 18 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.084	8,400,000	(100,000) (Note 7)	–	8,300,000
					<u>16,240,000</u>	<u>(100,000)</u>	<u>–</u>	<u>16,140,000</u>

Notes:–

- (1) The closing price of the shares immediately before the date on which the options were granted was HK\$1.38.
- (2) The closing price of the shares immediately before the date on which the options were granted was HK\$0.09.
- (3) The closing price of the shares immediately before the date on which the options were granted was HK\$0.10.
- (4) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$0.12.
- (5) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$0.09.
- (6) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$0.32.
- (7) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$0.67.
- (8) The Company received a consideration of HK\$1.00 from each of the grantees of the share option schemes.
- (9) The directors consider it inappropriate to value the share options as the generally accepted methodology to calculate the value of options such as the Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that are fully transferable. Such an option pricing model requires input of highly subjective assumptions, including the expected share price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, such generally accepted methodology such as the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the Company's share options.



SHARE OPTION *(Cont'd)*

In aggregate, options to subscribe for 34,600,000 shares representing approximately 5.39% of the issued share capital of the Company as at 31 March 2003 have been granted under the Share Option Scheme.

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 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 31 March 2003, 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	271,240,000 <i>(Note 2)</i>
Mr. Lau Sik Suen	Personal	4,200,000

Notes:

- 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.
- 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 31 March 2003, 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 March 2003, the directors who had personal interests in respect of options granted under the Share Option Scheme and the Pre-IPO Share Option Schemes of the Company within the meaning of SDI Ordinance are as follows:—

(i) Options granted under Share Option Scheme adopted on 12 October 2001:—

Name of Director	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options			
					Outstanding as at 1 April 2002	Granted during the year	Exercised during the year	Outstanding as at 31 March 2003
Mr. Lau Sik Suen	23 December 2002	Fully vested on 23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	—	3,500,000	—	3,500,000
Mr. Man Wing Pong	9 April 2002	9 April to 9 October 2002 (inclusive)	Maximum 50%: 9 April 2002 to 8 April 2012 Remaining 50%: 9 October 2002 to 8 April 2012	HK\$1.400	—	3,000,000	—	3,000,000
	23 December 2002	Fully vested on 23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	—	2,000,000	—	2,000,000
					—	8,500,000	—	8,500,000

(ii) Options granted under Pre-IPO Share Option Scheme A adopted on 12 October 2001:—

Name of Director	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options			
					Outstanding as at 1 April 2002	Granted during the year	Exercised during the year	Outstanding as at 31 March 2003
Mr. Lau Sik Suen	17 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.010	4,200,000	—	(4,200,000)	—
Mr. Man Wing Pong	17 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.010	1,800,000	—	(1,800,000)	—
					6,000,000	—	(6,000,000)	—



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Cont'd)

(iii) Options granted under Pre-IPO Share Option Scheme B adopted on 12 October 2001:-

Name of Director	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options			
					Outstanding as at 1 April 2002	Granted during the year	Exercised during the year	Outstanding as at 31 March 2003
Mr. Lau Sik Suen	17 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.084	7,840,000	-	-	7,840,000

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.

SUBSTANTIAL SHAREHOLDER

At 31 March 2003, 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 (Note)	271,240,000	42.258%

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 271,240,000 shares held by World One Investments Limited.

Save as disclosed above, the Company has not been notified of any other interests as at 31 March 2003 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 31 March 2003, 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.



MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 48% of the total sales for the year and sales to the largest customer included therein amounted to approximately 15%. Purchases from the Group's five largest suppliers accounted for approximately 74% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 33%.

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 31 March 2003, 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 4 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 26 October 2001 to 31 March 2004.

AUDIT COMMITTEE

The Company has established an audit committee on 12 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 currently comprises two independent non-executive directors, namely Mr. Wan Xie Qiu and Mr. Meng Li Hui, and the company secretary of the Group, Mr. Wong Chun Kit. Mr. Meng Li Hui is the chairman of the audit committee. Mr. Wan Xie Qiu, Mr. Meng Li Hui and Mr. Wong Chun Kit are replacement of Mr. Lo Wing Yan, William, Mr. Lee Yee Bun and Mr. Chor Ngai respectively.

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 31 March 2003 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 throughout the financial year ended 31 March 2003.

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 Sik Suen

Chairman

Hong Kong, 26 June 2003



AUDITORS' REPORT TO THE SHAREHOLDERS OF UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 27 to 63 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 affairs of the Company and the Group as at 31 March 2003 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, 26 June 2003

Consolidated Income Statement

For the year ended 31 March 2003



	Note	2003 HK\$'000	2002 HK\$'000
Turnover			
Continuing operation		5,718	3,597
Discontinuing operation	3	1,005	–
		<hr/>	<hr/>
	4	6,723	3,597
Other revenue	4	905	483
		<hr/>	<hr/>
		7,628	4,080
Cost of computer hardware and software/services rendered		(3,874)	(66)
Staff costs		(6,317)	(6,069)
Depreciation		(1,170)	(472)
Minimum operating lease rentals		(624)	(451)
Bad debts written off		(89)	–
Provision for bad debts		(292)	–
Other operating expenses		(15,500)	(6,351)
		<hr/>	<hr/>
Loss from operations			
Continuing operation		(20,151)	(9,329)
Discontinuing operation	3	(87)	–
		<hr/>	<hr/>
		(20,238)	(9,329)
Goodwill written off		(458)	–
Profit on disposal of interests in subsidiaries	5	1,231	–
Profit on disposal of partial interest in a subsidiary		–	33
Profit on deemed disposal of interest in a subsidiary		–	4,301
		<hr/>	<hr/>
Loss from ordinary activities before taxation	6	(19,465)	(4,995)
Taxation	8	–	–
		<hr/>	<hr/>
Loss for the year		(19,465)	(4,995)
Minority interests		6,121	1,684
		<hr/>	<hr/>
Loss attributable to shareholders	9	(13,344)	(3,311)
		<hr/>	<hr/>
Dividend	10	–	–
		<hr/>	<hr/>
Loss per share – Basic (in cents)	11	(2.12)	(0.64)
		<hr/>	<hr/>



Consolidated Balance Sheet

As at 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	29,823	2,290
CURRENT ASSETS			
Inventories		59	–
Debtors	15	627	110
Deposits, prepayments and other receivables		3,871	1,048
Amounts due from related companies	16	1,055	27,931
Pledged deposit		–	5,660
Cash and bank balances	17	11,416	37,993
		17,028	72,742
DEDUCT:			
CURRENT LIABILITIES			
Bills payable, secured		–	18,868
Deposits received, accruals and other payables		916	1,099
Amounts due to related companies	18	87	1,078
Amount due to a director	19	–	700
Mainland China taxes payable		10	13
		1,013	21,758
NET CURRENT ASSETS			
		16,015	50,984
		45,838	53,274
REPRESENTING:–			
SHARE CAPITAL	20	6,419	6,083
RESERVES		27,801	26,518
SHAREHOLDERS' FUNDS		34,220	32,601
MINORITY INTERESTS		11,618	20,673
		45,838	53,274

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 26 JUNE 2003

LAU SIK SUEN
DIRECTOR

WU WAI LAI
DIRECTOR

Balance Sheet

As at 31 March 2003



	Note	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	14	<u>39,729</u>	<u>33,345</u>
CURRENT ASSETS			
Prepayments		327	178
Cash and bank balances		<u>3,418</u>	<u>26</u>
		<u>3,745</u>	<u>204</u>
DEDUCT:			
CURRENT LIABILITIES			
Accruals		305	397
Amount due to a director	19	<u>-</u>	<u>700</u>
		<u>305</u>	<u>1,097</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>3,440</u>	<u>(893)</u>
		<u>43,169</u>	<u>32,452</u>
REPRESENTING:-			
SHARE CAPITAL	20	6,419	6,083
RESERVES	22	<u>36,750</u>	<u>26,369</u>
SHAREHOLDERS' FUNDS		<u>43,169</u>	<u>32,452</u>

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 26 JUNE 2003

LAU SIK SUEN
DIRECTOR

WU WAI LAI
DIRECTOR



Consolidated Cash Flow Statement

For the year ended 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(19,465)	(4,995)
Adjustments for:-			
Interest income		(89)	(364)
Depreciation		1,170	472
Loss on disposal of fixed assets		151	-
Bad debts written off		89	-
Provision for bad debts		292	-
Goodwill written off		458	-
Profit on disposal of interests in subsidiaries		(1,231)	-
Profit on disposal of partial interest in a subsidiary		-	(33)
Profit on deemed disposal of interest in a subsidiary		-	(4,301)
		<hr/>	<hr/>
Operating loss before working capital changes		(18,625)	(9,221)
Increase in inventories		(59)	-
(Increase)/decrease in debtors		(1,017)	569
(Increase)/decrease in deposits, prepayments and other receivables		(1,800)	1,972
Decrease/(increase) in amounts due from related companies		8,008	(394)
(Decrease)/increase in deposits received, accruals and other payables		(183)	580
(Decrease)/increase in amounts due to related companies		(991)	880
Increase/(decrease) in Mainland China taxes payable		30	(179)
Effect of foreign exchange rate changes		10	42
		<hr/>	<hr/>
Cash used in operations		(14,627)	(5,751)
Interest received		89	364
		<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES		(14,538)	(5,387)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets		(29,564)	(1,596)
Sale proceeds on disposal of fixed assets		115	-
Increase in amount due from a related company		-	(8,490)
Decrease/(increase) in unpledged time deposits		24,058	(24,058)
Decrease/(increase) in pledged deposit		5,660	(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 from disposal of interests in subsidiaries	23	(631)	-
Increase in interests in subsidiaries		(1,872)	-
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(2,234)	(34,772)

Consolidated Cash Flow Statement

For the year ended 31 March 2003



	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares by a subsidiary		-	1,354
Proceeds from placing of shares		15,003	31,500
Proceeds from exercise of over-allotment option		-	1,743
Proceeds from exercise of share options		272	-
Share issue expenses		(322)	(7,283)
Contributions from minority shareholders of subsidiaries		-	17,449
(Decrease)/increase in amount due to a director		(700)	695
Increase in amount due to the former ultimate holding company		-	1,006
		<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES		14,253	46,464
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,519)	6,305
CASH AND CASH EQUIVALENTS AT 1 APRIL		13,935	7,630
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH		11,416	13,935
		<hr/>	<hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		11,416	37,993
Less: Unpledged time deposits with maturity over three months		-	(24,058)
		<hr/>	<hr/>
		11,416	13,935
		<hr/>	<hr/>



Consolidated Statement of Changes in Equity

For the year ended 31 March 2003

	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	–	–	1,140	–	13	(2,545)	(1,392)
Issue of shares	6,083	–	–	–	–	–	6,083
Special reserve arising on the Reorganisation	–	–	–	10,754	–	–	10,754
Premium arising on placing of shares	–	30,000	–	–	–	–	30,000
Capitalisation issue	–	(3,900)	–	–	–	–	(3,900)
Share issue expenses	–	(7,283)	–	–	–	–	(7,283)
Premium arising on exercise of over-allotment option	–	1,660	–	–	–	–	1,660
Realised on deemed disposal of a subsidiary	–	–	(47)	–	(2)	–	(49)
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China ("PRC")	–	–	–	–	39	–	39
Loss for the year	–	–	–	–	–	(3,311)	(3,311)
At 31.3.2002	<u>6,083</u>	<u>20,477</u>	<u>1,093</u>	<u>10,754</u>	<u>50</u>	<u>(5,856)</u>	<u>32,601</u>
At 1.4.2002	6,083	20,477	1,093	10,754	50	(5,856)	32,601
Issue of shares – <i>Note 20</i>	336	–	–	–	–	–	336
Premium arising on placing of shares – <i>Note 20(a)</i>	–	14,836	–	–	–	–	14,836
Share issue expenses	–	(322)	–	–	–	–	(322)
Premium arising on exercise of share options – <i>Note 20(b)</i>	–	103	–	–	–	–	103
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	–	–	–	–	10	–	10
Loss for the year	–	–	–	–	–	(13,344)	(13,344)
At 31.3.2003	<u>6,419</u>	<u>35,094</u>	<u>1,093</u>	<u>10,754</u>	<u>60</u>	<u>(19,200)</u>	<u>34,220</u>



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 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 became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 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.

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

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The main revision to SSAP 1 is to change the requirement from presenting a statement of recognised gains and losses to presenting a statement of changes in equity.

The main revision to SSAP 15 is to require the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the year into operating, investing and financing activities whereas the old SSAP specifies two additional standard headings: "Returns on investments and servicing of finance" and "Taxation".

The new SSAP 34 requires an enterprise to recognise the service provided by an employee in exchange for employee benefits to be paid in the future as a liability, and when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits as expenses. The adoption of the SSAP has not had any significant impact on these financial statements.

The effect of adopting SSAPs 11 (revised) and 33 is set out in the accounting policies below.



Notes to the Financial Statements

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. 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) Discontinuing operation

In the current year, the Group has adopted SSAP 33 "Discontinuing operations" for the first time.

Discontinuing operation is a component of an enterprise that the enterprise, pursuant to a single plan, is disposing of substantially in its entirety, or disposing of piecemeal, or terminating through abandonment, and that represents a separate major line of business or geographical area of operations and that can be distinguished operationally and for financial reporting purposes.

Disclosure and certain comparative figures have been modified to conform with the current requirements of SSAP 33. The information of the discontinuing operation is set out in Note 3.

(d) 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.

The Group recognises 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.



2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) 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.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Management fee income, service fee income and commission income are 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.

Dividend income is recognised at the time when the shareholders' right to receive payment has been established.

(f) 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.

(g) 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.



Notes to the Financial Statements

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) 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:–

Land and buildings	– 40 years
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.

(h) 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.

(i) 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.

(j) Minority interest

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent.



2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(k) 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.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less direct selling costs.

(m) Leases

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.



Notes to the Financial Statements

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in the income statement as incurred.

When the Company grants employees options to acquire its shares, the option exercise price will be determined by the directors at the date of grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, the equity is increased by the amount of proceeds received.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) 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.

(p) 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.

In prior years, 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 the exchange reserve.



2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Translation of foreign currencies (Cont'd)

With effect from 1 January 2002, with the introduction of SSAP 11 (revised), the consolidated financial statements are prepared by using the net investment method such that the balance sheet of the Company's PRC subsidiary is translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date while the income statement is translated into Hong Kong dollars at the average exchange rate for the year. Any exchange differences arising on such translation are dealt with as movements in the exchange reserve.

There is no material impact to the financial results and the financial position of the Group by the adoption of the revised SSAP.

(q) 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.

(r) 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.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in provision of products or services (business segment), or in provision of products or services 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 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(t) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. DISCONTINUING OPERATION

On 25 March 2003, Universal Cyberworks International Limited, a wholly-owned subsidiary of the Company, disposed of its entire 60% direct interest in Universal mPayment International Limited and 60% indirect interest in Universal mPayment (China) Limited (collectively known as "mPayment Group") at a consideration of US\$450,000.

The results of the mPayment Group for the period ended 25 March 2003, which have been included in the consolidated financial statements, were as follows:—

	2003 HK\$'000	2002 HK\$'000
Turnover	1,005	—
Other revenue	14	1
	1,019	1
Cost of computer hardware and software/services rendered	(70)	—
Staff costs	(452)	—
Depreciation	(60)	—
Minimum operating lease rentals	(11)	—
Other operating expenses	(513)	(19)
Loss from ordinary activities before taxation	(87)	(18)
Taxation	—	—
Loss for the year	(87)	(18)
Minority interests	35	7
Loss attributable to shareholders	(52)	(11)



3. DISCONTINUING OPERATION (Cont'd)

The carrying amounts of the assets and liabilities of mPayment Group at respective dates were as follows:–

	At 25 March 2003 HK\$'000	At 31 December 2002 HK\$'000
Total assets	3,832	3,882
Total liabilities	(33)	–
Net assets	<u>3,799</u>	<u>3,882</u>

The net cash flows attributable to the mPayment Group for the year were as follows:–

	2003 HK\$'000	2002 HK\$'000
Operating activities	(490)	(18)
Investing activities	(655)	–
Financing activities	–	3,900
Net cash (outflow)/inflow	<u>(1,145)</u>	<u>3,882</u>

The gain arising from the discontinuance of the mobile payment enterprise solutions of HK\$1,231,000, which is included in "Profit on disposal of interests in subsidiaries" on the face of the consolidated income statement, represents the difference between the consideration and the Group's attributable share of the net assets of mPayment Group at 25 March 2003. No tax charge or credit arose from the transaction.



Notes to the Financial Statements

For the year ended 31 March 2003

4. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of online payment, mobile payment and logistics enterprise solutions and related services and system integration and related technical support services. Turnover for the year represents revenue recognised from the provision of enterprise solutions services, system integration and the related consultancy services, net of business tax and net invoiced value of goods sold. An analysis of the Group's turnover and other revenue is set out below:–

	2003	2002
	HK\$'000	HK\$'000
Enterprise solutions	4,759	3,597
System integration and related technical support services	1,964	–
Turnover	6,723	3,597
Management fee income received from a related company	52	11
Commission income, net of business tax, received from a related company	538	–
Interest on bank deposits	89	364
Others	226	108
Total revenue	7,628	4,080

5. PROFIT ON DISPOSAL OF INTERESTS IN SUBSIDIARIES

The amount represents gain on disposal of entire interest in Universal mPayment International Limited ("UmPI"), an indirectly 60% owned subsidiary of the Company, to a third party at a total consideration of US\$450,000. The gain represents the difference between the disposal proceeds and the Group's attributable share of the net assets of this entity and Universal mPayment (China) Limited, a wholly-owned subsidiary of UmPI at the date of disposal.



6. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2003 HK\$'000	2002 HK\$'000
Loss from ordinary activities before taxation is arrived at after charging:–		
Auditors' remuneration	295	290
Cost of computer hardware and software used/sold	3,619	66
Staff costs (including directors' remuneration) – <i>Note</i>		
– Salaries and other benefits	5,642	5,562
– Pension scheme contributions	675	507
Depreciation	1,170	472
Sale proceeds of fixed assets	(115)	–
Less: carrying amounts of fixed assets	266	–
Loss on disposal of fixed assets	151	–
Bad debts written off	89	–
Provision for bad debts	292	–
Minimum operating lease rentals		
– Land and buildings	503	350
– Servers	105	101
	_____	_____

Note: Included in staff costs are research and development costs estimated by the directors amounting to approximately HK\$285,000 for the year ended 31 March 2003 (2002: HK\$261,000).

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
(a) Directors		
Executive directors		
– Fees	–	–
– Other emoluments		
– Basic salaries, allowances and benefits in kind	698	1,026
– Pension scheme contributions	31	27
	_____	_____
	729	1,053
Independent non-executive directors		
– Fees	311	286
	_____	_____
	1,040	1,339
	_____	_____



Notes to the Financial Statements

For the year ended 31 March 2003

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors (Cont'd)

Three executive directors received individual emoluments of approximately HK\$293,000, HK\$215,000 and HK\$221,000 respectively for the year ended 31 March 2003 (HK\$412,000, HK\$389,000 and HK\$252,000 respectively for the year ended 31 March 2002).

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:—

	2003	2002
Emoluments		
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

During the year, 8,500,000 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.

(b) Five highest paid individuals

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

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

	2003	2002
	HK\$'000	HK\$'000
Salaries and allowances	644	1,197
Pension scheme contributions	24	27
	<u>668</u>	<u>1,224</u>

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

During the year, 8,500,000 share options were granted to the above two non-director highest paid employees in respect of their services to the Group.

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.



8. 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.

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes a loss of HK\$4,236,000 (2002: HK\$1,672,000) which has been dealt with in the financial statements of the Company.

10. DIVIDEND

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

11. LOSS PER SHARE

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

	2003	2002
	HK\$'000	HK\$'000
Earnings		
Loss for the year used in the calculation of basic loss per share	<u>(13,344)</u>	<u>(3,311)</u>
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>630,033,753</u>	<u>517,704,110</u>

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



Notes to the Financial Statements

For the year ended 31 March 2003

12. RETIREMENT BENEFIT COSTS

Before 30 November 2000, the Company's subsidiaries operating in Hong Kong did not operate any pension schemes. Since 1 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 31 March 2003 amounted to HK\$82,180 (2002: HK\$89,000).

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 31 March 2003 amounted to HK\$592,728 (2002: HK\$418,000).



13. FIXED ASSETS – THE GROUP

	Leasehold land and building held under long lease HK\$'000	Leasehold land and building held under medium-term lease HK\$'000	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 April 2002	–	–	1,347	1,060	69	422	2,898
Additions	663	20,110	58	7,921	10	802	29,564
Disposals	–	–	–	(116)	–	(288)	(404)
Disposals of subsidiaries	–	–	–	(527)	–	(128)	(655)
At 31 March 2003	663	20,110	1,405	8,338	79	808	31,403
Aggregate depreciation:–							
At 1 April 2002	–	–	250	220	18	120	608
Charge for the year	11	–	269	734	14	142	1,170
Written back on disposals	–	–	–	(23)	–	(115)	(138)
Disposals of subsidiaries	–	–	–	(46)	–	(14)	(60)
At 31 March 2003	11	–	519	885	32	133	1,580
Net book value:–							
At 31 March 2003	652	20,110	886	7,453	47	675	29,823
At 31 March 2002	–	–	1,097	840	51	302	2,290

- (i) All land and buildings are situated in the PRC.
- (ii) The Company had no fixed assets as at 31 March 2002 and 31 March 2003.



Notes to the Financial Statements

For the year ended 31 March 2003

14. INTERESTS IN SUBSIDIARIES – THE COMPANY

	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	8,164	8,164
Amounts due from subsidiaries – Note 14(b)	31,571	25,181
Amount due to a subsidiary – Note 14(b)	(6)	–
	39,729	33,345

(a) The details of the subsidiaries as at 31 March 2003 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 and property holding
iLogistics China Limited	Hong Kong	500,000 ordinary shares of US\$1 each	–	60%	Investment holding
Universal iLogistics China (Shanghai) Limited*	People's Republic of China	US\$280,000	–	60%	Provision of logistics enterprise solutions and related services
Universal iPayment International Limited (Formerly known as 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#	People's Republic of China	US\$5,100,000	–	57.499%	Provision of online payment enterprise solutions and related services



14. INTERESTS IN SUBSIDIARIES – THE COMPANY

(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	Hong Kong	1,000,000 ordinary shares of HK\$1 each	–	100%	Investment holding
Universal Media (Shanghai) Limited*	People's Republic of China	US\$880,000	–	100%	Provision of advertising agency services
Universal Technologies (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Provision of system integration and related technical support services

* The subsidiaries are registered as Wholly Foreign Owned Enterprises under PRC Laws.

The subsidiary is registered as Equity Joint Venture under PRC Laws.

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

15. DEBTORS

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically.

An aging analysis of debtors is set out below:–

	2003 HK\$'000	2002 HK\$'000
0 – 6 months	621	110
7 – 12 months	6	–
Over 1 year	–	–
	<u>627</u>	<u>110</u>



Notes to the Financial Statements

For the year ended 31 March 2003

16. AMOUNTS DUE FROM RELATED COMPANIES

The amounts are interest-free, unsecured and repayable on demand. The amounts include an amount of Rmb884,000 (equivalent to approximately HK\$834,000) due from Shanghai Gao Yuan Property (Group) Company Limited which is one of the joint venture parties of Universal iPayment China Limited. The amount was fully repaid on 20 May 2003.

17. CASH AND BANK BALANCES

At 31 March 2003, cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$4,296,000 (2002: HK\$5,021,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

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 fully repaid during the year.

20. SHARE CAPITAL

	<i>Note</i>	Number of shares	HK\$'000
Authorised:–			
Ordinary shares of HK\$0.01 each			
At 31 March 2003/31 March 2002		<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:–			
Ordinary shares of HK\$0.01 each			
At 1 April 2002		608,300,000	6,083
Placing of shares	(a)	16,670,000	167
Issue of shares upon the exercise of share options	(b)	<u>16,900,000</u>	<u>169</u>
At 31 March 2003		<u>641,870,000</u>	<u>6,419</u>



20. SHARE CAPITAL (Cont'd)

Notes:—

- (a) A Placing Agreement dated 30 April 2002 was 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 30 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 6 May 2002 and the options were not exercised and has therefore lapsed. The excess of the issue price over the par value of the shares issued upon the Placing amounted to HK\$14,836,000 was credited to the share premium account of the Company.
- (b) On 27 May 2002, 2,900,000 new shares of HK\$0.01 each were allotted and issued at par upon the exercise of 300,000 share options and 2,600,000 share options granted under the Pre-IPO Share Option Scheme A on 3 May 2002 and 20 May 2002 respectively. On the same date, 100,000 new shares of HK\$0.01 each were allotted and issued at a premium of HK\$0.074 per share upon the exercise of 100,000 share options under the Pre-IPO Share Option Scheme B on 27 May 2002.

On 3 July 2002, 200,000 new shares of HK\$0.01 each were allotted and issued at par upon the exercise of 200,000 share options granted under Pre-IPO Share Option Scheme A on 28 June 2002.

On 15 August 2002, 200,000 new shares of HK\$0.01 each were allotted and issued at par upon the exercise of 200,000 share options granted under Pre-IPO Share Option Scheme A on 13 August 2002.

On 19 November 2002, 7,000,000 new shares of HK\$0.01 each were allotted and issued at par upon the exercise of 7,000,000 share options granted under Pre-IPO Share Option Scheme A on 15 November 2002.

On 24 January 2003, 3,300,000 new shares of HK\$0.01 each were allotted and issued at par upon the exercise of 3,300,000 share options granted under Pre-IPO Share Option Scheme A on 14 January 2003. On the same date, 1,200,000 new shares of HK\$0.01 each were allotted and issued at a premium of HK\$0.08 per share upon the exercise of 1,200,000 share options granted under Share Option Scheme on 14 January 2003.

On 24 February 2003, 2,000,000 new shares of HK\$0.01 each were allotted and issued at par upon the exercise of 2,000,000 share options granted under Pre-IPO Share Option Scheme A on 20 February 2003.

The excess of the issue price over the par value of the shares issued upon the exercise of the above 16,900,000 share options amounted to approximately HK\$103,000 was credited to the share premium account of the Company.



Notes to the Financial Statements

For the year ended 31 March 2003

21. SHARE OPTIONS

The Company operates three Share Option Schemes (including two Pre-IPO Share Option Schemes) adopted on 12 October 2001 under which the board of directors (the "Board") are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and other eligible persons, to take up options to subscribe for shares of the Company. For the two Pre-IPO Share Option Schemes, the exercise prices were determined by the Board to be HK\$0.010 and HK\$0.084 respectively. The exercise price of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) shall be determined by the Board in its absolute discretion, but in any event 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.

None of the options granted under the Pre-IPO Share Option Schemes can be exercised during the first six months after 26 October 2001 (the "Listing Date"). The period within which the shares must be taken up under the Pre-IPO Share Option Schemes 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.

The vesting period and exercisable period of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) are determined by the Board but in any case no option can be exercised later than ten years from the date of grant.

- (a) A summary of the movements of share options granted under the Company's share option schemes during the year is as follows:—

Option scheme adopted on	Date of grant	Exercise period	Exercise price	Number of share options				
				Outstanding as at 1 April 2002	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2003
12 October 2001	7 February 2002	7 February 2002 to 6 February 2012	HK\$1.300	3,000,000	—	—	(1,750,000)	1,250,000
12 October 2001	7 February 2002	7 August 2002 to 6 February 2012	HK\$1.300	3,000,000	—	—	—	3,000,000
12 October 2001	17 October 2001	26 April 2002 to 25 April 2012	HK\$0.010	15,600,000	—	(15,600,000)	—	—
12 October 2001	17 October 2001	26 April 2002 to 25 April 2012	HK\$0.084	15,040,000	—	(50,000)	—	14,990,000
12 October 2001	18 October 2001	26 April 2002 to 25 April 2012	HK\$0.084	1,200,000	—	(50,000)	—	1,150,000
12 October 2001	9 April 2002	Maximum 50%: 9 April 2002 to 8 April 2012	HK\$1.400	—	3,000,000	—	—	3,000,000
		Remaining 50%: 9 October 2002 to 8 April 2012						



21. SHARE OPTIONS (Cont'd)

(a) (Cont'd)

Option scheme adopted on	Date of grant	Exercise period	Exercise price	Number of share options				Outstanding as at 31 March 2003
				Outstanding as at 1 April 2002	Granted during the year	Exercised during the year	Lapsed during the year	
12 October 2001	9 April 2002	9 April 2002 to 8 April 2012	HK\$1.400	-	8,030,000	-	(4,060,000)	3,970,000
12 October 2001	22 November 2002	22 November 2002 to 21 November 2012	HK\$0.090	-	5,000,000	(1,200,000)	-	3,800,000
12 October 2001	23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	-	7,500,000	-	-	7,500,000
12 October 2001	23 December 2002	Maximum 50%: 1 July 2003 to 22 December 2012	HK\$0.108	-	11,070,000	-	-	11,070,000
		Remaining 50%: 1 January 2004 to 22 December 2012						
				<u>37,840,000</u>	<u>34,600,000</u>	<u>(16,900,000)</u>	<u>(5,810,000)</u>	<u>49,730,000</u>

(b) At 31 March 2003, the number of share options vested was 38,660,000 (2002: 6,000,000).



Notes to the Financial Statements

For the year ended 31 March 2003

21. SHARE OPTIONS (Cont'd)

(c) Details of share options granted during the year:-

Exercise period	Exercise price HK\$	2003		2002	
		Number of options	Consideration received HK\$	Number of options	Consideration received HK\$
7 February 2002 to 6 February 2012	1.300	-	-	3,000,000	12
7 August 2002 to 6 February 2012	1.300	-	-	3,000,000	1
26 April 2002 to 25 April 2012	0.010	-	-	15,600,000	4
26 April 2002 to 25 April 2012	0.084	-	-	16,240,000	4
Maximum 50%: 9 April 2002 to 8 April 2012	1.400	3,000,000	1	-	-
Remaining 50%: 9 October 2002 to 8 April 2012					
9 April 2002 to 8 April 2012	1.400	8,030,000	50	-	-
22 November 2002 to 21 November 2012	0.090	5,000,000	7	-	-
23 December 2002 to 22 December 2012	0.108	7,500,000	3	-	-
Maximum 50%: 1 July 2003 to 22 December 2012	0.108	11,070,000	17	-	-
Remaining 50%: 1 January 2004 to 22 December 2012					
		34,600,000	78	37,840,000	21



21. SHARE OPTIONS (Cont'd)

(d) Details of share options exercised during the year:–

Exercise date	Exercise price HK\$	Market value per share at exercise date HK\$	2003		2002	
			Number of options	Proceeds received HK\$	Number of options	Proceeds received HK\$
3 May 2002	0.010	0.60	300,000	3,000	–	–
20 May 2002	0.010	0.69	2,600,000	26,000	–	–
27 May 2002	0.084	0.66	100,000	8,400	–	–
28 June 2002	0.010	0.27	200,000	2,000	–	–
13 August 2002	0.010	0.25	200,000	2,000	–	–
15 November 2002	0.010	0.09	7,000,000	70,000	–	–
14 January 2003	0.010	0.12	3,300,000	33,000	–	–
14 January 2003	0.090	0.12	1,200,000	108,000	–	–
20 February 2003	0.010	0.17	2,000,000	20,000	–	–
			16,900,000	272,400	–	–



Notes to the Financial Statements

For the year ended 31 March 2003

22. RESERVES – THE COMPANY

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Surplus arising on the Reorganisation – <i>Note 22(a)</i>	7,564	–	7,564
Premium arising on placing of shares	30,000	–	30,000
Capitalisation issue	(3,900)	–	(3,900)
Share issue expenses	(7,283)	–	(7,283)
Premium arising on exercise of over-allotment option	1,660	–	1,660
Loss for the period	–	(1,672)	(1,672)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	28,041	(1,672)	26,369
	<hr/>	<hr/>	<hr/>
At 1 April 2002	28,041	(1,672)	26,369
Premium arising on placing of shares – <i>Note 20(a)</i>	14,836	–	14,836
Share issue expenses	(322)	–	(322)
Premium arising on exercise of share options – <i>Note 20(b)</i>	103	–	103
Loss for the year	–	(4,236)	(4,236)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	42,658	(5,908)	36,750

Notes:–

- (a) The share premium of the Company includes (i) shares 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, Cap. 22 (Law 3 of 1961, as consolidated and revised) 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.
- (b) At 31 March 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$36,750,000 (2002: HK\$26,369,000) subject to the restrictions as stated above.



23. DISPOSAL OF INTERESTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of comprised:–		
Fixed assets	595	–
Debtors	500	–
Cash and bank balances	2,737	–
Mainland China taxes payable	(33)	–
Minority interests	(1,520)	–
	<hr/>	<hr/>
	2,279	–
Profit on disposal of interests in subsidiaries	1,231	–
	<hr/>	<hr/>
	3,510	–
	<hr/>	<hr/>
Satisfied by:–		
Other receivables	1,404	–
Cash consideration	2,106	–
	<hr/>	<hr/>
	3,510	–
	<hr/>	<hr/>
Analysis of net cash outflow of cash and cash equivalents in connection with the disposal of interests in subsidiaries		
Cash consideration	2,106	–
Cash and bank balances disposed	(2,737)	–
	<hr/>	<hr/>
Net cash outflow of cash and cash equivalents	(631)	–
	<hr/>	<hr/>



Notes to the Financial Statements

For the year ended 31 March 2003

24. MAJOR NON-CASH TRANSACTIONS

(a) Year ended 31 March 2003

On 10 May 2002, Universal iPayment China Limited made an advance of Rmb20,000,000 (equivalent to approximately HK\$18,868,000) 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 venture parties 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 10 November 2002 upon full settlement of the Bills on the same date.

(b) Year ended 31 March 2002

- (i) On 10 October 2001, 8,907,926 shares of HK\$1.00 each in Universal iPayment International Limited 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.
- (ii) On 12 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 Universal iPayment International Limited.
- (iii) On 23 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 16 October 2001 by way of the capitalisation of the share premium available.
- (iv) On 14 November 2001, Universal iPayment China Limited made an advance of Rmb20,000,000 (equivalent to approximately HK\$18,868,000) to Shanghai Yi Mei, by issuing the Bills of the same amount in favour of Shanghai Yi Mei. The advance was fully repaid on 10 May 2002 upon full settlement of the Bills on the same date.



25. COMMITMENTS

(a) Operating leases commitments

As at 31 March 2003, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases which fall due as follows:–

	2003	2002
	HK\$'000	HK\$'000
Within one year	385	314
After one year but within five years	140	22
	525	336

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 31 March 2003, the Company had no operating leases commitments.

(b) Capital commitments

As at 31 March 2003, the Group and the Company had no capital commitments.



Notes to the Financial Statements

For the year ended 31 March 2003

26. CONNECTED AND RELATED PARTY TRANSACTIONS

Apart from the transactions as disclosed in notes 16, 18, 19 and 24(a) to the financial statements, the Group had the following material transactions with its related parties during the year:–

	Notes	2003 HK\$'000	2002 HK\$'000
Sales of Internet Payment Runtime System to Universal eCommerce China Limited	(a)	–	755
Technical support services fee received from Universal eCommerce China Limited	(b)	702	225
Office premises rental paid to Shanghai Gao Yuan Property (Group) Company Limited	(c)	1,834	68
Service fee received from Universal eCommerce China Limited	(d)	–	11
Commission income received from Shanghai Gao Yuan Property (Group) Company Limited	(e)	566	–
Purchase of a property from Mr. Lau Yeung Sang	(f)	580	–
Purchase of fixed assets and goods from Synenet Limited	(g)	85	–

Notes:

- (a) Mr. Liu Ruisheng is a shareholder of Universal 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.
- (b) Pursuant to a technical support services agreement dated 7 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.
- (c) Shanghai Gao Yuan Property (Group) Company Limited is one of the joint venture parties of Universal iPayment China Limited. Office premises rental paid for the year of Rmb72,000 (equivalent to approximately HK\$68,000) was determined by reference to the floor area occupied by the Group. In addition, pursuant to a tenancy agreement dated 19 November 2002 between these two parties, during the year, Universal iPayment China Limited agreed to prepay office premises rental of Rmb1,872,000 (equivalent to approximately HK\$1,766,000) for the two years ended 31 March 2005 which was determined by reference to the market value and included in the prepayments account as at 31 March 2003.
- (d) Pursuant to the agreement stated in (b) 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. Pursuant to a supplementary agreement, this transaction was terminated commencing from 1 April 2002.



26. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

Notes: (Cont'd)

- (e) In accordance with the transaction as mentioned in Note 24(a) to the financial statements, Shanghai Gao Yuan Property (Group) Company Limited agreed to pay a commission equivalent to 3% of the advance to Universal iPayment China Limited.
- (f) Pursuant to a sales and purchases agreement dated 10 October 2002 between Universal Enterprise Investment Limited and Mr. Lau Yeung Sang, Universal Enterprise Investment Limited agreed to acquire the property from Mr. Lau Yeung Sang at a consideration of HK\$580,000 which was determined by reference to the market price in accordance with the independent professional valuation carried out by Greater China Appraisal Limited on 18 March 2002.
- (g) Mr. Lau Sik Suen is a director of Synenet Limited. Pursuant to a sales and purchases agreement between Universal Technologies (Hong Kong) Limited and Synenet Limited, Synenet Limited agreed to sell fixed assets and inventories to Universal Technologies (Hong Kong) Limited at approximately HK\$25,000 and HK\$60,000 respectively. The consideration was pre-determined by both parties.

All the transactions except (c) and (e) 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.

27. 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) Payment enterprise solutions

Provision of payment enterprise solutions and ongoing technical support services.

(b) Logistics enterprise solutions

Provision of logistics enterprise solutions and system maintenance services.

(c) System integration

Provision of system integration and related technical support services.

Other operating segment represents the operating segment which do not meet the quantitative threshold for determining reportable segment. It represents investment holding activities and provision of advertising agency services.

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 31 March 2003

27. 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:-

	Payment enterprise solutions		Logistics enterprise solutions		System integration		Others		Inter-segment elimination		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Revenue												
Revenue from external customers	4,031	2,855	726	742	1,964	-	2	-	-	-	6,723	3,597
Other revenue	1,493	144	-	-	-	-	27	74	(704)	(99)	816	119
Total revenue	5,524	2,999	726	742	1,964	-	29	74	(704)	(99)	7,539	3,716
Segment results	(9,106)	(2,355)	(1,681)	(1,763)	(214)	-	(9,326)	(5,575)	-	-	(20,327)	(9,693)
Interest income	32	341	1	1	3	-	53	22	-	-	89	364
Loss from operations											(20,238)	(9,329)
Goodwill written off							(458)				(458)	-
Profit on disposed of interests in subsidiaries							1,231				1,231	-
Profit on disposal of partial interest in a subsidiary											-	33
Profit on deemed disposal of interest in a subsidiary											-	4,301
Loss from ordinary activities before taxation											(19,465)	(4,995)
Taxation											-	-
Loss for the year											(19,465)	(4,995)
Minority interests											6,121	1,684
Loss attributable to shareholders											(13,344)	(3,311)
Depreciation for the year	911	294	55	23	3	-	201	155	-	-	1,170	472
Segment assets	35,352	59,611	644	1,016	2,892	-	7,963	14,405	-	-	46,851	75,032
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	35,352	59,611	644	1,016	2,892	-	7,963	14,405	-	-	46,851	75,032
Segment liabilities	371	942	78	681	44	-	520	1,254	-	-	1,013	2,877
Unallocated liabilities	-	18,878	-	3	-	-	-	-	-	-	-	18,881
Total liabilities	371	19,820	78	684	44	-	520	1,254	-	-	1,013	21,758
Capital expenditure incurred during the year	27,500	1,244	158	171	25	-	1,881	181	-	-	29,564	1,596



27. SEGMENT REPORTING (Cont'd)

(b) Geographical segments

	PRC		Hong Kong		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Revenue from external customers	5,558	3,683	1,981	33	7,539	3,716
Segment assets	36,893	65,231	9,958	9,801	46,851	75,032
Capital expenditure incurred during the year	29,453	180	111	1,416	29,564	1,596

28. COMPARATIVE FIGURES

Certain comparative figures have been restated following the adoption of revised SSAPs as set out in Note 2(a) above and to conform to the current year's presentation.



Financial Summary

RESULTS

	Years ended 31 March			
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	<u>6,723</u>	<u>3,597</u>	<u>1,311</u>	<u>521</u>
(Loss)/profit for the year	<u>(13,344)</u>	<u>(3,311)</u>	<u>(2,278)</u>	<u>180</u>

ASSETS AND LIABILITIES

	At 31 March			
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS	<u>29,823</u>	<u>2,290</u>	<u>1,166</u>	<u>118</u>
CURRENT ASSETS	<u>17,028</u>	<u>72,742</u>	<u>11,508</u>	<u>2,032</u>
DEDUCT:				
CURRENT LIABILITIES	<u>1,013</u>	<u>21,758</u>	<u>9,898</u>	<u>2,407</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>16,015</u>	<u>50,984</u>	<u>1,610</u>	<u>(375)</u>
NET ASSETS/(LIABILITIES)	<u>45,838</u>	<u>53,274</u>	<u>2,776</u>	<u>(257)</u>