



**TECHNOLOGIES**  
**UNIVERSAL**

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

*INTERIM REPORT*

2003/2004

## **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which these companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

## SUMMARY

- Turnover for the six-month period ended 30 September 2003 amounted to approximately HK\$6,140,000 (2002: HK\$2,854,000), representing an increase of approximately 115% over the corresponding period in the last financial year.
- Net loss for the six-month period ended 30 September 2003 reduced to approximately HK\$5.79 million (2002: HK\$6.14 million (restated)). The improvement was primarily due to the effectiveness of: (i) the Group's marketing and promotional activities for building up its business coverage in the PRC; and (ii) the Group's cost saving policies over its operating costs.
- Basic loss per share for the six-month period ended 30 September 2003 amounted to approximately HK0.90 cent (2002: approximately HK0.99 cent (restated)).
- The Board does not recommend payment of any dividend for the six-month period ended 30 September 2003 (2002: Nil).

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (together, the "Group") for the three-month and six-month periods ended 30 September 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the six-month period ended 30 September 2003 HK\$'000	For the six-month period ended 30 September 2002 HK\$'000 (Restated)	For the three-month period ended 30 September 2003 HK\$'000	For the three-month period ended 30 September 2002 HK\$'000 (Restated)
Turnover					
Representing:					
– Continuing operation	3	6,140	2,506	3,775	1,980
– Discontinued operation	4	-	348	-	348
		<u>6,140</u>	<u>2,854</u>	<u>3,775</u>	<u>2,328</u>
Other revenue		73	151	54	102
		<u>6,213</u>	<u>3,005</u>	<u>3,829</u>	<u>2,430</u>
Cost of computer hardware and software/services rendered		(5,147)	(1,255)	(3,391)	(1,255)
Staff costs		(2,269)	(3,166)	(924)	(1,622)
Depreciation		(1,196)	(291)	(940)	(198)
Minimum operating lease rentals		(738)	(290)	(400)	(113)
Other operating expenses		(4,033)	(5,657)	(1,981)	(1,886)
		<u>(7,170)</u>	<u>(7,654)</u>	<u>(3,807)</u>	<u>(2,644)</u>
Loss from operations	6	(7,170)	(7,654)	(3,807)	(2,644)
Share of result of an associate		7	-	7	-
		<u>(7,163)</u>	<u>(7,654)</u>	<u>(3,800)</u>	<u>(2,644)</u>
Loss before taxation		(7,163)	(7,654)	(3,800)	(2,644)
Representing:					
Loss – Continuing operation		(7,163)	(7,578)	(3,800)	(2,689)
(Loss) Profit – Discontinued operation	4	-	(76)	-	45
Taxation	7	298	139	298	77
		<u>(6,865)</u>	<u>(7,515)</u>	<u>(3,502)</u>	<u>(2,567)</u>
Loss after taxation		(6,865)	(7,515)	(3,502)	(2,567)
Minority interests		1,075	1,374	583	449
		<u>(5,790)</u>	<u>(6,141)</u>	<u>(2,919)</u>	<u>(2,118)</u>
Loss attributable to shareholders		(5,790)	(6,141)	(2,919)	(2,118)
Basic loss per share (in HK cent)	8	(0.90)	(0.99)	(0.45)	(0.34)

**CONDENSED CONSOLIDATED BALANCE SHEET**

		(Unaudited) As at <b>30 September 2003</b> <b>HK\$'000</b>	(Audited) As at 31 March 2003 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	10	<b>28,769</b>	29,823
Interest in an associate		<b>498</b>	-
Long term investment		<b>472</b>	-
Goodwill	11	<b>329</b>	-
Deferred tax assets		<b>1,400</b>	1,100
		<u><b>31,468</b></u>	<u>30,923</u>
CURRENT ASSETS			
Inventories		<b>128</b>	59
Trade debtors	12	<b>2,044</b>	627
Deposits, prepayments and other receivables		<b>2,701</b>	3,871
Amount due from a director		<b>136</b>	-
Amount due from an associate		<b>831</b>	-
Amount due from a related company		<b>703</b>	1,055
Cash and bank balances		<b>3,827</b>	11,416
		<u><b>10,370</b></u>	<u>17,028</u>
DEDUCT:			
CURRENT LIABILITIES			
Deposits received, accruals and other payables		<b>639</b>	926
Amounts due to related companies		<b>-</b>	87
		<u><b>639</b></u>	<u>1,013</u>
NET CURRENT ASSETS		<u><b>9,731</b></u>	16,015
		<u><b>41,199</b></u>	<u>46,938</u>
REPRESENTING:-			
SHARE CAPITAL		<b>6,444</b>	6,419
RESERVES		<b>22,839</b>	28,428
SHAREHOLDERS' FUNDS		<b>29,283</b>	34,847
MINORITY INTERESTS		<b>11,916</b>	12,091
		<u><b>41,199</b></u>	<u>46,938</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

	<b>For the six-month period ended 30 September 2003 HK\$'000</b>	For the six-month period ended 30 September 2002 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	<u><b>(6,384)</b></u>	<u>(10,678)</u>
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	<b>(1,431)</b>	2,840
NET CASH FROM FINANCING ACTIVITIES	<u><b>223</b></u>	<u>14,958</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(7,592)</b>	7,120
CASH AND CASH EQUIVALENTS AT 1 APRIL	<b>11,416</b>	13,935
Effect on foreign exchange rate changes	<u><b>3</b></u>	<u>9</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u><u><b>3,827</b></u></u>	<u><u>21,064</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u><b>3,827</b></u></u>	<u><u>21,064</u></u>

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

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2002, as previously reported	6,083	20,477	1,093	10,754	50	(5,856)	32,601
Effect of adoption of SSAP 12 (Revised) (Note 2c)	-	-	-	-	-	5	5
At 1 April 2002, as restated	6,083	20,477	1,093	10,754	50	(5,851)	32,606
Placing of shares	167	-	-	-	-	-	167
Exercise of share options	34	-	-	-	-	-	34
Premium arising on placing of shares	-	14,836	-	-	-	-	14,836
Share issue expenses	-	(322)	-	-	-	-	(322)
Premium arising on exercise of share options	-	7	-	-	-	-	7
Exchange differences arising on translation of financial statements of the PRC subsidiaries	-	-	-	-	7	-	7
Loss for the period	-	-	-	-	-	(6,141)	(6,141)
At 30 September 2002, as restated	<u>6,284</u>	<u>34,998</u>	<u>1,093</u>	<u>10,754</u>	<u>57</u>	<u>(11,992)</u>	<u>41,194</u>
At 1 April 2003, as previously reported	6,419	35,094	1,093	10,754	60	(19,200)	34,220
Effect of adoption of SSAP 12 (Revised) (Note 2c)	-	-	-	-	-	627	627
At 1 April 2003, as restated	6,419	35,094	1,093	10,754	60	(18,573)	34,847
Exercise of share options	25	-	-	-	-	-	25
Premium arising on exercise of share options	-	198	-	-	-	-	198
Exchange differences arising on translation of financial statements of the PRC subsidiaries	-	-	-	-	3	-	3
Loss for the period	-	-	-	-	-	(5,790)	(5,790)
<b>At 30 September 2003</b>	<b><u>6,444</u></b>	<b><u>35,292</u></b>	<b><u>1,093</u></b>	<b><u>10,754</u></b>	<b><u>63</u></b>	<b><u>(24,363)</u></b>	<b><u>29,283</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2003

### 1. BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The Company's shares are listed on GEM.

### 2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The interim financial report has been prepared in accordance with accounting principles generally accepted in Hong Kong, Statement of Standard Accounting Practices ("SSAP") No.25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements for the current period are consistent with those used in the Group's annual financial statements for the year ended 31 March 2003 except that the Group has adopted the following accounting policies, including accounting policy of deferred taxation which conform with the revised SSAP No.12 "Accounting for income taxes" ("SSAP12 (revised)") which is effective for accounting periods commencing on or after 1 January 2003.

(a) *Associate*

An associate is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management. The condensed consolidated income statement includes the Group's share of results of an associate for the period, and the condensed consolidated balance sheet includes the Group's share of the net assets of an associate, advance to/from an associate and goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of an associate.

(b) *Long term investments*

Long term investments are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.



(c) *Deferred taxation – conform with SSAP12 (revised)*

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with limited exceptions. The principal temporary differences arise from depreciation on fixed assets and tax losses carried forward. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year/period, deferred taxation is calculated and partial provision was made under the income statement 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. Deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

The adoption of SSAP12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. The changes in comparatives by the effect of adoption of SSAP12 (revised) are summarised as follows:

Condensed consolidated statement of changes in equity – the opening accumulated losses at 1 April 2002 and 2003 have been reduced by approximately HK\$5,000 and HK\$627,000 respectively.

Condensed consolidated income statement – the losses attributable to shareholders for the six-month period and three-month periods ended 30 September 2002 have been reduced by approximately HK\$79,000 and HK\$44,000 respectively.

Condensed consolidated balance sheet – deferred tax assets of approximately HK\$1,100,000 have been recorded at 31 March 2003.

### **3. TURNOVER – CONTINUING OPERATION**

Turnover – continuing operation represents revenue recognised from the provision of enterprise solution services, system integration and the related consultancy services, net of value-added tax and business tax.

### **4. DISCONTINUED 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”). mPayment Group was principally engaged in the provision of mobile payment enterprise solution services and the related consultancy services in the PRC.

Details of the disposal of mPayment Group have been included in the Group’s annual financial report for the year ended 31 March 2003.

The unaudited results of the mPayment Group for the three-month and six-month periods ended 30 September 2003 are as follows:

	<b>For the six-month period ended 30 September 2003 HK\$'000</b>	For the six-month period ended 30 September 2002 HK\$'000	<b>For the three-month period ended 30 September 2003 HK\$'000</b>	For the three-month period ended 30 September 2002 HK\$'000
Turnover	-	348	-	348
Other revenue	-	10	-	6
	<u>-</u>	<u>358</u>	<u>-</u>	<u>354</u>
Cost of computer hardware and software/services rendered	-	(76)	-	(76)
Staff costs	-	(90)	-	(75)
Depreciation	-	(12)	-	(12)
Minimum operating lease rentals	-	-	-	-
Other operating expenses	-	(256)	-	(146)
	<u>-</u>	<u>(76)</u>	<u>-</u>	<u>45</u>
(Loss) Profit from operation	-	(76)	-	45
Share of result of an associate	-	-	-	-
	<u>-</u>	<u>(76)</u>	<u>-</u>	<u>45</u>
(Loss) Profit before taxation	-	(76)	-	45
Taxation	-	-	-	-
	<u>-</u>	<u>(76)</u>	<u>-</u>	<u>45</u>
(Loss) Profit after taxation	-	(76)	-	45
Minority interests	-	30	-	(19)
	<u>-</u>	<u>(46)</u>	<u>-</u>	<u>26</u>
(Loss) Profit attributable to shareholders	<u>-</u>	<u>(46)</u>	<u>-</u>	<u>26</u>

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

	<b>As at 30 September 2003 HK\$'000</b>	As at 31 March 2003 HK\$'000
Total assets	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>-</u>	<u>-</u>

The net cash flows attributable to the mPayment Group for respective periods were as follows:-

	<b>For the six-month period ended 30 September 2003 HK\$'000</b>	For the six-month period ended 30 September 2002 HK\$'000
Cash inflows (outflows):-		
Operating activities	-	(209)
Investing activities	-	(598)
Financing activities	-	3,900
	<hr/>	<hr/>
Net cash inflows	<b>-</b>	<b>3,093</b>
	<hr/> <hr/>	<hr/> <hr/>

## 5. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided. 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. The Group has the following business segments under its continuing operation:

- (a) *Payment enterprise solutions*  
Provision of payment enterprise solutions and ongoing technical support services.
- (b) *Other information technology solutions*  
Provision of system integration and related technical support services.
- (c) *Others*  
Investment holding.

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.

(a) Business segments

	Continuing operation						Discontinued operation				Consolidated	
	Payment enterprise solutions		Other information technology solutions		Others		Mobile payment solutions		Inter-segment elimination			
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue												
Revenue from external customers	<b>757</b>	1,637	<b>5,383</b>	867	-	2	-	348	-	-	<b>6,140</b>	2,854
Other revenue	<b>109</b>	358	<b>1</b>	-	<b>9</b>	6	-	-	<b>(51)</b>	(275)	<b>68</b>	89
Total revenue	<b>866</b>	1,995	<b>5,384</b>	867	<b>9</b>	8	-	348	<b>(51)</b>	(275)	<b>6,208</b>	2,943
Segment results	<b>(3,024)</b>	(2,163)	<b>19</b>	90	<b>(4,221)</b>	(5,833)	-	(85)	<b>51</b>	275	<b>(7,175)</b>	(7,716)
Interest income	<b>5</b>	17	-	-	-	35	-	10	-	-	<b>5</b>	62
Loss from operations											<b>(7,170)</b>	(7,654)
Share of result of an associate	<b>7</b>	-	-	-	-	-	-	-	-	-	<b>7</b>	-
Loss before taxation											<b>(7,163)</b>	(7,654)
Taxation											<b>298</b>	139
Loss after taxation											<b>(6,865)</b>	(7,515)
Minority interests											<b>1,075</b>	1,374
Loss attributable to shareholders											<b>(5,790)</b>	(6,141)
Depreciation for the period	<b>1,063</b>	188	<b>3</b>	-	<b>130</b>	91	-	12	-	-	<b>1,196</b>	291
Capital expenditure for the period	<b>32</b>	6,555	<b>3</b>	24	<b>218</b>	393	-	598	-	-	<b>253</b>	7,570
Segment assets	<b>33,317</b>	37,598	<b>2,948</b>	1,024	<b>5,573</b>	38,869	-	3,897	-	-	<b>41,838</b>	81,388
Segment liabilities	<b>346</b>	638	<b>152</b>	83	<b>141</b>	19,147	-	86	-	-	<b>639</b>	19,954

(Restated)

(b) Geographical segments

	People's Republic of China (the "PRC")		Hong Kong		Consolidated	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>757</u>	1,987	<u>5,383</u>	867	<u>6,140</u>	2,854
Segment assets	<u>33,764</u>	66,161	<u>8,074</u>	15,227	<u>41,838</u>	81,388
Capital expenditure for the period	<u>32</u>	7,543	<u>221</u>	27	<u>253</u>	7,570

## 6. LOSS FROM OPERATIONS

	Six-month period ended 30 September		Three-month period ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operations are stated after charging:-				
Cost of sales	<b>5,147</b>	1,255	<b>3,391</b>	1,255
Staff costs (including directors' remuneration)				
– Salaries and other benefits	<b>2,070</b>	2,899	<b>863</b>	1,469
– Pensions scheme contributions	<b>199</b>	267	<b>61</b>	153
Depreciation	<b>1,196</b>	291	<b>940</b>	198
Amortisation of goodwill	<b>11</b>	–	<b>11</b>	–
Minimum operating lease rentals				
– Land and buildings	<b>651</b>	242	<b>356</b>	89
– Servers	<b>87</b>	48	<b>44</b>	24

## 7. TAXATION

The taxation credit (charge) comprises:

	Six-month period ended 30 September		Three-month period ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation				
– an associate	<b>(2)</b>	–	<b>(2)</b>	–
Deferred taxation				
– a subsidiary	<b>300</b>	139	<b>300</b>	77
	<u><b>298</b></u>	139	<u><b>298</b></u>	77

Current taxation:-

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the periods. The Group's subsidiaries operating in the PRC did not generate any profits assessable to the PRC enterprise income tax ("EIT") during the periods. EIT has been provided by an associate operating in the PRC at the normal tax rate of 33% on the assessable profit for the period.

Deferred taxation:-

Universal iPayment China Limited, a Group's subsidiary operating in the PRC, incurred tax losses since its incorporation. This subsidiary had tax registration as an enterprise with foreign investment ("FIE") and pursuant to EIT rules for FIE, this subsidiary is entitled to full exemption from EIT for two years and a 50% reduction in the next three years commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. Deferred taxation has been provided and deferred tax assets are recognised to the extent that it is probable that the future taxable profits of this subsidiary will be available against which the tax losses carried forward can be utilised. The Directors are of the opinion that the recoverable amount of the deferred tax assets was not less than its carrying amount at the balance sheet date.

The taxation credit, net on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rates enacted as follows:

	<b>Six-month period ended 30 September</b>		<b>Three-month period ended 30 September</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
		(Restated)		(Restated)
Loss before taxation	<b><u>(7,163)</u></b>	<u>(7,654)</u>	<b><u>(3,800)</u></b>	<u>(2,644)</u>
Calculated at normal EIT rate of 33%	<b>2,364</b>	2,526	<b>1,254</b>	873
Non-deductible and unrecognised tax losses	<b>(1,477)</b>	(2,132)	<b>(367)</b>	(656)
Effect of differential tax rate in relation to tax exemption and reduction	<b><u>(589)</u></b>	<u>(255)</u>	<b><u>(589)</u></b>	<u>(140)</u>
Taxation credit, net	<b><u>298</u></b>	<u>139</u>	<b><u>298</u></b>	<u>77</u>

## 8. LOSS PER SHARE

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

	<b>Six-month period ended 30 September 2003</b>	2002 (Restated)	<b>Three-month period ended 30 September 2003</b>	2002 (Restated)
Loss for the periods used in the calculation of basic loss per share (in HK\$'000)	<b>5,790</b>	6,141	<b>2,919</b>	2,118

Weighted average number of shares in issue, used for the purpose of calculation of basic loss per share (shares)

<b>643,806,885</b>	623,415,137	<b>644,420,000</b>	628,267,826
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No diluted loss per share is shown as the share options of the Company which were outstanding during the periods had anti-dilutive effects on the respective basic loss per share.

## 9. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six-month period ended 30 September 2003. (2002:Nil)

## 10. FIXED ASSETS

	<b>Leasehold land and building held under long lease HK\$'000</b>	<b>Leasehold land and building held under medium- term lease HK\$'000</b>	<b>Leasehold improvement HK\$'000</b>	<b>Office, computer and other equipment HK\$'000</b>	<b>Furniture and fixtures HK\$'000</b>	<b>Motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
Cost:-							
At 1 April 2003	663	20,110	1,405	8,338	79	808	31,403
Additions	-	-	29	43	1	180	253
Disposals	-	-	-	(13)	-	(114)	(127)
<b>At 30 September 2003</b>	<b>663</b>	<b>20,110</b>	<b>1,434</b>	<b>8,368</b>	<b>80</b>	<b>874</b>	<b>31,529</b>
Accumulated depreciation:-							
At 1 April 2003	11	-	519	885	32	133	1,580
Charge for the period	17	239	138	710	8	84	1,196
Written Back	-	-	-	(5)	-	(11)	(16)
<b>At 30 September 2003</b>	<b>28</b>	<b>239</b>	<b>657</b>	<b>1,590</b>	<b>40</b>	<b>206</b>	<b>2,760</b>
Net book value:-							
<b>At 30 September 2003</b>	<b>635</b>	<b>19,871</b>	<b>777</b>	<b>6,778</b>	<b>40</b>	<b>668</b>	<b>28,769</b>
At 31 March 2003	652	20,110	886	7,453	47	675	29,823

**11. GOODWILL**

	<b>At 30 September 2003 HK\$'000</b>	At 31 March 2003 HK\$'000
Goodwill, at cost	<b>340</b>	–
Less: accumulated amortisation	<b>(11)</b>	–
	<b>329</b>	–

Goodwill represents the excess of the purchase consideration over the attributable share of the fair value of separable assets of an associate at the date of acquisition. Goodwill is amortised on a straight-line basis over its estimated useful life of 5 years.

**12. TRADE DEBTORS**

Average credit period of 30 to 60 days are granted to customers. The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Credit evaluations of customers are performed periodically.

An aging analysis of trade debtors is set out below:–

	<b>At 30 September 2003 HK\$'000</b>	At 31 March 2003 HK\$'000
0-6 months	<b>2,009</b>	621
7-12 months	<b>35</b>	6
	<b>2,044</b>	627

**13. CAPITAL COMMITMENTS**

As at 30 September 2003, the Group had capital commitment, authorised and contracted for, of approximately HK\$189,000.

**14. CONNECTED AND RELATED PARTY TRANSACTION**

The amounts due from an associate, a director and a related company are unsecured, interest-free and repayable on demand.

During the period, the Group had the following significant transactions with connected and/or related parties:

	<i>Notes</i>	<b>Six-month period ended 30 September 2003 HK\$'000</b>	2002 HK\$'000
Technical support services fee from an associate	<i>(a)</i>	<b>368</b>	415
Office premises rental to a minority shareholder	<i>(b)</i>	<b>(442)</b>	(408)



*Notes:*

- (a) Pursuant to a technical support services agreement dated 7 September 2001 between the Group and Universal eCommerce China Limited ("UECL"), an associate – acquired by the Group during the current period, the Group agreed to provide technical support services in respect of the custom-designed online payment enterprise solutions to UECL at a service fee determined by reference to the market price. Mr. Liu Ruisheng, who is the relative of Mr. Lau Sik Suen – a director of the Company, had beneficial interest in UECL. Pursuant to a supplementary agreement between the Group and UECL, the provision of technical support services was terminated commencing from 1 September 2003.
- (b) Pursuant to a tenancy agreement dated 19 November 2002 between the Group and Shanghai Gao Yuan Property (Group) Limited ("Gao Yuan"), one of the joint venture parties of a subsidiary, the Group agreed to prepay office premises rental of Rmb1,872,000 (equivalent to approximately HK\$1,766,000) for the two years ending 31 March 2005 which was determined by reference to the market value.

## **BUSINESS REVIEW**

### **Operation review**

The business of the Group grew steadily during the six-month period ended 30 September 2003. The Group recorded turnover of approximately HK\$6,140,000 for the six-month period ended 30 September 2003, showing a 115% increase as compared to the corresponding period in the last financial year. This increase was mainly due to the satisfactory performance of the system integration business and the technical services fees received from the usage of IPS – the Internet payment platform developed by the Group.

The loss attributable to shareholders decreased to approximately HK\$5,790,000 for the six-month period ended 30 September 2003, showing a 6% decrease as compared to the corresponding period in the last financial year. The improvement was primarily due to the effectiveness of: (i) the Group's marketing and promotional activities for building up its business coverage in the PRC; and (ii) the Group's cost saving policies over its operating costs.

### **Acquisition and investment**

The Group completed the acquisition of 49% interest in Universal eCommerce China Limited ("UECL") in August 2003. The Group and UECL will co-operate more closely and market the services provided by each other. The Directors believe this acquisition will strengthen the Group's leadership role as an online payment solution provider and the Group will be in an advantageous position to provide other e-commerce services in the future.

### **Payment business**

The payment business remains the focus of the Group. During the six-month period ended 30 September 2003, the payment business contributed approximately HK\$758,000 and HK\$549,000 to the Group's aggregate turnover and profit margin (equivalent to turnover less cost of computer hardware and software/services rendered) respectively. The Directors are confident that the payment business will continue to grow and the Group will focus its resources and efforts on the payment business in the future and continue to seek cooperative opportunities with other market practitioners located in the PRC and overseas.

There will be technology enhancement for IPS as the Group is co-operating with banks in the PRC to launch the "Verified by Visa" services, which will enhance the security of online payment conducted via our IPS. It is expected that the transaction volume of the usage of IPS will increase when more consumers are confident in the security of online payment after implementation of such services. Besides, other technology enhancement and services introduction will be launched in the near future such as "Mini e-merchant scheme" and "Consumer membership scheme".

In accordance with the Company's circular dated 9 December 2002, the Group's property located in Shanghai is expected to be used as the headquarters of the Group. The property will allow the Group to have more space for the use and expansion of its payment business in order to cope with its expected growth. The Group has conducted a preliminary examination over the information technology infrastructure within the property by taking into consideration of its expansion plan. Discussions over the specific requirements of the information technology infrastructure are still in progress. The Directors are of the view that it is probable that large-scaled renovation work will be undertaken within the property before the relocation of its office in Shanghai and accordingly, co-operation with other property developer might be considered. Such renovation work is expected to increase the valuation of the property and this renovated property will be held by the Group for long-term investment purpose, which will definitely enhance the Group's image and reputation and at the same time, increase the confidence of Internet users, the Group's merchant customers and financial institutions towards the Group. However, there's no specific plan drawn up to present.

### **System integration business**

The system integration business grew steadily during the period. During the six-month period ended 30 September 2003, the system integration business contributed approximately HK\$5,383,000 and HK\$444,000 to the Group's aggregate turnover and profit margin respectively.

With the back up of leading technology, it is expected that the synergy with the payment business and the system integration business will continue via the centralised sales and marketing activities and the sharing of valuable customer database of the Group.

### **Other businesses**

On the other hand, the logistics enterprise solution business is facing very keen competition. In order to achieve a better performance in the future, the Group will focus its resources and efforts in the area of which the Group has competitive advantage by reallocation of resources between the payment business and other businesses.

### **PROSPECTS**

The Directors are confident that under the current promising economic growth of PRC, the Group could capture the opportunity in the e-commerce industry. By diversifying the sources of revenue and effective cost control policy, the financial performance of the Group could be improved.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Liquidity and financial resources**

As at 30 September 2003, the Group had net current assets of approximately HK\$9,731,000. Current assets comprised inventories of approximately HK\$128,000, trade debtors of approximately HK\$2,044,000, deposits, prepayments and other receivables of approximately HK\$2,701,000, amount due from a director of approximately HK\$136,000, amount due from an associate of approximately HK\$831,000, amount due from a related company of approximately HK\$703,000 and cash and bank balances of approximately HK\$3,827,000. Current liabilities comprised deposits received, accruals and other payables of approximately HK\$639,000.

The source of finance of the Group is primarily from the initial placing proceeds during the listing of the Shares on GEM in October 2001 and the second placing completed in May 2002. Apart from intra-group finances, the Group had no other borrowings as at 30 September 2003. The gearing ratio of the Group was zero as at 30 September 2003. The calculation is based on the Group's interest bearing debt over the total equity interest as at 30 September 2003.

The Directors consider that the Group has sufficient cash to cope with its recent expansion and development and no debt financing is considered as necessary in the short-term. In the long-run, the Directors believe that the Group will fund its foreseeable expenditures through cash flow from operations and/or through additional equity financing or bank borrowing, if necessary.

### **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 6 August 2003, the Group completed the purchase of 49% equity interest of UECL, as particularly described in the announcement of the Company dated 22 July 2003. Save as above, the Group made no significant investment nor any material acquisition or disposal during the period.

### **EMPLOYEES**

As at 30 September 2003, the total number of employees of the Group was 57 (2002: 73), representing a 22% decrease as compared with that as at 30 September 2002. The dedication and contribution of the Group's staff during the six-month period ended 30 September 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 option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. In addition, the Group also provides social security benefits such as mandatory provident fund scheme and central pension scheme to its staff.

## CHARGES ON GROUP'S ASSETS

None of the Group's assets was pledged as at 30 September 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 30 September 2003.

## EXCHANGE RISK

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

## CONTINGENT LIABILITIES

The Directors consider that the Group did not have any contingent liabilities as at 30 September 2003.

## COMPARISON OF IMPLEMENTATION PLANS WITH ACTUAL PROGRESS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2003

<b>Business objectives as stated in the prospectus dated 19 October 2001</b>	<b>Actual business progress/change in business objects (if any)</b>
--	---

### *Research & Product Development*

- |  |   |
|--|---|
| 1. Complete development of utility payment enable modules.                                 | Still under development.  |
| 2. Commence development of modules for issuing e-cash and e-cheque.                        | Preliminary research was conducted.   |
| 3. Complete development of modules for payment services for m-commerce.                    | Still under development.  |
| 4. Commence development of modules for transportation management system of iwareZ package. | Pending, as the Group targets at using the strategic alliances' products to match the market needs. |
| 5. Complete development of modules for order management system of iwareZ package.          | Pending, as the Group targets at using the strategic alliances' products to match the market needs. |

**Business objectives as stated in the prospectus dated 19 October 2001**

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

*Services*

1. Enable clients using the Group's online payment enterprise solutions to facilitate paying utility bills online.
2. Continue the provision of enterprise solutions.
3. Continue to provide support services to clients using the Group's online payment enterprise solutions to ensure satisfactory online payment process of its users.

Such service is expected to be provided at a later stage.

The Group continues to be engaged in the provision of enterprise solutions

The Group continues to provide such kind of services.

*Marketing*

1. Expand client base by way of direct marketing.
2. Promote the Group's overall image by attending industry exhibition and conference and placing advertisement in the media.

The Directors recognised the positive effect of direct marketing and will continue to carry on. The Group had placed advertisement in the media.

The Group had also attended the Computer Expo 2003 in August 2003 in order to promote the overall image.

*Resources deployment*

1. Recruit additional technical staff to cater for expansion of the business.

Additional technical staffs were recruited.

## 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\$9.5 million has been fully utilised for 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 utilised 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   | Approximately HK\$5.6 million has been fully utilised on marketing activities such as television broadcasting, 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   | Approximately 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' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2003, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules, were as follows:

Name of Directors	Interests in ordinary shares			Total	Total	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	interests in ordinary shares	interests in underlying shares		
<b>Executive Directors:</b>							
Mr. Lau Sik Suen	23,290,000	-	-	23,290,000	13,340,000	36,630,000	5.68%
Madam Wu Wai Lai (Note b)	4,800,000	235,570,000	-	240,370,000	6,000,000	246,370,000	38.23%
					(Note a)		
<b>Non-executive Director:</b>							
Mr. Zhang Wen Bing (Note c)	-	-	130,000,000	130,000,000	-	130,000,000	20.17%
<b>Independent Non-executive Directors:</b>							
Mr. Wan Jie Qiu	-	-	-	-	-	-	-
Mr. Meng Li Hui	-	-	-	-	-	-	-

### Notes:

- a. The interests of Mr. Lau Sik Suen in underlying shares of the Company represent the interests in share options granted to Mr. Lau Sik Suen under certain share option schemes of the Company. The interests of Madam Wu Wai Lai in underlying shares of the Company represent the interests in share options granted to Mr. Lau Yeung Sang, the husband of Madam Wu Wai Lai, under a share option scheme of the Company. Madam Wu Wai Lai is therefore deemed to be interested in these underlying shares.

Details of the interests in share options granted are separately disclosed in the paragraph headed "SHARE OPTION SCHEMES" below.

- b. The family interests of Madam Wu Wai Lai in the ordinary shares of the Company are held by (i) Mr. Lau Yeung Sang, the husband of Madam Wu Wai Lai, and (ii) World One Investments Limited ("World One") of 6,000,000 shares and 229,570,000 respectively. The entire issued share capital of World One is wholly and beneficially owned by Mr. Lau Yeung Sang. Madam Wu Wai Lai is therefore deemed to be interested in these shares.
- c. The corporate interests of Mr. Zhang Wen Bing in the ordinary shares of the Company are held by East Concord International Limited ("East Concord"). The entire share capital of East Concord is wholly and beneficially owned by Mr. Zhang Wen Bing. Mr. Zhang Wen Bing is therefore deemed to be interested in these shares.
- d. During the six-month period ended 30 September 2003, there was no debt securities nor debentures issued by the Group at any time during the period.

Save as disclosed above, as at 30 September 2003, none of the Directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of SFO as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 September 2003, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares, underlying shares and debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

<b>Name of Shareholders</b>	<b>Total interests in ordinary shares</b>	<b>Total interests in underlying shares (Note i)</b>	<b>Aggregate interests</b>	<b>% of the Company's issued share capital</b>
World One (Note ii)	229,570,000	-	229,570,000	35.62%
Mr. Lau Yeung Sang (Note iii)	240,370,000	6,000,000	246,370,000	38.23%
East Concord (Note iv)	130,000,000	-	130,000,000	20.17%
Mr. Lau Kui Long (Note v)	59,990,000	-	59,990,000	9.31%



*Notes:*

- (i) The interests of Mr. Lau Yeung Sang in underlying shares of the Company represent the interests in share options granted under a share option scheme of the Company. Details of the interests in share options granted are separately disclosed in the paragraph headed "SHARE OPTION SCHEMES" below.
- (ii) World One is wholly and beneficially owned by Mr. Lau Yeung Sang.
- (iii) Total interests of Mr. Lau Yeung Sang in ordinary shares of the Company of 240,370,000 shares referred above include 6,000,000 shares held by Mr. Lau Yeung Sang himself, 4,800,000 shares held by his wife – Madam Wu Wai Lai and 229,570,000 shares held by World One. Mr. Lau Yeung Sang is deemed to be interested in ordinary shares held by Madam Wu Wai Lai and World One.
- (iv) East Concord is wholly and beneficially owned by Mr. Zhang Wen Bing.
- (v) Total interests of Mr. Lau Kui Long in ordinary shares of the Company of 59,990,000 shares include 29,990,000 shares held by Mr. Lau Kui Long himself and 30,000,000 shares held by Great Wall (China) Limited, of which Mr. Lau Kui Long hold 40% share capital of Great Wall (China) Limited. Mr. Lau Kui Long is deemed to be interested in ordinary shares held by Great Wall (China) Limited.

Save as disclosed above, as at 30 September 2003, there was no person (other than a Director or chief executive or their associate of the Company) who had any interests or short positions in the shares, underlying shares and debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

## **SHARE OPTION SCHEMES**

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.

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

Grantees	Date of Grant	Vesting Period	Exercise period	Exercise Price	Number of share options				
					Outstanding as at 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 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	1,250,000	-	-	(400,000)	850,000
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)	-

	Date of Grant	Vesting Period	Exercise period	Exercise Price	Number of share options				
					Outstanding as at 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2003
Former-executive director	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  (Note 3)	-	-	-	3,000,000
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	3,970,000	-	-	(1,410,000)	2,560,000
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	3,800,000	-	(1,400,000)	-	2,400,000
Executive director	23 December 2002	Fully vested on 23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	3,500,000  (Note 4)	-	-	-	3,500,000
Former-executive director	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
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	-	-	-	2,000,000

Grantees	Date of Grant	Vesting Period	Exercise period	Exercise Price	Number of share options				
					Outstanding as at 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 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 Remaining 50%: 1 January 2004 to 22 December 2012	HK\$0.108	11,070,000	-	-	(800,000)	10,270,000
Executive director	10 April 2003	10 October 2003 to 9 April 2004 (inclusive)	Maximum 50%: 10 October 2003 to 9 April 2013 Remaining 50%: 10 April 2004 to 9 April 2013	HK\$0.165 (Note 1)	-	2,000,000 (Note 4)	-	-	2,000,000
Senior management and consultant of the Group	10 April 2003	10 October 2003 to 9 April 2004 (inclusive)	Maximum 50%: 10 October 2003 to 9 April 2013 Remaining 50%: 10 April 2004 to 9 April 2013	HK\$0.165 (Note 1)	-	7,000,000 (Note 5)	-	-	7,000,000
					33,590,000	9,000,000	(1,400,000)	(5,610,000)	35,580,000

**(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.

There was no share option outstanding under Pre-IPO Share Option Scheme A as at 1 April 2003 and all 15,600,000 shares were subscribed by the exercise of options before the six-month period ended 30 September 2003.

(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 an executive director, employee and consultants of the Group to subscribe for an aggregate of 16,240,000 shares in the Company at a price of HK\$0.084 per share.

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

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

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

Grantees	Date of Grant	Vesting Period	Exercise period	Exercise price	Number of share options			
					Outstanding as at 1 April 2003	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 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 (Note 4)	-	-	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	8,300,000	(1,150,000) (Note 2)	(6,600,000)	550,000
					<u>16,140,000</u>	<u>(1,150,000)</u>	<u>(6,600,000)</u>	<u>8,390,000</u>

Notes:-

- (1) The closing price of the shares immediately before the date on which the options were granted was HK\$0.165.
- (2) The weighted average closing price of the shares immediately before the exercise date of the share options was HK\$0.13.
- (3) The share options were previously granted to Mr. Man Wing Pong, a former executive director of the Company. Upon his resignation as an executive director on 6 June 2003, Mr. Man Wing Pong remained as senior management of the Group.
- (4) The share options were granted to Mr. Lau Sik Suen, an executive director of the Company.
- (5) The share options were granted to (i) Mr. Lau Yeung Sang, a substantial shareholder and also a consultant of the Group, for 6,000,000 shares and (ii) Mr. Man Wing Pong for 1,000,000 shares.
- (6) The Company received a consideration of HK\$1.00 from each of the grantees of the share option schemes.
- (7) The directors consider it is 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.

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

During the six-month period ended 30 September 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## **COMPETING INTERESTS**

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

## **SPONSOR'S INTERESTS**

DBS Asia Capital Limited ("DBS Asia") has been appointed as the continuing sponsor of the Company for the purpose of the GEM Listing Rules. Pursuant to the sponsorship agreement dated 4 May 2001 between the Company and DBS Asia, 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.

As updated and notified by DBS Asia, as at 30 September 2003, neither DBS Asia nor any of its directors, employees or associates had any interests in the listed shares of the Company or shares of any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the listed shares of the Company or shares of any member of the Group.

## **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. Man Kwok Leung. Mr. Meng Li Hui is the chairman of the audit committee.

The Group's unaudited condensed consolidated financial reports for the six-month period ended 30 September 2003 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standard and the requirements of GEM Listing Rules and adequate disclosures had been made.

## **BOARD PRACTICES AND PROCEDURES**

During the six-month period ended 30 September 2003, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

By order of the Board  
**Lau Sik Suen**  
*Director*

Hong Kong, 12 November 2003