



TECHNOLOGIES
UNIVERSAL

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



First Quarterly Report

2004/05

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.

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. GEM-listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

SUMMARY

- Turnover for the three-month period ended 30 June 2004 amounted to approximately HK\$2,309,000 (2003: HK\$2,365,000), representing a decrease of approximately 2.4% over the corresponding period in the last financial year.
- Net loss for the three-month period ended 30 June 2004 reduced to approximately HK\$1.73 million (2003: HK\$2.87 million). The improvement was primarily due to the effectiveness of the Group's cost control and continuing marketing and promotional activities for building up its business coverage in the PRC.
- Basic loss per share for the three-month period ended 30 June 2004 amounted to approximately HK0.26 cents (2003: approximately HK0.45 cents)
- The Board does not recommend payment of any dividend for the three-month period ended 30 June 2004 (2003: Nil).

RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three-month period ended 30 June 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:–

	<i>Notes</i>	For the three-month period ended 30 June 2004 HK\$'000	For the three-month period ended 30 June 2003 HK\$'000
Turnover	2	2,309	2,365
Other revenue		70	19
		2,379	2,384
Cost of computer hardware and software/services rendered		(1,358)	(1,756)
Staff costs		(588)	(1,345)
Depreciation		(280)	(256)
Minimum operating lease rentals		(140)	(338)
Other operating expenses		(1,631)	(2,052)
Loss from operations		(1,618)	(3,363)
Finance Costs		(21)	–
		(1,639)	(3,363)
Share of result of associate		(571)	–
Loss from ordinary activities before taxation		(2,210)	(3,363)
Taxation	3	–	–
Loss after taxation		(2,210)	(3,363)
Minority interests		477	492
Loss attributable to shareholders		(1,733)	(2,871)
Basic loss per share (in HK cents)	4	(0.26)	(0.45)



Notes:

1. Basis of presentation

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The results presented above have been prepared under the historical cost convention basis and in accordance with accounting principles generally accepted in Hong Kong and Statements of Standard Accounting Practices ("SSAP") issued by the Hong Kong Society of Accountants (the "HKSA").

The basis of preparation and principal accounting policies adopted for the preparation of the results presented above are consistent with those used in the preparation of the Group's annual financial report for the year ended 31 March 2004, except for the adoption of SSAP12 "Income Taxes" (Revised) ("SSAP12 (Revised)") issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The adoption of SSAP12 (Revised) has no significant effect on the results of the current or comparative accounting periods presented above.

2. Turnover

Turnover 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.

3. Taxation

- (i) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the periods presented.
- (ii) The Group's subsidiaries operating in the PRC did not generate any profits assessable to the PRC's enterprise income tax during the periods presented.
- (iii) There was no significant unprovided deferred taxation for the periods presented.

4. Loss per share

The calculation of basic loss per share for the three-month period ended 30 June 2004 is based on the

The following data:

	For the Three-month Period ended 30th June 2004 HK\$'000	For the three-month period ended 30th June 2003 HK\$'000
Earnings		
Loss for the period used in the calculation of basic loss per share	<u><u>(1,733)</u></u>	<u><u>(2,871)</u></u>
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u><u>668,198,858</u></u>	<u><u>643,187,033</u></u>

No diluted loss per share is shown as the share options of the Company which were outstanding during the three-month periods ended 30 June 2003 and 2004 had anti-dilutive effects on the respective basic loss per share.

5. Changes in shareholder's equity

	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 2003	6,419	35,094	1,093	10,754	60	(19,200)	34,220
Exercise of share options	25	-	-	-	-	-	25
Premium arising on placing of shares							
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	-	-	-	-	-	(2,871)	(2,871)
	<u>6,444</u>	<u>35,292</u>	<u>1,093</u>	<u>10,754</u>	<u>63</u>	<u>(22,071)</u>	<u>31,575</u>
At 30 June 2003							
At 1 April 2004	6,682	37,426	1,093	10,754	63	(28,738)	27,280
Exercise of share options	-	-	-	-	-	-	-
Premium arising on exercise of share options	-	-	-	-	-	-	-
Exchange differences arising on translation of financial statements of the PRC subsidiaries	-	-	-	-	(7)	-	(7)
Loss for the period	-	-	-	-	-	(1,733)	(1,733)
	<u>6,682</u>	<u>37,426</u>	<u>1,093</u>	<u>10,754</u>	<u>56</u>	<u>(30,471)</u>	<u>25,540</u>
At 30 June 2004							

DIVIDEND

The Board does not recommend payment of an interim dividend for the three-month period ended 30 June 2004 (2003: Nil).

BUSINESS REVIEW AND PROSPECTS

Operation review

For the three months ended 30 June 2004, the Group recorded a turnover of approximately HK\$ 2,309,000 (2003: approximately HK\$2,365,000) and a loss attributable to shareholders amounted to approximately HK\$ 1.73 million (2003: a loss of approximately HK\$2.87 million).

In view of the increasing popularity of eCommerce, together with the increasing number of internet users, the Group's business continued to perform satisfactorily. During the three-month period under review, the following matters have been carried out and effectuated by the Group:–

1. *Reseller Scheme*

The Group has set up a plan for co-operating with qualified partners, who will act as the Group's and will promote the Group's online payment services nationwide, in particular, in those areas the Group has not yet established branch office so that the market coverage of the Group's services could be expanded in a more efficient and effective ways.

2. *Membership Scheme*

The Group has established a membership loyalty scheme. By the scheme, all internet users registered with the scheme will get benefits from each internet transactions the payment of which is effected through the Group's online payment services. The scheme is a prototype for person-to-person payment model to be launched in near future.

3. *Shenzhen Office*

The Group decided to set up an office in Shenzhen in July. The location was selected for strategic purpose since we believe that the Group's Shenzhen office could foster the market shares of the Group's business in southern China, which is more well-developed in the sector of internet application.

4. *Issue of Convertible Bonds*

The Group announced, on 29th June, 2004, a conditional Subscription Agreement in connection with the subscription by the Subscribers of HK\$4 million convertible bonds to be issued by the Company. The Company intends to use the net proceeds to develop the online membership data-mining system and to develop modules for issuing e-cash and e-cheque and to further the Group's direct marketing efforts and promotion of corporate images. The details of the use of proceeds is set out in the relevant announcement.



Prospects

The Group expects an increasing development and application of internet nationwide. At the same time the Group is seeking for any opportunity to cooperate with overseas online payment companies. Under this favourable marketing environment and aided by the effective marketing strategy of the Group, the Directors are optimistic as to the turnover of the Group in future.

Summing all these, the Directors are optimistic to its business and the financial performance of the Group will continue to improve.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, 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 (Chapter 571, Laws of Hong Kong) (the "SFO") which (i) are required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:—

Name of Directors	Interests in ordinary shares			Total	Total	Aggregate	% of the
	Personal	Family	Corporate	interests in	interests in		
	interests	interests	interests	ordinary	underlying	interests	Company's
				shares	shares		issued share
					(Note a)		capital

Executive Directors:

Mr. Lau Sik Suen	14,470,000	-	-	1,470,000	13,340,000	27,810,000	4.16%
Mr. Liu Rui Sheng	-	-	-	-	-	-	-

Non-executive Director:

Mr. Zhang Wen Bing (Note 2)	-	-	130,000,000	130,000,000	-	130,000,000	19.46%
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Independent**Non-executive Directors:**

Mr. Wan Jie Qiu	-	-	-	-	-	-	-
Mr. Meng Li Hui	-	-	-	-	-	-	-

Name of directors	Interests in equity of			Total	Total	Aggregate	% of
	associated corporation			interests in	underlying		
	Personal	Family	Corporate	interests in	interests in		
	interests	interests	interests	equity of	equity of	interests	aggregate
				associated	associated	over	interests
				corporation	corporation	equity of	associated
	Rmb	Rmb	Rmb	Rmb	Rmb	associated	corporation
Mr. Liu Rui Sheng (Note 3)	510,000	-	-	510,000	-	510,000	51%

Notes:–

1. 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.

Details of the interests in the share options of the Company are separately disclosed in the section headed “Share options” above.

2. 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 issued 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.
3. The interests of Mr. Liu Rui Sheng in equity of associated corporation represent his interests in Universal eCommerce China Limited, an associate of the Group.
4. During the quarter ended 30 June 2004, there was no debt securities nor debentures issued by the Group at any time during the period.

Save as disclosed above, as at 30 June 2004, 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 any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

The Directors confirmed that as at and for the quarter ended 30 June 2004,

- (i) the Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings according to Rule 5.46 of the GEM Listing Rules; and
- (ii) all directors complied with the required standard of dealings and the Company’s code of conduct regarding directors’ securities transactions.

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

As at 30 June 2004, 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:

Name of Shareholders	Total interests in ordinary shares	Total interests in underlying shares (Note i)	Aggregate interests	% of the Company's issued share capital
World One Investments Limited (Note 2)	209,570,000	–	209,570,000	31.36%
Mr. Lau Yeung Sang (Note 3)	214,370,000	6,000,000	220,370,000	32.98%
Madam Wu Wai Lai (Note 3)	214,370,000	6,000,000	220,370,000	32.98%
East Concord (Note 4)	130,000,000	–	130,000,000	19.46%
Mr. Lau Kui Long (Note 5)	59,990,000	–	59,990,000	8.98%

Notes:

- (1) The interests of Mr. Lau Yeung Sang and 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 the share options of the Company are separately disclosed in the section headed "Share option" above.
- (2) World One Investments Limited ("World One") is wholly and beneficially owned by Mr. Lau Yeung Sang.
- (3) Total interests of Mr. Lau Yeung Sang in issued ordinary shares of the Company of 214,370,000 shares include 4,800,000 shares directly held by Madam Wu Wai Lai and 209,570,000 shares held by World One. Mr. Lau Yeung Sang is deemed to be interested in these ordinary shares held by Madam Wu Wai Lai and World One. Total interests of Madam Wu Wai Lai in issued ordinary shares of the Company of 214,370,000 shares include 4,800,000 shares directly held by herself and 209,570,000 shares beneficially owned by Mr. Lau Yeung Sang. Madam Wu Wai Lai is deemed to be interested in these ordinary shares beneficially owned by Mr. Lau Yeung Sang.

- (4) East Concord is wholly and beneficially owned by Mr. Zhang Wen Bing.
- (5) Total interests of Mr. Lau Kui Long in issued ordinary shares of the Company of 59,990,000 shares include 29,990,000 shares directly held by himself and 30,000,000 shares held by Great Wall (China) Limited (“Great Wall”), of which Mr. Lau Kui Long holds 40% of the share capital of Great Wall. Mr. Lau Kui Long is deemed to be interested in these ordinary shares held by Great Wall.

Save as disclosed above, as at 30 June 2004, 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 the year	Vesting grant	Exercise period	Exercise price	Number of share options					
					Outstanding as at 1 April 2004	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2004	
Initial management shareholder and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK\$1.300	850,000					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	–					–
Senior management of the Group	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
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	1,450,000	–	–	(30,000)		1,420,000
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	2,400,000	–		–		2,400,000

Grantees	Date of the year	Vesting grant	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 April 2004	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2004
Executive director	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
Senior management 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
Senior management 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
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	8,540,000	-	-	(30,000)	8,510,000
Executive director	10 April 2003	10 October 2003 to 10 April 2004 (inclusive)	Maximum 50%: 10 October 2003 to 9 April 2013 Remaining 50%: 10 April 2004 to 9 April 2013	HK\$0.165	2,000,000	-	-	-	2,000,000
Senior management of the Group	10 April 2003	10 October 2004 to 10 April 2004 (inclusive)	Maximum 50%: 10 October 2003 to 9 April 2013 Remaining 50%: 10 April 9 April 2013	HK\$0.165	7,000,000	-	-	-	7,000,000
					<u>32,740,000</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>32,680,000</u>

(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 2004 and all 15,600,000 shares were subscribed by the exercise of options before the three-month period ended 30 June 2004.

(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 2004	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2004
Executive director	17 October 2001	Fully vested on 26 April	26 April 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	26 April to 25 April 2012	HK\$0.084	550,000			550,000
					8,390,000	–	–	8,390,000

Notes:–

- (1) The closing price of the shares immediately before the date on which the options were granted was HK\$0.165.
- (2) 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.

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 or their associates had any interest in any business that competes or may compete with the business of the Group.

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

During the three-month period ended 30 June 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

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. Yau Wai Ching, Jimmy. Mr. Meng Li Hui is the chairman of the audit committee. Mr. Yau Wai Ching, Jimmy, is replacement of Stanley Wu Ka Ho.

The Group's unaudited results for the three-month period ended 30 June 2004 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 three-month period ended 30 June 2004, 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, 13 August 2004