



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

ANNUAL REPORT

2004/2005

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 announcements 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 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.

Contents

Highlights of the Year	2
Corporate Information	3
Corporate Structure	4
Transaction Performance for the year	5-6
Chairman's Statement	7-8
Management Discussion and Analysis	9-12
Directors and Senior Management	13-14
Directors' Report	15-26
Auditors' Report	27
Consolidated Income Statement	28
Consolidated Balance Sheet	29
Balance Sheet	30
Consolidated Cash Flow Statement	31
Consolidated Statement of Changes in Equity	32
Notes to the Financial Statements	33-65
Financial Summary	66



Highlights of the Year

- Turnover for the year ended 31 March 2005 amounted to approximately HK\$5.0 million (2004: HK\$11.2 million), representing a decrease of approximately 55% over the last fiscal year. The decrease in turnover was mainly attributable to the fierce competition in the system integration market and the scale of operation in that business segment has been reduced during the year.
- As at 31 March 2005, the Group had net current assets of approximately HK\$6.1 million (2004: HK\$4.5 million), including cash and bank balances of approximately HK\$13.6 million (2004: HK\$7.7 million).
- As at 31 March 2005, the Group had total assets of approximately HK\$45.3 million (2004: HK\$42.5 million).
- Net loss for the year ended 31 March 2005 was reduced to approximately HK\$9.1 million (2004: HK\$10.7 million). The main reason for the decrease in loss in the current year was attributable to the effective control of costs, the increase in profit derived from the internet payment services, the decrease in revenue generated from the system integration business; and, the write back of deferred tax assets recognised in prior years totaling HK\$1,418,000.
- Basic loss per share for the year ended 31 March 2005 amounted to approximately HK1.36 cents (2004: HK1.66 cents).
- The board of directors does not recommend payment of any dividend for the year ended 31 March 2005 (2004: Nil).



Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Lau Sik Suen (*Chairman*)

Liu Rui Sheng

Non-Executive Director:

Zhang Wen Bing

Independent Non-Executive Directors:

Meng Li Hui

Wan Xie Qiu

Wong Wai Man

COMPANY SECRETARY

To Pak Lam

COMPLIANCE OFFICER

Lau Sik Suen

QUALIFIED ACCOUNTANT

To Pak Lam

AUDIT COMMITTEE

Meng Li Hui (*Chairman*)

Wan Xie Qiu

Wong Wai Man

To Pak Lam

AUTHORISED REPRESENTATIVES

Lau Sik Suen

To Pak Lam

AUDITORS

PKF

Certified Public Accountants

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 231-233, Building 2, Phase 1,

No. 1 Science Park West Avenue,

Hong Kong Science Park, Shatin,

New Territories

Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square,

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

46/F, Hopewell Centre,

183, Queen's Road East, Wan Chai,

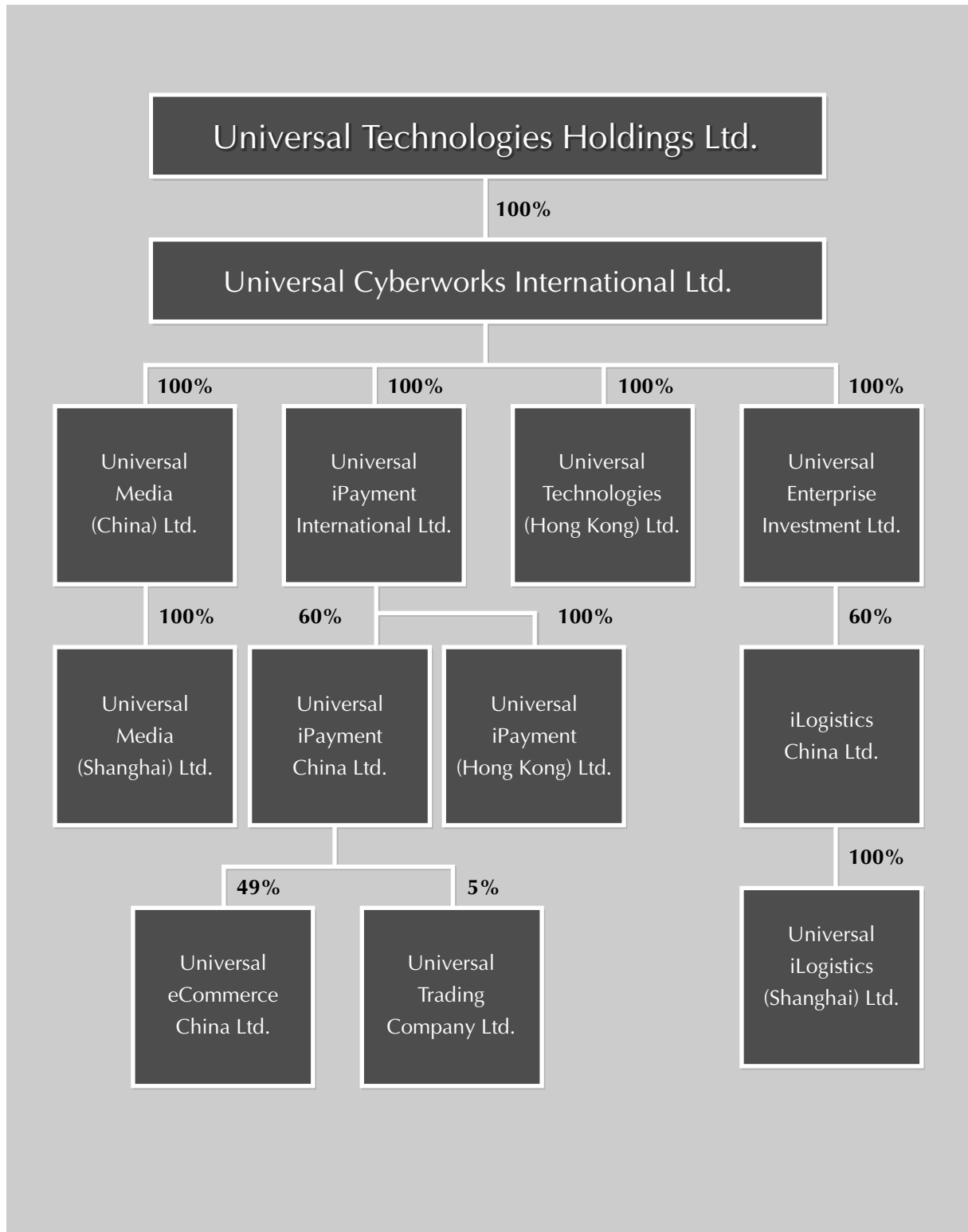
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

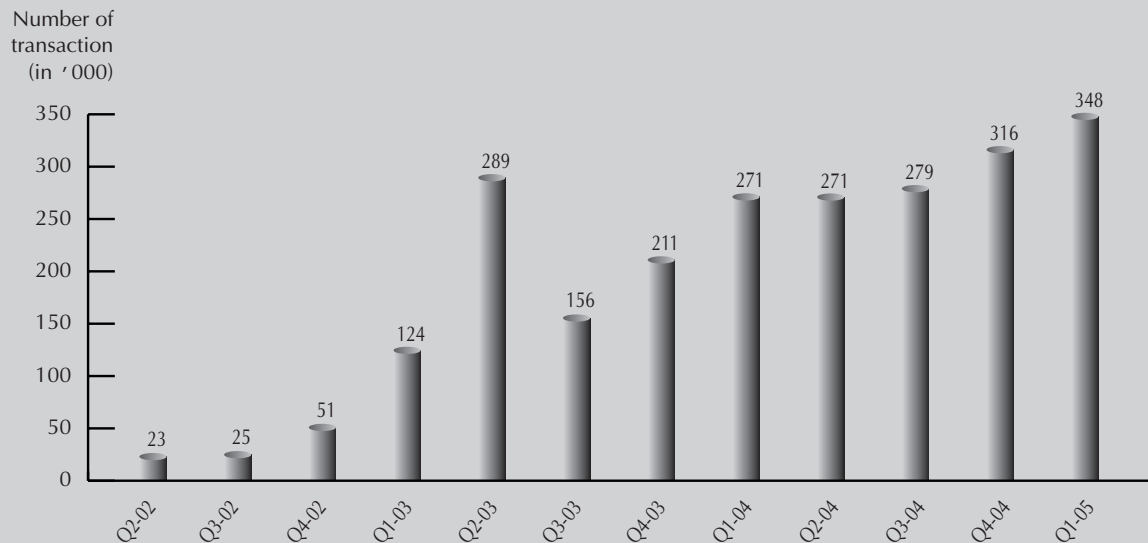


Corporate Structure

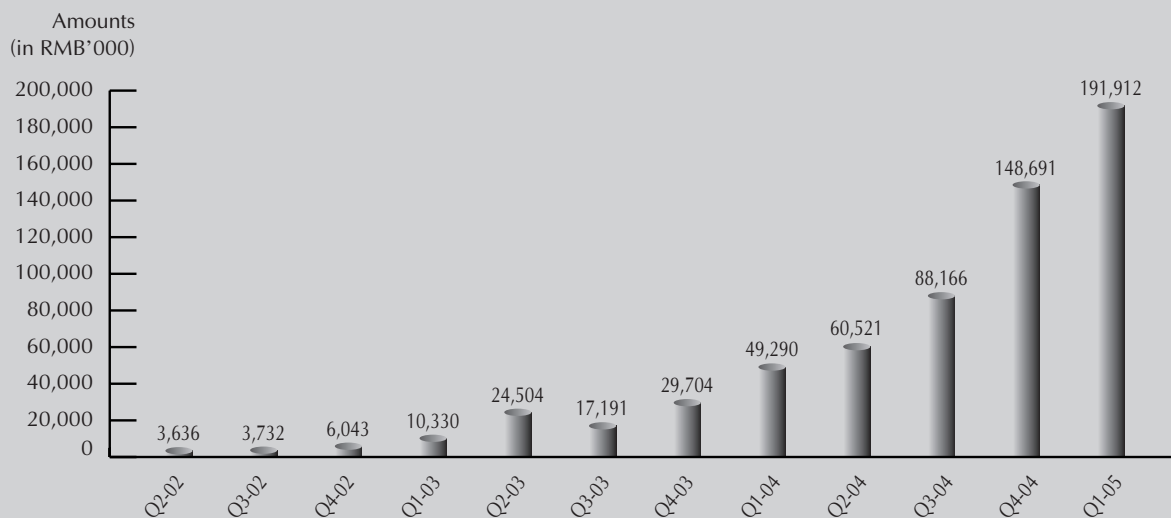


Quarterly transaction Performance for the past 3 years (2002/2003 to 2004/2005)

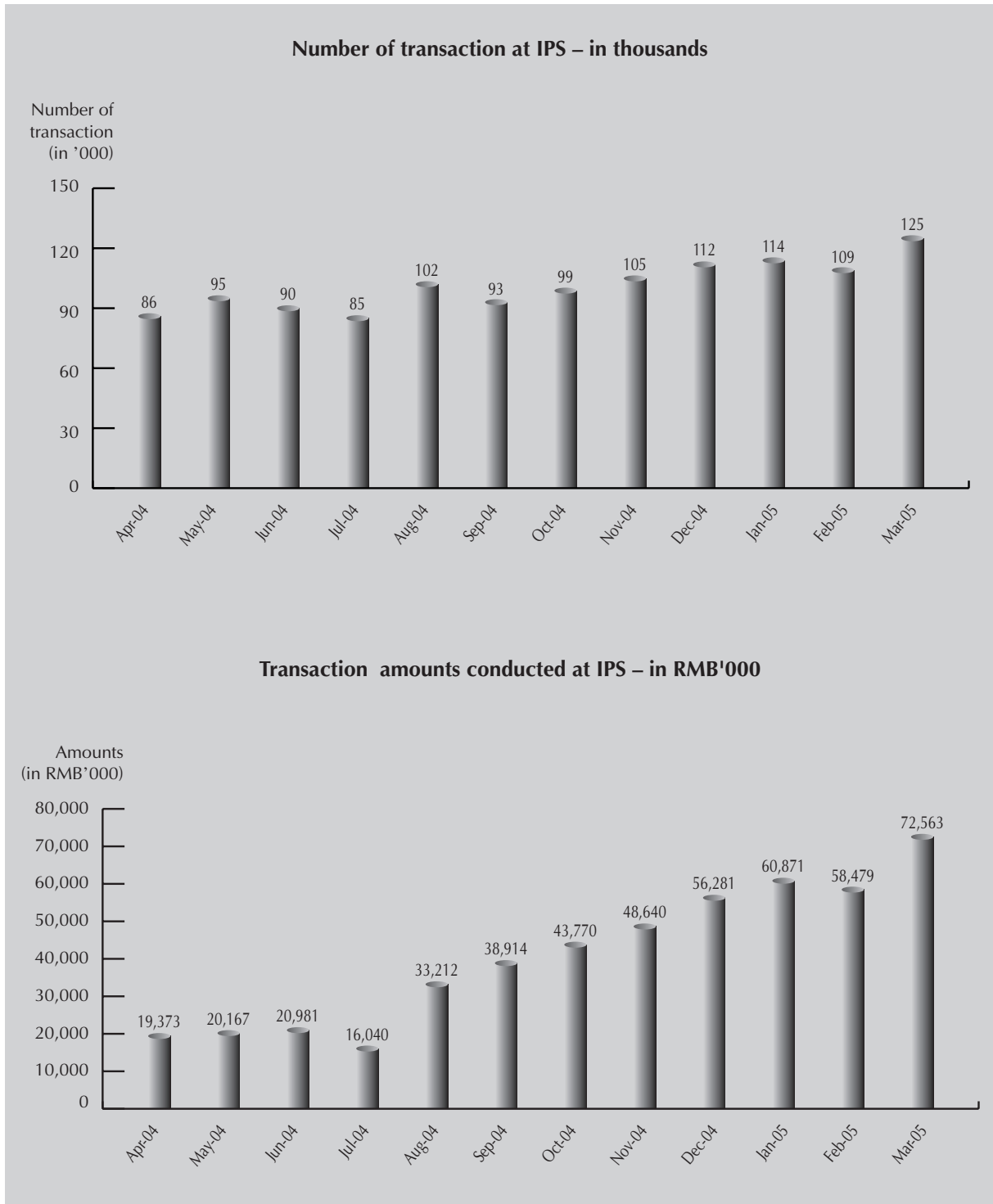
Number of transaction at IPS – in thousands



Transaction amounts conducted at IPS – in RMB'000



Monthly transaction Performance for the year (2004/2005)



Chairman's statement

On behalf of the Board of Directors, I have pleasure in presenting the annual report of the Company and its subsidiaries for the year ended 31 March 2005.

Review

The current fiscal year 2004/2005 is a year full of challenge but at the same time full of opportunities. We have focused our efforts in our established internet payment service ("IPS"). While the relevant laws and basic facilities in China are developing, our core business in IPS continues to develop at a fast pace. We have a record high total transaction amount of HK\$440 million during the current year which is 4 times over the same figure in the preceding year. We have, as of today, over 1,300 electronic merchants which is 2 times over the same figure at the last fiscal year end. E-commerce in China is growing rapidly due to the fast economic growth and the huge increase in internal consumption. The Chinese government gives support in the development of e-commerce which include the set up of policies in relation to the e-commerce infrastructures, the development of software, the protection of intellectual properties, the development of e-banking, and the promotion of e-administration and has established a good foundation for e-commerce and internet payment.

We have developed and registered our own internet payment system in China since 2001. We believe that we shall benefit from the development of the internet payment market which arises from the development of the e-commerce market in China. We shall strive to maintain our leading role in the internet payment market through market oriented development in our internet payment system and the effective control of costs. We have successfully established a new office in Shenzhen as planned. We continue to explore the internet payment market in southern China, promote our brand names and our internet payment system, and improve the quality of our customer services. At the same time, we continue to explore the Hong Kong and the overseas internet payment market, improve our image and develop our business activities in Hong Kong. We have moved our Hong Kong office into the Hong Kong Science Park and have become neighbour with other internationally reputable companies in science and technology. We have shared our successful experience in Shanghai for the establishment of the business activities in southern China, Hong Kong and overseas. The second generation of our self-developed internet payment system has been planned to be launched in the third quarter in 2005. It will attract and facilitate more e-merchants and individual internet users in their on-line transactions and will, thus, inevitably bring about higher revenue and profits to the Group.

Outlook

Personal e-commerce has become a significant part of the consumer market in China. According to iResearch, 37.8% of the internet users purchased online in the past year and 58% of them plan to purchase online in the forthcoming year. According to Analysys International, the value of the e-commerce transactions in China amounted to Rmb 440 billion in 2004 and is expected to surge to Rmb 620 billion in 2005.

In view of the development of internet in China and the competitiveness of online purchase, The Report of China's Online Shopping Market in 2004 estimated that internet users in China may increase by 42.3% in the following 3 years, the total number of internet users by 2007 may reach 16 million, online purchase in China may increase by 87.5% in the following 3 years and the volume of online purchase may reach Rmb 29 billion.



Chairman's statement

The Board will continue to reposition the business activities of the Group to expand into any business opportunity that are technically and financially viable. The Board will continue to enforce our leading role in the internet payment market in China by the development of the second generation of our Internet Payment System ("Paidit"), enhance the competitiveness of our Internet Payment System through the business activities in Hong Kong, and the strategic alliance with overseas payment platform and other reputable business partners.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our shareholders, investors and clients for their continual support and encouragement to our Group.

Lau Sik Suen

Chairman

Hong Kong, 27 June 2005



Management Discussion and Analysis

BUSINESS OVERVIEW

The Group is principally engaged in the provision of internet payment solutions to enterprises and individuals, system integration and the related consultancy services. The Board believes that the Group will continue to capture opportunities arising from the booming commercial market and the increasing popularity of e-commerce in China.

FINANCIAL OVERVIEW

During the current fiscal year, the Group recorded a turnover of approximately HK\$5,043,000, representing a decrease of approximately 55% as compared to the last fiscal year. The decrease in turnover was mainly attributable to the fierce competition in the system integration market and the scale of operation in that business segment has been reduced during the year. The revenue generated from the internet payment services provided by the Group's associate has been significantly increased during the year. Its effect on the Group results has, however, been substantially offset by the decrease in revenue generated from the system integration business.

The change in business activities has resulted in the decrease in the turnover of the low profit margin system integration business and the increase in the turnover of the high profit margin internet payment service business. Although there was a substantial decrease in the turnover of the system integration business, the amount of gross profit for the year was only reduced by 10% and the gross margin has increased from 15% in last year to 29% in the current year.

The loss attributable to shareholders of HK\$9,060,000 in the current year had taken into account the write back of deferred tax assets recognised in prior fiscal years totaling HK\$1,418,000, as compared to the loss attributable to shareholders of HK\$10,694,000 in the last fiscal year. The main reason for the decrease in loss in the current year was the increase in profit derived from internet payment services and the effective control of costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had net current assets of approximately HK\$6,128,000. Current assets comprised inventories of approximately HK\$408,000, debtors of approximately HK\$293,000, deposits, prepayments and other receivables of approximately HK\$1,127,000, pledged time deposits of \$100,000, and cash and bank balances of approximately HK\$13,557,000. Current liabilities comprised deposits received, accruals and other payables of approximately HK\$6,050,000, amounts due to related companies of approximately HK\$2,163,000, amount due to an associate of approximately HK\$1,144,000.

The Group's primary source of financing is from the initial placing proceeds of the listing in October 2001 and the placing proceeds in May 2002. The Group had issued interest bearing convertible bonds on 29 June 2004 and 1 March 2005 totaling \$10,000,000.

The gearing ratio of the Group was 56% as at 31 March 2005 (2004: Nil). The calculation is based on the Group's interest bearing debt or borrowing over the shareholders' equity.

The Board considers that the Group has sufficient cash to cope with its future expansion and development. However, for a more massive scale of expansion and development, debt financing may be required. 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.



Management Discussion and Analysis

INTERNET PAYMENT SOLUTIONS

Internet Payment Service is the core business of the Group. During the year, we have put in a lot of resources and have obtained good results. We have processed over 1 million online payments during the year and the transactions value totaled over HK\$440,000,000. The number of clients has increased from 600 in 2003/2004 to 1,300 as of today and has become the leader in the online payment market.

In respect of our customer development strategies, we continue our efforts on e-commerce merchants. We have also started to provide Internet Payment System of Industrial Solution ("IPSIS") to classic merchants. At the same time, we have also started to provide IPSIS to our major clients according to our marketing strategy. Our prime clients include Air China, BenQ, Philips (China), Jinjiang Group, and so forth. These development strategies speed up the pace in the implementation of e-commerce by the classic businesses. At the same time, our market position and image have been improved.

Strategically, we continue to develop our relationship with banks to provide solutions for internet payment settlement, collect and analyse data from mutual clients. We have, during the year, build up closer working relationship with Bank of China, Industrial and Commercial Bank of China, China Merchants Bank, and major international credit card companies such as VISA, Master, JCB, and so forth for the development of the internet payment market and the promotion of network security authentication system to provide financial institution support for the development of our business operations in the next few years.

In relation to the sales and marketing framework, we continue to market our services by sharing customer database with our merchants, telephone promotion, reacting proactively to the market, selling through product information on our web site and the introduction by our existing clients and customers. We shall continue to provide internet payment solutions to major market segments such as hotels, telecommunication related companies, gaming businesses, airlines, tour related companies, etc. We target to provide electronic payment solutions to merchants without e-commerce web sites.

In relation to our operation procedures, we have established customer service oriented procedures for payment settlement, services, and contract renewal. We have managed to raise the client and merchant renewal rate to 80%.

Based on our experiences and resources in the field, we have strategically developed the 2nd generation of our internet payment system which enables, inter alia, the completion of transactions on the internet through e-mails and have made the market outlook and application more popular.

In respect of risk management, we have established risk prevention procedures for the identification of questionable transactions to prevent losses.

We have joined the e-commerce society in Shanghai to have access to resources in the industry and to participate in the establishment of control and operation standards in the industry.



Management Discussion and Analysis

SYSTEM INTEGRATION

The market conditions for system integration have not been promising during the year due to fierce competition. The Group has consolidated its activities in this market to control costs. The turnover and profit in this business segment have been substantially reduced. The gross margin has, however, been increased.

PROSPECTS

With the rapid development of internet and e-commerce in China and globally, the Directors anticipate the following business opportunities:

- On the basis of our scale of operation in the internet payment market we are able to provide tailored made integrated payment solutions to large to medium-sized classic enterprises with more value added. We mainly focus in the following industries: hotels, airlines, publishers, electronic products, public utilities, etc.
- Put in resources for the development of the of the 2nd generation internet payment system to provide a more secured and more efficient payment platform.
- Combine the resources available to us in Hong Kong and overseas, provide payment and remittance services to more overseas merchants and individuals.
- Continue to work with banks and credit organizations to develop payment products to meet market needs.
- Issue membership and collect member data to provide more appropriate services to internet users.

The results of the Group are expected to reach a record high in the next few years with the prosper of e-commerce in China, the dedication and the efforts of all staff, the resources put in by the Board and the shareholders, and the persistence of the Management.

EMPLOYEES

As at 31 March 2005, the total number of employees of the Group was 77 (2004: 54 staff). The dedication and contribution of the Group's staff during the year ended 31 March 2005 are greatly appreciated and recognised.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible employee by reference to the Group's performance as well as the individual's performance. In addition, the Group also provides social security benefits to its staff such as the mandatory provident fund scheme in Hong Kong and the pension scheme in China.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its 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 of the Group's assets can meet the repayments of the Group's liabilities and commitments.



Management Discussion and Analysis

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There was no significant investments, acquisitions or disposals during the year ended 31 March 2005.

CHARGES ON GROUP'S ASSETS

Time deposits in a bank totaling HK\$100,000 as at 31 March 2005 (2004: Nil) had been pledged to that bank to secure the bank guarantee granted to a subsidiary in its ordinary operation. The related bank guarantee expired in April 2005 and the pledged time deposit had been released at the same time.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no detailed future plans for material investment or capital assets as at 31 March 2005.

EXCHANGE RISK

The Group's payment enterprise solution services are mainly transacted in Renminbi and significant portions of the Group's net assets are denominated in Renminbi. The exchange rate between the Hong Kong dollars (the reporting currency) and Renminbi was stable during the year ended 31 March 2005. The exposure of the Group's risk from exchange rate fluctuation was minimal. Currently, the market does not anticipate any material devaluation pressure on Renminbi in the near future and therefore the Board believes the Group has no significant currency exposure.

The Board will, however, continue to monitor the exposure of exchange risk closely and will engage in appropriate hedging activities, if required.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities as at 31 March 2005.



Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Lau Sik Suen, aged 34, is one of the founders and an executive director and authorized representative 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 since 1996. Mr. Lau has substantial experience and knowledge of the Internet industry and of investment in technology companies in the PRC since 1996. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong. Mr. Lau is the nephew of Mr. Liu Rui Sheng, an executive director of the Company.

Mr. Liu Rui Sheng, aged 60, is an executive director of the Group. Mr. Liu is mainly responsible for the overall strategic planning of the Group. Mr. Liu is a businessman in the PRC, with years of solid experiences gained from e-commerce related companies in the PRC. Mr. Liu is the owner of 51% equity interest of Universal eCommerce China Limited, a company owned as to approximately 29.4% (effective interest) by the Group and 55% equity interest of Universal Trading Company Limited, a company owned as to approximately 3% (effective interest) by the Group. Mr. Liu is the uncle of Mr. Lau Sik Suen, an executive director of the Company. Mr. Liu joined the Group in March 2004.

Non-executive Director

Mr. Zhang Wen Bing, aged 51, 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.

Independent non-executive Directors

Mr. Meng Li Hui, aged 42, 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. Wan Xie Qiu, aged 49, 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. Wong Wai Man, aged 35, is an associate of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr Wong has over 10 years' experience in accounting and auditing.

QUALIFIED ACCOUNTANT

Mr. To Pak Lam, aged 52, is the qualified accountant, the company secretary, authorised representative, and one of the members of the audit committee. Mr. To joined the Group as its Chief Financial Officer in May 2005. Mr. To is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, and a member of The Institute of Chartered Accountants in England and Wales. Mr To has over twenty years' experience in auditing, accounting, and finance.



Directors and Senior Management

CONSULTANTS

Mr Zhang Wei Dong, aged 40, is the Investment and Strategic Consultant of the Group. He holds a Master Degree in International Economics of Renmin University of China, and finished the Program for Management Development in Harvard University. He has over ten years' commercial banking experience and investment expertise. He had worked for Industrial and Commercial Bank of China head office from 1987 to 1998 and is currently a director of Alpha Alliance Finance Holding Ltd. in Hong Kong. Mr Zhang was invited to be the Group's Investment Consultant in March 2005.

Mr Li Di, aged 35, is the Group Technical Advisor. He holds a Master Degree in Computer Engineering of the University of New South Wales, Australia and has over twelve years' experience in enterprise technical infrastructure management and software engineering. He had worked for Shenzhen Huawei Technology Ltd. and Hewlett-Packard (Canada) Ltd. He is currently a Lead Enterprise Architect, Director in JP Morgan Chase-Bank One. Mr Li became the Group Technical Advisor in March 2005.



Directors' Report

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 15 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 65.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2005.

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for each of the five years ended 31 March 2005 and the assets and liabilities of the Group as at 31 March 2001, 2002, 2003, 2004 and 2005 are set out on page 66.

FIXED ASSETS

The Group and the Company purchased fixed assets amounted to approximately HK\$877,000 and HK\$753,000 respectively during the year. Details of movements in fixed assets of the Group and of the Company during the year are set out in note 12 to the financial statements respectively.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 27 to the financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

No 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' Report

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:

Mr. Lau Sik Suen

Mr. Liu Rui Sheng

Non-executive director:

Mr. Zhang Wen Bing

Independent non-executive directors:

Mr. Wan Xie Qiu

Mr. Meng Li Hui

Mr. Lo Wing Hung *(appointed on 30 September 2004 and resigned on 28 April 2005)*

Mr. Wong Wai Man *(appointed on 21 March 2005)*

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

Mr. Lau Sik Suen 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.

Mr. Liu Rui Sheng has entered into a service contract with the Company for an initial term of two years commencing from 8 March 2004 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. The tenures of office of Mr. Wan Xie Qiu and Mr. Meng Li Hui have been extended for one year in December 2004 and April 2005 respectively.

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.



Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

All independent non-executive directors, other than Mr. Wan Xie Qiu and Mr. Meng Li Hui, have confirmed their independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM") (the "GEM Listing Rules") for the year ended 31 March 2005 and the Company considers the independent non-executive directors to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors and top five highest paid individuals of the Group are set out in note 5 to the financial statements.

CONNECTED TRANSACTIONS

The details of connected transactions under the GEM Listing Rules during the year are set out in note 30 to the financial statements.

SHARE OPTIONS

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.



Directors' Report

SHARE OPTIONS (Continued)

(A) Share Option Scheme (Continued)

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 2004	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2005
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	–	–	(250,000)	600,000
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	–	–	(1,150,000)	300,000
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	–	–	(1,950,000)	450,000
Executive director	23 December 2002	Fully vested on 23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	3,500,000	–	–	–	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)	–



Directors' Report

SHARE OPTIONS (Continued)

(A) Share Option Scheme (Continued)

Grantees	Date of grant	Vesting period	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 31 March 2005
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	-	-	(2,110,000)	6,430,000
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 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	7,000,000	-	-	(1,000,000)	6,000,000
					32,740,000	-	-	(13,460,000)	19,280,000



Directors' Report

SHARE OPTIONS (Continued)

(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 (the "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.

The grantees of this scheme exercised all options before 1 April 2004 and there was no share option outstanding as at 31 March 2005.

(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.



Directors' Report

SHARE OPTIONS (Continued)

(B) Pre-IPO Share Option Schemes (Continued)

(ii) Pre-IPO Share Option Scheme B (Continued)

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 2004	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2005
Executive director	17 October 2001	Fully vested 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	550,000	–	(550,000)	–
					<u>8,390,000</u>	<u>–</u>	<u>(550,000)</u>	<u>7,840,000</u>

Notes:–

- (1) The Company received a consideration of HK\$1.00 from each of the grantees of the share option schemes.
- (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.

As at 31 March 2005, the number of shares in respect of which options had been granted under the share option schemes was 27,120,000, representing approximately 4.06% of the issued share capital of the Company.



Directors' Report

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

As at 31 March 2005, the interests or short positions of the directors and chief executives or their associates 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 Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:-

Name of directors	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	(Note 1)			
<i>Executive directors:</i>							
Mr. Lau Sik Suen	4,200,000	-	-	4,200,000	13,340,000	17,540,000	2.62%
Mr. Liu Rui Sheng	-	-	-	-	-	-	-
<i>Non-executive director:</i>							
Mr. Zhang Wen Bing (Note 2)	-	-	130,000,000	130,000,000	-	130,000,000	19.46%
<i>Independent non-executive directors:</i>							
Mr. Wan Xie Qiu	-	-	-	-	-	-	-
Mr. Meng Li Hui	-	-	-	-	-	-	-
Mr. Lo Wing Hung	-	-	-	-	-	-	-
Mr. Wong Wai Man	-	-	-	-	-	-	-
Name of directors	Interests in equity of associated corporation			Total interests in equity of associated corporation	Total underlying interests in equity of associated corporation	Aggregate interests	% of aggregate interests over equity of associated corporation
	Personal interests Rmb	Family interests Rmb	Corporate interests Rmb	Rmb			
Mr. Liu Rui Sheng (Note 3)	510,000	-	-	510,000	-	510,000	51%



Directors' Report

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

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 the 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. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 March 2005.

Save as disclosed above, as at 31 March 2005, 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 Rules 5.48 to 5.67 of the GEM Listing Rules.

The directors confirmed that as at 31 March 2005 and for the year ended 31 March 2005,

- (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 Rules 5.48 to 5.67 of the GEM Listing Rules; and
- (ii) all the directors complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.



Directors' Report

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any director or chief executive of the Company, as at 31 March 2005, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:-

(a) Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
World One Investments Limited (Note 1)	Beneficial owner	209,570,000	31.36%
Mr. Lau Yeung Sang (Note 2)	Family	214,370,000	32.08%
Madam Wu Wai Lai (Note 2)	Family	214,370,000	32.08%
East Concord (Note 3)	Beneficial owner	130,000,000	19.46%
Anhui Investments Limited (Note 4)	Beneficial owner	67,540,000	10.11%
Link Silver International Limited (Note 5)	Beneficial owner	57,160,000	8.55%

Note:-

- (1) World One Investments Limited ("World One") is wholly and beneficially owned by Mr. Lau Yeung Sang.
- (2) 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.
- (3) East Concord is wholly and beneficially owned by Mr. Zhang Wen Bing.
- (4) Anhui Investments Limited is equally and beneficially owned by Mr. Zhou Jian Hui and Mr. Chen Jiu Ming.
- (5) Link Silver International Limited is equally and beneficially owned by Mr. Pan Bin Lin and Madam Zou Yun Yu.



*Directors' Report***PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING** (Continued)**(b) Long positions in underlying shares of equity derivatives of the Company**

Name	Type of interests	Number and description of equity derivatives	Number of underlying shares
Madam Wu Wai Lai	Family (Note)	Share option to subscribe for 6,000,000 shares pursuant to the Share Option Scheme	6,000,000
Mr. Lau Yeung Sang	Personal	Share option to subscribe for 6,000,000 shares pursuant to the Share Option Scheme	6,000,000

Note: Since Madam Wu Wai Lai is the wife of Mr. Lau Yeung Sang, she is taken to be interested in the share option pursuant to Part XV of the SFO.

(c) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, as at 31 March 2005, 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

During the year, none of the directors, the substantial shareholders 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 46% of the total sales for the year and sales to the largest customer included therein amounted to approximately 16%. Purchases from the Group's five largest suppliers accounted for approximately 99% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 83%.

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.



Directors' Report

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.

AUDIT COMMITTEE

The Company has established an audit committee on 12 October 2001 with written terms of reference in compliance with Rule 5.28 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 three independent non-executive directors, namely Mr. Wan Xie Qiu, Mr. Meng Li Hui, Mr. Wong Wai Man and the company secretary of the Group, Mr. To Pak Lam. Mr. Meng Li Hui is the chairman of the audit committee.

Up to the date of approval of these financial statements, the audit committee has held four meetings and has reviewed the quarterly results of the Group and the annual accounts for the year ended 31 March 2005 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 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the financial year ended 31 March 2005.

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, 27 June 2005



Auditors' Report

Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

梁學濂會計師事務所

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

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 28 to 65 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 solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 2005 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, 27 June 2005



Consolidated Income Statement

For the year ended 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	3	5,043	11,243
Other revenue	3	101	241
		<u>5,144</u>	<u>11,484</u>
Cost of computer hardware and software/services rendered		(3,566)	(9,607)
Staff costs		(2,547)	(3,961)
Depreciation		(2,743)	(2,446)
Minimum operating lease rentals		(1,245)	(1,478)
Bad debts written off		(151)	(13)
Provision for bad debts		–	(315)
Other operating expenses		(6,007)	(5,900)
		<u>(11,115)</u>	<u>(12,236)</u>
Loss from operations		(11,115)	(12,236)
Finance costs		(105)	–
Amortisation of goodwill		(462)	–
Share of results of an associate		1,865	(404)
		<u>(9,817)</u>	<u>(12,640)</u>
Loss from ordinary activities before income tax	4	(9,817)	(12,640)
Income tax expense	6	(1,418)	281
		<u>(11,235)</u>	<u>(12,359)</u>
Loss for the year		(11,235)	(12,359)
Minority interests		2,175	1,665
		<u>(9,060)</u>	<u>(10,694)</u>
Loss attributable to shareholders	8	(9,060)	(10,694)
Dividend	9	–	–
		<u>(9,060)</u>	<u>(10,694)</u>
Loss per share – Basic (<i>in cents</i>)	10	(1.36)	(1.66)



Consolidated Balance Sheet

As at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12(a)	25,448	27,991
Goodwill	13	1,849	2,311
Interest in an associate	14	2,295	430
Investment securities	16	189	472
Deferred tax asset	7	–	1,418
		29,781	32,622
CURRENT ASSETS			
Inventories	17	408	158
Debtors	18	293	66
Deposits, prepayments and other receivables		1,127	1,970
Pledged time deposits	20	100	–
Cash and bank balances	21	13,557	7,672
		15,485	9,866
DEDUCT:			
CURRENT LIABILITIES			
Deposits received, accruals and other payables		6,050	3,006
Amounts due to related companies	22	2,163	830
Amount due to an associate	23	1,144	878
Amount due to a director	24	–	627
		9,357	5,341
NET CURRENT ASSETS		6,128	4,525
		35,909	37,147
REPRESENTING:–			
SHARE CAPITAL	25	6,682	6,682
RESERVES	27(a)	11,043	20,106
SHAREHOLDERS' FUNDS		17,725	26,788
MINORITY INTERESTS		8,184	10,359
NON-CURRENT LIABILITY			
Convertible bonds	28	10,000	–
		35,909	37,147

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 27 JUNE 2005

LAU SIK SUEN
DIRECTOR

LIU RUI SHENG
DIRECTOR



Balance Sheet

As at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12(b)	693	–
Interests in subsidiaries	15	42,701	42,424
		<u>43,394</u>	<u>42,424</u>
CURRENT ASSETS			
Deposits and prepayments		425	187
Amount due from a director	19	–	102
Cash and bank balances		6,062	358
		<u>6,487</u>	<u>647</u>
DEDUCT:			
CURRENT LIABILITIES			
Accruals		378	166
NET CURRENT ASSETS			
		<u>6,109</u>	<u>481</u>
		49,503	42,905
REPRESENTING:–			
SHARE CAPITAL	25	6,682	6,682
RESERVES	27(b)	32,821	36,223
SHAREHOLDERS' FUNDS			
		39,503	42,905
NON-CURRENT LIABILITY			
Convertible bonds	28	10,000	–
		<u>49,503</u>	<u>42,905</u>

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 27 JUNE 2005

LAU SIK SUEN
DIRECTOR

LIU RUI SHENG
DIRECTOR



Consolidated Cash Flow Statement

For the year ended 31 March 2005

	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(9,817)	(12,640)
Adjustments for:-		
Time deposits pledged for banking facilities	(100)	-
Interest income	(4)	(8)
Interest expenses	105	-
Impairment loss of fixed assets	-	289
Depreciation	2,743	2,446
Loss on disposal of fixed assets	162	99
Share of results of an associate	(1,865)	404
Bad debts written off	151	13
Provision for bad debts	-	315
Provision for slow moving inventories	68	-
Amortisation of goodwill	462	-
Impairment loss of investment securities	283	-
	<hr/>	<hr/>
Operating loss before working capital changes	(7,812)	(9,082)
Increase in inventories	(318)	(99)
(Increase)/decrease in debtors	(378)	561
Decrease in deposits, prepayments and other receivables	843	1,573
Decrease in amounts due from related companies	-	1,055
Increase in deposits received, accruals and other payables	2,939	2,080
Increase in amounts due to related companies	1,333	743
Increase in amount due to an associate	266	878
Effect of foreign exchange rate changes	(3)	3
	<hr/>	<hr/>
Cash used in operations	(3,130)	(2,288)
Interest received	4	8
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(3,126)	(2,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire fixed assets	(877)	(1,161)
Sale proceeds of fixed assets	515	159
Payments to acquire investment securities	-	(472)
Payments to acquire interest in an associate	-	(834)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(362)	(2,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing convertible bonds	10,000	-
Proceeds from exercise of share options	-	222
Share issue expenses	-	(5)
(Decrease)/increase in amount due to a director	(627)	627
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	9,373	844
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,885	(3,744)
CASH AND CASH EQUIVALENTS AT 1 APRIL	7,672	11,416
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>13,557</u>	<u>7,672</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>13,557</u>	<u>7,672</u>



Consolidated Statement of Changes in Equity

For the year ended 31 March 2005

	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 1.4.2003	6,419	35,094	1,093	10,754	60	(18,536)	34,884
Exercise of share options	25	-	-	-	-	-	25
Premium arising on exercise of share options	-	197	-	-	-	-	197
Issue of shares	238	-	-	-	-	-	238
Premium arising on issuing of shares	-	2,140	-	-	-	-	2,140
Share issue expenses	-	(5)	-	-	-	-	(5)
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	-	-	-	-	3	-	3
Loss for the year	-	-	-	-	-	(10,694)	(10,694)
At 31.3.2004	<u>6,682</u>	<u>37,426</u>	<u>1,093</u>	<u>10,754</u>	<u>63</u>	<u>(29,230)</u>	<u>26,788</u>
At 1.4.2004	6,682	37,426	1,093	10,754	63	(29,230)	26,788
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	-	-	-	-	(3)	-	(3)
Loss for the year	-	-	-	-	-	(9,060)	(9,060)
At 31.3.2005	<u>6,682</u>	<u>37,426</u>	<u>1,093</u>	<u>10,754</u>	<u>60</u>	<u>(38,290)</u>	<u>17,725</u>



Notes to the Financial Statements

For the year ended 31 March 2005

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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and are prepared under the historical cost convention.

(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) 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.



Notes to the Financial Statements

For the year ended 31 March 2005

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(c) **Goodwill and negative goodwill** (Continued)

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.

(d) **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 and service fee income are recognised upon rendering of services.

Rental income is recognised on a straight-line basis over the periods of the respective leases.

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.

(e) **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.



Notes to the Financial Statements

For the year ended 31 March 2005

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(f) **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.

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:-

Properties	-	40 years
Leasehold improvement	-	Shorter of 5 years and the unexpired terms of the leases
Office equipment, 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.

(g) **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.

Interests in subsidiaries are 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.

(h) **Associates**

An associate is one, not being a subsidiary or a joint venture, in which the company is in a position to exercise significant influence, including participation in financial and operating policy decisions.

Interest in an associate is stated in the Company's balance sheet at cost less any identified impairment loss. Income from an associate is recognised in the Company's financial statements on the basis of dividends declared by the associate.



Notes to the Financial Statements

For the year ended 31 March 2005

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(h) **Associates** (Continued)

Interest in an associate is stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, as reduced by any identified impairment loss. The results of the associate are included in the consolidated income statement to the extent of post-acquisition results attributable to the Group.

(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) **Investment securities**

Investment security is stated at cost less any identified impairment loss.

The carrying amount of the investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such security would be reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

Income from investment security is recognised to the extent of dividend recognised as set out in accounting policy note 2(d) above.

(k) **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.



Notes to the Financial Statements

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) 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;
- investment securities and investments in subsidiaries and an associate; and
- goodwill

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.

(m) 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.



Notes to the Financial Statements

For the year ended 31 March 2005

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(n) **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.

(o) **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 People's Republic of China (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.

(p) **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.

Notes to the Financial Statements

For the year ended 31 March 2005

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(q) **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.

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.

(r) **Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



Notes to the Financial Statements

For the year ended 31 March 2005

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(s) **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.

(t) **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 year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(u) **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.

(v) **Recently issued accounting standards**

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.



Notes to the Financial Statements

For the year ended 31 March 2005

3. 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:-

	2005	2004
	HK\$'000	HK\$'000
Enterprise solutions	67	123
System integration and related technical support services	4,976	11,120
Turnover	5,043	11,243
Management fee income received from a related company	6	-
Rental income	68	176
Interest on bank deposits	4	8
Others	23	57
Total revenue	5,144	11,484



Notes to the Financial Statements

For the year ended 31 March 2005

4. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

	2005 HK\$'000	2004 HK\$'000
Loss from ordinary activities before income tax		
is arrived at after charging:-		
Auditors' remuneration	245	238
Cost of computer hardware and software used/sold	3,566	9,607
Staff costs (including directors' remuneration – Note 5)		
– Salaries and other benefits	2,244	3,617
– Pension scheme contributions	303	344
	2,547	3,961
Depreciation	2,743	2,446
Impairment loss of fixed assets	–	289
Impairment loss of investment securities	283	–
Sale proceeds of fixed assets	(515)	(159)
Less: carrying amounts of fixed assets	677	258
Loss on disposal of fixed assets	162	99
Bad debts written off	151	13
Provision for bad debts	–	315
Provision for slow moving inventories	68	–
Minimum operating lease rentals		
– Land and buildings	1,090	1,274
– Servers	155	204
	1,245	1,478
Amortisation of goodwill	462	–

Notes to the Financial Statements

For the year ended 31 March 2005

5. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

	2005 HK\$'000	2004 HK\$'000
(a) Directors		
Executive directors		
Fees	–	–
Other emoluments		
– Basic salaries, allowances and benefits in kind	191	482
– Pension scheme contributions	9	14
Non-contractual compensation for loss of office paid by the Company	–	300
	<u>200</u>	<u>796</u>
Independent non-executive directors		
Fees	65	34
Other emoluments		
– Pension scheme contributions	–	2
	<u>65</u>	<u>36</u>
	<u>265</u>	<u>832</u>

Two executive directors received individual emoluments of approximately HK\$189,000 and HK\$11,000 respectively for the year ended 31 March 2005 (2004: Five executive directors received individual emoluments of approximately HK\$340,000, HK\$361,000, HK\$36,000, HK\$58,000 and HK\$1,000 respectively).

Four independent non-executive directors received individual emoluments of approximately HK\$17,000, HK\$17,000, HK\$30,000 and HK\$1,000 respectively for the year ended 31 March 2005 (2004: Two executive directors received individual emoluments of approximately HK\$18,000 and HK\$18,000 respectively).

The number of directors whose remuneration fell within the following band were:–

	2005	2004
Emoluments		
Nil to HK\$1,000,000	<u>2</u>	<u>5</u>

During the year, no share option was granted to executive directors in respect of their services to the Group.

No directors waived any emoluments during the year.



Notes to the Financial Statements

For the year ended 31 March 2005

5. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, one is a director of the Company and the details of his remuneration has already been disclosed above.

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

	2005 HK\$'000	2004 HK\$'000
Salaries and allowances	1,029	515
Pension scheme contributions	39	26
	<u>1,068</u>	<u>541</u>

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

During the year, no share option was granted to the above four 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 director of the Company, as an inducement to join, or upon joining the Group.

6. INCOME TAX EXPENSE

(a) 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.

(b) The tax (expense)/credit represents the deferred tax and is made up as follows:–

	2005 HK\$'000	2004 HK\$'000
Deferred taxation (Note 7(a)):		
Current year	(1,418)	278
Attributable to increase in tax rate	–	3
	<u>(1,418)</u>	<u>281</u>



Notes to the Financial Statements

For the year ended 31 March 2005

6. INCOME TAX EXPENSE (Continued)

- (c) The income tax expense/(credit) for the year can be reconciled to the loss per income statement as follows:–

	Hong Kong		PRC		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Loss before income tax	(5,635)	(5,626)	(4,182)	(7,014)	(9,817)	(12,640)
Applicable tax rate (%)	17.5	17.5	33	33	N/A	N/A
Tax on loss before income tax, calculated at the applicable tax rate	(987)	(985)	(1,381)	(2,315)	(2,368)	(3,300)
Tax effect of non-deductible expenses in determining taxable profit	148	75	571	1,188	719	1,263
Tax effect of non-taxable revenue in determining taxable profit	(12)	–	(615)	–	(627)	–
Tax effect of unrecognised accelerated depreciation allowances	(46)	–	–	–	(46)	–
Tax effect of unrecognised tax losses	898	932	1,425	392	2,323	1,324
Tax effect of derecognition of previous years' recognised tax losses	18	–	1,400	–	1,418	–
Tax effect of utilisation of tax losses	(1)	–	–	–	(1)	–
Increase in net opening deferred tax assets resulting from an increase in Hong Kong profits tax rate	–	(3)	–	–	–	(3)
Tax effect of differential tax rate in relation to tax exemption and reduction	–	–	–	553	–	553
Others	–	–	–	(118)	–	(118)
Income tax expense/(credit)	18	19	1,400	(300)	1,418	(281)



Notes to the Financial Statements

For the year ended 31 March 2005

7. DEFERRED TAXATION

(a) The Group

The components of deferred tax asset recognised by the Group and the movements thereon during the current and prior year are as follows:–

	Tax losses HK\$'000
As 1 April 2003	1,137
Credited to income statement	278
Adjustment of change in tax rate – credited to income statement	<u>3</u>
At 31 March 2004	<u>1,418</u>
At 1 April 2004	1,418
Charged to income statement	<u>(1,418)</u>
At 31 March 2005	<u>–</u>

At the balance sheet date, the Group has unused tax losses of HK\$46,474,000 (2004: HK\$37,024,000) available for offset against future profits. No deferred tax asset has been recognised of such losses due to the unpredictability of future profit streams (2004: Losses recognised and unrecognised of HK\$11,449,000 and HK\$25,575,000 respectively). Included in unrecognised tax losses are losses of HK\$21,376,000 (2004: HK\$5,711,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.

At the balance sheet date, the temporary differences arising in connection with fixed assets are insignificant.

(b) The Company

At the balance sheet date, the Company has unused tax losses of HK\$10,355,000 (2004: HK\$6,828,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.



Notes to the Financial Statements

For the year ended 31 March 2005

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes a loss of HK\$3,402,000 (2004: HK\$2,859,000) which has been dealt with in the financial statements of the Company.

9. DIVIDEND

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

10. LOSS PER SHARE

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

	2005 HK\$'000	2004 HK\$'000
Loss		
Loss for the year used in the calculation of basic loss per share	<u>(9,060)</u>	<u>(10,694)</u>
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>668,198,858</u>	<u>643,081,332</u>

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

11. RETIREMENT BENEFIT COSTS

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 2005 amounted to approximately HK\$73,000 (2004: HK\$83,000).

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 the above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the year ended 31 March 2005 amounted to approximately HK\$230,000 (2004: HK\$261,000).



Notes to the Financial Statements

For the year ended 31 March 2005

12. FIXED ASSETS

(a) The Group

	Properties held under long lease in the PRC HK\$'000	Properties held under medium-term lease in the PRC HK\$'000	Leasehold improvement HK\$'000	Office equipment, computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:-							
At 1.4.2004	663	20,110	1,434	8,310	81	1,622	32,220
Additions	-	-	276	133	140	328	877
Disposals	(663)	-	(267)	(75)	-	(432)	(1,437)
At 31.3.2005	-	20,110	1,443	8,368	221	1,518	31,660
Aggregate depreciation:-							
At 1.4.2004	44	537	797	2,233	48	281	3,940
Charge for the year	3	478	287	1,646	33	296	2,743
Written back on disposals	(47)	-	(173)	(39)	-	(212)	(471)
At 31.3.2005	-	1,015	911	3,840	81	365	6,212
Impairment:-							
At 1.4.2004	289	-	-	-	-	-	289
Release on disposals	(289)	-	-	-	-	-	(289)
At 31.3.2005	-	-	-	-	-	-	-
Net book value:-							
At 31.3.2005	-	19,095	532	4,528	140	1,153	25,448
At 31.3.2004	330	19,573	637	6,077	33	1,341	27,991

Notes to the Financial Statements

For the year ended 31 March 2005

12. FIXED ASSETS (Continued)

(b) The Company

	Leasehold improvement <i>HK\$'000</i>	Office equipment, computer and other equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:–					
At 1.4.2004	–	–	–	–	–
Additions	276	43	106	328	753
At 31.3.2005	276	43	106	328	753
Aggregate depreciation:–					
At 1.4.2004	–	–	–	–	–
Charge for the year	37	5	13	5	60
At 31.3.2005	37	5	13	5	60
Net book value:–					
At 31.3.2005	239	38	93	323	693
At 31.3.2004	–	–	–	–	–



Notes to the Financial Statements

For the year ended 31 March 2005

13. GOODWILL

	The Group HK\$'000
Cost:–	
At 1.4.2004 and 31.3.2005	2,311
Accumulated amortisation:–	
Charge for the year and at 31.3.2005	<u>462</u>
Net book value:–	
At 31.3.2005	<u>1,849</u>
At 31.3.2004	<u>2,311</u>

14. INTEREST IN AN ASSOCIATE

	The Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets other than goodwill	2,067	134
Goodwill arising on acquisition	<u>228</u>	<u>296</u>
	<u>2,295</u>	<u>430</u>

The details of the associate as at 31 March 2005 are as follows:–

Name of company	Place of incorporation/ establishment and operation	Attributable equity interest held by the Group	Principal activities
Universal eCommence China Limited	People's Republic of China	29.4%	Operation of online payment platform



Notes to the Financial Statements

For the year ended 31 March 2005

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	8,164	8,164
Amounts due from subsidiaries – Note 15(b)	34,537	34,260
	42,701	42,424

(a) The details of the subsidiaries as at 31 March 2005 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 (Shanghai) Ltd.*	People's Republic of China	US\$280,000	–	60%	Dormant
Universal iPayment International Limited	Hong Kong	9,306,740 ordinary shares of HK\$1 each	–	100%	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	–	60%	Provision of online payment enterprise solutions and related services



Notes to the Financial Statements

For the year ended 31 March 2005

15. INTERESTS IN SUBSIDIARIES (Continued)

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%	Dormant
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
Universal iPayment (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Provision of online payment enterprise solutions and related 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.

16. INVESTMENT SECURITIES

	The Group	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares in PRC, at cost	472	472
Less: Provision for impairment loss	(283)	–
	<u>189</u>	<u>472</u>



Notes to the Financial Statements

For the year ended 31 March 2005

17. INVENTORIES

	The Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	476	158
Less: Provision for slow moving inventories	(68)	–
	<u>408</u>	<u>158</u>

18. 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:–

	The Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 6 months	280	66
7 – 12 months	13	–
	<u>293</u>	<u>66</u>

19. AMOUNT DUE FROM A DIRECTOR – THE COMPANY

Details of the amount due from a director disclosed pursuant to Section 161B of the Companies Ordinance are as follows:–

Name	Balance outstanding		
	At 1.4.2004 <i>HK\$'000</i>	Maximum during the year <i>HK\$'000</i>	At 31.3.2005 <i>HK\$'000</i>
Mr. Lau Sik Suen	<u>102</u>	<u>102</u>	<u>–</u>

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



Notes to the Financial Statements

For the year ended 31 March 2005

20. PLEDGED TIME DEPOSITS – THE GROUP

The deposits had been pledged to a bank to secure the general banking facilities granted to a subsidiary of the Group.

21. CASH AND BANK BALANCES – THE GROUP

At 31 March 2005, cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$6,354,000 (2004: HK\$5,707,000). 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.

22. AMOUNTS DUE TO RELATED COMPANIES – THE GROUP

The amounts are interest-free, unsecured and repayable on demand.

23. AMOUNT DUE TO AN ASSOCIATE – THE GROUP

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

24. AMOUNT DUE TO A DIRECTOR – THE GROUP

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

25. SHARE CAPITAL

	<u>The Group and the Company</u>	
	Number of shares	HK\$'000
<i>Authorised:-</i>		
Ordinary shares of HK\$0.01 each		
At 31 March 2004 and 31 March 2005	<u>2,000,000,000</u>	<u>20,000</u>
<i>Issued and fully paid:-</i>		
Ordinary shares of HK\$0.01 each		
At 31 March 2004 and 31 March 2005	<u>668,198,858</u>	<u>6,682</u>



Notes to the Financial Statements

For the year ended 31 March 2005

26. 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 31 March 2005
				Outstanding as at 1 April 2004	Granted during the year	Exercised during the year	Lapsed during the year	
12 October 2001	7 February 2002	7 February 2002 to 6 February 2012	HK\$1.300	850,000	–	–	(250,000)	600,000
12 October 2001	17 October 2001	26 April 2002 to 25 April 2012	HK\$0.084	8,390,000	–	–	(550,000)	7,840,000
12 October 2001	9 April 2002	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)	–
12 October 2001	9 April 2002	9 April 2002 to 8 April 2012	HK\$1.400	1,450,000	–	–	(1,150,000)	300,000



Notes to the Financial Statements

For the year ended 31 March 2005

26. SHARE OPTIONS (Continued)

Option scheme adopted on	Date of grant	Exercise period	Exercise price	Number of share options				Outstanding as at 31 March 2005
				Outstanding as at 1 April 2004	Granted during the year	Exercised during the year	Lapsed during the year	
12 October 2001	22 November 2002	22 November 2002 to 21 November 2012	HK\$0.090	2,400,000	-	-	(1,950,000)	450,000
12 October 2001	23 December 2002	23 December 2002 to 22 December 2012	HK\$0.108	7,500,000	-	-	(4,000,000)	3,500,000
12 October 2001	23 December 2002	Maximum 50%: 1 July 2003 to 22 December 2012 Remaining 50%: 1 January 2004 to 22 December 2012	HK\$0.108	8,540,000	-	-	(2,110,000)	6,430,000
12 October 2001	10 April 2003	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
12 October 2001	10 April 2003	Maximum 50%: 10 October 2003 to 9 April 2013 Remaining 50%: 10 April 2004 to 9 April 2013	HK\$0.165	7,000,000	-	-	(1,000,000)	6,000,000
				41,130,000	-	-	(14,010,000)	27,120,000

(b) At 31 March 2005, the number of share options vested was 27,120,000 (2004: 36,630,000).



Notes to the Financial Statements

For the year ended 31 March 2005

26. SHARE OPTIONS (Continued)

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

Exercise period	Exercise price HK\$	2005		2004	
		Number of options	Consideration received HK\$	Number of options	Consideration received HK\$
Maximum 50%: 10 October 2003 to 9 April 2013	0.165	–	–	9,000,000	3
Remaining 50%: 10 April 2004 to 9 April 2013					
		<u>–</u>	<u>–</u>	<u>9,000,000</u>	<u>3</u>

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

Exercise date	Exercise price HK\$	Market value per share at exercise date HK\$	2005		2004	
			Number of options	Proceeds received HK\$	Number of options	Proceeds received HK\$
9 May 2003	0.084	0.14	–	–	1,150,000	96,600
9 May 2003	0.090	0.14	–	–	1,400,000	126,000
			<u>–</u>	<u>–</u>	<u>2,550,000</u>	<u>222,600</u>



Notes to the Financial Statements

For the year ended 31 March 2005

27. RESERVES

(a) The Group

	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.4.2003	35,094	1,093	10,754	60	(18,536)	28,465
Premium arising on exercise of share options	197	-	-	-	-	197
Premium arising on issuing of shares	2,140	-	-	-	-	2,140
Share issue expenses	(5)	-	-	-	-	(5)
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	-	-	-	3	-	3
Loss for the year	-	-	-	-	(10,694)	(10,694)
At 31.3.2004	<u>37,426</u>	<u>1,093</u>	<u>10,754</u>	<u>63</u>	<u>(29,230)</u>	<u>20,106</u>
At 1.4.2004	37,426	1,093	10,754	63	(29,230)	20,106
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	-	-	-	(3)	-	(3)
Loss for the year	-	-	-	-	(9,060)	(9,060)
At 31.3.2005	<u>37,426</u>	<u>1,093</u>	<u>10,754</u>	<u>60</u>	<u>(38,290)</u>	<u>11,043</u>

Note: The special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the Reorganisation.



Notes to the Financial Statements

For the year ended 31 March 2005

27. RESERVES (Continued)

(b) The Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.4.2003	42,658	(5,908)	36,750
Premium arising on exercise of share options	197	–	197
Premium arising on issue of new shares	2,140	–	2,140
Share issue expenses	(5)	–	(5)
Loss for the year	–	(2,859)	(2,859)
	<u>44,990</u>	<u>(8,767)</u>	<u>36,223</u>
At 31.3.2004	44,990	(8,767)	36,223
At 1.4.2004	44,990	(8,767)	36,223
Loss for the year	–	(3,402)	(3,402)
	<u>44,990</u>	<u>(12,169)</u>	<u>32,821</u>

Notes:–

- (i) 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.
- (ii) At 31 March 2005, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$32,821,000 (2004: HK\$36,223,000) subject to the restrictions as stated above.



Notes to the Financial Statements

For the year ended 31 March 2005

28. CONVERTIBLE BONDS

On 24 June 2004, the Company and a subscriber entered into a subscription agreement in relation to the subscription of the convertible bond in the principal amount of HK\$4,000,000. The convertible bond is unlisted, interest bearing at the rate of 3.5% per annum and with maturity on 28 June 2007. The interest is payable on the first business day following each anniversary date of the issue date of the bond.

The subscriber may convert whole or part of the principal amount of the bond into new shares of the Company at a conversion price of HK\$0.10 per share, subject to adjustment in the event of share consolidation, sub-division and capital reorganisation, during the period from 29 June 2005 to 28 June 2007 in multiples of HK\$1,000,000 on each conversion. The Company may at any time early redeem the outstanding principal amount of the bond prior to the maturity date. If the Company redeems the whole or any part of the bond before the maturity date, the subscriber shall be entitled to an additional interest, at the rate of 10% per annum, in respect of such part or whole of the principal amount redeemed before the maturity date.

On 1 March 2005, the Company and two subscribers entered into subscription agreements in relation to the subscription of the convertible bonds in the principal amount of HK\$4,000,000 and HK\$2,000,000 respectively. The convertible bonds are unlisted, interest bearing at the rate of 3.5% per annum and with maturity on three years from the date of issue. The interest is payable on the first business day following each anniversary date of the issue date of the bonds.

The subscribers may convert whole or part of the principal amount of the bonds into new shares of the Company at a conversion price of HK\$0.10 per share, subject to adjustment in the event of share consolidation, sub-division and capital reorganisation, during the three years, in multiples of HK\$1,000,000 on each conversion. The Company may at any time early redeem the outstanding principal amount of the bonds prior to the maturity date. If the Company redeems the whole or any part of the bonds before the maturity date, the subscribers shall be entitled to an additional interest, at the rate of 10% per annum, in respect of such part or whole of the principal amount redeemed before the maturity date.



Notes to the Financial Statements

For the year ended 31 March 2005

29. COMMITMENTS

(a) Operating leases arrangements

(i) The Group

At 31 March 2005, the future minimum leases payments to be received by the Group under non-cancellable operating leases for each of the following periods are as follows:-

	2005 HK\$'000	2004 <i>HK\$'000</i>
Within one year	161	126
After one year but within five years	<u>27</u>	<u>72</u>
	<u>188</u>	<u>198</u>

At 31 March 2005, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:-

	2005 HK\$'000	2004 <i>HK\$'000</i>
Within one year	521	145
After one year but within five years	<u>601</u>	<u>-</u>
	<u>1,122</u>	<u>145</u>

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.

(ii) The Company

At 31 March 2005, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:-

	2005 HK\$'000	2004 <i>HK\$'000</i>
Within one year	453	-
After one year but within five years	<u>573</u>	<u>-</u>
	<u>1,026</u>	<u>-</u>

Operating lease payments represent rentals payable by the Company for the use of office premises. Lease is negotiated for a term of two years with fixed monthly rentals.



Notes to the Financial Statements

For the year ended 31 March 2005

29. COMMITMENTS (Continued)

(b) Capital commitments

At 31 March 2005, the Group and the Company had no capital commitments.

30. CONNECTED AND RELATED PARTY TRANSACTIONS

Apart from the transactions as disclosed in notes 19, 22, 23 and 24 to the financial statements, the Group had the following material transactions with its related parties during the year:-

	Note	2005 HK\$'000	2004 HK\$'000
Technical support services fee received from			
Universal eCommerce China Limited	(a)	–	368
Rental income received from Universal Trading			
Company Limited	(b)	–	136
Office premises rental paid to Madam Wu Wai Lai	(c)	26	90
Service charges paid to Universal eCommerce			
China Limited	(d)	59	–
		59	–

Notes:-

- (a) Mr. Liu Rui Sheng is a shareholder of UECL. Pursuant to a technical support services agreement dated 7 September 2001 between UIC and UECL, UIC agreed to provide technical support services in respect of the custom-designed online payment enterprise solutions to UECL. Services fee was determined by reference to the market price. Pursuant to a supplementary agreement dated 1 September 2003 between UIC and UECL, the provision of technical support services was terminated commencing from 1 September 2003.
- (b) Pursuant to a tenancy agreement dated 20 March 2003 between UIC and Universal Trading Company Limited ("UTCL"), UTCL agreed to pay a monthly rental of Rmb3,500 for the period from 1 April 2003 to 31 October 2003 and a monthly rental of Rmb6,000 for the period from 1 November 2003 to 31 December 2005. The rental amount was determined by reference to the market value.
- Pursuant to another tenancy agreement between UIC and UTCL, UTCL agreed to pay a monthly rental of Rmb10,000 for the period from 1 July 2003 to 31 December 2005. The rental amount was determined by reference to the market value.
- (c) Pursuant to a tenancy agreement dated 20 March 2003 between UIC and Madam Wu Wai Lai, UIC agreed to pay a monthly rental of HK\$7,500 for office use. The rental amount was determined by reference to the market value.
- (d) Pursuant to a resale agreement dated 15 January 2004 and a supplementary agreement dated 20 January 2004 between UECL and Universal iPayment (Hong Kong) Limited ("UIPHKL"), UECL appointed UIPHKL as its non-exclusive reseller for the marketing and resale of the services to the merchants. In return, UECL was entitled to receive a charge from UIPHKL which was determined at 1% and 2.8% of the domestic card transaction amount and international card transaction amount respectively.

All the transactions 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 business of the Group.



Notes to the Financial Statements

For the year ended 31 March 2005

31. 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 does not meet the quantitative threshold for determining reportable segment. It represents investment holding activities.

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of the customers, and assets are attributable to the segments based on the location of the assets.



Notes to the Financial Statements

For the year ended 31 March 2005

31. SEGMENT REPORTING (Continued)

(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	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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	1,131	986	-	-	3,912	10,257	-	-	-	-	5,043	11,243
Other revenue	95	277	-	-	-	8	6	7	-	(51)	101	241
Total revenue	1,226	1,263	-	-	3,912	10,265	6	7	-	(51)	5,144	11,484
Segment results	(6,082)	(6,800)	-	(589)	(469)	129	(4,568)	(4,984)	-	-	(11,119)	(12,244)
Interest income	4	7	-	-	-	-	-	1	-	-	4	8
Loss from operations											(11,115)	(12,236)
Finance costs	-	-	-	-	-	-	(105)	-	-	-	(105)	-
Amortisation of goodwill	-	-	-	-	-	-	(462)	-	-	-	(462)	-
Share of results of an associate	1,865	(404)	-	-	-	-	-	-	-	-	1,865	(404)
Loss from ordinary activities before income tax											(9,817)	(12,640)
Income tax expense											(1,418)	281
Loss for the year											(11,235)	(12,359)
Minority interests											2,175	1,665
Loss attributable to shareholders											(9,060)	(10,694)
Depreciation for the year	2,400	2,120	-	28	11	7	332	291	-	-	2,743	2,446
Impairment of fixed assets	-	-	-	-	-	-	-	289	-	-	-	289
Segment assets	33,701	35,578	-	-	1,383	2,636	10,182	4,274	-	-	45,266	42,488
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	33,701	35,578	-	-	1,383	2,636	10,182	4,274	-	-	45,266	42,488
Segment liabilities	8,299	4,904	71	71	51	65	10,936	301	-	-	19,357	5,341
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	8,299	4,904	71	71	51	65	10,936	301	-	-	19,357	5,341
Capital expenditure incurred during the year	90	608	-	-	34	-	753	553	-	-	877	1,161



Notes to the Financial Statements

For the year ended 31 March 2005

31. SEGMENT REPORTING (Continued)

(b) Geographical segments

	PRC		Hong Kong		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue from						
external customers	648	1,211	4,395	10,273	5,043	11,484
Other revenue	94	–	7	–	101	–
Total revenue	<u>742</u>	<u>1,211</u>	<u>4,402</u>	<u>10,273</u>	<u>5,144</u>	<u>11,484</u>
Segment assets	<u>33,721</u>	<u>35,868</u>	<u>11,545</u>	<u>6,620</u>	<u>45,266</u>	<u>42,488</u>
Capital expenditure incurred during the year	<u>90</u>	<u>608</u>	<u>787</u>	<u>553</u>	<u>877</u>	<u>1,161</u>



Financial Summary

RESULTS

	Years ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	<u>5,043</u>	<u>11,243</u>	<u>6,723</u>	<u>3,597</u>	<u>1,311</u>
Loss for the year	<u>(9,060)</u>	<u>(10,694)</u>	<u>(12,685)</u>	<u>(3,311)</u>	<u>(2,278)</u>

ASSETS AND LIABILITIES

	At 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS	<u>29,781</u>	<u>32,622</u>	<u>30,960</u>	<u>2,290</u>	<u>1,166</u>
CURRENT ASSETS	<u>15,485</u>	<u>9,866</u>	<u>17,028</u>	<u>72,742</u>	<u>11,508</u>
DEDUCT:					
CURRENT LIABILITIES	<u>9,357</u>	<u>5,341</u>	<u>1,013</u>	<u>21,758</u>	<u>9,898</u>
NET CURRENT ASSETS	<u>6,128</u>	<u>4,525</u>	<u>16,015</u>	<u>50,984</u>	<u>1,610</u>
	<u>35,909</u>	<u>37,147</u>	<u>46,975</u>	<u>53,274</u>	<u>2,776</u>
MINORITY INTERESTS	<u>(8,184)</u>	<u>(10,359)</u>	<u>(12,091)</u>	<u>(20,673)</u>	<u>(4,158)</u>
NON-CURRENT LIABILITY	<u>(10,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
SHAREHOLDERS' FUNDS/ (CAPITAL DEFICIENCY)	<u>17,725</u>	<u>26,788</u>	<u>34,884</u>	<u>32,601</u>	<u>(1,382)</u>

