



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

FIRST QUARTERLY REPORT

2005/2006

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

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

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



HIGHLIGHTS

- Turnover for the three months ended 30 June 2005 amounted to approximately HK\$732,000 (2004: HK\$2,309,000), representing a decrease of approximately 68.3% over the corresponding period in the last financial 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.
- Net loss for the three months ended 30 June 2005 amounted to approximately HK\$2,137,000 million (2004: HK\$1,733,000 million). The increase in net loss was due primarily to the decrease in turnover and the additional costs incurred in business development during the current period in respect of professional and legal fees, marketing and promotional activities, and staff costs.
- Basic loss per share for the three months ended 30 June 2005 amounted to approximately HK0.32 cents (2004: approximately HK0.26 cents).
- The Board does not recommend payment of any dividend for the three months ended 30 June 2005 (2004: Nil).



RESULTS

The board of Directors (the "Board") of Universal Technologies Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 30 June 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:-

	<i>Notes</i>	For the three months ended 30 June 2005 HK\$'000	For the three months ended 30 June 2004 HK\$'000
Turnover	2	732	2,309
Other revenue		<u>2</u>	<u>70</u>
		734	2,379
Cost of computer hardware, software and services rendered		(193)	(1,358)
Staff costs		(777)	(588)
Depreciation		(626)	(280)
Minimum operating lease rentals		(259)	(140)
Other operating expenses		(2,080)	(1,631)
Loss from operations		(3,201)	(1,618)
Finance costs		(46)	(21)
Loss on sales of fixed assets		(19)	-
		(3,266)	(1,639)
Share of result of associate		831	(571)
Loss for the period		(2,435)	(2,210)
Attributable to:			
Equity holders of parent		(2,137)	(1,733)
Minority interests		(298)	(477)
		(2,435)	(2,210)
Basic loss per share (in HK cents)	4	(0.32)	(0.26)



Notes:

1. Basis of presentation

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The Company's shares have been listed on the GEM of the Stock Exchange since 26 October 2001.

The accounts have been prepared under the historical cost convention and in accordance with generally accepted accounting principles in Hong Kong, applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

HKICPA has issued HKFRS to converge with International Financial Reporting Standards issued by the International Accounting Standards Board for accounting periods commencing on or after 1 January 2005. The Group has adopted applicable HKFRS in the preparation of accounts for the financial year commencing on 1 April 2005.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in accounting policy for goodwill. Prior to this, goodwill was:

- (a) amortised on a straight-line basis over a period of not exceeding 20 years; and
- (b) assessed for impairment at each balance sheet date

In accordance with the provisions of HKFRS 3:

- (a) the Group ceased amortisation of goodwill; and
- (b) goodwill is tested annually for impairment, as well as when there are indications of impairment.

2. Turnover

Turnover represents revenue recognised from the provision of enterprise solution services, system integration and the related consultancy services, net of business tax.

3. Taxation

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



4. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2005 is based on the following data:

	For the three months ended 30 June 2005 HK\$'000	For the three months ended 30 June 2004 HK\$'000
Earnings		
Loss for the period used in the calculation of basic loss per share	<u>(2,137)</u>	<u>(1,733)</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>668,198,858</u>

No diluted loss per share as there are no dilutive potential shares.

5. Changes in shareholder's equity

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2004	6,682	37,426	1,093	10,754	63	(28,738)	27,280
Exchange differences arising on translation of financial statements of the PRC subsidiaries	-	-	-	-	(7)	-	(7)
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,733)</u>	<u>(1,733)</u>
At 30 June 2004	<u>6,682</u>	<u>37,426</u>	<u>1,093</u>	<u>10,754</u>	<u>56</u>	<u>(30,471)</u>	<u>25,540</u>
At 1 April 2005	6,682	37,426	1,093	10,754	60	(38,290)	17,725
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,137)</u>	<u>(2,137)</u>
At 30 June 2005	<u>6,682</u>	<u>37,426</u>	<u>1,093</u>	<u>10,754</u>	<u>60</u>	<u>(40,427)</u>	<u>15,588</u>



DIVIDEND

The Board does not recommend payment of an interim dividend for the three months ended 30 June 2005 (2004: Nil).

BUSINESS REVIEW AND PROSPECTS

Operation review

For the three months ended 30 June 2005, the Group recorded a turnover of approximately HK\$732,000 (2004: approximately HK\$2,309,000) and a loss attributable to shareholders amounted to approximately HK\$ 2,137,000 (2004: a loss of approximately HK\$1,733,000).

In response to the increasing popularity of e-Commerce in the PRC, the increasing number of internet users, and the marketing requirements, the following have been effectuated during the quarter under review:

1. *Internet payment system ("IPS")*

The IPS has been upgraded during the quarter to become more user friendly and is now able to produce more useful information to the merchants with improved features in searching, sorting and the preparation of limited reports.

2. *Internet payment system industry solution ("IPSIS")*

Since the launch of IPSIS in the last fiscal year, the Group has recruited 11 new merchants in different industries during the quarter.

3. *Membership scheme*

The Group has launched a new membership loyalty scheme with the upgrade of the IPS. As at the end of the current quarter, nearly 10,000 members had been recruited.

Prospects

The Group is principally engaged in the provision of internet payment solutions to enterprises and individuals. The Directors believe that the Group will continue to capture opportunities arising from the booming commercial market and the increasing popularity of e-commerce in the PRC.

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

As at 30 June 2005, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") which (i) are required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register



required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules, were as follows:-

Name of Director	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares (Note 1)	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests				
Executive Directors:							
Mr. Lau Sik Suen	4,200,000	-	-	4,200,000	13,340,000	17,540,000	2.62%
Mr. Liu Rui Sheng	-	-	-	-	-	-	-
Non-executive Director:							
Mr. Zhang Wen Bing (Note 2)	-	-	130,000,000	130,000,000	-	130,000,000	19.46%
Independent Non-executive Directors:							
Mr. Wan Xie Qiu	-	-	-	-	-	-	-
Mr. Meng Li Hui	-	-	-	-	-	-	-
Mr. Wong Wai Man	-	-	-	-	-	-	-

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

Notes:-

- 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" below.
- 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 those shares.
- 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.
- There were no debt securities nor debentures issued by the Group at any time during the quarter ended 30 June 2005.



Save as disclosed below, as at 30 June 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 Rule 5.48 to 5.67 of the GEM Listing Rules.

The Directors confirmed that as at 30 June 2005 and for the quarter ended 30 June 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 Rule 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.

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 30 June 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 of Shareholders	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%



Notes:

- (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 those 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.

(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 <i>(Note)</i>	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.



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.



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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 April 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2005
Initial management shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK\$1,300	600,000	-	-	-	600,000
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	300,000	-	-	-	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	450,000	-	-	-	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 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	6,430,000	-	-	-	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	6,000,000	-	-	-	6,000,000
					<u>19,280,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,280,000</u>



(B) Pre-IPO Share Option Schemes

The purpose of each of the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B is to recognise the contribution of certain directors and senior management staff of the Group to the growth of the Group and/or to the listing of the Company's shares on GEM.

(i) Pre-IPO Share Option Scheme A

The persons qualified under this scheme to accept options include executive directors and senior management of the Group.

Under this scheme, options were granted to the executive directors and senior management of the Group to subscribe for an aggregate of 15,600,000 shares in the Company at a price of HK\$0.01 per share.

None of these options can be exercised during the first six months after 26 October 2001 (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 2005 and there was no share option outstanding as at 30 June 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.



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

Grantees	Date of grant	Vesting Period	Exercise period	Exercise price	Number of share options			
					Outstanding as at 1 April 2005	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2005
Executive director	17 October 2001	Fully vested on 26 April 2002	26 April 2002 to 25 April 2012	HK\$0.084	7,840,000	–	–	7,840,000
					7,840,000	–	–	7,840,000

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 30 June 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.

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.

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

During the three months ended 30 June 2005, 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 Rules 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 and 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.

The Group's unaudited results for the three months ended 30 June 2005 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standard and the requirements of GEM Listing Rules and adequate disclosures had been made.

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 three months ended 30 June 2005.

By Order of the Board
Universal Technologies Holdings Limited
Lau Sik Suen
Chairman

Hong Kong, 12 August 2005

As at the date of this report, the Board comprises the following members:

Executive Directors

Mr. Lau Sik Suen (*Chairman*)

Mr. Liu Rui Sheng

Non-Executive Director

Mr. Zhang Wen Bing

Independent Non-Executive Directors

Mr. Meng Li Hui

Mr. Wan Xie Qiu

Mr. Wong Wai Man

