



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

INTERIM REPORT

2005/2006

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

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

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



SUMMARY

- Turnover for the six-month period ended 30 September 2005 amounted to approximately HK\$1.58 million (2004: HK\$2.43 million), representing an decrease of approximately 35% over the corresponding period in the last financial year.
- Net loss attributable to equity holders of parent for the six-month period ended 30 September 2005 increased by HK\$0.43 million to approximately HK\$4.14 million (2004: HK\$3.71 million). The increase in net loss was primarily due to professional fees paid for the proposed group reorganisation in the amount of HK\$0.77 million up to 30 September 2005.
- Basic loss per share for the six-month period ended 30 September 2005 amounted to approximately HK0.62 cent (2004: approximately HK0.55 cent).
- The Board does not recommend payment of any dividend for the six-month period ended 30 September 2005 (2004: Nil).



The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (together, the "Group") for the three-month and six-month periods ended 30 September 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six-month period ended 30 September 2005 HK\$'000	For the six-month period ended 30 September 2004 HK\$'000	For the three-month period ended 30 September 2005 HK\$'000	For the three-month period ended 30 September 2004 HK\$'000
	Notes				
Turnover	3	1,582	2,433	851	124
Other revenue		14	148	11	78
		1,596	2,581	862	202
Cost of computer hardware and software/services rendered		(528)	(1,975)	(335)	(617)
Staff costs		(1,207)	(1,208)	(430)	(620)
Depreciation		(1,241)	(1,245)	(615)	(965)
Minimum operating lease rentals		(407)	(499)	(148)	(359)
Other operating expenses		(2,303)	(1,833)	(223)	(836)
Loss from operations	5	(4,090)	(4,179)	(889)	(3,195)
Finance costs		(211)	(29)	(165)	(8)
Loss on disposal of fixed assets		(143)	(639)	(125)	(5)
Share of result of an associate		(209)	220	(1,040)	791
Loss before taxation		(4,653)	(4,627)	(2,219)	(2,417)
Taxation	6	-	-	-	-
Loss for the period		(4,653)	(4,627)	(2,219)	(2,417)
Attributable to:					
Equity holders of parent		(4,136)	(3,708)	(1,999)	(1,975)
Minority interests		(517)	(919)	(220)	(442)
		(4,653)	(4,627)	(2,219)	(2,417)
Basic loss per share (in HK cent)	7	(0.62)	(0.55)	(0.30)	(0.30)



CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 September 2005 HK\$'000	(Audited) As at 31 March 2005 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	9	24,058	25,448
Interest in an associate		2,086	2,295
Long term investment		189	189
Goodwill	10	1,849	1,849
		<u>28,182</u>	<u>29,781</u>
CURRENT ASSETS			
Inventories		2,019	408
Trade debtors	11	338	293
Deposits, prepayments and other receivables		707	1,127
Amount due from a related company	12	39	-
Pledged time deposits		202	100
Cash and bank balances		2,548	13,557
		<u>5,853</u>	<u>15,485</u>
DEDUCT:			
CURRENT LIABILITIES			
Deposits received, accruals and other payables		2,780	6,050
Amounts due to related companies	12	-	2,163
Amount due to an associate		-	1,144
		<u>2,780</u>	<u>9,357</u>
NET CURRENT ASSETS		<u>3,073</u>	<u>6,128</u>
		<u>31,255</u>	<u>35,909</u>
REPRESENTING:-			
SHARE CAPITAL		6,682	6,682
RESERVES		6,907	11,043
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		13,589	17,725
MINORITY INTERESTS		7,666	8,184
TOTAL EQUITY		21,255	25,909
NON-CURRENT LIABILITIES			
Convertible bonds	13	10,000	10,000
		<u>31,255</u>	<u>35,909</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six-month period ended 30 September 2005 HK\$'000	For the six-month period ended 30 September 2004 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(10,939)	(7,380)
NET CASH USED IN INVESTING ACTIVITIES	(70)	(225)
NET CASH FROM FINANCING ACTIVITIES	–	3,318
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,009)	(4,287)
CASH AND CASH EQUIVALENTS AT 1 APRIL	13,557	7,672
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	2,548	3,385
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,548	3,385

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2004	6,682	37,426	1,093	10,754	63	(29,230)	26,788
Loss for the period	–	–	–	–	–	(3,708)	(3,708)
At 30 September 2004	6,682	37,426	1,093	10,754	63	(32,938)	23,080
At 1 April 2005	6,682	37,426	1,093	10,754	60	(38,290)	17,725
Loss for the period	–	–	–	–	–	(4,136)	(4,136)
At 30 September 2005	6,682	37,426	1,093	10,754	60	(42,426)	13,589



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2005

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 interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements include the results and the financial position of the Company and its subsidiaries. All significant intra-group transactions and balances have been eliminated in the preparation of these unaudited condensed consolidated financial statements.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the current period are consistent with those used in the Group's annual financial statements for the year ended 31 March 2005 except that the Group has adopted applicable HKFRS in the preparation of accounts for the financial year commencing on 1 April 2005. 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 relevant HKFRSs are as below:–

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. Prior to this, the provision of share options to employees did not result in an expense in the income statement. In accordance with the provisions of HKFRS 2, the Group should expense the cost of share options in the income statement.

The Directors consider that the share options granted to employees of the Group represent share-based payments. However, as no option has been granted after 7 November 2002 and has not yet fully vested on 1 January 2005, the provision of HKFRS 2 is not applicable to the Group's outstanding share options.

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.



The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

The adoption of other new HKFRSs did not result in substantial changes to the Group's accounting policies and the adoption of all applicable new HKFRSs had no significant effect on the results for the current and prior accounting periods.

3. **TURNOVER**

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

4. **SEGMENT INFORMATION**

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

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. The Group has the following business segments:

(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 attributed to the segments based on the location of the assets.

(a) **Business segments**

	Payment enterprise solutions		System integration		Others		Inter- segment elimination		Consolidated	
	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
Revenue										
Revenue from external customers	879	289	703	2,144	-	-	-	-	1,582	2,433
Other revenue	4	30	4	118	6	-	-	-	14	148
Total revenue	883	319	707	2,262	6	-	-	-	1,596	2,581
Segment results	(1,040)	(2,551)	(169)	(43)	(3,239)	(2,253)	-	-	(4,448)	(4,847)
Interest income	4	-	-	-	-	-	-	-	4	-
Loss from operations									(4,444)	(4,847)
Share of result of an associate	(209)	220	-	-	-	-	-	-	(209)	220
Loss before taxation									(4,653)	(4,627)
Taxation									-	-
Loss after taxation									(4,653)	(4,627)
Minority interests									517	919
Loss attributable to shareholders									(4,136)	(3,708)
Depreciation for the period	1,084	1,077	9	4	148	164	-	-	1,241	1,245
Capital expenditure for the period	45	70	11	-	58	391	-	-	114	461
Segment assets	26,615	31,124	2,934	2,483	4,486	5,750	-	-	34,035	39,357
Segment liabilities	8,026	1,720	3,645	37	1,109	4,351	-	-	12,780	6,108



(b) Geographical segments

	People's Republic of China (the "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	<u>295</u>	<u>213</u>	<u>1,287</u>	<u>2,220</u>	<u>1,582</u>	<u>2,433</u>
Segment assets	<u>30,901</u>	<u>33,770</u>	<u>3,134</u>	<u>5,587</u>	<u>34,035</u>	<u>39,357</u>
Capital expenditure for the period	<u>26</u>	<u>70</u>	<u>88</u>	<u>391</u>	<u>114</u>	<u>461</u>

5. LOSS FROM OPERATIONS

	Six-month period ended 30 September		Three-month period ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Loss from operations are stated after charging:-				
Cost of sales		528	335	617
Staff costs (including directors' remuneration)		1,975	409	550
– Salaries and other benefits	1,157	1,062	409	550
– Pensions scheme contributions	50	146	21	70
Depreciation	1,241	1,245	615	965
Amortisation of goodwill	–	33	–	16
Minimum operating lease rentals				
– Land and buildings	<u>407</u>	<u>499</u>	<u>148</u>	<u>359</u>

6. TAXATION

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



7. **LOSS PER SHARE**

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

	Six-month period ended 30 September		Three-month period ended 30 September	
	2005	2004	2005	2004
Loss for the periods used in the calculation of basic loss per share (in HK\$'000)	<u>4,136</u>	<u>3,708</u>	<u>1,999</u>	<u>1,975</u>
Weighted average number of shares in issue, used for the purpose of calculation of basic loss per share (shares)	<u>668,198,858</u>	<u>668,198,858</u>	<u>668,198,858</u>	<u>668,198,858</u>

No diluted loss per share is shown as the share options of the Company which were outstanding during the periods had anti-dilutive effects on the respective basic loss per share.

8. **INTERIM DIVIDEND**

The Board does not recommend payment of an interim dividend for the six-month period ended 30 September 2005. (2004: Nil).



9. FIXED ASSETS

	Properties held under medium- term lease in the PRC <i>HK\$'000</i>	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 April 2005	20,110	1,443	8,368	221	1,518	31,660
Additions	-	-	113	1	-	114
Disposals	-	-	(214)	(3)	(314)	(531)
	<u>20,110</u>	<u>1,443</u>	<u>8,267</u>	<u>219</u>	<u>1,204</u>	<u>31,243</u>
At 30 September 2005						
Accumulated depreciation:-						
At 1 April 2005	1,015	911	3,840	81	365	6,212
Charge for the period	239	101	750	17	134	1,241
Written back on disposal	-	-	(87)	(1)	(180)	(268)
	<u>1,254</u>	<u>1,012</u>	<u>4,503</u>	<u>97</u>	<u>319</u>	<u>7,185</u>
At 30 September 2005						
Net book value:-						
At 30 September 2005	<u>18,856</u>	<u>431</u>	<u>3,764</u>	<u>122</u>	<u>885</u>	<u>24,058</u>
At 31 March 2005	<u>19,095</u>	<u>532</u>	<u>4,528</u>	<u>140</u>	<u>1,153</u>	<u>25,448</u>

10. GOODWILL

	At 30 September 2005 <i>HK\$'000</i>	At 31 March 2005 <i>HK\$'000</i>
Goodwill, at cost	2,311	2,311
Less: accumulated amortisation	<u>(462)</u>	<u>(462)</u>
	<u>1,849</u>	<u>1,849</u>

11. TRADE DEBTORS

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

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

	At 30 September 2005 <i>HK\$'000</i>	At 31 March 2005 <i>HK\$'000</i>
0 – 6 months	338	280
7 – 12 months	<u>–</u>	<u>13</u>
	<u>338</u>	<u>293</u>

12. AMOUNTS DUE FROM/TO RELATED COMPANIES

Amounts due from/to related companies are interest-free, unsecured and repayable on demand.



13. 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 the 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 the whole or part 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 the 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 the whole or part of the principal amount redeemed before the maturity date.

14. CAPITAL COMMITMENTS

As at 30 September 2005, the Group had no capital commitments.



15. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Six-month period ended 30 September	
		2005	2004
		HK\$'000	HK\$'000
Office premises rental paid to Madam Wu Wai Lai	(a)	–	59
Service charges paid to Universal eCommerce China Limited	(b)	<u>47</u>	<u>2</u>

Notes:

- (a) Pursuant to a tenancy agreement dated 20 March 2003 between Universal iPayment International Limited (“UII”) and Madam Wu Wai Lai, UII agreed to pay a monthly rental of HK\$7,500 for office use. The rental amount was determined by reference to the market value.
- (b) Pursuant to a resale agreement dated 15 January 2004 and a supplementary agreement dated 20 January 2004 between Universal eCommerce China Limited (“UECL”) and Universal iPayment (Hong Kong) Limited (“UIHKL”), 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.

16. POST BALANCE SHEET EVENTS

On 12 September 2005, the Company announced that it will undergo a group reorganisation upon satisfaction of certain conditions precedent. Pursuant to the reorganisation, the Group disposed of its entire interests in Universal iPayment International Limited and 60% indirect equity interests in Universal iPayment China Limited (hereinafter collectively referred to as “UII Group”). The disposal of the UII Group will not give rise to a discontinued operation as the businesses previously carried on by the UII Group will be carried out by Universal eCommerce China Limited and the disposal is in substance a disposal of the property interests held by the UII Group. For details, please refer to the announcement.

The reorganisation and all related agreements and contracts were duly passed by way of poll by the independent shareholders at the extraordinary general meeting held on 18 October 2005.



BUSINESS REVIEW AND PROSPECTS

Operation review

The number of internet users continued to increase and eCommerce continued to be popular during the six-month period under review. The following matters had been carried out and effectuated by the Group:

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

The number of transaction at IPS for the 6 months ended 30 September 2005 totaled over 889,000 (30 September 2004: 552,000) and the transaction amounts totaled over RMB443 million (30 September 2004: RMB145 million). New customers totaled over 289 for the 6 months ended 30 September 2005 (30 September 2004: 110).

The upgraded IPS and the new version of the back office management system for the IPS merchants had provided more features to the users, improved security and more efficient operations

2. *Strategic alliance*

Strategic alliance memorandum was executed with each of Beijing Red Cross and Shanghai Citizen's Mailbox with the intention to facilitate online donation for Beijing Red Cross and to explore the possibility of paying the various types of public utility fees online by citizens in Shanghai.

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

A number of new merchants had been recruited in the vicinity of Beijing, Xiamen and Shanghai in the past 6 months. Assistance had been rendered to promote the e-Commerce business of each of those new merchants and a new growth rate in terms of number of transactions was reported.

4. *IPS corporate accounts*

5 new corporate accounts were recruited as a result of the various marketing activities including participation in exhibitions such as "International Travel Expo 2005" and other activities to promote the our business.

5. *Customer service*

Customer service has been extended to 12 mid-night since August 2005.



6. *Payment tools*

With the implementation of the Asymmetric Digital Subscriber Line "ADSL" and Electronic-Point-of-Sale "E-POS" during the period, there are more modes of payment available and, thus, provide more flexibility and options for the consumers.

Prospects

The need for internet payment has been further expanded as a result of the continuing development in internet and eCommerce. The publicity of internet payment has been increased in the market subsequent to the acquisitions of internet payment businesses by overseas internet leaders. All these provide a good market environment for the expansion of the business of our Group in the future. At the same time, there will be a new challenge for our Group in combating with these strong new entrants in the internet payment business. Through the consolidation and the reallocation of our resources, we shall provide services and products which are the most appropriate to meet the needs of the market, carry out effective marketing promotion, and continue to develop the position of our Group in the internet payment industry in the PRC as follows:

1. Continue to consolidate and reallocate the best of our resources in the internet payment business;
2. On the basis of our influence in the internet payment industry, we shall tailor-made internet payment solutions for more industries to promote IPSIS applications;
3. Put in resources to promote IPS accounts commencing with popular applications such as games, etc. to increase the number of users and gradually develop loyalty in our brand name;
4. Enhance specific marketing promotion by participating in professional exhibitions such as "China Hi-Tech Fair", etc. and putting in media advertising, etc. to increase the publicity of the "IPS" brand name.

The Board believes that the Group will be able to further develop its business by grasping opportunities in the market through adaptive marketing and product strategy.



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

As at 30 September 2005, the Group had net current assets of approximately HK\$3.07 million. Current assets comprised inventories of approximately HK\$2.02 million, trade debtors of approximately HK\$0.34 million, deposits, prepayments and other receivables of approximately HK\$0.71 million, amount due from a related company of approximately HK\$0.04 million and cash and bank balances of approximately HK\$2.75 million. Current liabilities comprised deposits received, accruals and other payables of approximately HK\$2.78 million.

The gearing ratio of the Group was 0.47 as at 30 September 2005. The calculation is based on the Group's interest bearing debt over the total equity as at 30 September 2005.

In addition, an associate in which the Group has an effective equity interest of 19.6% as at 30 September 2005 had cash and bank balances of approximately RMB7 million of which approximately RMB4 million was available after deduction of its liabilities. The associate will become a wholly owned subsidiary of the Company after the reorganisation as set out in note 16 on page 15 of this Report.

The Directors consider that the Group has sufficient cash to cope with its daily operations in the short-term. In the medium-term, the Directors believe that the Group will fund its foreseeable expenditures through cash flow from operations and/or through additional equity financing or convertible bonds, if necessary.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group made no significant investment nor any material acquisition or disposal during the period.



EMPLOYEES

As at 30 September 2005, the total number of employees of the Group was 87 (30 September 2004: 70), representing a 24% increase as compared with that as at 30 September 2004. The dedication and contribution of the Group's staff during the six-month period ended 30 September 2005 are greatly appreciated and recognised.

Employees (including a full-time director) are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. In addition, the Group also provides social security benefits such as mandatory provident fund scheme and central pension scheme to its staff.

CHARGES ON GROUP'S ASSETS

Time deposits in two banks totaling HK\$202,000 as at 30 September 2005 (30 September 2004: HK\$100,000) had been pledged to those two banks to secure the bank guarantees granted to a subsidiary in its ordinary operation.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from the details of post balance sheet events set out in note 16 to the unaudited condensed financial statements, the Group had no other detailed future plans for material investments or capital assets as at 30 September 2005.

EXCHANGE RISK

The Group's payment enterprise solution services were mainly transacted in Renminbi and significant portions of the Group's net assets were denominated in Renminbi. Apart from a slight appreciation in Renminbi of approximately 2% during the period, the exchange rate between the Hong Kong dollars (the reporting currency) and Renminbi was stable. 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 foreseeable 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 considered that the Group had no contingent liabilities as at 30 September 2005.



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

As at 30 September 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 (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. Meng Li Hui	-	-	-	-	-	-	-
Mr. Wan Xie Qiu	-	-	-	-	-	-	-
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	RMB	RMB	
Mr. Liu Rui Sheng (Note 3)	510,000	-	-	510,000	-	510,000	51%

Notes:-

1. The interests of Mr. Lau Sik Suen in underlying shares of the Company represent the interests in share options granted to Mr. Lau Sik Suen under certain share option schemes of the Company. Details of the interests in the share options of the Company are separately disclosed in the section headed "Share option schemes" below.
2. The corporate interests of Mr. Zhang Wen Bing in the ordinary shares of the Company are held by East Concord International Limited ("East Concord"). The entire issued share capital of East Concord is wholly and beneficially owned by Mr. Zhang Wen Bing. Mr. Zhang Wen Bing is therefore deemed to be interested in these shares.
3. The interests of Mr. Liu Rui Sheng in equity of associated corporation represent his interests in Universal eCommerce China Limited, an associate of the Group.
4. During the six-month ended 30 September 2005, there was no debt securities nor debentures issued by the Group at any time during the period.

Save as disclosed above, as at 30 September 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 and for the quarter ended 30 September 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 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 September 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 (<i>Note 1</i>)	Beneficial owner	209,570,000	31.36%
Mr. Lau Yeung Sang (<i>Note 2</i>)	Family	214,370,000	32.08%
Madam Wu Wai Lai (<i>Note 2</i>)	Family	214,370,000	32.08%
East Concord (<i>Note 3</i>)	Beneficial owner	130,000,000	19.46%
Anhui Investments Limited (<i>Note 4</i>)	Beneficial owner	67,540,000	10.11%
Link Silver International Limited (<i>Note 5</i>)	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 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.



(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.

Save as disclosed above, as at 30 September 2005, there was no person (other than a Director or chief executive or their associate of the Company) who had any interests or short positions in the shares, underlying shares and debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.



SHARE OPTION SCHEMES

Pursuant to the written resolutions passed by all the shareholders of the Company on 12 October 2001, the Company adopted the following share option schemes:-

(A) Share Option Scheme

The purpose of the Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward all the Directors (whether Executive or Non-executive and whether independent or not), the employees (whether full-time or part-time), any consultants or advisers of or to any company in the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid ("Eligible Persons") and any other persons who, in the absolute opinion of the Board, have contributed to the Group and to provide to the Eligible Persons a performance incentive for continued and improved service with the Group and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership. The Directors may at their discretion, invite any Eligible Persons to take up options to subscribe for shares.

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

The period within which the shares must be taken up under the option must not be more than ten years from the date of grant of the option. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion may determine save that such price shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.



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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 April 2005	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 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	600,000	-	-	(250,000)	350,000
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	-	-	(150,000)	150,000
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	-	-	(250,000)	200,000
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	-	-	(4,570,000)	1,860,000
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>(5,220,000)</u>	<u>14,060,000</u>



(B) Pre-IPO Share Option Schemes

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

(i) Pre-IPO Share Option Scheme A

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

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

None of these options can be exercised during the first six months after 26 October 2001 ("Listing Date"). The period within which the shares must be taken up under the option must be within a period of ten years commencing on the expiry of six months after the Listing Date and expiring on the last day of such ten-year period.

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

(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 September 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

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

During the six-month period ended 30 September 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

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. Meng Li Hui, Mr. Wan Xie Qiu and Mr. Wong Wai Man. Mr. Meng Li Hui is the chairman of the audit committee. Mr. To Pak Lam who was appointed as an additional member of the audit committee on 20 May 2005 resigned as a member of the audit committee on 20 October 2005.

The Group's unaudited condensed consolidated financial reports for the six-month period ended 30 September 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.



BOARD PRACTICES AND PROCEDURES

During the six-month period ended 30 September 2005, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

By order of the Board
Lau Sik Suen
Chairman

Hong Kong, 11 November 2005

As at the date of this report, the Directors are as follows:

Executive Directors:

Mr. Lau Sik Suen (*Chairman*)

Mr. Liu Rui Sheng

Independent Non-executive Directors:

Mr. Meng Li Hui

Mr. Wan Xie Qiu

Mr. Wong Wai Man

Non-executive Director:

Mr. Zhang Wen Bing

