TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8091

ANNUAL REPORT

2005

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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 requirements 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 Period*

- Turnover for the period from 1 April 2005 to 31 December 2005 amounted to approximately HK$7.75 million (Year ended 31 March 2005: HK$5.04 million), representing an increase of 54% as compared to the last fiscal year. The increase in turnover was mainly attributable to the revenues of approximately HK$3.10 million contributed by the acquired business for the period from 18 October 2005 to 31 December 2005.

- As at 31 December 2005, the Group had net current liabilities of approximately HK$0.65 million (31 March 2005: net current assets of HK$6.61 million), including cash and bank balances of approximately HK$21.77 million (31 March 2005: HK$13.56 million).

- As at 31 December 2005, the Group had total assets of approximately HK$77.49 million (31 March 2005: HK$45.27 million)

- Loss attributable to shareholders of the Company for the period from 1 April 2005 to 31 December 2005 amounted to approximately HK$9.38 million (Year ended 31 March 2005: HK$9.06 million) had taken into account major non-recurrent items such as cost of reorganisation of HK$1.70 million, impairment loss of fixed assets of HK$2.82 million, loss on disposal of subsidiaries of HK$1.72 million, and stock option charge of HK$1.12 million; and, net profit of HK$0.62 million contributed by the acquired business for the period from 18 October 2005 to 31 December 2005.

- Basic loss per share for the period from 1 April 2005 to 31 December 2005 amounted to approximately 1.40 cents (Year ended 31 March 2005: 1.37 cents).

- The board of directors does not recommend payment of any dividend for the period from 1 April 2005 to 31 December 2005 (Year ended 31 March 2005: 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

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

Units 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

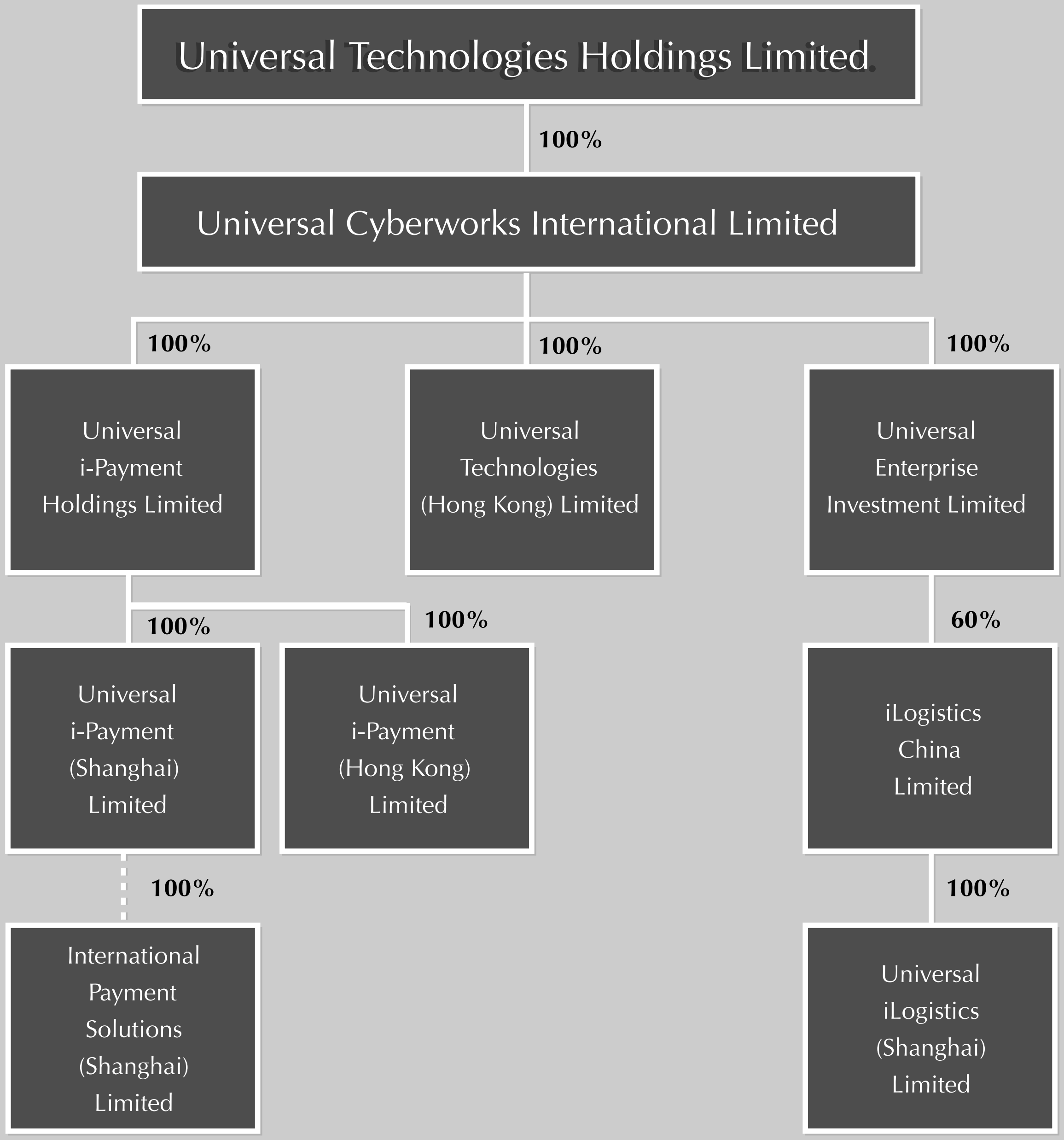
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
46/F, Hopewell Centre,
183, Queen's Road East, Wan Chai,
Hong Kong

PRINCIPAL BANKER

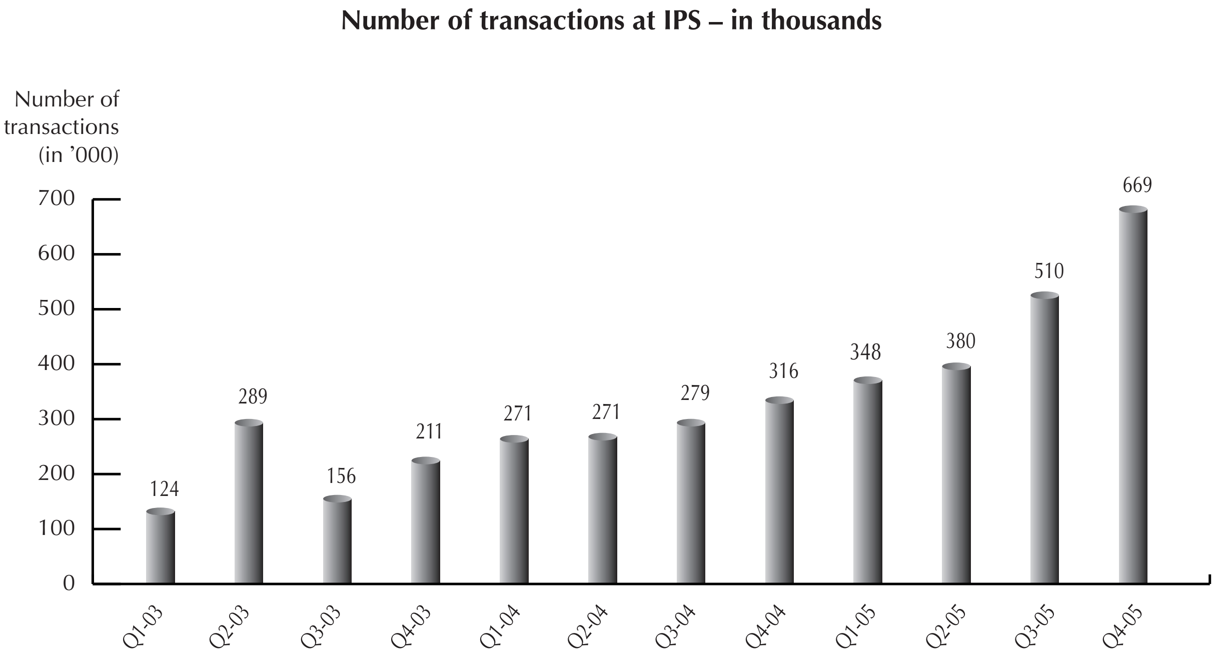
Standard Chartered Bank

Corporate *Structure*

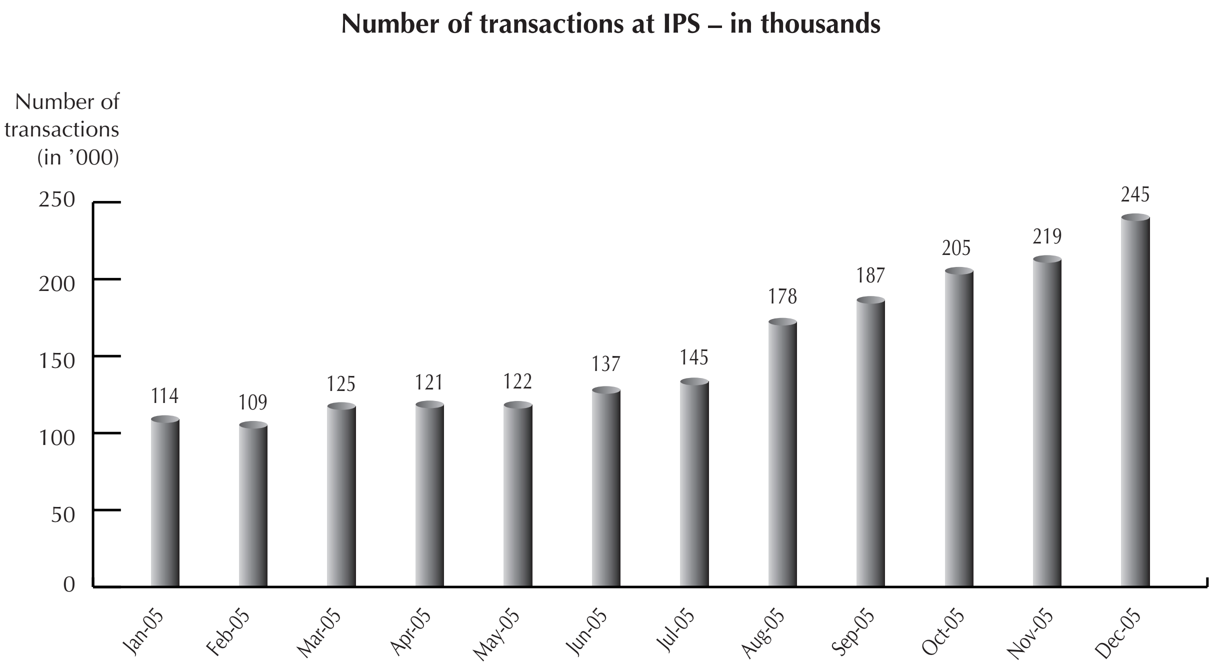


Transaction *Performance*

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



Monthly transaction Performance for the year (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 nine months ended 31 December 2005.

Review

The current fiscal period is full of endeavour but at the same time "full of fruits". The Group has not only made great achievements, but shaped management and operation ideas committed to our core businesses as well, which has been fully reflected in results of the current fiscal period. What is more, it has established the development orientation and created a brilliant future for the Group in 2006 and afterwards.

1. The Group has been of the opinion that online payment business has potential markets and prosperous futures in China. During the current period, the Group has successfully procured an effective full controlling interest in its former associate, International Payment Solutions (Shanghai) Limited (formerly known as "Universal eCommerce China Limited") (hereinafter called "IPSSH") which has become a wholly owned subsidiary during the current fiscal period for financial reporting purpose. At the same time, non-core businesses were disposed of. The reorganisation has made the business results shown to the greatest extent possible in our financial reports by highlighting our core businesses.

   Since the reorganisation was completed in the late current period, the financial statements can only reflect a fraction of the reorganisation results. Notwithstanding that, the Group is convinced that the results will wholly be embodied in the coming year. The Group is bound to achieve better financial results after consolidation of IPSSH's financial statements into the Group.

2. Listed in Hong Kong, the Group lies its major competitiveness in the strategy of based in the PRC, "facing the globe". It is of much importance to construct a globalised payment network, which is also required imminently by economic globalisation. The Group has reorganised the group structure and internal management during the current fiscal period. With offices in Hong Kong, Shenzhen and Shanghai, we have covered both the eastern and the southern part of China and the enormous overseas market.

   We have planned for the opening of a new office in Beijing to take advantage of the next Olympic Games to be held in Beijing, explore the resourceful northern China market and have a better access of the policies information from the government. In the meanwhile, in addition to exploring merchants' resources by making use of geographical locations, the Group will better develop the advantage of covering China and overseas market, further review the likelihood of linking with international payment gateways, thus constructing an international payment network in compliance with the global economic development demand, and creating a more diversified payment market.

3. The Group has fully realised the importance of a systematic, scientific, modernised management to an outstanding company. IPSSH has, towards the current fiscal period end, applied for registration of the quality management system according to the requirements of ISO9001: 2000 with the aim to improve the level of management of the Group, enhance the internal corporate management structure, effectuate risk management, and enhance the quality of the Group's products and services. It is expected that the registration will be completed in the first quarter in 2006 and the quality management system certification will be issued by QA International Certification Limited in April 2006.

With the relevant certification completed, the Group will be the first so certified in the payment industry in China. The Group has forecast that the payment industry will be imposed on more governance by PRC laws, rules and regulations in 2006, with much more standardised either in business pattern or risk control. Such act as the registration with ISO9001: 2000 during the current fiscal period will greatly strengthen the Group's ability in coping with new governance, thus pioneering in terms of internal management.

4. As for the business operation, the Group has been able to identify the development requirements of the market and has achieved good results. During the current 9-month fiscal period, the cumulative transaction amount is two times as compared to the 2004/2005 fiscal year. The transaction amount in a month has exceeded HK$100 million towards the end of the current fiscal period. The number of merchants has accumulated to nearly 2,000, an increase of nearly 50% as compared with the 2004/2005 year end. In the meanwhile, We have established the corporate brand of "Global Intelligent Payment Expert", arranged detailed promotion plan, procured the leadership image of the Group through a series of activities such as large scale exhibitions, periodicals, advertising, large scale promotional activities, etc.

   The revenue of the Group's payment business is mostly attributable to the payment product, IPS, which refers to payment and its value-added products. IPS mainly includes the first generation of payment gateway and the second generation of IPS, "Electronic Account", a product newly put into operation during the current fiscal period. The payment gateway has increased several times over last year, what is more, the account business came into being and improved dramatically, through strategic alliance with such portal webs as ChinaVnet (with more than 35 million individual users), Shanghai Shi Min Mail Administration Centre, with a larger customer base and memberships. The annual revenue for present gateway businesses is approximately ten times of account business.

   The internet payment market has grown steadily in terms of the obvious increase in business competitiveness through the use of internet payment. On the other hand, the acceptability of internet payment by internet users has increased significantly. According to China Internet Network Information Centre (CNNIC), the proportion of online shoppers who use internet payment increased from 30.7% in 2002 to 48.4% in 2005. Internet payment has become the first choice method of payment for online shoppers. According to statistics from iResearch, the size of the internet payment market in China in 2004 was RMB 7.5 billion. It is expected that this amount will surge to RMB 60.5 billion in 2007. The number of internet users in China was 103,000,000 and the proportion of internet payment users was less than one quarter. These statistics carry an important message: "The internet payment market is not saturated yet and there is plenty of room for development."

   Our Group is sure to grasp this business opportunity. During 2006, the Group will continue to make best efforts to develop all IPS products in order to increase the total revenue. Furthermore, the Group will adopt several methods and rationalise the allocation of payment products by increasing the portion of account business revenue in the total revenues, since the Group is convinced that account development is the orientation for online payment development.

5. The Group is of the fiscal opinion that there are many derivative businesses based on IPS products to be developed. During the current period, we have vigorously explored such businesses. For instance, we have unearthed the possibility of online payment for traditional payment methods of room reservation, many useful attempts have also been made to shape industry solutions in the field of hotels and tourism.

   In 2006, the Group will, with reference to market demand, continue to explore the potentials of derivative businesses in depth and put in effective resources. The Group believes that growth in revenue and payment business arising from development of derivative businesses shall contribute to the financial results in the future years.

Appreciation

On behalf of the Board, I would like to take this opportunity to express our sincere thanks to our shareholders, investors, clients and strategic partners for their support. At the same time, sincere thanks are due to all employees for their loyal and reliable service.

Lau Sik Suen
Chairman

Hong Kong, 17 March 2006

Management *Discussion and Analysis*

BUSINESS OVERVIEW

The Group is principally engaged in the provision of internet payment solutions to enterprises, individuals and payment gateways, system integration and 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 the PRC.

FINANCIAL OVERVIEW

During the current fiscal period, the Group recorded a turnover of HK$7,750,000, representing an increase of 54% as compared to the last fiscal year. The increase in turnover was mainly attributable to the revenues of HK$3,099,000 contributed by the acquired business for the period from 18 October 2005 to 31 December 2005.

The loss attributable to shareholders of the Company of HK$9,380,000 for the current fiscal period had taken into account major non-recurrent items such as cost of reorganisation of HK$1,698,000, impairment loss of fixed assets of HK$2,824,000, loss on disposal of subsidiaries of HK$1,716,000, and stock option charge of HK$1,122,000; and, net profit of HK$623,000 contributed by the acquired business for the period from 18 October 2005 to 31 December 2005.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the Group had net current liabilities of HK$652,000. Current assets comprised inventories of HK$77,000, amounts due from related companies of HK$612,000, debtors of HK$3,286,000, deposits, prepayments and other receivables of HK$5,603,000, pledged time deposits of HK$204,000, and cash and bank balances of HK$21,765,000. Current liabilities comprised deposits received, sundry creditors and accruals of HK$23,344,000, other payables of HK$8,038,000, and tax payable of HK$817,000.

The Group's primary source of financing was 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 HK$10,000,000.

The gearing ratio of the Group was 95% as at 31 December 2005 (31 March 2005: 56%). The calculation is based on the Group's interest bearing debt or borrowing over the shareholders' equity.

As at 23 February 2006, the Company completed a private issue of 69,000,000 new ordinary shares of HK$0.01 with placing proceeds of HK$12,075,000.

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 term, the Board believes that the Group will continue to fund its foreseeable expenditures through cash flow from operations and, if necessary, additional equity financing or bank borrowing.

INTERNET PAYMENT SOLUTIONS

The Group, after mapping out payment business development from a global perspective, has arranged, with careful field survey and analysis, to set up another branch for IPS in Beijing in 2006, in addition to those entities in Hong Kong, Shanghai and Shenzhen, which is aimed at both serving better those existing customers in the regions and also, tapping the enormous northern market, thus making more achievements in those areas.

During the current fiscal period, IPSSH, which owns the Group's core business, applied for registration of the Quality Management System according to the requirements of ISO9001: 2000 in October, 2005 in order to improve the management quality, standardise operation procedures, and acquire the authorized certification. IPS has preliminarily established the Group's quality certification system, made out the quality guidelines as "Innovation achieves pioneering, Safety builds up excellence", through training, reform and internal auditing within each and every department. It is expected that the Quality Management System Certification will be issued by QA International Certification Limited in April 2006.

During the current fiscal period, the Group continues to consolidate the internal resources and put more emphasis on developing payment products, thus forming a unique product system applicable in a wide range of fields. There are two categories of payment products after the rearrangement, that is, IPS and MYIPS. The second generation of online payment system, named "PAIDIT", which is newly developed in the third quarter of 2005, has been changed to "IPS Account" and grouped into IPS products. IPS includes those payment and value added products, while MYIPS refers to those services based on payment products. Based on summarising the past experiences, MYIPS has came into being in response to the prevailing market demand, thus becoming the solid backup for IPS. MYIPS reflects more a service attitude than market strategy. IPS is one for all, merchants, users, banks or card organizations. They are all served by MYIPS and may realise what they think through MYIPS. MYIPS includes (i) online consumption navigation portal webs; (ii) e-magazine and periodicals, with comprehensive introductions and services for IPS participants; (iii) professional customer service team, providing more direct services for IPS participants. MYIPS has provided unremitting services for its customers, including, but not limited to online real-time telephone consultancy at any time, thousands and millions of e-magazines, magazines, and interaction with IPS participants in several industrial expo. A whole MYIPS system has generally came into shape in the current fiscal period, which is bound to prosper in the next year.

The various performance statistics have indicated a record high in terms of the volume of the transactions, the number of transactions and the number of merchants. The volume of transactions has exceeded RMB 100 million in each of the last three months during the period. The number of merchants at the period end is nearly two times that as at the last fiscal year end. Individual consumer accounts have exceeded 1 million at the period end.

In response to the fierce competition, the Group has launched a series of marketing activities during the period, namely, strategic partnership with Shanghai Shi Min Mail Administration Centre; participated in the 3rd International Hotel Forum, E-Commerce Expo China, the 7th China Hi-Tech Fair, the 4th China Digital Entertainment Expo & Conference; and advertising on public buses. At the same time, promotional activities have been planned in the form of internet advertising. The Group had organised IPS Net Fair and Online Lucky Draw, which are popular with internet users. Close liaison has been maintained with several portals such as Sina, NetEase, iResearch, Sohu, etc. and professional media; and, marketing survey data have been provided to some of the e-commerce web site and other channels.

The Group has improved the back end settlement procedures and customer service during the period by means of regulating the service procedures, expanding the service modes, extending the service hours, visiting the merchants on a regular basis, arranging customer satisfaction survey, and so forth with the aim to improve the quality of its services. The Group has also implemented different levels of services to be provided for different segments of merchants by volume of transactions, their influence in their respective trade, different levels of risks, etc. with the aim to provide appropriate and timely service to enhance the customer service system. The Group has also worked closely with banks and financial institutions to improve the transaction work flow, enhance the settlement procedures, and establish risk prevention measures to minimise the risk.

The Group will use its resources to develop its internet payment business and merchant development strategy. The Group will use its high quality payment service, conservative financial risk prevention service and experienced market promotion service to develop its internet payment service tailor-made for the enterprise merchant market. To fulfill the requirements of this type of customers in their internet business promotion, online sales system and internet payment risk prevention, the Group will provide this type of customers a series of comprehensive services from online sales to risk prevention. The Group will further develop the individual internet consumer market by strategic alliance and advertising promotion. The development of the enterprise merchant market will provide consumers with ready information and applications for online shopping for the development of the individual internet consumer market. At the same time, the development of the individual internet consumer market will provide ready customers for the enterprise merchants. The Group has benefited from the synergies thus generated from the development of these two markets at the same time.

SYSTEM INTEGRATION

The Group is still maintaining some of its system integration business. Subject to the availability of resources, derivative products may be explored.

PROSPECTS

Internet payment business is expected to prosper with the adoption of e-Commerce by more industries which provides more business opportunities for the continual development of the Group's business. The Group will put in more resources for the development of the principal businesses in the following areas:

1. Development and update of internet payment products

(a) The creation of the industry payment solution for different industries, exploration of different forms of payment, the procurement of effective integration of the different products, and the development of mobile phone payment, asymmetric digital subscriber payment, fixed line telephone payment and e-coin payment.

(b) The development of a unique solution for e-Commerce, government affairs and industries which require payment in areas such as education, games, internet advertising alliance, and so forth.

(c) The procurement of an effective integration of the different products and at the same time increase the number of industry merchants, IPS payment gateways and individual consumer accounts.

2. Marketing promotion

Internet payment products will be promoted with the use of the "MYIPS' platform. The Group will put in more resources in its sales and marketing promotion as follows:

(a) The Group will promote its brand name "IPS" at the time of the prospering market to attract more publicity and trust in its brand name.

(b) In liaison with the relevant government authorities, the Group will conduct a series of image promotion activities in universities and public areas. The Group will also promote the image of "Global Intelligent Payment Expert" in relevant media and cultural broadcasting institution. The Group expects to achieve good response and marketing effect.

The Board believes that the Group will achieve a break through development in terms of its financial results and financial performance with good prospect in the rapid development of internet, the use of reasonable development strategy, coupled with effective marketing strategies and the consolidation of the results of e-Commerce through reorganisation.

EMPLOYEES

As at 31 December 2005, the total number of employees of the Group was 81 (31 March 2005: 77). The dedication and contribution of the Group's staff during the period are greatly appreciated and recognized.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options 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 mandatory provident fund scheme in Hong Kong and the pension scheme in China.

TREASURY POLICIES

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 18 October 2005, the Group acquired a further 70.6% of equity interest in an associate, IPSSH, an online payment platforms provider operating in Shanghai, the PRC. Details of the revenue and net profit contributed by this acquired business amounted to HK$3,099,000 and HK$623,000 respectively for the period from 18 October 2005 to 31 December 2005. Details of the assets and liabilities arising from the acquisition are set out in note 33 to the financial statements.

On 18 October 2005, the Group disposed of all its equity interests in a wholly-owned subsidiary Universal iPayment International Limited, an investment holding company incorporated in Hong Kong and its 60% directly owned subsidiary, Universal iPayment China Limited. The disposed subsidiaries did not have significant operations materially affect the Group. Details of the assets and liabilities arising from the disposal are set out in note 32 to the financial statements.

CHARGES ON GROUP'S ASSETS

Time deposits totaling HK$204,000 as at 31 December 2005 (31 March 2005: HK$100,000) were pledged a bank to secure general banking facilities granted to a subsidiary.

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 December 2005.

EXCHANGE RISK

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

CONTINGENT LIABILITIES

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

DIRECTORS

Executive Directors

Mr. Lau Sik Suen, aged 35, is one of the founders, the Chairman of the Board, an executive director, compliance officer and authorised 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. Mr. Lau has substantial experience and knowledge of the internet industry and of investment in technology companies in the PRC. 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 61, 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 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 52, 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 43, 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 50, 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 36, 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 and one of the authorised representatives. 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.

CONSULTANTS

Mr Zhang Wei Dong, aged 42, is the Investment 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 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 34, 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.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was investment holding and those of the subsidiaries are set out in note 17 to the financial statements.

CHANGE OF ACCOUNTING YEAR END DATE

Pursuant to a resolution passed on 25 November 2005, the accounting year end date of the Company and of the Group was changed from 31 March to 31 December.

RESULTS AND DIVIDEND

The results of the Group for the period from 1 April 2005 to 31 December 2005 and the state of affairs of the Company and of the Group as at 31 December 2005 are set out in the financial statements on pages 31 to 86.

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

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for each of the four years ended 31 March 2005 and the period ended 31 December 2005 and the assets and liabilities of the Group as at 31 March 2002, 2003, 2004 and 2005 and 31 December 2005 are set out on page 87.

FIXED ASSETS AND PREPAID LAND USE RIGHT

The Group and the Company purchased fixed assets amounting to approximately HK$136,000 and HK$182,000 respectively during the period. Details of movements in fixed assets and prepaid land use right during the period are set out in notes 13 and 14 to the financial statements respectively.

RESERVES

Details of movements in reserves of the Group and the Company during the period are set out in note 29 to the financial statements.

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 period or at any time during the period.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company who held office during the period 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. Meng Li Hui
Mr. Wan Xie Qiu
Mr. Lo Wing Hung *(resigned on 28 April 2005)*
Mr. Wong Wai Man

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Liu Rui Sheng for the time being shall retire from office by rotation, 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 2005 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 AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

All independent non-executive directors 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 period ended 31 December 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 6 to the financial statements.

CONNECTED TRANSACTIONS

The details of connected transactions under the GEM Listing Rules during the period are set out in note 35 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.

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 period is as follows:–

					Number of share options				
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding as at 1 April 2005	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 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	–	–	(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	–	–	(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

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 2005	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2005
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
Senior management of the Group	29 December 2005	29 December 2005 to 29 June 2006 (inclusive)	Maximum 50%: 29 December 2005 to 28 December 2015 Remaining 50%: 29 June 2006 to 28 December 2015	HK$0.176	–	41,720,000	–	–	41,720,000
					19,280,000	41,720,000	–	(5,420,000)	55,580,000

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 2005 and there was no share option outstanding as at 31 December 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.

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 period is as follows:–

					Number of share options			
Grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price**	**Outstanding as at 1 April 2005**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 31 December 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

Notes:–

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

(2) At 31 December 2005, the Company valuated the fair value of the share options granted on 29 December 2005 by using Black-Scholes option pricing model. The management had made certain appropriate assumptions, including the expected share price volatility and expected time to maturity so as to meet the circumstances of those options. Accordingly, the estimated fair value of the share options granted during the period was approximately to HK$1,122,000.

As at 31 December 2005, the number of shares in respect of which options had been granted under the share option schemes was 63,420,000, representing approximately 9.49% of the issued share capital of the Company.

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

As at 31 December 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:–

	Interests in ordinary shares						
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests in ordinary shares**	**Total interests in underlying shares** *(Note 1)*	**Aggregate interests**	**% of the Company's issued share capital**
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. Lo Wing Hung	–	–	–	–	–	–	–
Mr. Wong Wai Man	–	–	–	–	–	–	–

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 those shares.

3. There were no debt securities nor debentures issued by the Group at any time during the period ended 31 December 2005.

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

Save as disclosed above, as at 31 December 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 December 2005 and for the period ended 31 December 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.

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 December 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	214,370,000	32.08%
Mr. Lau Yeung Sang *(Note 2)*	Beneficial owner	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%

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)*

(a) Long positions in the shares of the Company *(Continued)*

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 were held by World One. Mr. Lau Yeung Sang is deemed to be interested in these ordinary shares held by World One.

(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
Mr. Lau Yeung Sang	Personal	Share option to subscribe for 6,000,000 shares pursuant to the Share Option Scheme	6,000,000

(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 December 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 period, 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 74% of the total sales for the period and sales to the largest customer included therein amounted to approximately 30%. Purchases from the Group's five largest suppliers accounted for approximately 99% of the total purchases for the period and purchases from the largest supplier included therein amounted to approximately 66%.

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 period.

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

During the period, 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.

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 period ended 31 December 2005.

CORPORATE GOVERNANCE REPORT

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules. This report describes its corporate governance practices, explains the applications of the principles of the Corporate Governance Code and deviations, if any.

(A) Directors' Securities Transactions

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the 9 months ended 31 December 2005.

(B) Board of Directors

The Board comprises six directors, of whom two are executive directors and four are non-executive directors, of whom three are independent non-executive directors. The participation of non-executive directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at Board meetings.

The Board held a regular board meeting for each quarter. Details of the attendance of the Board at the regular quarterly board meeting are as follows:

Directors	Attendance
Lau Sik Suen	3/3
Liu Rui Sheng	0/3
Zhang Wen Bing	0/3
Meng Li Hui	3/3
Wan Xie Qiu	3/3
Wong Wai Man	3/3

CORPORATE GOVERNANCE REPORT *(Continued)*

(C) Chairman and The Chief Executive Officer

Mr. Lau Sik Suen assumes the role of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Lau leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

– the Board acts in the best interests of the Group; and

– the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the Corporate Governance Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

– The non-executive directors form the majority of the Board of which three out of six are independent.

– Audit Committee composed exclusively of independent non-executive directors.

– The independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Lau, the executive chairman, is a shareholder of the Company holding 4,200,000 fully paid ordinary shares and has interests in 13,340,000 underlying shares which represent the interests in share options granted to Mr. Lau under the share option schemes of the Company. Mr. Lau has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

(D) Remuneration committee

The Company has not established a remuneration committee in view of the Company's simple organisation structure. The Board will set up a remuneration committee in 2006 and adopt all terms of reference.

(E) Nomination of Directors

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or, subject to authorisation by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

There was no nomination of new directors during the 9 months ended 31 December 2005.

CORPORATE GOVERNANCE REPORT (Continued)

(F) Auditors' Remuneration

Auditors' remuneration of approximately HK$265,000 was charged to the Group's income statement for the 9 months ended 31 December 2005 (Year ended 31 March 2005: HK$245,000). The auditors had also reported on the financial information relating to the Company and its subsidiaries for each of the 3 years ended 31 March 2005; and International Payment Solutions (Shanghai) Limited (Formerly known as Universal eCommerce China Limited) for each of the 3 years ended 31 December 2004 and the 3 months ended 31 March 2005 for inclusion in the circular of the Company dated 30 September 2005 in connection with a group reorganisation. Another amount of approximately HK$320,000 was charged as part of the reorganisation costs totaling approximately HK$1,698,000.

(G) Audit Committee

The Audit Committee was established in October 2001 with written terms of reference to review, inter alia, the Group's financial reporting and internal controls.

The Audit Committee comprises three independent non-executive directors, namely, Mr. Meng Li Hui, Mr. Wan Xie Qiu and Mr. Wong Wai Man. The chairman of the Audit Committee is Mr. Meng Li Hui.

The Audit Committee held three meetings in the 9 months ended 31 December 2005, which were attended by all members. The Group's annual report 2004/2005, first quarterly report 2005/2006 and interim report 2005/2006 have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the annual report 2004/2005, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

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, 17 March 2006

PKF

Accountants &
business advisers

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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 31 to 86 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 December 2005 and of the loss and cash flows of the Group for the period from 1 April 2005 to 31 December 2005 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong, 17 March 2006

Consolidated Income Statement

For the period ended 31 December 2005

	Note	**Period from 1.4.2005 to 31.12.2005** ***HK$'000***	(Restated) Year ended 31.3.2005 *HK$'000*
Turnover	*3*	**7,750**	5,043
Other revenue	*3*	**235**	101
		7,985	5,144
Cost of computer hardware and software/services rendered		**(2,971)**	(3,566)
Staff costs		**(3,159)**	(2,547)
Depreciation		**(1,291)**	(2,265)
Amortisation of prepaid lease premium		**(265)**	(478)
Minimum operating lease rentals		**(603)**	(1,245)
Bad debts written off		**(15)**	(151)
Cost of reorganisation		**(1,698)**	–
Impairment loss of fixed assets		**(2,824)**	–
Other operating expenses		**(4,366)**	(6,007)
Loss from operations		**(9,207)**	(11,115)
Finance costs		**(423)**	(105)
Amortisation of goodwill		**–**	(462)
Loss on disposal of subsidiaries	*4*	**(1,716)**	–
Share of results of an associate		**507**	1,865
Loss before taxation	*5*	**(10,839)**	(9,817)
Income tax expense	*7*	**(307)**	(1,418)
Loss for the period/year		**(11,146)**	(11,235)
Attributable to:			
– Shareholders of the Company	9	**(9,380)**	(9,060)
– Minority interests		**(1,766)**	(2,175)
		(11,146)	(11,235)
Dividend	*10*	**–**	–
Loss per share – Basic (in cents)	*11*	**(1.40)**	(1.37)

Consolidated *Balance Sheet*

As at 31 December 2005

	Note	At 31.12.2005 HK$'000	(Restated) At 31.3.2005 HK$'000
NON-CURRENT ASSETS			
Fixed assets	13(a)	**2,896**	6,353
Prepaid land use right	14	**–**	18,615
Goodwill	15	**43,050**	1,849
Interest in an associate	16	**–**	2,295
Available-for-sale financial assets	18	**–**	189
		45,946	29,301
CURRENT ASSETS			
Inventories	19	**77**	408
Prepaid land use right	14	**–**	480
Amounts due from related companies	20	**612**	–
Debtors	21	**3,286**	293
Deposits, prepayments and other receivables	22	**5,603**	1,127
Pledged time deposits	23	**204**	100
Cash and bank balances	24	**21,765**	13,557
		31,547	15,965
DEDUCT:			
CURRENT LIABILITIES			
Deposits received, sundry creditors and accruals	26	**23,344**	6,050
Amounts due to related companies	20	**–**	2,163
Amount due to an associate	25	**–**	1,144
Other payables	31	**8,038**	–
Tax payable		**817**	–
		32,199	9,357
NET CURRENT (LIABILITIES)/ASSETS		**(652)**	6,608
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,294**	35,909
DEDUCT:			
NON-CURRENT LIABILITIES			
Convertible bonds	30	**9,566**	10,000
Other payables	31	**25,616**	–
		35,182	10,000
NET ASSETS		**10,112**	25,909
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	27	**6,682**	6,682
Reserves	29(a)	**3,430**	11,043
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**10,112**	17,725
MINORITY INTERESTS		**–**	8,184
TOTAL EQUITY		**10,112**	25,909

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 17 MARCH 2006

LAU SIK SUEN
DIRECTOR

LIU RUI SHENG
DIRECTOR

Balance Sheet

As at 31 December 2005

	Note	At 31.12.2005 HK$'000	(Restated) At 31.3.2005 HK$'000
NON-CURRENT ASSETS			
Fixed assets	13(b)	**750**	693
Interests in subsidiaries	17	**77,540**	42,701
		78,290	43,394
CURRENT ASSETS			
Deposits and prepayments	22	**434**	425
Cash and bank balances		**358**	6,062
		792	6,487
DEDUCT:			
CURRENT LIABILITIES			
Accruals	26	**946**	378
Other payables	31	**8,038**	–
		8,984	378
NET CURRENT (LIABILITIES)/ASSETS		**(8,192)**	6,109
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,098**	49,503
DEDUCT:			
NON-CURRENT LIABILITIES			
Convertible bonds	30	**9,566**	10,000
Other payables	31	**25,616**	–
		35,182	10,000
NET ASSETS		**34,916**	39,503
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	27	**6,682**	6,682
Reserves	29(b)	**28,234**	32,821
TOTAL EQUITY		**34,916**	39,503

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 17 MARCH 2006

LAU SIK SUEN
DIRECTOR

LIU RUI SHENG
DIRECTOR

Consolidated Cash Flow Statement

For the period ended 31 December 2005

	Note	Period from 1.4.2005 to 31.12.2005 HK$'000	(Restated) Year ended 31.3.2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(10,839)**	(9,817)
Adjustments for:–			
Time deposits pledged for banking facilities		**(104)**	(100)
Interest income		**(17)**	(4)
Interest expenses		**423**	105
Impairment loss of fixed assets		**2,824**	–
Depreciation		**1,291**	2,265
Amortisation of prepaid lease premium		**265**	478
Loss on disposal of fixed assets		**600**	162
Share of results of an associate		**(507)**	(1,865)
Bad debts written off		**15**	151
Provision for slow moving inventories		**–**	68
Amortisation of goodwill		**–**	462
Equity settled share-based payment expenses		**1,122**	–
Loss on disposal of subsidiaries		**1,716**	–
Impairment loss of available-for-sale financial assets		**189**	–
Impairment loss of investment securities		**–**	283
Operating loss before working capital changes		**(3,022)**	(7,812)
Decrease/(increase) in inventories		**331**	(318)
Increase in debtors		**(1,577)**	(378)
Decrease in deposits, prepayments and other receivables		**2,623**	843
Decrease in amounts due from related companies		**13**	–
Increase in deposits received, sundry creditors and accruals		**1,564**	2,939
(Decrease)/increase in amounts due to related companies		**(2,163)**	1,333
(Decrease)/increase in amount due to an associate		**(1,189)**	266
Effect of foreign exchange rate changes		**9**	(3)
Cash used in operations		**(3,411)**	(3,130)
Interest received		**17**	4
NET CASH USED IN OPERATING ACTIVITIES		**(3,394)**	(3,126)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets		**(136)**	(877)
Sale proceeds of fixed assets		**35**	515
Net cash inflow on disposal of subsidiaries	*32*	**12,516**	–
Net cash outflow on acquisition of a subsidiary	*33*	**(813)**	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**11,602**	(362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing convertible bonds		**–**	10,000
Decrease in amount due to a director		**–**	(627)
NET CASH FROM FINANCING ACTIVITIES		**–**	9,373
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,208**	5,885
CASH AND CASH EQUIVALENTS AT 1 APRIL		**13,557**	7,672
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/MARCH		**21,765**	13,557
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**21,765**	13,557

Consolidated *Statement of Changes in Equity*

For the period ended 31 December 2005

	Attributable to shareholders of the Company										
	Share capital	**Share premium**	**Capital reserve**	**Special reserve**	**Exchange reserve**	**Share options reserve**	**Convertible bonds reserve**	**Accumulated losses**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1.4.2004, as previously reported	6,682	37,426	1,093	10,754	63	–	–	(29,230)	26,788	–	26,788
Minority interests	–	–	–	–	–	–	–	–	–	10,359	10,359
At 1.4.2004, as restated	6,682	37,426	1,093	10,754	63	–	–	(29,230)	26,788	10,359	37,147
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	–	–	–	–	(3)	–	–	–	(3)	–	(3)
Loss for the year	–	–	–	–	–	–	–	(9,060)	(9,060)	(2,175)	(11,235)
At 31.3.2005	6,682	37,426	1,093	10,754	60	–	–	(38,290)	17,725	8,184	25,909
At 1.4.2005, as previously reported	6,682	37,426	1,093	10,754	60	–	–	(38,290)	17,725	8,184	25,909
Opening balance adjustment in respect of financial instruments *(Note 2(a))*	–	–	–	–	–	–	668	(91)	577	–	577
At 1.4.2005, as restated	6,682	37,426	1,093	10,754	60	–	668	(38,381)	18,302	8,184	26,486
Equity settled share-based transactions	–	–	–	–	–	1,122	–	–	1,122	–	1,122
Release on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(8,184)	(8,184)
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	–	–	–	–	68	–	–	–	68	–	68
Loss for the period	–	–	–	–	–	–	–	(9,380)	(9,380)	–	(9,380)
At 31.12.2005	**6,682**	**37,426**	**1,093**	**10,754**	**128**	**1,122**	**668**	**(47,761)**	**10,112**	**–**	**10,112**

1. GENERAL INFORMATION AND 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. The principal place of business is Unit 231-233, Building 2, Phase I, No. 1 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

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 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.

During the period, the Group completed a corporate reorganisation which will involve, among others, the Acquisition, the Transfer, the Gao Yuan Agreement, the Disposal, the Intra-group Disposal, the Assets Transfer and the Structure Contracts (the "Reorganisation"). Details of which are set out as follows:–

(a) Very substantial acquisition and connected transactions

The Acquisition, the Transfer and the Gao Yuan Agreement constitute very substantial acquisition and connected transactions under the GEM Listing Rules.

(i) The Acquisition

On 9 September 2005, Mr. Liu Rui Sheng ("Mr. Liu"), an executive director of the Company and the Company (for itself and the benefits of Group Members) entered into a Surrender Agreement pursuant to which Mr. Liu agreed to surrender to the Company or Group Members as designated by the Company from time to time, all the economic benefits pertaining to his 51% interests in International Payment Solutions (Shanghai) Limited (formerly known as Universal eCommerce China Limited) ("IPSSH") for an aggregate consideration of RMB35,000,000 (equivalent to approximately HK$33,654,000) to be satisfied in cash.

(ii) The Transfer

On 9 September 2005, Universal iPayment China Limited ("UiPC") entered into an Equity Interest Transfer Agreement with Madam Luan Yu Min ("Madam Luan") pursuant to which UiPC agreed to transfer its 49% equity interests in IPSSH, to Madam Luan for a consideration of RMB1.00 (equivalent to approximately HK$0.96).

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

(a) Very substantial acquisition and connected transactions *(Continued)*

(iii) Gao Yuan Agreement

On 9 September 2005, Shanghai Gao Yuan Property (Group) Company Limited ("Gao Yuan"), holder of 40% interests in UiPC, entered into the Gao Yuan Agreement with the Company (for itself and the benefits of all the Group Members) pursuant to which Gao Yuan agreed to procure the Transfer and to surrender all its economic benefits pertaining to its attributable interest in IPSSH to the Company in consideration for a total sum of RMB13,200,000 (equivalent to approximately HK$12,692,000) to be satisfied in cash.

(b) Very substantial disposal and connected transactions

The Disposal, the Intra-group Disposal together with the Assets Transfer constitute very substantial disposal and connected transactions under the GEM Listing Rules.

(i) The Disposal

On 9 September 2005, Universal Cyberworks International Limited ("Cyberworks") entered into a Disposal Agreement pursuant to which Cyberworks agreed to dispose of all the entire issued share capital in Universal iPayment International Limited ("UII"), after the completion of the Intra-group Disposal and Assets Transfer, to Mr. Xiong Hai Tao, an independent third party not connected with any of the directors, chief executives, substantial shareholders, management shareholders or any of their respective associates (as defined under the GEM Listing Rules), for a consideration of RMB13,200,000 (equivalent to approximately HK$12,692,000) to be satisfied in cash.

(ii) The Intra-group Disposal

On 9 September 2005, UII, entered into a sale and purchase agreement with Universal i-Payment Holdings Limited (formerly known as Universal Media (China) Limited) ("UPH") pursuant to which UII agreed to dispose of the entire issued share capital of UPH at a nominal value.

(iii) The Assets Transfer

On 9 September 2005, UiPC entered into an Assets Transfer Agreement with Universal i-Payment (Shanghai) Limited (formerly known as Universal Media (Shanghai) Limited) ("UPSH") pursuant to which UiPC agreed to transfer certain assets to UPSH for a consideration of RMB987,500 (equivalent to approximately HK$949,500) (for tangible assets) and RMB1.00 (equivalent to approximately HK$0.96) (for intangible assets), to be satisfied in cash.

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

(c) Structure contracts

On 9 September 2005, UPSH entered into the Exclusive Purchase Right Contract and the Pledge Contract with Mr. Liu and Madam Luan whereby each of them agreed to, following completion of the Reorganisation, grant a purchase right to UPSH to purchase their respective interests in IPSSH for a consideration of RMB1.00 (equivalent to approximately HK$0.96). IPSSH has also granted a right to UPSH to purchase its intangible assets for a consideration of RMB1.00 (equivalent to approximately HK$0.96). In order to secure the right and interest of UPSH over the equity interest in IPSSH, Mr. Liu and Madam Luan have also granted a continuing right of first priority security interest to UPSH over their respective interests in the capital of IPSSH. The Exclusive Purchase Right Contract and the Pledge Contract allow UPSH to become the registered holder of IPSSH upon the exercise of their respective terms.

In order to govern the operations of the business of IPSSH following the Reorganisation, UPSH entered into the Operating Structure Contracts with IPSSH whereby UPSH shall provide IPSSH with various services necessary for the operation of its business on a continuous basis as follows:–

(a) Framework Contract;

(b) UTH Trademark License Contract;

(c) Trademark License Contract;

(d) Software License Contract;

(e) Domain Name License Contract;

(f) Assets Leasing Contract; and

(g) Technical Consultancy Services Contract.

In addition to the above, IPSSH has also agreed to transfer all its existing intellectual property rights to UPSH and entered into a Domain Name Transfer Contract with UPSH on 9 September 2005 for a consideration of RMB1.00 (approximately HK$0.96).

The directors intend to increase the registered capital in IPSSH after the Reorganisation and in anticipation of this proposed business plan, the Company (for itself and the benefits of Group Members) entered into a Loan Memorandum on 9 September 2005 with Mr. Liu, Madam Luan and IPSSH pursuant to which the Company agreed to lend a sum of RMB9,000,000 (equivalent to approximately HK$8,654,000) to Mr. Liu and Madam Luan for the increase of the registered capital in IPSSH.

Details of the above Reorganisation are set out in the announcement and the circular of the Company (the "Circular") dated 9 September 2005 and 30 September 2005 respectively. Unless otherwise specified, terms used above shall have the same meanings as defined in the Circular.

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in notes 15, 28 and 30.

During the period, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives of preceding financial year have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
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 14	Segment Reporting
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 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investment in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 33 and 37 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from fixed assets to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights was accounted for at fair value or cost less aggregate depreciation and aggregate impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. Accordingly, a compound financial instrument (that contains both financial liability and equity components) should be separated into liability and equity components. The liability component is carried at amortised cost using the effective interest method. Prior to the adoption of HKAS 32, convertible bonds were classified as liabilities at their inception amounts on the balance sheet. The change was adopted by way of an adjustment to an increase in the opening balance of the convertible bonds reserve of approximately HK$668,000 and a decrease in the opening balance of the accumulated losses of approximately HK$91,000 as at 1 April 2005. The comparative figures had not been restated as this is prohibited by the transitional arrangement in HKAS 39.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 April 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:–

– Amortised on a straight-line basis over a period of 5 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:–

– The Group ceased amortisation of goodwill from 1 April 2005;

– Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the period ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The effect of the changes in the above accounting policies on the financial statements are summarised below:–

Consolidated income statement for the period ended 31 December 2005

	Effect of adopting		
	HKFRS2	**HKFRS3, HKAS36 and HKAS38**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Increase in staff costs	(1,122)	–	(1,122)
Decrease in amortisation of goodwill	–	2,125	2,125
Increase in share of results of an associate	–	37	37
(Increase)/decrease in loss before taxation	(1,122)	2,162	1,040

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Consolidated balance sheet as at 31 December 2005

	Effect of adopting		
	HKASs32 and 39	**HKFRS2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Decrease in convertible bonds liabilities	(434)	–	(434)
Increase in accumulated losses	(91)	–	(91)
Increase in share options reserve	–	1,122	1,122
Increase in convertible bonds reserve	668	–	668

Consolidated balance sheet as at 31 March 2005

	Effect of adopting		
	HKAS17	**HKASs32 and 39**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Increase in available-for-sale financial assets	–	189	189
Decrease in investment securities	–	(189)	(189)
Increase in prepaid land use right	19,095	–	19,095
Decrease in fixed assets	(19,095)	–	(19,095)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. On disposal, the results are included in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(e) 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.

(f) 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 capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:–

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Translation of foreign currencies *(Continued)*

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) 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:–

Leasehold improvement	–	Shorter of 5 years and the unexpired leases' terms
Office equipment, computer and other equipment	–	5 years
Furniture and fixtures	–	5 years
Motor vehicles	–	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(k) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Investments *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Investments *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) 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.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(n) 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.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) 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 period. 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

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.

(r) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the period 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.

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) 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.

(t) 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 a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost – recovery basis as conditions warrant.

Dividend income is recognised at the time when the shareholders' right to receive payment has been established.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

(w) Recently issued accounting standards

The HKICPA has issued a number of amendments, new and revised Hong Kong Financial Reporting Standards ("new HKFRSs") and Hong Kong Accounting Standards which are not effective for the period ended 31 December 2005, and which have not been early adopted in these financial statements.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether the following applicable new HKFRSs would have a significant impact on its results of operations and financial position.

HKAS 1 (Amendment)	Capital disclosures
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 7	Financial instruments: disclosures
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the year beginning 1 January 2006.

3. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of online and mobile payment and related services, system integration and related technical support services. Turnover for the period represents revenue recognised from the provision of online payment handling income net of business tax, system integration and the related consultancy services at net invoice amount. An analysis of the Group's turnover and other revenue is set out below:–

	Period from 1.4.2005 to 31.12.2005	Year ended 31.3.2005
	HK$'000	*HK$'000*
Online and mobile payment and related services income	**3,099**	–
System integration and related technical support services	**4,651**	5,043
Turnover	**7,750**	5,043
Management fee income received from a related company	**–**	6
Rental income	**–**	68
Interest on bank deposits	**15**	4
Others	**220**	23
Total revenue	**7,985**	5,144

4. LOSS ON DISPOSAL OF SUBSIDIARIES

The amount represents loss on disposal of entire interests in UII, an indirectly wholly-owned subsidiary of the Company, to a third party at a total consideration of RMB13,200,000 (equivalent to approximately HK$12,692,000). The loss represents the difference between the disposal proceeds and the Group's attributable share of the net assets of UII and UiPC, a 60% directly owned subsidiary of UII, at the date of disposal.

5. LOSS BEFORE TAXATION

	Period from 1.4.2005 to 31.12.2005 HK$'000	(Restated) Year ended 31.3.2005 HK$'000
Loss before taxation is arrived at after charging:–		
Auditors' remuneration	**265**	245
Cost of computer hardware and software used/sold	**2,971**	3,566
Staff costs (including directors' remuneration – *Note 6*)		
– Salaries and other benefits	**1,964**	2,244
– Pension scheme contributions	**73**	303
– Equity settled share-based payment expenses	**1,122**	–
	3,159	2,547
Depreciation	**1,291**	2,265
Amortisation of prepaid lease premium	**265**	478
Impairment loss of available-for-sale financial assets	**189**	–
Impairment loss of investment securities	**–**	283
Impairment loss of fixed assets	**2,824**	–
Sale proceeds of fixed assets	**(35)**	(515)
Less: carrying amounts of fixed assets	**635**	677
Loss on disposal of fixed assets	**600**	162
Bad debts written off	**15**	151
Provision for slow moving inventories	**–**	68
Minimum operating lease rentals		
– Land and buildings	**570**	1,090
– Servers	**33**	155
	603	1,245
Amortisation of goodwill	**–**	462

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

The remuneration of each director for the period from 1 April 2005 to 31 December 2005 and the year ended 31 March 2005 are set out below:–

	Period from 1 April 2005 to 31 December 2005				
Name of director	Fees	Salaries, allowances and other benefits in kind	Bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000 (Note 1)	HK$'000	HK$'000	HK$'000
Mr. Lau Sik Suen	–	128	–	7	135
Mr. Liu Rui Sheng	–	9	–	–	9
Mr. Meng Li Hui	13	–	–	–	13
Mr. Wan Xie Qiu	13	–	–	–	13
Mr. Wong Wai Man	18	–	–	–	18
Mr. Lo Wing Hung (Note 3)	29	–	–	–	29
Mr. Zhang Wen Bing	–	–	–	–	–
	73	137	–	7	217

	Year ended 31 March 2005				
Name of director	Fees	Salaries, allowances and other benefits in kind	Bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000 (Note 1)	HK$'000	HK$'000	HK$'000
Mr. Lau Sik Suen	–	180	–	9	189
Mr. Liu Rui Sheng	–	11	–	–	11
Mr. Meng Li Hui	17	–	–	–	17
Mr. Wan Xie Qiu	17	–	–	–	17
Mr. Wong Wai Man (Note 2)	1	–	–	–	1
Mr. Lo Wing Hung	30	–	–	–	30
Mr. Zhang Wen Bing	–	–	–	–	–
	65	191	–	9	265

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors *(Continued)*

Notes:

1. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to the income statement during the period disregarding whether the options have been exercised or not.

2. Appointed on 21 March 2005.

3. Resigned on 28 April 2005.

No share option was granted to executive directors in respect of their services to the Group for the period ended 31 December 2005 and the year ended 31 March 2005.

No directors waived any emolument during the period/year.

(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:–

	Period from 1.4.2005 to 31.12.2005 *HK$'000*	Year ended 31.3.2005 *HK$'000*
Salaries, allowances and other benefits in kind	**781**	1,029
Pension scheme contributions	**27**	39
Equity settled share-based payment expenses	**129**	–
	937	1,068

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

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

During the period ended 31 December 2005, 2,400,000 share options were granted to the above four non-director, highest paid employees which have an option value approximately to HK$129,120. The options granted were valued by professional valuer at the date of grant and an amount of approximately HK$1,122,000 was charged to the staff costs in the current financial period over the vesting period.

During the period, 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.

7. 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 period. The Company's subsidiaries operating in the PRC are subject to Mainland China enterprise income tax at a rate of 33%.

(b) The tax expense represents the sum of the current tax and deferred tax and is made up as follows:–

	Period from 1.4.2005 to 31.12.2005 *HK$'000*	Year ended 31.3.2005 *HK$'000*
Current tax:–		
Overseas taxation	**307**	–
Deferred taxation *(Note 8(a))*:–		
Current period/year	**–**	1,418
	307	1,418

7. INCOME TAX EXPENSE (Continued)

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

	Hong Kong		PRC		Total	
	Period from 1.4.2005 to 31.12.2005	Year ended 31.3.2005	**Period from 1.4.2005 to 31.12.2005**	Year ended 31.3.2005	**Period from 1.4.2005 to 31.12.2005**	Year ended 31.3.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before income tax	**(3,100)**	(5,635)	**(7,739)**	(4,182)	**(10,839)**	(9,817)
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	**(543)**	(987)	**(2,554)**	**(1,381)**	**(3,097)**	(2,368)
Tax effect of non-deductible expenses in determining taxable profit	**2,248**	148	**–**	571	**2,248**	719
Tax effect of non-taxable revenue in determining taxable profit	**(2,632)**	(12)	**(167)**	(615)	**(2,799)**	(627)
Tax effect of unrecognised accelerated depreciation allowances	**(1)**	(46)	**–**	–	**(1)**	(46)
Tax effect of unrecognised tax losses	**957**	898	**3,028**	1,425	**3,985**	2,323
Tax effect of derecognition of previous years' recognised tax losses	**–**	18	**–**	1,400	**–**	1,418
Tax effect of utilisation of tax losses	**(29)**	(1)	**–**	–	**(29)**	(1)
Income tax expense	**–**	18	**307**	1,400	**307**	1,418

8. DEFERRED TAXATION

(a) The Group

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

	Tax losses HK$'000
At 1 April 2004	1,418
Charged to income statement	(1,418)
At 31 March 2005 and at 31 December 2005	–

At the balance sheet date, the Group has unused tax losses of HK$60,957,000 (At 31.3.2005: HK$46,474,000) available for offset against future profits. No deferred tax asset has been recognised of such losses due to the unpredictability of future profit streams as at 31.3.2005. Included in unrecognised tax losses are losses of HK$30,552,000 (At 31.3.2005: HK$21,376,000) 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$15,414,000 (At 31.3.2005: HK$10,355,000) 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.

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Loss attributable to shareholders of the Company includes a loss of HK$6,286,000 (Year ended 31.3.2005: HK$3,402,000) which has been dealt with in the financial statements of the Company.

10. DIVIDEND

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

11. LOSS PER SHARE

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

	Period from 1.4.2005 to 31.12.2005 HK$'000	Year ended 31.3.2005 HK$'000
Loss attributable to shareholders of the Company	**(9,380)**	(9,060)
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	**668,198,858**	668,198,858

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

12. 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 period ended 31 December 2005 amounted to approximately HK$80,000 (Year ended 31.3.2005: HK$73,000).

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 period ended 31 December 2005 amounted to approximately HK$306,000 (Year ended 31.3.2005: HK$230,000).

13. FIXED ASSETS

(a) The Group

	Properties held under long lease in the PRC	Properties held under medium-term lease in the PRC	Leasehold improvement	Office equipment, computer and other equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.4.2004							
Cost	663	20,110	1,434	8,310	81	1,622	32,220
Aggregate depreciation	(44)	(537)	(797)	(2,233)	(48)	(281)	(3,940)
Aggregate impairment	(289)	–	–	–	–	–	(289)
Net book value	330	19,573	637	6,077	33	1,341	27,991
For the year ended 31.3.2005							
Opening net book value, as previously reported	330	19,573	637	6,077	33	1,341	27,991
Reclassified to prepaid land use right	–	(19,573)	–	–	–	–	(19,573)
Opening net book value, as restated	330	–	637	6,077	33	1,341	8,418
Additions	–	–	276	133	140	328	877
Disposals	(327)	–	(94)	(36)	–	(220)	(677)
Depreciation	(3)	–	(287)	(1,646)	(33)	(296)	(2,265)
Closing net book value, as restated	–	–	532	4,528	140	1,153	6,353
At 31.3.2005							
Cost	–	–	1,443	8,368	221	1,518	11,550
Aggregate depreciation	–	–	(911)	(3,840)	(81)	(365)	(5,197)
Net book value, as restated	–	–	532	4,528	140	1,153	6,353
For the period ended 31.12.2005							
Opening net book value, as previously reported	–	19,095	532	4,528	140	1,153	25,448
Reclassified to prepaid land use right	–	(19,095)	–	–	–	–	(19,095)
Opening net book value, as restated	–	–	532	4,528	140	1,153	6,353
Acquisition of subsidiary	–	–	–	938	–	219	1,157
Additions	–	–	–	135	1	–	136
Disposals	–	–	(163)	(420)	–	(52)	(635)
Depreciation	–	–	(171)	(900)	(20)	(200)	(1,291)
Impairment loss	–	–	–	(2,824)	–	–	(2,824)
Closing net book value	–	–	198	1,457	121	1,120	2,896
At 31.12.2005							
Cost	–	–	276	3,051	222	1,637	5,186
Aggregate depreciation	–	–	(78)	(1,594)	(101)	(517)	(2,290)
Net book value	–	–	198	1,457	121	1,120	2,896

13. FIXED ASSETS *(Continued)*

(b) The Company

	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1.4.2004					
Cost	–	–	–	–	–
Aggregate depreciation	–	–	–	–	–
Net book value	–	–	–	–	–
For the year ended 31.3.2005					
Opening net book value	–	–	–	–	–
Additions	276	43	106	328	753
Depreciation	(37)	(5)	(13)	(5)	(60)
Closing net book value	239	38	93	323	693
At 31.3.2005					
Cost	276	43	106	328	753
Aggregate depreciation	(37)	(5)	(13)	(5)	(60)
Net book value	239	38	93	323	693
For the period ended 31.12.2005					
Opening net book value	239	38	93	323	693
Additions	–	100	2	80	182
Disposals	–	(7)	–	–	(7)
Depreciation	(41)	(12)	(16)	(49)	(118)
Closing net book value	198	119	79	354	750
At 31.12.2005					
Cost	276	136	108	408	928
Aggregate depreciation	(78)	(17)	(29)	(54)	(178)
Net book value	198	119	79	354	750

14. PREPAID LAND USE RIGHT

The Group's interests in land use right represents prepaid operating lease payments and its net book value is analysed as follows:–

	The Group	
		(Restated)
	At	At
	31.12.2005	31.3.2005
	HK$'000	*HK$'000*
Outside Hog Kong, held on medium lease term:		
Reclassified from fixed assets	**–**	19,095
Less: Current portion	**–**	(480)
Non-current portion	**–**	18,615
Representing:		
Opening net book value	**19,095**	19,573
Disposal of subsidiaries	**(18,830)**	–
Amortisation of prepaid operating lease payment	**(265)**	(478)
Closing net book value	**–**	19,095

15. GOODWILL

	The Group	
	At	At
	31.12.2005	At 31.3.2005
	HK$'000	*HK$'000*
Cost	**43,050**	2,311
Accumulated amortisation	**–**	(462)
Net book value	**43,050**	1,849
Representing:		
Opening net book value	**1,849**	2,311
Transfer from interest in an associate	**228**	–
Acquisition of a subsidiary	**42,822**	–
Amortisation	**–**	(462)
Disposal of subsidiaries	**(1,849)**	–
Closing net book value	**43,050**	1,849

15. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill:–

At the balance sheet date, all goodwill is identified to the cash-generating units ("CGU") of platform payment services operated in the PRC.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated discount rates of 2.25% and growth rate of 15%.

16. INTEREST IN AN ASSOCIATE

	The Group	
	At	At
	31.12.2005	31.3.2005
	HK$'000	*HK$'000*
Share of net assets other than goodwill	–	2,067
Goodwill arising on acquisition	–	228
	–	2,295

On 18 October 2005, the Group acquired a further 70.6% of equity interest of the associate. Upon completion of the acquisition, the associate became a wholly-owned subsidiary of the Company. The details of the associate as at 17 October 2005 are as follows:–

Name of company	**Place of establishment and operation**	**Attributable equity interest held by the Group**	**Principal activities**
International Payment Solutions (Shanghai) Limited (Formerly known as Universal eCommerce China Limited)	People's Republic of China	29.4%	Operation of online payment platform

17. INTERESTS IN SUBSIDIARIES

	The Group	
	At	At
	31.12.2005	31.3.2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**47,196**	8,164
Amounts due from subsidiaries – *Note 17 (b)*	**30,344**	34,537
	77,540	42,701

Note:–

(a) The details of the subsidiaries as at 31 December 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
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
International Payment Solutions (Shanghai) Limited (Formerly known as Universal eCommerce China Limited)#	People's Republic of China	RMB1,000,000	–	100%	Provision of online payment enterprise solutions and related services
Universal i-Payment Holdings Limited (Formerly known as Universal Media (China) Limited)	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100%	Investment holding

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Note:– (Continued)

Name of company	Place of incorporation / establishment and operation	Particulars of issued share capital / registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Universal i-Payment (Shanghai) Limited (Formerly known as Universal Media (Shanghai) Limited)*	People's Republic of China	US$880,000	–	100%	Investment holding
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.*

\# *As explained in note 1(a)(c) to these financial statements, the Company lacks equity ownership in this subsidiary. Nevertheless, under the Exclusive Purchase Right Contract and the Pledge Contract entered into between UPSH and Mr. Liu and Madam Luan, UPSH became the registered holder of IPSSH upon the exercise of their respective terms.*

(b) The amounts are interest-free, unsecured and have no fixed terms of repayment.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group At 31.12.2005 HK$'000	The Group At 31.3.2005 HK$'000
Unlisted shares in PRC, at cost	–	472
Less: Provision for impairment loss	–	(283)
	–	189

19. INVENTORIES

	The Group	
	At	At
	31.12.2005	31.3.2005
	HK$'000	*HK$'000*
At cost	**95**	476
Less: Provision for slow moving inventories	**(18)**	(68)
	77	408

20. AMOUNTS DUE FROM/TO RELATED COMPANIES – THE GROUP

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

21. 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	
	At	At
	31.12.2005	31.3.2005
	HK$'000	*HK$'000*
0 – 6 months	**3,286**	280
7 – 12 months	**–**	13
	3,286	293

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

	The Group		The Company	
	At	At	**At**	At
	31.12.2005	31.3.2005	**31.12.2005**	31.3.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**826**	216	**284**	210
Prepayments	**728**	816	**150**	215
Other receivables	**4,049**	95	**–**	–
	5,603	1,127	**434**	425

The carrying amounts of the deposits, prepayments and other receivables approximate their fair values.

23. 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.

The effective interest rates on short-term bank deposits were 3.77% and 2.9% (At 31.3.2005: 2.45%); these deposits have an maturities of 12 and 243 days.

24. CASH AND BANK BALANCES – THE GROUP

At 31 December 2005, cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$18,615,000 (At 31.3.2005: HK$6,354,000). 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.

25. AMOUNT DUE TO AN ASSOCIATE – THE GROUP

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

26. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	The Group		The Company	
	At	At	**At**	At
	31.12.2005	31.3.2005	**31.12.2005**	31.3.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits received and receipts in advance	**1,022**	626	**–**	–
Payable to merchants	**20,257**	204	**–**	–
Accruals	**2,065**	5,220	**946**	378
	23,344	6,050	**946**	378

The carrying amounts of the deposits received, sundry creditors and accruals approximate their fair values.

27. SHARE CAPITAL

	The Group and the Company	
	Number of shares	***HK$'000***
Authorised:–		
Ordinary shares of HK$0.01 each		
At 31 March 2005 and 31 December 2005	**2,000,000,000**	**20,000**
Issued and fully paid:–		
Ordinary shares of HK$0.01 each		
At 31 March 2005 and 31 December 2005	**668,198,858**	**6,682**

28. 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.

28. SHARE OPTIONS *(Continued)*

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.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(a) A summary of the movements of share options granted under the Company's share option schemes during the period is as follows:–

				Number of share options				
Option scheme adopted on	Date of grant	Exercise period	Exercise price	Outstanding as at 1 April 2005	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2005
12 October 2001	7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	600,000	–	–	(250,000)	350,000
12 October 2001	17 October 2001	26 April 2002 to 25 April 2012	HK$0.084	7,840,000	–	–	–	7,840,000
12 October 2001	9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	300,000	–	–	(150,000)	150,000
12 October 2001	22 November 2002	22 November 2002 to 21 November 2012	HK$0.090	450,000	–	–	(450,000)	–
12 October 2001	23 December 2002	23 December 2002 to 22 December 2012	HK$0.108	3,500,000	–	–	–	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	6,430,000	–	–	(4,570,000)	1,860,000

28. SHARE OPTIONS *(Continued)*

Option scheme adopted on	Date of grant	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 31 December 2005
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	6,000,000	–	–	–	6,000,000
29 December 2005	29 December 2005 to 29 June 2006 (inclusive)	Maximum 50%: 29 December 2005 to 28 December 2015 Remaining 50%: 29 June 2006 to 28 December 2015	HK$0.176	–	41,720,000	–	–	41,720,000
				27,120,000	41,720,000	–	(5,420,000)	63,420,000

28. SHARE OPTIONS *(Continued)*

(b) The number and weighted average exercises prices of share options are as follows:–

	Period from 1.4.2005 to 31.12.2005		Year ended 31.3.2005	
	Weighted average of exercise price	**Number of options**	Weighted average of exercise price	Number of options
	HK$		*HK$*	
Outstanding at the beginning of the period/year	**0.158**	**27,120,000**	0.279	41,130,000
Granted during the period/year	**0.176**	**41,720,000**	–	–
Lapsed during period/year	**0.197**	**(5,420,000)**	0.513	(14,010,000)
Outstanding at the end of period/year	**0.166**	**63,420,000**	0.158	27,120,000
Exercisable at the end of period/year	**0.161**	**42,560,000**	0.158	27,120,000

(c) Fair value of share options granted during the period/year:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Black-Scholes option pricing model.

	Period from 1.4.2005 to 31.12.2005	Year ended 31.3.2005
Fair value at measurement date	**HK$2,708,000**	N/A
Share price	**HK$0.170**	N/A
Exercise price	**HK$0.176**	N/A
Expected volatility	**81.14%**	N/A
Expected dividend	**Nil**	N/A
Risk-free interest rate	**3.92% – 4.1%**	N/A

The expected volatility is based on the historic volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

29. RESERVES

(a) The Group

	Share premium HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
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	37,426	1,093	10,754	60	–	–	(38,290)	11,043
At 1.4.2005, as previously reported	37,426	1,093	10,754	60	–	–	(38,290)	11,043
Opening balance adjustment in respect of financial instruments *(Note 2(a))*	–	–	–	–	–	668	(91)	577
At 1.4.2005, as restated	37,426	1,093	10,754	60	–	668	(38,381)	11,620
Equity settled share-based transactions	–	–	–	–	1,122	–	–	1,122
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	–	–	–	68	–	–	–	68
Loss for the period	–	–	–	–	–	–	(9,380)	(9,380)
At 31.12.2005	37,426	1,093	10,754	128	1,122	668	(47,761)	3,430

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 completed in 2001.

29. RESERVES *(Continued)*

(b) The Company

	Share premium	Share options reserve	Convertible bonds reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1.4.2004	44,990	–	–	(8,767)	36,223
Loss for the year	–	–	–	(3,402)	(3,402)
At 31.3.2005	44,990	–	–	(12,169)	32,821
At 1.4.2005, as previously reported	44,990	–	–	(12,169)	32,821
Opening balance adjustment in respect of financial instruments *(Note 2(a))*	–	–	668	(91)	577
At 1.4.2005, as restated	44,990	–	668	(12,260)	33,398
Equity settled share-based transactions	–	1,122	–	–	1,122
Loss for the period	–	–	–	(6,286)	(6,286)
At 31.12.2005	44,990	1,122	668	(18,546)	28,234

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 completed in 2001. 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 December 2005, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$26,444,000 (At 31.3.2005, restated: HK$32,730,000) subject to the restrictions as stated above.

30. 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 any 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 the 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 the whole or any 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 the whole of the principal amount redeemed before the maturity date.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves net of deferred income taxes.

30. CONVERTIBLE BONDS *(Continued)*

The convertible bonds recognised in the balance sheet is calculated as follows:–

	The Group	
	At	At
	31.12.2005	31.3.2005
	HK$'000	*HK$'000*
Face value of convertible bonds on the dates of issue	**10,000**	10,000
Equity component	**(668)**	–
Liability component on initial recognition	**9,332**	10,000
Interest expense	**619**	–
Interest payable	**(385)**	–
Liability component	**9,566**	10,000

The fair value of the liability component of the convertible bonds at 31 March 2005 amounted to HK$9,332,000. As there was no public market interest rate offered to the Company at the respective dates of issuance of the bonds, the directors estimated that the prime rate plus one per cent as the Company's borrowing rate. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 6%.

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 6% to the liability component.

31. OTHER PAYABLES

The amount represents the purchase consideration payable for the acquisition of IPSSH as follows:–

	The Group	
	At	At
	31.12.2005	31.3.2005
	HK$'000	*HK$'000*
Amount payable for acquisition of 51% equity interests of IPSSH by five instalments within five years	**20,962**	–
Amount payable for acquisition of 19.6% equity interests of IPSSH by five instalments within five years	**12,692**	–
	33,654	–
Amount payable within one year	**(8,038)**	–
Non-current portions	**25,616**	–

32. DISPOSAL OF SUBSIDIARIES

On 18 October 2005, the Group disposed of all its equity interests in a wholly-owned subsidiary, UII, an investment holding company incorporated in Hong Kong and its 60% directly owned subsidiary, UiPC. The disposed subsidiaries did not have significant operations materially affect the Group.

The assets and liabilities arising from the disposal are as follows:–

	At 18.10.2005	At 31.3.2005
	HK$'000	*HK$'000*
Cash and cash equivalents	**176**	–
Prepaid land use right	**18,830**	–
Intragroup balances	**115**	–
Receivables	**16**	–
Payables	**(982)**	–
	18,155	–
Minority interests	**(5,596)**	–
Net assets disposed	**12,559**	–
Loss on disposal	**(1,716)**	–
Carrying amount of goodwill	**1,849**	–
Total consideration	**12,692**	–
Cash and cash equivalents in subsidiaries disposed	**(176)**	–
Net cash inflow on disposal	**12,516**	–

33. BUSINESS COMBINATION

On 18 October 2005, the Group acquired a further 70.6% of equity interest in an associate, IPSSH, an online payment platforms provider operating in Shanghai, the PRC. The acquired business contributed revenues of HK$3,099,000 and net profit of HK$623,000 to the Group for the period from 18 October 2005 to 31 December 2005. If the acquisition had occurred on 1 April 2005, Group revenue would have been increased by HK$5,880,000, and reduced the loss for the period by HK$528,000.

The assets and liabilities arising from the acquisition are as follows:–

	At 18.10.2005	At 31.3.2005
	HK$'000	*HK$'000*
Cash and cash equivalents	**11,879**	–
Fixed assets	**1,157**	–
Intragroup balances	**70**	–
Amount due from a related company	**625**	–
Receivables	**8,546**	–
Payables	**(16,432)**	–
Tax payable	**(510)**	–
	5,335	–
Minority interests	**(1,811)**	–
Net assets acquired	**3,524**	–
Goodwill arising on acquisition	**42,822**	–
Total purchase consideration	**46,346**	–
Cash and cash equivalents in subsidiary acquired	**(11,879)**	–
Other payables	**(33,654)**	–
Net cash outflow on acquisition	**813**	–

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of IPSSH.

34. COMMITMENTS

(a) Operating leases arrangements

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

	At 31.12.2005	At 31.3.2005
	HK$'000	*HK$'000*
Within one year	**587**	521
After one year but within five years	**120**	601
	707	1,122

Operating lease payments represent rentals payable by the Group for the use of servers and office premises. Leases are negotiated for a term ranging from one to 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:–

	At 31.12.2005	At 31.3.2005
	HK$'000	*HK$'000*
Within one year	**453**	453
After one year but within five years	**120**	573
	573	1,026

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.

(b) Capital commitments

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

35. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Apart from the transactions as disclosed in notes 20 and 25 to the financial statements, the Group had the following material transactions with its related parties during the period/year:–

	Note	Period from 1.4.2005 to 31.12.2005 HK$'000	Year ended 31.3.2005 HK$'000
Office premises rental paid to Madam Wu Wai Lai	*(i)*	–	26
Service charges paid to IPSSH	*(ii)*	**44**	59

Notes:–

(i) Pursuant to a tenancy agreement dated 20 March 2003 between 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.

(ii) Pursuant to a resale agreement dated 15 January 2004 and a supplementary agreement dated 20 January 2004 between IPSSH and Universal iPayment (Hong Kong) Limited ("UIPHKL"), IPSSH appointed UIPHKL as its non-exclusive reseller for the marketing and resale of the services to the merchants. In return, IPSSH 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.

(b) On 18 October 205, the Group completed the Reorganisation as mentioned in note 1 to these financial statements. The Acquisition, the Transfer and the Gao Yuan Agreement as referred to under the heading "Very substantial acquisition and connected transactions"; the Disposal, the Intra-group Disposal and the Assets Transfer as referred to under the heading "Very substantial disposal and connected transactions"; and the Exclusive Purchase Right contract, the Pledge Contract, the Operating Structure Contracts, the Domain Name Transfer Contract and the Loan Memorandum as referred to under the heading "Structure contracts" constitute connected transactions under the GEM Listing Rules.

The directors have reviewed all 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.

35. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Period from 1.4.2005 to 31.12.2005 HK$'000	Year ended 31.3.2005 HK$'000
Fees for key management personnel	**–**	–
Salaries, allowances and other benefits in kind	**520**	488
Pension scheme contributions	**13**	13
Equity settled share-based payment expenses	**54**	–
	587	501

36. FINANCIAL INSTRUMENTS

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and equity price risk), credit risk, liquidity risk, cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as there were insignificant fluctuation in exchange rate between Hong Kong dollar and Reminbi.

36. *FINANCIAL INSTRUMENTS (Continued)*

(a) Market risk *(Continued)*

(ii) Equity price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets. The Group is not exposed to commodity price risk.

All investments are subject to a maximum concentration limit predetermined by the Board.

(b) Credit risk

The Group is exposed to credit risk, which is irrecoverable the full amount of the debtors and other receivables. Impairment provisions are made for losses that have been incurred at the balance sheet date.

The Group minimise the risk exposure by tight credit policies over the transactions with customers and selection of appropriate credit history's customers. The Group was not exposed to significant risk from debtors arising from online platform, the transactions of which are made in cash or via reliable major credit cards by limiting the amount of credit exposure to these financial institutions and the merchants.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its liquidity requirements.

(d) Cash flow and fair value interest rate risk

Other than the cash maintained to pay the creditors in a short period of time, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Convertible bonds issued at fixed rates expose the Group to fair value interest-rate risk. It is the policy of the Group to maintain sufficient cash flow for its borrowings in fixed rate instruments.

Generally, the Group raises convertible long-term borrowings at fixed rates that are lower than those available if the Group borrowed directly at other rates. Under the convertible terms may convert whole or any part of the principal amount of the bond into new shares of the Company at an adjustable conversion price.

37. 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.

37. 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	
	Period from 1.4.2005 to 31.12.2005 HK$'000	(Restated) Year ended 31.3.2005 HK$'000	**Period from 1.4.2005 to 31.12.2005 HK$'000**	Year ended 31.3.2005 HK$'000	**Period from 1.4.2005 to 31.12.2005 HK$'000**	Year ended 31.3.2005 HK$'000	**Period from 1.4.2005 to 31.12.2005 HK$'000**	Year ended 31.3.2005 HK$'000	**Period from 1.4.2005 to 31.12.2005 HK$'000**	Year ended 31.3.2005 HK$'000	**Period from 1.4.2005 to 31.12.2005 HK$'000**	(Restated) Year ended 31.3.2005 HK$'000
Revenue												
Revenue from external customers	**4,650**	1,131	**–**	–	**3,100**	3,912	**–**	–	**–**	–	**7,750**	5,043
Other revenue	**222**	95	**–**	–	**6**	–	**7**	6	**–**	–	**235**	101
Total revenue	**4,872**	1,226	**–**	–	**3,106**	3,912	**7**	6	**–**	–	**7,985**	5,144
Segment results	**(2,831)**	(6,082)	**(1)**	–	**(347)**	(469)	**(6,043)**	(4,568)	**–**	–	**(9,222)**	(11,119)
Interest income	**15**	4	**–**	–	**–**	–	**–**	–	**–**	–	**15**	4
Loss from operations											**(9,207)**	(11,115)
Finance costs	**–**	–	**–**	–	**–**	–	**(423)**	(105)	**–**	–	**(423)**	(105)
Amortisation of goodwill	**–**	–	**–**	–	**–**	–	**–**	(462)	**–**	–	**–**	(462)
Loss on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**(1,716)**	–	**–**	–	**(1,716)**	–
Share of results of an associate	**507**	1,865	**–**	–	**–**	–	**–**	–	**–**	–	**507**	1,865
Loss from ordinary activities before income tax											**(10,839)**	(9,817)
Income tax expense											**(307)**	(1,418)
Loss for the period/year											**(11,146)**	(11,235)
Attributable to												
– Shareholders of the Company											**(9,380)**	(9,060)
– Minority interests											**(1,766)**	(2,175)
											(11,146)	(11,235)
Depreciation for the period/year	**1,076**	1,922	**–**	–	**14**	11	**201**	332	**–**	–	**1,291**	2,265
Amorisation of prepaid lease premium	**–**	478	**–**	–	**–**	–	**–**	–	**–**	–	**–**	478
Impairment of fixed assets	**2,824**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,824**	–
Segment assets	**73,524**	33,701	**–**	–	**2,191**	1,383	**1,778**	10,182	**–**	–	**77,493**	45,266
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total assets	**73,524**	33,701	**–**	–	**2,191**	1,383	**1,778**	10,182	**–**	–	**77,493**	45,266
Segment liabilities	**23,066**	8,299	**73**	71	**45**	51	**44,197**	10,936	**–**	–	**67,381**	19,357
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total liabilities	**23,066**	8,299	**73**	71	**45**	51	**44,197**	10,936	**–**	–	**67,381**	19,357
Capital expenditure incurred during the period/year	**65**	90	**–**	–	**13**	34	**58**	753	**–**	–	**136**	877

37. SEGMENT REPORTING (Continued)

(b) Geographical segments

	PRC		Hong Kong		Consolidated	
	At 31.12.2005 HK$'000	At 31.3.2005 HK$'000	**At 31.12.2005 HK$'000**	At 31.3.2005 HK$'000	**At 31.12.2005 HK$'000**	At 31.3.2005 HK$'000
Revenue from external customers	**3,739**	648	**4,011**	4,395	**7,750**	5,043
Other revenue	**219**	94	**16**	7	**235**	101
Total revenue	**3,958**	742	**4,027**	4,402	**7,985**	5,144
Segment assets	**71,747**	33,721	**5,746**	11,545	**77,493**	45,266
Capital expenditure incurred during the year	**27**	90	**109**	787	**136**	877

Financial *Summary*

RESULTS

	Period from 1 April 2005 to 31 December 2005	Years ended 31 March			
	2005	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
Turnover	**7,750**	5,043	11,243	6,723	3,597
Loss for the period/year	**(9,380)**	(9,060)	(10,694)	(12,685)	(3,311)

ASSETS AND LIABILITIES

	At 31 December	At 31 March			
		(Restated)	(Restated)	(Restated)	(Restated)
	2005	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**45,946**	29,301	32,622	30,960	2,290
CURRENT ASSETS	**31,547**	15,965	9,866	17,028	72,742
DEDUCT:					
CURRENT LIABILITIES	**32,199**	9,357	5,341	1,013	21,758
NET CURRENT (LIABILITIES)/ASSETS	**(652)**	6,608	4,525	16,015	50,984
	45,294	35,909	37,147	46,975	53,274
DEDUCT:					
NON-CURRENT LIABILITIES	**(35,182)**	(10,000)	–	–	–
NET ASSETS	**10,112**	25,909	37,147	46,975	53,274