



TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock code: 8091

INTERIM REPORT

2008

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

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

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

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



SUMMARY

- Turnover for the six-month period ended 30 June 2008 amounted to approximately HK\$37.43 million (2007: HK\$26.47 million), representing an increase of 41% over the corresponding period in the last year.
- Net profits attributable to shareholders of the Company for the six-month period ended 30 June 2008 amounted to approximately HK\$11.68 million (2007: HK\$6.98 million), representing an increase of 67% over the corresponding period in the last year.
- Basic and diluted earnings per share for the six-month period ended 30 June 2008 amounted to approximately HK0.80 cent (2007: HK0.69 cent).
- The Board does not recommend payment of any dividend for the six-month period ended 30 June 2008 (2007: Nil).

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated financial profits of the Company and its subsidiaries (together, the "Group") for the three-month and six-month periods ended 30 June 2008 together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six-month period ended 30 June 2008 HK\$'000	For the six-month period ended 30 June 2007 HK\$'000	For the three-month period ended 30 June 2008 HK\$'000	For the three-month period ended 30 June 2007 HK\$'000
Turnover	2	37,432	26,468	20,484	15,746
Other revenue	2	542	282	309	147
		37,974	26,750	20,793	15,893
Cost of sales		(3,020)	(6,630)	(2,224)	(5,061)
Staff costs		(11,723)	(4,272)	(5,790)	(2,435)
Depreciation and amortisation of prepaid land lease premium		(1,630)	(689)	(1,011)	(353)
Minimum operating lease rentals		(1,366)	(1,521)	(730)	(833)
Other operating expenses		(8,105)	(6,657)	(4,104)	(3,323)
Profits from operations	3	12,130	6,981	6,934	3,888
Finance costs		(448)	-	(276)	-
Profits before taxation		11,682	6,981	6,658	3,888
Income tax expense	5	-	-	-	-
Profits for the period		11,682	6,981	6,658	3,888
Attributable to:					
Shareholders of the Company		11,682	6,981	6,658	3,888
Dividend	6	-	-	-	-
Earnings per share (in HK cent)					
Basic	7	0.80	0.69	0.44	0.37
Diluted	7	0.80	0.69	0.44	0.37



CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 June 2008 <i>HK\$'000</i>	(Audited) As at 31 December 2007 <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	12,017	9,583
Prepaid land lease premium	9	97,688	5,063
Construction in progress		2,780	–
Goodwill	10	45,588	43,050
Deposit paid for acquisition of a subsidiary		–	3,060
		<u>158,073</u>	<u>60,756</u>
CURRENT ASSETS			
Inventories		15,914	9,514
Debtors	11	16,289	23,862
Deposits paid to merchant		29,555	15,000
Trade deposits		9,215	6,006
Other deposits, prepayments and other receivables		17,011	9,403
Amount due from a related company		2,889	2,889
Financial assets at fair value through profit or loss		288	375
Prepaid land lease premium	9	2,210	139
Pledged time deposits		2,000	2,000
Unpledged time deposits		42	280
Cash and bank balances		<u>64,235</u>	<u>97,176</u>
		<u>159,648</u>	<u>166,644</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	(Unaudited) As at 30 June 2008 <i>HK\$'000</i>	(Audited) As at 31 December 2007 <i>HK\$'000</i>
DEDUCT:		
CURRENT LIABILITIES		
Trade payable	857	7,444
Payable to merchants	52,649	72,420
Deposits received, sundry creditors and accruals	23,749	4,829
Amount due to a director	29	29
Bills payable	2,260	3,623
Unsecured bank loan	5,684	—
	<u>85,228</u>	<u>88,345</u>
NET CURRENT ASSETS	<u>74,420</u>	<u>78,299</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>232,493</u>	<u>139,055</u>
DEDUCT:		
NON-CURRENT LIABILITIES		
Deferred tax liability	3,444	3,030
	<u>229,049</u>	<u>136,025</u>
NET ASSETS	<u>229,049</u>	<u>136,025</u>
REPRESENTING:—		
CAPITAL AND RESERVES		
Share capital	15,039	12,869
Reserves	214,010	123,156
TOTAL EQUITY	<u>229,049</u>	<u>136,025</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six-month period ended 30 June 2008 HK\$'000	For the six-month period ended 30 June 2007 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(17,018)	(43,153)
NET CASH USED IN INVESTING ACTIVITIES	(21,845)	(1,967)
NET CASH FROM FINANCING ACTIVITIES	<u>5,684</u>	<u>44,703</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,179)	(417)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>97,456</u>	<u>58,092</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>64,277</u>	<u>57,675</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Unpledged time deposits	42	275
Cash and bank balances	<u>64,235</u>	<u>57,400</u>
	<u>64,277</u>	<u>57,675</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

	Share capital	Share premium	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	9,808	76,528	1,093	10,754	1,095	1,934	1,147	(43,026)	59,333
Issue of new shares	1,993	38,026	-	-	-	-	-	-	40,019
Exercise of share options	271	4,413	-	-	-	-	-	-	4,684
Transferred to accumulated losses	-	-	-	-	-	(1,575)	-	1,575	-
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	-	-	-	-	(69)	-	-	-	(69)
Profit for the period	-	-	-	-	-	-	-	6,981	6,981
At 30 June 2007	<u>12,072</u>	<u>118,967</u>	<u>1,093</u>	<u>10,754</u>	<u>1,026</u>	<u>359</u>	<u>1,147</u>	<u>(34,470)</u>	<u>110,948</u>
At 1 January 2008	12,869	138,025	1,093	10,754	(93)	674	2,642	(29,939)	136,025
Issue of new shares	2,170	67,270	-	-	-	-	-	-	69,440
Equity settled share-based transactions	-	-	-	-	-	3,679	-	-	3,679
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	-	-	-	-	8,223	-	-	-	8,223
Profit for the period	-	-	-	-	-	-	-	11,682	11,682
At 30 June 2008	<u>15,039</u>	<u>205,295</u>	<u>1,093</u>	<u>10,754</u>	<u>8,130</u>	<u>4,353</u>	<u>2,642</u>	<u>(18,257)</u>	<u>229,049</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2008

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 address of the registered office 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.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention.

The principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2007.

2. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of online and mobile payment and related services, timber manufacturing and trading. Turnover for the period represents revenue recognised from the provision of online payment handling income net of business tax, net invoiced amount from manufacturing and trading. An analysis of the Group's turnover and other revenue is set out below:

	For the six-month period ended 30 June 2008 HK\$'000	For the six-month period ended 30 June 2007 HK\$'000	For the three-month period ended 30 June 2008 HK\$'000	For the three-month period ended 30 June 2007 HK\$'000
Online and mobile payment and related services income	34,597	18,424	18,966	9,285
Timber manufacturing and trading	<u>2,835</u>	<u>8,044</u>	<u>1,518</u>	<u>6,461</u>
Turnover	37,432	26,468	20,484	15,746
Interest on bank deposits	355	257	187	145
Others	<u>187</u>	<u>25</u>	<u>122</u>	<u>2</u>
Total revenue	<u>37,974</u>	<u>26,750</u>	<u>20,793</u>	<u>15,893</u>



3. PROFITS FROM OPERATIONS

	Six-month period ended 30 June		Three-month period ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profits from operations are stated after charging:–				
Cost of sales	3,020	6,630	2,224	5,061
Depreciation and amortisation of prepaid land lease premium	1,630	689	1,011	353
Minimum operating lease rentals – Land and buildings	1,366	1,521	730	833

4. SEGMENT INFORMATION

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

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

(a) **Payment enterprise solutions**

Provision of payment enterprise solutions and ongoing technical support services.

(b) **Timber manufacturing and trading**

Timber manufacturing and trading.

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

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



(a) **Business segments**

	Payment enterprise solutions		Timber manufacturing and trading		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
Revenue from external customers	34,597	18,424	2,835	8,044	-	-	37,432	26,468
Other revenue	387	-	120	-	35	282	542	282
Total revenue	34,984	18,424	2,955	8,044	35	282	37,974	26,750
Segment results	21,639	9,375	(1,091)	19	35	282	20,583	9,676
Unallocated expenses							(8,901)	(2,695)
Profits before taxation							11,682	6,981
Taxation							-	-
Profits after taxation							11,682	6,981
Profits attributable to shareholders							11,682	6,981

(b) **Geographical segments**

	People's Republic of China (the "PRC")		Hong Kong		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	28,978	20,597	8,454	5,871	37,432	26,468

5. 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 25%.
- (b) The tax expense represents the sum of the current tax and deferred tax and is made up as follows:

	For the six-month period ended 30 June 2008 HK\$'000	For the six-month period ended 30 June 2007 HK\$'000	For the three-month period ended 30 June 2008 HK\$'000	For the three-month period ended 30 June 2007 HK\$'000
Current tax:				
Overseas taxation	-	-	-	-
Deferred taxation:				
Current period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six-month period ended 30 June 2008. (2007: Nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the periods is based on the following data:-

	Six-month period ended 30 June		Three-month period ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<i>Earnings</i>				
Earnings for the periods used in the calculation of basic and diluted earnings per share	<u>11,682</u>	6,981	<u>6,658</u>	3,888
<i>Number of shares</i>				
Weighted average number of shares in issue, for the purpose of calculation of basic earnings per share	<u>1,452,659,627</u>	1,013,521,786	<u>1,503,928,858</u>	1,044,084,023
Effect of dilutive potential ordinary shares: share options	<u>-</u>	3,291,048	<u>-</u>	2,818,334
Weighted average number of shares in issue for calculation of diluted earnings per share	<u>1,452,659,627</u>	1,016,812,834	<u>1,503,928,858</u>	1,046,902,357



8. PROPERTY, PLANT AND EQUIPMENT

	Properties held under medium-term lease HK\$'000	Plant and machinery HK\$'000	Leasehold improvement HK\$'000	Office equipment, computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:-							
At 1 January 2008	2,491	263	992	4,529	167	4,593	13,035
Additions	1,852	-	5	734	13	587	3,191
Disposals	(380)	-	-	(32)	-	(535)	(947)
Exchange reserve	-	36	55	577	2	429	1,099
At 30 June 2008	<u>3,963</u>	<u>299</u>	<u>1,052</u>	<u>5,808</u>	<u>182</u>	<u>5,074</u>	<u>16,378</u>
Accumulated depreciation:-							
At 1 January 2008	2	19	286	2,004	120	1,021	3,452
Charge for the period	32	23	59	373	1	385	873
Written back on disposals	-	-	-	(9)	-	(157)	(166)
Exchange reserve	-	3	11	104	1	83	202
At 30 June 2008	<u>34</u>	<u>45</u>	<u>356</u>	<u>2,472</u>	<u>122</u>	<u>1,332</u>	<u>4,361</u>
Net book value:-							
At 30 June 2008	<u>3,929</u>	<u>254</u>	<u>696</u>	<u>3,336</u>	<u>60</u>	<u>3,742</u>	<u>12,017</u>
At 31 December 2007	<u>2,489</u>	<u>244</u>	<u>706</u>	<u>2,525</u>	<u>47</u>	<u>3,572</u>	<u>9,583</u>

9. PREPAID LAND LEASE PREMIUM

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

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
In Hong Kong, held on medium-term lease	1,108	1,121
Outside Hong Kong, held on medium-term lease	<u>98,790</u>	<u>4,081</u>
	99,898	5,202
Less: Current portion	<u>(2,210)</u>	<u>(139)</u>
	97,688	5,063
Representing:-		
Opening net book value	5,202	-
Additions	95,453	5,211
Amortisation of prepaid land lease premium	<u>(757)</u>	<u>(9)</u>
Closing net book value	<u>99,898</u>	<u>5,202</u>

10. GOODWILL

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Cost and closing net book value	<u>45,588</u>	<u>43,050</u>

Impairment tests for cash-generating units containing goodwill:-

At the balance sheet date, Goodwill mainly 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 7.75% and growth rate of 20%.

11. DEBTORS

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

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

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
0 – 6 months	16,289	23,862
7 – 12 months	<u>–</u>	<u>–</u>
	<u>16,289</u>	<u>23,862</u>

12. BUSINESS COMBINATION

On 13 February 2008, the Group acquired the entire issued share capital of Universal iPayment International Limited ("UII"). UII held the entire interest of Universal iPayment China Limited ("UIC"). The total consideration of HK\$72,500,000 is by (i) cash of HK\$3,060,000 and (ii) the issuance of 217 million Consideration Shares at the issue price of HK\$0.32 per Consideration Share.

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

	Carrying amount and fair value of the acquiree prior to acquisition HK\$'000
Cash and cash equivalents	4,011
Property, plant, equipment and prepaid land lease premium	78,774
Construction in progress	307
Other receivables	1,172
Other payables	<u>(14,302)</u>
Net assets acquired	69,962
Goodwill arising on acquisition	<u>2,538</u>
Total purchase consideration	<u>72,500</u>

13. CAPITAL COMMITMENTS

As at 30 June 2008, the Group had no capital commitments.



BUSINESS REVIEW AND PROSPECTS

Review

For the six months ended 30 June 2008, the Group still sustained remarkable growth of business despite the influence of overall slowdown of domestic and peripheral economic growth. The net profit of this six months period almost reached that of the whole year of 2007.

During this reporting period, the Group's online payment business achieved outstanding performance in both China and Hong Kong. The transaction income, net profit and other key indicators reached new highs repeatedly by ways of in-depth explorations of the key industry, consistent steady growth rate of business and excellent cost control ability. During this reporting period, the Group made an effort to develop the payment products. The authorized transaction, accounts distribution system and other value-added products were developed and applied successfully. This further enriched our payment product line and ensured the provision of a combination of products to serve different kinds of key customers in future. During this reporting period, the Group also started to carry on the payment product's medium-term strategy, including the in-depth exploration and layout of the payment product substantiation. The Group has selected several key domestic and foreign cities as business partners for prepaid card related strategic cooperation. In the mean time, the Group also conducted researches on the application products of the E-wallet and planned to develop the E-wallet product through highly adhesiveness application. These strategic product layouts would definitely have significant influences on development in next few years. Undoubtedly, industry development strategy was also our key concern apart from the product strategy. In order to get prepared for the potential conformity, acquisition or cooperation opportunity in industry development in the future, the Group has not only conducted a lot of industry development researches, but also exchanged sufficient opinions effectively with domestic and foreign companies within the same industry during this reporting period. Meanwhile, the Group also maintained close and effective collaboration with the government, banks and companies in the same industry in the aspects of market regulations and business innovations.

During this reporting period, the Group's timber business was affected to a certain extent by the tight industry environment. The sales volume dropped as compared with that of the same period of last year. However, a crisis is often accompanied with a huge opportunity. During this reporting period, the Group devoted much effort in the preparation for the timber business, including strengthening the internal control policy, implementing plans on the introduction of talented staff, the construction of warehousing storage facilities and the brand promotion, and improving the efficiency and the market reaction rate. Moreover, the Group strengthened the management of both the upstream and downstream of the industry chain and utilized the Indonesian strategic partnership as an advantage in the product type and price to enhance the core competitiveness in China. These preparations would help the Group seize future opportunities in different situations and have significant influence on the rapid corporate development.

During this reporting period, the Group completed a major transaction and acquired a piece of land located at Xu Hui District, the centre zone of Shanghai city. The Group intended to establish the land as its headquarters in China in the near future.

During this reporting period, in view of the future development opportunities and challenges, the Group emphasized the personnel training program, performance appraisal and sophisticated management plan to enhance the Group's management standard and efficiency in response to the increasingly changeable and complex economic macro-environment and industry micro-environment.



Prospects

World economic environment is changeable. The turning point of the American economic recession cycle has still not yet come and the market confidence probably would not be restored in short term. Even though as a relatively independent economy, China is also affected significantly. The management of some companies has started preparation for the possible economic downturn.

However, the Group believes that a crisis means a chance and a chance is often favorable to a well-prepared company. Being a Company with steady growth, positive attitude and active behavior, the Group considers the coming few quarters will be an important opportunity for continual development.

Firstly, the Group considers that merger and acquisition is highly important to the Group's future. Through the acquisition of payment service business in 2005, the Group realized rapid development several years thereafter. The Group considers the resolution of the shareholders' meeting at that time to be exactly correct. Along with the change of economic environment and the growing opportunities of cost-effective acquisition, the Group will continue to explore highly potential profitable collaborative business. The Group will consider to enhance the Group's diversity and to achieve greater development through merger and acquisition.

Secondly, the Group will continue to maintain sensitivity to the external environment and make every decision under the concept of internal development with adaptation to the external environment, which includes political environment, economic environment, market environment, user environment, competitor environment, etc. Changes in the external environment are both a challenge and an opportunity. The Group will continue to monitor and forecast the changes in the external environment cautiously so that the Group will be able to adapt to or even run ahead of the changes. In the mean time, the Group will execute every measure at a rapid and effective way and will continue to develop the Group's different kinds of businesses.

The Group considers that provision of combination products to key customers is a very important strategy. To realize the strategy of product combination, the Group will not deny the chance of capitalization to enrich the group's medium and long-term product line.

The Group will focus on the brand name and image development and will insist on strengthening the promotion of the Group's brand name and image. Moreover, the establishment of the headquarters in China is under progress and its completion of construction will further promote the Group's sound image. All these actions are the Group's essential elements of long-term sustainable development.

Certainly, the Group's core competitiveness lies in talented personnel and effective management. The Group will continue to introduce talented staff and improve internal controls in future. The Group will continue to exert efforts on in-depth promotion of corporate culture, team construction, corporate execution strength and other areas.

The board of directors believes that good companies are those with faster development as compared with the peers in the industry under an adverse condition, but not those with faster development only under a favorable condition. Regardless of favorable and adverse circumstances, the Group's consistent high growth rate proves its ability and strength on the strategy layout, business development and managerial effectiveness. With ambition, strategy, execution and efficiency, the Group will certainly win another victory!



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

As at 30 June 2008, the Group had net current assets of approximately HK\$74.42 million. Current assets comprised inventories of approximately HK\$15.91 million, debtors of approximately HK\$16.29 million, Deposits paid to merchant of approximately HK\$29.56 million, trade deposits of approximately HK\$9.21 million, deposits, prepayments and other receivables of approximately HK\$17.00 million, amount due from a related company of approximately HK\$2.89 million, financial assets at fair value through profit or loss of approximately HK\$0.29 million, prepaid land lease premium of approximately HK\$2.21 million, pledged time deposits of approximately HK\$2.00 million, unpledged time deposits of approximately HK\$0.04 million and cash and bank balances of approximately HK\$64.24 million. Current liabilities comprised trade payable of approximately 0.86 million, payable to merchants of approximately 52.65 million, deposits received, sundry creditors and accruals of approximately 23.75 million, amount due to a director of approximately 0.03 million, bills payable of approximately 2.26 million and unsecured bank loan of approximately 5.68 million.

The gearing ratio, calculated on the basis of total liabilities over total assets as at 30 June 2008, is approximately 28% (31 December 2007: 40%).

The Directors consider that the Group has sufficient cash to cope with its daily operations in the foreseeable future.

Treasury policies

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 13 February 2008, the Group acquired the entire issued share capital of Universal iPayment International Limited ("UII"). UII held the entire interest of Universal iPayment China Limited ("UIC"). The principal asset of UIC was a piece of land located at 1174 Tian Yao Qiao Road, Long Hua Street, Xu Hui District, Shanghai ("the Land"). The Group intended to establish the Land as its headquarters in Shanghai for business development.

For the period from 13 February to 30 June 2008, no revenue was contributed by the acquisition of the Land. The net loss after counting the amortization of the prepaid land lease premium and administrative expenses amounted to approximately HK\$1.05 million. Details of the assets and liabilities arising from the acquisition are set out in note 12 to the condensed consolidated financial statements.



EMPLOYEES

As at 30 June 2008, the total number of employees of the Group was 183 (31 December 2007: 150), representing a 22% increase as compared with that as at 31 December 2007. The dedication and contribution of the Group's staff during the six-month period ended 30 June 2008 are greatly appreciated and recognised.

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

CHARGES ON GROUP'S ASSETS

As at 30 June 2008, time deposits of HK\$2,000,000 (31 December 2007: HK\$2,000,000) had been pledged to a bank to secure the general bank facilities granted to a subsidiary in its ordinary operation.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no detailed future plans for material investments or capital assets as at 30 June 2008.

EXCHANGE RISK

The Group's operation were mainly transacted in Hong Kong dollars, United States dollars and Renminbi and significant portions of the Group's net assets were denominated in Hong Kong dollars, United States dollars and Renminbi. Apart from a slight appreciation in Renminbi during the period, the exchange rate between the Hong Kong dollars (the reporting currency) and these currencies was stable. The exposure of the Group's risk from exchange rate fluctuation was minimal. The Board will, however, continue to monitor the exposure of exchange risk closely and will engage in appropriate hedging activities, if required.

CONTINGENT LIABILITIES

The Directors considered that the Group had no contingent liabilities as at 30 June 2008.

ISSUE OF NEW SHARES

On 13 February 2008, the Company has issued a total of 217,000,000 new shares as partial consideration for the acquisition of the entire issued share capital of Universal iPayment International Limited.



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

As at 30 June 2008, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests		(Note 2)		
Executive Directors:							
Mr. Lau Sik Suen	-	-	-	-	-	-	-
Mr. Lau Yeung Sang (Note 1)	-	-	355,510,000	355,510,000	-	355,510,000	23.64%
Mr. Liu Rui Sheng (Note 2)	-	-	-	-	5,100,000	5,100,000	0.34%
Madam, Luan Yu Min (Note 2)	-	-	-	-	7,400,000	7,400,000	0.49%
Non-executive Director:							
Mr. Chow Cheuk Lap (Note 3)	-	-	67,540,000	67,540,000	-	67,540,000	4.49%
Independent Non-executive Directors:							
Mr. Wan Xie Qiu	-	-	-	-	-	-	-
Mr. Meng Li Hui	-	-	-	-	-	-	-
Mr. Fong Heung Sang (Note 2)	-	-	-	-	900,000	900,000	0.06%

Notes:

- The corporate interests of Mr. Lau Yeung Sang in the ordinary shares of the Company are held by World One Investments Limited (World One). The entire issued share capital of World One is wholly and beneficially owned by Mr. Lau Yeung Sang. Mr. Lau Yeung Sang is therefore deemed to be interested in these shares.
- The interests of Mr. Liu Rui Sheng, Madam Luan Yu Min and Mr. Fong Heung Sang in underlying shares of the Company represent the interests in share options granted to them 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".
- Total interest of Mr. Chow Cheuk Lap in issued ordinary shares of the Company include 67,540,000 shares held by Top Nation International Limited ("Top Nation"). Mr. Chow owns 50% beneficial interests in Top Nation and he is deemed to be interested in these ordinary shares held by Top Nation.
- There were no debt securities nor debentures issued by the Group at any time during the period ended 30 June 2008.



Save as disclosed above, as at 30 June 2008, 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 30 June 2008 and for the period ended 30 June 2008,

- (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 30 June 2008, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

(a) Long positions in the shares of the Company

Name of Shareholders	Type of interests	Number of shares	Approximate percentage of interests
World One Investments Limited <i>(Note 1)</i>	Beneficial owner	355,510,000	23.64%
Every City Industrial Limited <i>(Note 2)</i>	Beneficial owner	106,000,000	7.05%

Notes:

- (1) World One Investments Limited is wholly and beneficially owned by Mr. Lau Yeung Sang.
- (2) Every City Industrial Limited is equally and beneficially owned by Mr. Choi Hung Fai and Mr. Zhou Hang.

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

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

SHARE OPTIONS

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

(A) Share Option Scheme

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

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

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



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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2008
Initial management shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK\$1.300	350,000	-	-	-	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	70,000	-	-	-	70,000
Director, Senior management and staff of the Group	21 May 2007	Fully vested on 21 May 2007	21 May 2007 to 20 May 2009	HK\$0.228	25,410,000	-	-	-	25,410,000
Director, Senior management and staff of the Group	22 February 2008	22 February 2008	33 $\frac{1}{3}$ %: 22 February 2008 to 21 February 2011 33 $\frac{1}{3}$ %: 22 February 2009 to 21 February 2011 Remaining 33 $\frac{1}{3}$ %: 22 February 2010 to 21 February 2011	HK\$0.30	-	90,000,000	-	-	90,000,000
					<u>25,830,000</u>	<u>90,000,000</u>	<u>-</u>	<u>-</u>	<u>115,830,000</u>

Notes:

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

As at 30 June 2008, the number of shares in respect of which options had been granted and outstanding under the share option schemes was 115,830,000, representing approximately 7.70% of the issued share capital of the Company.

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

During the six-month period ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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



PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Article 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.

CORPORATE GOVERNANCE CODE COMPLIANCE

Save and except the following deviations from the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 15 to the GEM Listing Rules (the "CCGP"), the Company had, during the period ended 30 June 2008 complied with the CCGP.

Mr. Lau Sik Suen assumes the role of both the chairman and the chief executive officer of the Company. The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision A.2 in the CCGP 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 half of the Board, four out of eight members of the Board are non-executive directors, of which three 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, 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.

Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the period ended 30 June 2008.

AUDIT COMMITTEE

The Company has established an audit committee on 12 October 2001 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control systems.

The audit committee currently comprises three independent Non-executive Directors, namely Mr. Meng Li Hui, Mr. Wan Xie Qiu and Mr. Fong Heung Sang. Mr. Meng Li Hui is the chairman of the audit committee.

The Group's unaudited condensed consolidated financial reports for the six-month period ended 30 June 2008 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standard and the requirements of GEM Listing Rules and adequate disclosures had been made.



BOARD PRACTICES AND PROCEDURES

During the six-month period ended 30 June 2008, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

By order of the Board
Lau Sik Suen
Chairman

Hong Kong, 8 August 2008

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

Executive Directors:

Mr. Lau Sik Suen (*Chairman*)
Mr. Lau Yeung Sang
Mr. Liu Ruisheng
Madam Luan Yumin

Independent Non-executive Directors:

Mr. Meng Lihui
Mr. Wan Xieqiu
Mr. Fong Heung Sang

Non-executive Director:

Mr. Chow Cheuk Lap

