



Interim Report 2009

Universal Technologies



TECHNOLOGIES
UNIVERSAL

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

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Universal Technologies Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 bases and assumptions that are fair and reasonable.

SUMMARY

- Turnover for the six-month period ended 30 June 2009 amounted to approximately HK\$36.95 million (2008: HK\$37.43 million).
- Net profit attributable to shareholders of the Company for the six-month period ended 30 June 2009 amounted to approximately HK\$9.24 million (2008: HK\$11.68 million).
- Basic and diluted earnings per share for the six-month period ended 30 June 2009 amounted to approximately HK0.61 cent (2008: HK0.80 cent).
- The board of directors does not recommend payment of any dividend for the six-month period ended 30 June 2009 (2008: Nil).

UNAUDITED RESULTS

The board of directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "Group") for the three-month and six-month periods ended 30 June 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six-month period ended 30 June 2009 HK\$'000	For the six-month period ended 30 June 2008 HK\$'000	For the three-month period ended 30 June 2009 HK\$'000	For the three-month period ended 30 June 2008 HK\$'000
Turnover	2	36,949	37,432	19,900	20,484
Other revenue	2	691	542	376	309
		37,640	37,974	20,276	20,793
Cost of sales		(4,337)	(3,020)	(3,034)	(2,224)
Staff costs		(10,440)	(11,723)	(4,483)	(5,790)
Depreciation and amortisation of prepaid land lease premium		(993)	(1,630)	(38)	(1,011)
Minimum operating lease rentals		(3,138)	(1,366)	(1,516)	(730)
Other operating expenses		(8,847)	(8,105)	(4,448)	(4,104)
Profit from operations	3	9,885	12,130	6,757	6,934
Finance costs		(728)	(448)	(326)	(276)
Profit before income tax		9,157	11,682	6,431	6,658
Income tax credit	5	–	–	4	–
Profit for the period		9,157	11,682	6,435	6,658
Attributable to:					
Shareholders of the Company		9,237	11,682	6,475	6,658
Minority interests		(80)	–	(40)	–
Profit for the period		9,157	11,682	6,435	6,658
Dividend	6	–	–	–	–
Earnings per share (in HK cents)					
Basic	7	0.61	0.80	0.43	0.44
Diluted	7	0.61	0.80	0.43	0.44

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the six-month period ended 30 June 2009 HK\$'000	For the six-month period ended 30 June 2008 HK\$'000	For the three-month period ended 30 June 2009 HK\$'000	For the three-month period ended 30 June 2008 HK\$'000
Profit for the period	<u>9,157</u>	<u>11,682</u>	<u>6,435</u>	<u>6,658</u>
Other comprehensive income:				
Exchange differences on translating foreign operations	(478)	8,223	(540)	8,223
Income tax relating to components of other comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other comprehensive income for the period, net of tax	<u>(478)</u>	<u>8,223</u>	<u>(540)</u>	<u>8,223</u>
Total comprehensive income for the period	<u>8,679</u>	<u>19,905</u>	<u>5,895</u>	<u>14,881</u>
Total comprehensive income attributable to:				
Shareholders of the Company	8,759	19,905	5,935	14,881
Minority interests	<u>(80)</u>	<u>—</u>	<u>(40)</u>	<u>—</u>
	<u>8,679</u>	<u>19,905</u>	<u>5,895</u>	<u>14,881</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2009 <i>HK\$'000</i>	(Audited) At 31 December 2008 <i>HK\$'000</i>
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	8	22,030	13,868
Prepaid land lease premium	9	78,878	79,034
Goodwill	10	79,870	79,870
Interest in an associate		<u>5</u>	<u>5</u>
		<u>180,783</u>	<u>172,777</u>
CURRENT ASSETS			
Inventories		20,808	20,634
Debtors	11	10,952	7,790
Deposits paid to merchant		-	-
Trade deposits		4,344	4,661
Other deposits, prepayments and other receivables		31,494	15,093
Amounts due from related companies		13	13
Financial assets at fair value through profit or loss		216	682
Prepaid land lease premium	9	1,552	1,554
Tax recoverable		-	4
Pledged time deposits		800	800
Cash and bank balances		<u>76,828</u>	<u>63,228</u>
		<u>147,007</u>	<u>114,459</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank overdrafts, unsecured		-	3
Bank loans		6,817	9,095
Trade payable		1	1
Payable to merchants		56,351	36,456
Deposits received, sundry creditors and accruals		9,889	11,482
Amount due to a director		-	42
Amount due to an associate		<u>5</u>	<u>5</u>
		<u>73,063</u>	<u>57,084</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) At 30 June 2009 <i>HK\$'000</i>	(Audited) At 31 December 2008 <i>HK\$'000</i>
NET CURRENT ASSETS	<u>73,944</u>	<u>57,375</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>254,727</u>	<u>230,152</u>
DEDUCT:		
NON-CURRENT LIABILITY		
Bank loans	15,898	–
Deferred tax liability	<u>1,796</u>	<u>1,798</u>
	<u>17,694</u>	<u>1,798</u>
NET ASSETS	<u>237,033</u>	<u>228,354</u>
REPRESENTING:–		
CAPITAL AND RESERVES		
Share capital	15,039	15,039
Reserves	<u>217,312</u>	<u>208,553</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	232,351	223,592
MINORITY INTERESTS	<u>4,682</u>	<u>4,762</u>
TOTAL EQUITY	<u>237,033</u>	<u>228,354</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six-month period ended 30 June 2009 HK\$'000	For the six-month period ended 30 June 2008 HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	7,842	(17,018)
NET CASH USED IN INVESTING ACTIVITIES	(8,341)	(21,845)
NET CASH FROM FINANCING ACTIVITIES	<u>13,618</u>	<u>5,684</u>
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	13,119	(33,179)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	481	-
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>63,228</u>	<u>97,456</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>76,828</u>	<u>64,277</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Unpledged time deposits	-	42
Cash and bank balances	<u>76,828</u>	<u>64,235</u>
	<u>76,828</u>	<u>64,277</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Accumulated profit/(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 1.1.2008	12,869	138,025	1,093	10,754	(93)	674	2,642	(29,939)	136,025	-	136,025
Issue of new shares	2,170	67,270	-	-	-	-	-	-	69,440	-	69,440
Equity-settled share-based transactions	-	-	-	-	-	3,679	-	-	3,679	-	3,679
Total comprehensive income for the period	-	-	-	-	8,223	-	-	11,682	19,905	-	19,905
At 30.6.2008	<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>	<u>-</u>	<u>229,049</u>
At 1.1.2009	15,039	205,295	1,093	10,754	(8,709)	4,531	4,939	(9,350)	223,592	4,762	228,354
Total comprehensive income for the period	-	-	-	-	(478)	-	-	9,237	8,759	(80)	8,679
Transferred to accumulated profit/(losses)	-	-	-	-	-	(670)	-	670	-	-	-
At 30.6.2009	<u>15,039</u>	<u>205,295</u>	<u>1,093</u>	<u>10,754</u>	<u>(9,187)</u>	<u>3,861</u>	<u>4,939</u>	<u>557</u>	<u>232,351</u>	<u>4,682</u>	<u>237,033</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Six-month Period Ended 30 June 2009

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.

The condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the six-month period ended 30 June 2009 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2008 except for the following amendments and interpretations ("New HKFRSs") issued by HKICPA which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation
HKFRS 7	Financial Instruments: Disclosures – Improving Disclosure about Financial Instruments
HKFRS 8	Operating segments
HK (IFRIC) 9	Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments Recognition and Measurement
HK(IFRIC) – 13	Customer Loyalty Programmes
HK(IFRIC) – 15	Agreements for the Construction of Real Estate
HK(IFRIC) – 16	Hedges of a Net Investment in a Foreign Operations

The adoption of the above New HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited consolidated financial statements.

2. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of payment solutions and related services, timber trading and furniture manufacturing, other trading, system integration and related technical support services. Turnover for the period represents revenue recognised from the provision of payment handling income, net invoiced value of goods sold, 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:

	For the six-month period ended 30 June 2009 HK\$'000	For the six-month period ended 30 June 2008 HK\$'000	For the three-month period ended 30 June 2009 HK\$'000	For the three-month period ended 30 June 2008 HK\$'000
Payment solutions and related services income	32,580	34,597	16,982	18,966
Timber trading and furniture manufacturing	<u>4,369</u>	<u>2,835</u>	<u>2,918</u>	<u>1,518</u>
Turnover	36,949	37,432	19,900	20,484
Interest on bank deposits	265	355	143	187
Others	<u>426</u>	<u>187</u>	<u>233</u>	<u>122</u>
Total revenue	<u>37,640</u>	<u>37,947</u>	<u>20,276</u>	<u>20,793</u>

3. PROFIT FROM OPERATIONS

	Six-month period ended 30 June 2009		Three-month period ended 30 June 2009	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Profit from operations is arrived at after charging/(crediting):-				
Cost of inventories recognised as expenses	4,337	3,020	3,034	2,224
Depreciation and amortisation of prepaid land lease premium	993	1,630	38	1,011
Minimum operating lease rentals	3,138	1,366	1,516	730
Gain on disposal of financial assets	(143)	-	(122)	-
(Gain)/loss on change in fair value of financial assets	<u>(47)</u>	<u>87</u>	<u>(251)</u>	<u>87</u>

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

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 solutions

Provision of payment solutions and ongoing technical support services.

(b) Timber trading and furniture manufacturing

Trading of timber and manufacturing of furniture

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.

(a) Business segments

	Six-month period ended 30 June							
	Payment solutions		Timber trading and furniture manufacturing		Other		Total	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue								
Revenue from external customers	32,580	34,597	4,369	2,835	-	-	36,949	37,432
Other revenue	271	387	245	120	175	35	691	542
Segment revenue	<u>32,851</u>	<u>34,984</u>	<u>4,614</u>	<u>2,955</u>	<u>175</u>	<u>35</u>	<u>37,640</u>	<u>37,974</u>
Segment results	9,515	21,639	(472)	(1,091)	175	35	9,218	20,583
Unallocated expenses							(61)	(8,901)
Profit before income tax							9,157	11,682
Income tax expense							-	-
Profit after income tax							<u>9,157</u>	<u>11,682</u>
Attributable to:								
- Shareholders of the Company							9,237	11,682
- Minority interests							(80)	-
							<u>9,157</u>	<u>11,682</u>

(b) Geographical segments

	Six months period ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Revenue from external customers:		
Mainland China	21,069	28,978
Hong Kong	15,880	8,454
	<hr/>	<hr/>
Total	36,949	37,432
	<hr/>	<hr/>

5. Income tax credit

- (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 Corporate income tax at a rate of 25%. Certain subsidiaries in the PRC are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate ("Five-year tax holiday").
- (b) The income tax credit represents the sum of the current tax and deferred tax and is made up as follows:

	For the six-month period ended 30 June 2009 HK\$'000	For the six-month period ended 30 June 2008 HK\$'000	For the three-month period ended 30 June 2009 HK\$'000	For the three-month period ended 30 June 2008 HK\$'000
Current tax:				
Overseas taxation	-	-	4	-
Deferred taxation:				
Current period	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	4	-
	<hr/>	<hr/>	<hr/>	<hr/>

6. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six-month period ended 30 June 2009. (2008: 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<i>Earnings</i>				
Earnings for the periods used in the calculation of basic and diluted earnings per share	<u>9,237</u>	<u>11,682</u>	<u>6,475</u>	<u>6,658</u>
<i>Number of shares</i>				
Weighted average number of shares in issue, for the purpose of calculation of basic earnings per share	<u>1,503,928,858</u>	1,452,659,627	<u>1,503,928,858</u>	1,503,928,858
Effect of dilutive potential ordinary shares: share options	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of shares in issue for calculation of diluted earnings per share	<u>1,503,928,858</u>	<u>1,452,659,627</u>	<u>1,503,928,858</u>	<u>1,503,928,858</u>

8. Property, plant and equipment

During the six-month period ended 30 June 2009, the Group had additions to property, plant and equipment in the amount of approximately HK\$8,997,000 (31 December 2008: HK\$5,908,000).

At 30 June 2009, the property held under medium-term lease with a net book value of HK\$1,833,000 (31 December 2008: HK\$1,859,000) was pledged to banks to secure banking facilities granted to subsidiaries of the Group.

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 2009 HK\$'000	At 31 December 2008 HK\$'000
In Hong Kong, held on medium-term lease	983	996
Outside Hong Kong, held on medium-term lease	<u>79,447</u>	<u>79,592</u>
	80,430	80,588
Less: Current portion	<u>(1,552)</u>	<u>(1,554)</u>
Non-current portion	<u>78,878</u>	<u>79,034</u>

At 30 June 2009 the prepaid land lease premium with a net book value of HK\$79,447,000 (31 December 2008: HK\$3,970,000) was pledged to banks to secure banking facilities granted to subsidiaries of the Group.

10. GOODWILL

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Cost and closing net book value	<u>79,870</u>	<u>79,870</u>

Impairment tests for cash-generating units containing goodwill:-

At the balance sheet date, Goodwill mainly is identified to the cash generating units ("CGUs") of payment solution services, internet based remittance services and trading of timber.

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. A discount factor at a rate ranged from 17% to 23% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using the growth rate from 0% to 2%.

11. 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 ageing analysis of debtors is set out below:-

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
0 - 6 months	10,893	6,742
7 - 12 months	59	1,032
Over one year	<u>-</u>	<u>16</u>
	<u>10,952</u>	<u>7,790</u>

12. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided is as follows:-

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Construction in progress	<u>27,809</u>	<u>29,153</u>

BUSINESS REVIEW AND PROSPECTS

Review

For the six-month period ended 30 June 2009, the performance of our Group's turnover and net profit surpassed overall market performance despite the global economic slump and uncertainties.

During the period, the payment business of the Group insisted a conservative operating principle in any risk situations and made efforts to grasp even a small successful chance in that condition. Thus, the performance of the payment business is remarkable just as in the past. Facing so many competitors, we are all fighting for a leadership in this blooming payment industry. Firstly, the growth despite the economic crisis and uncertainties in the marketplace is contributed by better cost control and higher price responsiveness to meet the market expectation of higher operational efficiency and lower cost. Secondly, with the supervising intention from government supervision divisions becoming more and more clear, enhancing their market occupancy in order to be the main participants in this industry turns into a persistent objective of most payment enterprises. Our Group has identified the opportunities through staking on trial run in aviation industry to come up with the customized payment solutions for growth and innovation. Meanwhile, we invigorated and benefited from the initiation of pricing flexibility for payment business in a lower cost to enhance brand loyalty. Our market leadership is enhanced by persistently stable income return while maintaining the growth of merchants and transaction volumes attributed to our well-defined strategies over all these stringent and prudential decisions. Our medium-term plan is empowered by extensive product diversification, strategic partnership and co-operation with small-to-medium sized banks, integration with our operational efficiency and cost control, demonstrating our strength to stand out from our rivals in the challenging market. Branding is of our great effort we devoted through actively participating in the payment associations, key industrial conferences and membership network to enrich our brand images with figures and merchants' reciprocity.

During the period, our timber business has been facing great market challenges resulting from the dramatic reduction of market demand as a result of economic downturn. However, our business has been upheld by stronger flexibility and responsiveness to the market changing over its competitive edge with cost control through the establishment of a strategic partnership in Indonesia, as well as broadening our product lines to meet diversified demand. The deployment of all these strategies moved us ahead in the market in terms of market shares and reputation. Our sales volumes will be reinforced in the next six months with the steady growth in the number of our clients.

During the period, the construction of our headquarters in the centre of Shanghai city has been in progress swimmingly in terms of the construction schedule, quality and cost control. In the mean-time, our new premise investment on property management projects has been formulated in line with the implementation of the Shanghai government development plan.

Our high credit ratings given by a number of major banks help facilitate financing activities and enhance financial flexibility.

The pursuit of our steady growth emerges through sophisticated management, sound financial capability, prudent and robust operation mechanism, progressive and talented personal and professional development to meet any challenges ahead to accomplish our missions and breakthroughs.

Prospects

The market uncertainties present the stress in the global economic market we have witnessed since the financial crisis. However, adhering to our prudent and consistent evaluation of global market trend, we can continue our new premise at our own pace with better flexibility and responsiveness to the market change.

In relation to payment business, market position appears considerable importance. That is why we give prominence to our key advantages as well as insisting stable development. Firstly, we are committed to the sustainable growth in our transaction volumes by thoroughly understanding our customers' needs to exceed their expectations. Secondly, our efforts in branding development can transform and empower our business with growth and innovation. The recent policies encouraged by the central government including finance innovation and payment service professionalism contribute to the emergence of new business pursuits. The deployment of our diversification, innovation and excellent service delivery is to accomplish our progressive business growth. More supervision and compliance requirements to the electronic payment business will be introduced by some authorities such as the People's Bank of China. We are committed to the most secured and highest standard payment solutions with the authorities' security and standard compliant through frequent communications with all these authorities on a regular basis. We are determined to strictly comply with the industrial practice by eliminating any disputes incurred with the companies. In addition, we are looking for good business acquisition opportunities to meet our progressive business expansion in the competitive payment business environment.

In relation to timber business, the revised sales and promotion strategies with flexibility and comprehensiveness along with the competitive advantages over our products have prompted us to the effectiveness of our business performance. We do not rule out any possibilities of business acquisition to further strengthen and expand our business in full extent.

The construction of our headquarters in the heart of Shanghai city has been in progress and we are already engaged in formulating our plan for quality tenants to reserve our valuable long term profits. The economic sensitivity in Shanghai is far from other areas in China. The real estate price in Shanghai gets warm again recently. The Group is always getting ready to obtain opportunities in economic cycle.

Our Group is preserved with flexibility for our strategies. The transformation of Shanghai city as the leading financial, transport and logistics service centre is attempted by the Chinese government reinforced by the international financial centre of Hong Kong provides tremendous opportunities in the market.

Our success and competitiveness are rooted in our preserved corporate culture, well-defined principles and objectives, branding efforts, progressive and talented personal and professional development to stand us out from our rivals in the constant changing market.

Our Group's legacy of excellence is bolstered by energizing the marketplace, stimulating innovation and delivering the most exciting products and services to our customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

At 30 June 2009, the Group had net current assets of approximately HK\$73,944,000. Current assets comprised inventories of approximately HK\$20,808,000, debtors of approximately HK\$10,952,000, trade deposits of approximately HK\$4,344,000, other deposits, prepayments and other receivables of approximately HK\$31,494,000, amounts due from related companies of approximately HK\$13,000, financial assets at fair value through profit or loss of approximately HK\$216,000, prepaid land lease premium of approximately HK\$1,552,000, pledged time deposits of approximately HK\$800,000 and cash and bank balances of approximately HK\$76,828,000. Current liabilities comprised bank loans of approximately HK\$6,817,000, trade payable of approximately HK\$1,000, payable to merchants of approximately HK\$56,351,000, deposits received, sundry creditors and accruals of approximately HK\$9,889,000 and amount due to an associate of approximately HK\$5,000.

The gearing ratio (defined as a percentage of total liabilities over total assets) of the Group at 30 June 2009 was 27% (31 December 2008: 20%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development. In the long term, the Board believes that the Group will continue to fund its foreseeable expenditures through cash flow from operations. However, for a more massive scale of expansion and development, debt or equity financing may be required.

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

The Group made no significant investments nor any material acquisition or disposed during the period.

EMPLOYEES

At 30 June 2009, the total number of employees of the Group was 184 (31 December 2008: 220), representing a 16% decrease as compared with that at 31 December 2008. The dedication and contribution of the Group's staff during the six-month period ended 30 June 2009 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 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 and the pension scheme in PRC.

CHARGES ON GROUP'S ASSETS

At 30 June 2009, time deposit of HK\$800,000 (31 December 2008: HK\$800,000) was pledged as collateral for a service contract with a customer of a subsidiary of the Group.

At 30 June 2009, the property held under medium-term lease with a net book value of HK\$1,833,000 (31 December 2008: HK\$1,859,000) and the prepaid land lease premium with a net book value of HK\$79,447,000 (31 December 2008: HK\$3,970,000) were pledged to a bank to secure banking facilities granted to a subsidiary of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group acquired a land located in Shanghai in 2008. The Group intended to develop the land into headquarters building with 6-storey over ground and 1-storey under ground. The estimated capital expenditure to be incurred for the land development is around HK\$50 million, which will be mainly financed by bank borrowings. Financing through internal resources or external equity may also be considered.

CURRENCY RISK

Currently, the market anticipates moderate appreciation pressure on Renminbi. In view of the fact that the Group's core business is mainly transacted in Renminbi and significant portion of assets are denominated in Renminbi, the exposure of the Group's risk from exchange rate fluctuation was minimal. For the six-month period ended 30 June 2009, the Group did not enter into any arrangement to hedge its foreign exchange exposure.

CONTINGENT LIABILITIES

At 30 June 2009, the Group had no contingent liabilities.

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

At 30 June 2009, 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	Total	Aggregate	% of the
	Personal interests	Family interests	Corporate interests	interests in ordinary shares	interests in underlying shares		
Executive Directors:							
Mr. Lau Yeung Sang (Note 1)	-	-	421,780,000	421,780,000	-	421,780,000	28.05%
Mr. Liu Ruisheng (Note 2)	-	-	-	-	5,100,000	5,100,000	0.34%
Madam Luan Yumin (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. Meng Lihui	-	-	-	-	-	-	-
Mr. Wan Xieqiu	-	-	-	-	-	-	-
Mr. Fong Heung Sang	-	-	-	-	-	-	-

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 ordinary shares.

2. The interests of Mr. Liu Ruisheng and Madam Luan Yumin 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".
3. 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.
4. There were no debt securities nor debentures issued by the Group at any time during the period ended 30 June 2009.

Save as disclosed above, at 30 June 2009, 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 at 30 June 2009 and for the period ended 30 June 2009,

- (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, at 30 June 2009, 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	421,780,000	28.05%
Every City Industrial Limited (Note 2)	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) Long positions in underlying shares of equity derivatives of the Company

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

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

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

SHARE OPTIONS

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

(A) Share Option Scheme

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

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

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

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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2009
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	25,290,000	-	-	(25,290,000)	-
Director, senior management and staff of the Group	22 February 2008	Fully vested on 22 February 2008	22 February 2008 to 21 February 2011	HK\$0.300	27,780,000	-	-	(1,050,000)	26,730,000
		22 February 2008 to 22 February 2009	22 February 2009 to 21 February 2011	HK\$0.300	27,780,000	-	-	(1,050,000)	26,730,000
		22 February 2008 to 22 February 2010	22 February 2010 to 21 February 2011	HK\$0.300	27,780,000	-	-	(1,050,000)	26,730,000
					<u>109,050,000</u>	<u>-</u>	<u>-</u>	<u>(28,440,000)</u>	<u>80,610,000</u>

Note: -

- (1) The Company received a consideration of HK\$1.00 from each of the grantees of the Share Option Scheme.

At 30 June 2009, the number of shares in respect of which options had been granted and outstanding under the Share Option Schemes was 80,610,000, representing approximately 5.36% 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 2009, 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

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six-month period ended 30 June 2009.

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 Lihui, Mr. Wan Xieqiu and Mr. Fong Heung Sang. Mr. Meng Lihui is the chairman of the audit committee.

The Group's unaudited condensed consolidated financial reports for the six-month period ended 30 June 2009 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 2009, 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 Yeung Sang
Chairman

Hong Kong, 7 August 2009

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

Executive Directors:

Mr. Lau Yeung Sang (*Chairman*)
Mr. Liu Ruisheng
Madam Luan Yumin
Madam Ren Lili

Non-executive Director:

Mr. Chow Cheuk Lap

Independent Non-executive Directors:

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