



Third Quarterly Report 2009

Universal Technologies



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 nine-month period ended 30 September 2009 amounted to approximately HK\$56.86 million (2008: HK\$57.30 million).
- Net profit attributable to shareholders of the Company for the nine-month period ended 30 September 2009 amounted to approximately HK\$15.33 million (2008: HK\$17.58 million).
- Basic and diluted earnings per share for the nine-month period ended 30 September 2009 amounted to approximately HK1.02 cent (2008: HK1.20 cent).
- The board of directors does not recommend payment of any dividend for the nine-month period ended 30 September 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 nine-month periods ended 30 September 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the nine-month period ended 30 September 2009	For the nine-month period ended 30 September 2008	For the three-month period ended 30 September 2009	For the three-month period ended 30 September 2008
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	56,862	57,304	19,913	19,872
Other revenue	2	<u>1,366</u>	<u>762</u>	<u>675</u>	<u>220</u>
		58,228	58,066	20,588	20,092
Cost of sales		(6,940)	(5,938)	(2,603)	(2,918)
Staff costs		(15,782)	(16,048)	(5,342)	(4,325)
Depreciation and amortisation of prepaid land lease premium		(1,189)	(2,622)	(196)	(992)
Minimum operating lease rentals		(4,087)	(2,903)	(949)	(1,537)
Other operating expenses		<u>(14,274)</u>	<u>(12,252)</u>	<u>(5,427)</u>	<u>(4,147)</u>
Profit from operations	3	15,956	18,303	6,071	6,173
Finance costs		(773)	(733)	(45)	(285)
Share of results of an associate		<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Profit before income tax		15,183	17,567	6,026	5,885
Income tax expense	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit for the period		<u>15,183</u>	<u>17,567</u>	<u>6,026</u>	<u>5,885</u>
Attributable to:					
Shareholders of the Company		15,334	17,586	6,097	5,904
Minority interests		<u>(151)</u>	<u>(19)</u>	<u>(71)</u>	<u>(19)</u>
Profit for the period		<u>15,183</u>	<u>17,567</u>	<u>6,026</u>	<u>5,885</u>
Dividend	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings per share (in HK cents)					
Basic	6	<u>1.02</u>	<u>1.20</u>	<u>0.40</u>	<u>0.39</u>
Diluted	6	<u>1.02</u>	<u>1.20</u>	<u>0.40</u>	<u>0.39</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	For the nine-month period ended 30 September 2009 HK\$'000	For the nine-month period ended 30 September 2008 HK\$'000	For the three-month period ended 30 September 2009 HK\$'000	For the three-month period ended 30 September 2008 HK\$'000
Profit for the period	<u>15,183</u>	<u>17,567</u>	<u>6,026</u>	<u>5,885</u>
Other comprehensive income:				
Exchange differences on translating foreign operations	(262)	8,223	216	-
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>(262)</u>	<u>8,223</u>	<u>216</u>	<u>5,885</u>
Total comprehensive income for the period	<u>14,921</u>	<u>25,790</u>	<u>6,242</u>	<u>5,885</u>
Total comprehensive income attributable to:				
Shareholders of the Company	15,072	25,809	6,313	5,904
Minority interests	<u>(151)</u>	<u>(19)</u>	<u>(71)</u>	<u>(19)</u>
	<u>14,921</u>	<u>25,790</u>	<u>6,242</u>	<u>5,885</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Nine-month Period Ended 30 September 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.

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 accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the nine-month period ended 30 September 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 nine-month period ended 30 September 2009 HK\$'000	For the nine-month period ended 30 September 2008 HK\$'000	For the three-month period ended 30 September 2009 HK\$'000	For the three-month period ended 30 September 2008 HK\$'000
Payment solutions and related services income	49,571	51,103	16,991	16,506
Timber trading and furniture manufacturing	<u>7,291</u>	<u>6,201</u>	<u>2,922</u>	<u>3,366</u>
Turnover	56,862	57,304	19,913	19,872
Interest on bank deposits	731	543	466	188
Others	<u>635</u>	<u>219</u>	<u>209</u>	<u>32</u>
Total revenue	<u>58,228</u>	<u>58,066</u>	<u>20,588</u>	<u>20,092</u>

3. PROFIT FROM OPERATIONS

	Nine-month period ended 30 September 2009 HK\$'000	2008 HK\$'000	Three-month period ended 30 September 2009 HK\$'000	2008 HK\$'000
Profit from operations is arrived at after charging/(crediting):–				
Cost of inventories recognised as expenses	5,400	5,938	1,063	2,918
Depreciation and amortisation of prepaid land lease premium	1,189	2,622	196	992
Minimum operating lease rentals	4,087	2,903	949	1,537
Gain on disposal of financial assets	(205)	–	(62)	–
(Gain)/loss on change in fair value of financial assets	<u>(32)</u>	<u>201</u>	<u>15</u>	<u>114</u>

4. 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 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 expense represents the sum of the current tax and deferred tax and is made up as follows:

	For the nine-month period ended 30 September 2009 HK\$'000	For the nine-month period ended 30 September 2008 HK\$'000	For the three-month period ended 30 September 2009 HK\$'000	For the three-month period ended 30 September 2008 HK\$'000
Current tax:				
Overseas taxation	-	-	-	-
Deferred taxation:				
Current period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

5. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the nine-month period ended 30 September 2009. (2008: Nil).

6. EARNINGS PER SHARE

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

	Nine-month period ended 30 September		Three-month period ended 30 September	
	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>15,334</u>	<u>17,586</u>	<u>6,097</u>	<u>5,904</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>	1,469,874,113	<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>1,469,874,113</u>	<u>1,503,928,858</u>	<u>1,503,928,858</u>

7. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	-	-	17,586	25,809	(19)	25,790
At 30.9.2008	15,039	205,295	1,093	10,754	8,130	4,353	2,642	(12,353)	234,953	(19)	234,934
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	-	-	-	-	(262)	-	-	15,334	15,072	(151)	14,921
Transferred to accumulated profit/(losses)	-	-	-	-	-	(670)	-	670	-	-	-
At 30.9.2009	15,039	205,295	1,093	10,754	(8,971)	3,861	4,939	6,654	238,664	4,611	243,275

BUSINESS REVIEW AND PROSPECTS

Review

For the nine-month period ended 30 September 2009, despite the international financial crisis continuing to entwine and the obvious slowdown of development in payment industry, the Group was able to maintain steady growth in both its revenue and profits quarter by quarter. Substantial increases are particularly shown in the third-quarter.

During the period, we grasped the opportunity and successfully promoted the fast development of our payment business by expanding initiatives. As a result, we maintain as one of the top 5 leading position in the industry with outstanding performance. As the Group actively push forward to focus on effectiveness and optimize our existing resources allocation, all business units met the business target under effective budget control, thereby laying a strong foundation for future development. Furthermore, the Group's tender for China Unicom's e-payment channel has been accepted. This is one of the most significant indexes of the State-owned Enterprise for the third-party payment operator. Also it can predict that the number of transaction will increase definitely. The co-operation with China Unicom proves that the Group has a strong competitive advantage in technology, products, market, also the partnership between our Group and China Unicom make us to achieve further breakthroughs. With the continued improvement of the products, international payment card was well received in the market with increasing market share. Our excellent anti-fraud system also enhances our competitive advantage. In aviation industry, after the continuous strategic partnership with China Southern Airlines, the Group keeps exploring new partnership with other airlines, and we estimate a few more strategic partners in aviation industry will be confirmed by this year. In the meantime, through launching new products with the commercial bank in other urban cities, such as, cross-border remittance product, account payment etc, further consolidating our leading position in the market. Currently, our number of strategic partners in China Banking industry has increased to 28 banks, this enhances our market leadership. Furthermore, we keep launching different kinds of join promotion with Mainland China banks. In the upcoming, we will launch a series program regarding phishing fraud. During the period, we keep provide high quality of services and risk control in order to prevent anti-fraud during the payment process. At the same time, we keep launching market education to give a brief concept to the user regarding internet security. Moreover, it is our pleasure to invite the Director of Payment System Department of The People's Bank of China as a speaker and also we have invited Anti-Money Laundering Bureau to discuss anti-money laundering issue.

With determination, we adhered to the brand and market development in our timber business. As demand fell, we still receive same selling record during the same period last year. A brand new 'Heritage Mode' has been launched, a series of promotion plan will launch constantly in the forth-quarter and coming year. In order to build up brand awareness, 2 distributors point have been added in Nanjing and Shanghai. In the meantime, a new retail store grand opened in Shanghai. We expected the sales of timber business will growth steady in the forth-quarter.

During the period, our headquarters building topped out in Shanghai Xuhui district in the mid of August. The construction part is nearly finished, and the follow-up part started accordingly. The building is expected to launch in late 2009. Our Group received recognition by related government department in planning of this project. It greatly enhanced the Group's further development in Shanghai.

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.

Payment business is very important for us in the coming year. Whether the government regulation, industry consolidation, or cross-sector cooperation, the payment industry is undergoing a change. This has injected new energy into the industry, creating new opportunities and challenges. Facing the new business environment, we will continue to uphold our strategy. We will maintain our robust market position as a whole. The deployment of our diversification, innovation and excellent services delivery is to accomplish our progressive business growth. Furthermore, we base on the in-depth industry analysis to consolidate each industry character then tailor made the suitable payment solution to them. As our merchant banks setup their headquarters in Beijing, we will enhance our full services resources and operational capability in Beijing branch. We will focus on effectiveness and optimize our existing resources allocation synergy with Shanghai and Beijing office. In future, we will keep focus on product innovation; this is one of our key strategies. In order to meet the new requirement of operation, we will implement innovative mechanisms and optimize processes to ensure efficient operation of our full services organization structure and product development system. The Group continued to adhere to the human resources development strategy. We shall continue to improve corporate and staff capabilities, thereby providing support to the versatile our Group development. The Chinese government department tends to push forward to monitor and guide the payment industry and make sure it is on the right track. This is a mutual benefit for our Group. We look forward to hearing the policy launch in the near future. We do not rule out the possibility of co-operation of capital.

In relation to timber business, the 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. A new retail shop grand opened in Shanghai this year. We are aiming to expand different kind of business, get the first hand of market information, fulfill the needs and achieve sustained growth. We do not rule out any possibilities of business acquisition to further strengthen and expand our business in full extent.

The completion of the headquarters building just around the corner, we look forward to the completion of the building, as it can reduce the expenditure pressures by rising rents, as well as offer a stable rental income to our Group. The analysis shows that the office market in Greater China region becoming more active and strong investment climate during the third-quarter, particularly, the World Expo 2010 held in Shanghai soon. Under favorable conditions, the Group is ready to seize the opportunity and continue to create a better development.

Our Group is preserved with flexibility for our strategies. The transformation of Shanghai city as the leading financial, transport and logistics services 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.

Every conclusion is the starting point for the next journey. For achievements, we are mindful of it; when facing difficulties, we become more courageously. Whether sunny or the windy day, we shall go forward.

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

At 30 September 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 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 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%
Madam Ren Lili (Note 2)	-	-	-	-	5,100,000	5,100,000	0.34%
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	-	-	-	-	-	-	-
Mr. Liu Ji	-	-	-	-	-	-	-

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.
- The interests of Mr. Liu Ruisheng, Madam Luan Yumin and Madam Ren Lili 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 September 2009.

Save as disclosed above, at 30 September 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 September 2009 and for the period ended 30 September 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 September 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 September 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	-	-	(3,120,000)	24,660,000
		22 February 2008 to 22 February 2009	22 February 2009 to 21 February 2011	HK\$0.300	27,780,000	-	-	(3,120,000)	24,660,000
		22 February 2008 to 22 February 2010	22 February 2010 to 21 February 2011	HK\$0.300	27,780,000	-	-	(3,120,000)	24,660,000
					<u>109,050,000</u>	<u>-</u>	<u>-</u>	<u>(34,650,000)</u>	<u>74,400,000</u>

Note: -

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

At 30 September 2009, the number of shares in respect of which options had been granted and outstanding under the Share Option Schemes was 74,400,000, representing approximately 4.95% of the issued share capital of the Company.

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

During the nine-month period ended 30 September 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 nine-month period ended 30 September 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 four independent Non-executive Directors, namely Mr. Meng Lihui, Mr. Wan Xieqiu, Mr. Fong Heung Sang and Mr. Liu Ji. Mr. Meng Lihui is the chairman of the audit committee.

The Group's unaudited condensed consolidated financial reports for the nine-month period ended 30 September 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 nine-month period ended 30 September 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, 6 November 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

Mr. Liu Ji