



2010

Interim Report



UNIVERSAL TECHNOLOGIES

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

SUMMARY

- Turnover for the six-month period ended 30 June 2010 amounted to approximately HK\$40.69 million (2009: HK\$36.95 million).
- Net profit attributable to shareholders of the Company for the six-month period ended 30 June 2010 amounted to approximately HK\$7.76 million (2009: HK\$9.24 million).
- Basic and diluted earnings per share for the six-month period ended 30 June 2010 amounted to approximately HK0.51 cent (2009: HK0.61 cent).
- The board of directors does not recommend payment of any dividend for the six-month period ended 30 June 2010 (2009: Nil).

UNAUDITED RESULTS

The board of directors (the "Board") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six-month period ended 30 June 2010 together with the unaudited comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six-month period ended 30 June 2010	For the six-month period ended 30 June 2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	40,691	36,949
Cost of sales/services rendered		(3,923)	(4,337)
Gross profit		36,768	32,612
Other income	2	579	691
General and administrative expenses		(28,782)	(23,418)
Profit from operations		8,565	9,885
Finance costs		(893)	(728)
Profit before income tax	3	7,672	9,157
Income tax	5	-	-
Profit for the period		<u>7,672</u>	<u>9,157</u>
Attributable to:			
Shareholders of the Company		7,757	9,237
Minority interests		(85)	(80)
Profit for the period		<u>7,672</u>	<u>9,157</u>
Earnings per share (<i>in HK cents</i>)			
Basic	7	<u>0.51</u>	<u>0.61</u>
Diluted	7	<u>0.51</u>	<u>0.61</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the six-month period ended 30 June 2010 HK\$'000	For the six-month period ended 30 June 2009 HK\$'000
Profit for the period	<u>7,672</u>	<u>9,157</u>
Other comprehensive income:		
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	<u>1,290</u>	<u>(478)</u>
Other comprehensive income for the period, net of tax	<u>1,290</u>	<u>(478)</u>
Total comprehensive income for the period	<u>8,962</u>	<u>8,679</u>
Total comprehensive income attributable to:		
Shareholders of the Company	<u>9,047</u>	<u>8,759</u>
Minority interests	<u>(85)</u>	<u>(80)</u>
	<u>8,962</u>	<u>8,679</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2010 <i>HK\$'000</i>	(Audited) At 31 December 2009 <i>HK\$'000</i>
	Note	<u> </u>	<u> </u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	63,331	48,874
Prepaid land lease premium	9	79,982	77,146
Development cost		4,433	1,556
Goodwill	10	79,870	79,870
Interest in an associate		5	5
Other non-current assets		2,682	–
		<u>230,303</u>	<u>207,451</u>
CURRENT ASSETS			
Inventories		16,772	16,008
Debtors	11	16,352	13,538
Trade deposits		4,409	4,973
Other deposits, prepayments and other receivables		28,724	18,860
Amounts due from related companies		13	13
Financial assets at fair value through profit or loss		2,405	1,109
Prepaid land lease premium	9	1,659	1,555
Tax recoverable		–	7
Cash and bank balances		153,292	128,724
		<u>223,626</u>	<u>184,787</u>
		-----	-----
DEDUCT:			
CURRENT LIABILITIES			
Bank loans		17,317	15,926
Trade payable		1	1
Payable to merchants		104,576	75,213
Deposits received, sundry creditors and accruals		24,085	16,451
Amount due to a director		29	29
Amount due to an associate		5	5
		<u>146,013</u>	<u>107,625</u>
		-----	-----

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	(Unaudited) At 30 June 2010 <i>HK\$'000</i>	(Audited) At 31 December 2009 <i>HK\$'000</i>
<i>Note</i>		
NET CURRENT ASSETS	77,613	77,162
TOTAL ASSETS LESS CURRENT LIABILITIES	307,916	284,613
DEDUCT:		
NON-CURRENT LIABILITY		
Bank loans	33,807	29,009
NET ASSETS	274,109	255,604
REPRESENTING:		
CAPITAL AND RESERVES		
Share capital	15,545	15,039
Reserves	255,801	237,717
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	271,346	252,756
MINORITY INTERESTS	2,763	2,848
TOTAL EQUITY	274,109	255,604



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six-month period ended 30 June 2010 <i>HK\$'000</i>	For the six-month period ended 30 June 2009 <i>HK\$'000</i>
NET CASH FROM OPERATING ACTIVITIES	34,719	7,842
NET CASH USED IN INVESTING ACTIVITIES	(25,863)	(8,341)
NET CASH FROM FINANCING ACTIVITIES	<u>15,338</u>	<u>13,618</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,194	13,119
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	374	481
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>128,724</u>	<u>63,228</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>153,292</u></u>	<u><u>76,828</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>153,292</u></u>	<u><u>76,828</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	(Accumulated losses)/retained profits	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 January 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 losses)/retained profits	-	-	-	-	-	(670)	-	670	-	-	-
At 30 June 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>
At 1 January 2010	15,039	205,295	1,093	10,754	(9,106)	4,170	7,133	18,378	252,756	2,848	255,604
Exercise of share options	506	14,660	-	-	-	-	-	-	15,166	-	15,166
Equity-settled share-based transactions	-	-	-	-	-	393	-	-	393	-	393
Total comprehensive income for the period	-	-	-	-	1,290	-	-	7,757	9,047	(85)	8,962
Transferred to statutory reserve	-	-	-	-	-	-	1,037	(1,037)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(6,016)	(6,016)	-	(6,016)
At 30 June 2010	<u>15,545</u>	<u>219,955</u>	<u>1,093</u>	<u>10,754</u>	<u>(7,816)</u>	<u>4,563</u>	<u>8,170</u>	<u>19,082</u>	<u>271,346</u>	<u>2,763</u>	<u>274,109</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2010

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.

On 22 June 2010, the listing of the shares of the Company was transferred to the Main Board of the Stock Exchange.

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except for the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of the above new or revised 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.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

- ¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
- ² Effective for annual periods beginning on or after 1 February 2010
- ³ Effective for annual periods beginning on or after 1 July 2010
- ⁴ Effective for annual periods beginning on or after 1 January 2011
- ⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might not affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 income is set out below:

	(Unaudited) For the six-month period ended 30 June 2010 <i>HK\$'000</i>	(Unaudited) For the six-month period ended 30 June 2009 <i>HK\$'000</i>
Payment solutions and related services income	36,465	32,580
Timber trading and furniture manufacturing	4,226	4,369
Turnover	40,691	36,949
Interest on bank deposits	349	265
Exchange gain	–	6
Others	230	420
	41,270	37,640

3. PROFIT BEFORE INCOME TAX

	(Unaudited) For the six-month period ended 30 June 2010 <i>HKS'000</i>	(Unaudited) For the six-month period ended 30 June 2009 <i>HKS'000</i>
Profit before income tax is arrived at after charging/(crediting):		
Cost of sales/services rendered	3,923	4,337
Staff costs including directors' remuneration	14,186	10,440
Depreciation and amortisation of prepaid land lease premium	1,983	993
Minimum operating lease rentals	1,708	3,138
Gain on disposal of financial assets	(157)	(143)
Loss/(gain) on change in fair value of financial assets	159	(47)

4. SEGMENT REPORTING

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following three reportable segments. No operating segment has been aggregated to form the following reportable segments.

(a) Payment solutions

This segment primarily derives its revenue from the provision of payment solutions and ongoing technical support services to customers in the PRC, Hong Kong and overseas.

(b) Timber trading and furniture manufacturing

This segment engaged in trading of timber and manufacturing of furniture to customers in the PRC.

(c) Trading and system integration

This segment engaged in trading, provision of system integration and related technical support services to customers in the PRC.

Others include property-related business, supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and the PRC. These operating segments have not been aggregated to form a reporting segment.

The key management assesses the performance of the segments based on the results on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

4. SEGMENT REPORTING (CONTINUED)

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate.

(a) Segments results

The following table presents the information for the Group's reporting segments for the six-month period ended 30 June:

	Reportable segments									
	Payment solutions		Timber trading and furniture manufacturing		Trading and system integration		Others		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue										
Revenue from external customers	36,465	32,580	4,226	4,369	-	-	-	-	40,691	36,949
Other revenue	328	271	92	245	1	-	158	175	579	691
Total revenue	<u>36,793</u>	<u>32,851</u>	<u>4,318</u>	<u>4,614</u>	<u>1</u>	<u>-</u>	<u>158</u>	<u>175</u>	<u>41,270</u>	<u>37,640</u>
Segment profit	18,336	7,868	(456)	(213)	(270)	-	(9,394)	1,965	8,216	9,620
Interest income									349	265
Profit from operations									8,565	9,885
Finance costs									(893)	(728)
Profit before income tax									7,672	9,157
Income tax									-	-
Profit for the period									<u>7,672</u>	<u>9,157</u>
Attributable to:										
- Shareholders of the Company									7,757	9,237
- Minority interests									(85)	(80)
									<u>7,672</u>	<u>9,157</u>

4. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

The following table presents the information about the geographical location of the Group's revenue from external customers for the six-month period ended 30 June:

	PRC		Hong Kong/Overseas		Consolidated	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue from external customers	18,351	21,069	22,340	15,880	40,691	36,949
Other revenue	388	265	191	426	579	691
Total revenue	<u>18,739</u>	<u>21,334</u>	<u>22,531</u>	<u>16,306</u>	<u>41,270</u>	<u>37,640</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered.

5. INCOME TAX

- (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 represents the sum of the current tax and deferred tax and is made up as follows:

	(Unaudited) For the six-month period ended 30 June 2010 <i>HK\$'000</i>	(Unaudited) For the six-month period ended 30 June 2009 <i>HK\$'000</i>
Current tax:		
Overseas taxation	-	-
Deferred taxation:		
Current period	-	-
	<u>-</u>	<u>-</u>

6. DIVIDENDS

	(Unaudited) For the six-month period ended 30 June 2010 <i>HK\$'000</i>	(Unaudited) For the six-month period ended 30 June 2009 <i>HK\$'000</i>
Dividends recognised as distribution during the period:		
2009 Final dividend of HK0.39 cents per ordinary share (2009: 2008 Final dividend of HK\$Nil per share)	6,016	–

The final dividends for the year ended 31 December 2009 of approximately HK\$6,016,000 were declared and approved after 31 December 2009. Under the Group's accounting policy, they were recognised as distribution in the period in which they were declared.

The Board does not recommend payment of an interim dividend for the six-month period ended 30 June 2010. (Six-month period ended 30 June 2009: Nil).

7. EARNINGS PER SHARE

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

	(Unaudited) For the six-month period ended 30 June 2010 <i>HK\$'000</i>	(Unaudited) For the six-month period ended 30 June 2009 <i>HK\$'000</i>
<i>Earnings</i>		
Earnings for the periods used in the calculation of basic and diluted earnings per share	7,757	9,237
<i>Number of shares</i>		
Weighted average number of shares in issue, for the purpose of calculation of basic earnings per share	1,524,943,886	1,503,928,858
Effect of dilutive potential ordinary shares:		
Share options	–	–
Weighted average number of shares in issue for calculation of diluted earnings per share	1,524,943,886	1,503,928,858

For the six-month period ended 30 June 2010, diluted earnings per share is equal to the basic earnings per share because the exercise price of the Group's share options was higher than the average market price of the Group's shares.

8. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2010, the Group had additions to property, plant and equipment in the amount of approximately HK\$15,721,000 (31 December 2009: HK\$37,147,000).

At 30 June 2010, the property held under medium-term lease with a net book value of HK\$2,887,000 (31 December 2009: HK\$1,808,000) was pledged to banks to secure bank loans granted to subsidiaries of the Group.

At 30 June 2010, the construction in progress with a net book value of HK\$51,922,000 (31 December 2009: HK\$39,641,000) was pledged to a bank to secure a bank loan granted to a subsidiary 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:

	(Unaudited) At 30 June 2010 HK\$'000	(Audited) At 31 December 2009 HK\$'000
In Hong Kong, held on medium-term lease	4,272	970
Outside Hong Kong, held on medium-term lease	77,369	77,731
	81,641	78,701
Less: Current portion	(1,659)	(1,555)
Non-current portion	79,982	77,146

At 30 June 2010 the prepaid land lease premium with a net book value of HK\$80,684,000 (31 December 2009: HK\$77,731,000) was pledged to banks to secure bank loans granted to subsidiaries of the Group.

10. GOODWILL

	(Unaudited) At 30 June 2010 HK\$'000	(Audited) At 31 December 2009 HK\$'000
Closing net book value	79,870	79,870

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 24% 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:

	(Unaudited) At 30 June 2010 <i>HKS'000</i>	(Audited) At 31 December 2009 <i>HKS'000</i>
0-6 months	16,150	8,632
7-12 months	202	4,891
Over one year	-	15
	16,352	13,538

12. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided is as follows:

	(Unaudited) At 30 June 2010 <i>HKS'000</i>	(Audited) At 31 December 2009 <i>HKS'000</i>
Construction in progress	7,285	11,099



BUSINESS REVIEW AND PROSPECTS

Review

For the six-month period ended 30 June 2010, the Group recorded a steady growth in sales following the corporate strategies that were laid out at the beginning of the year. We have increased our resources, continued to expand and upgrade our business platform of both the group and subsidiary companies and continued to scale new heights with our achievements.

During this period, the Group made a successful transfer from the Growth Enterprise Market to the Main Board (stock code: 1026) of the Stock Exchange to mark an important milestone in our group's development. Trading on the Main Board enhances the status of the Group and provides a broader platform for diversification of industries, development of investor relations to achieve vertical industry integration and horizontal business expansion and bring about greater long-term shareholder value.

There are several breakthroughs on payment business within this period that paved the way for the Group's future development. Firstly, the strategy of developing human resources is our key emphasis during this period. By introducing senior specialists, information technology professionals, restructuring the organization, and reviewing our business models and processes, we have divided the risk control department into two separate departments responsible now for business-rules-oriented risk management department and policy/regulation-monitoring-oriented compliance, significant increase of technical developer etc. This has resulted in increasing the efficiency in the payment business. Secondly, introducing various initiatives to implement our global, local and industry strategies such as, successfully signing and cooperating with several international payment gateways to enhance multi-currency clearing; buying and integrating business that are related to our payment business; launching the membership website "MOF Town" that directed at China cardholders; developing international remittance modes that based on current banking products; and more airline industry products of to target the high end traveler market. Despite the more intense market and price competition, we have maintained a wide product portfolio and increased market promotion to enable rapid growth for our sales turnover while maintaining a steady revenue stream, much to the credit of all our staff's hard work and contributions. Last but not the least, in regard of cooperation with banks through a deep understanding of their requirements to develop mutual business cooperation, the benefits from these efforts will be realized in the near future.

The People's Bank of China ("Central Bank") announced the "Administrative Regulation on Payment Service for Non-Financial Institutions" ("2nd Regulation Rule") in the end of June that states the administration manners and qualification requirements of related service providers give very clear regulations for the payment industry. Related enterprises are required to apply for "Payment Business License". According to the risk control and regulations of 2nd Regulation Rule in prohibited operating non-licensed corporate in the industry that will be more beneficial and bringing more opportunities to the licensed corporate. We are glad and encouraged by the announcement of such regulation as it is an important milestone for the e-payment industry as it transforms and moves e-commerce industry forward to become part of the financial industry. The announcement of 2nd Regulation Rule demands higher standards and some of our previous improvement plans including system upgrading and branding will be introduced at a faster and stronger pace. Moreover, some of our businesses, according to the regulation, will be more streamlined. For instance, the remittance projects that under reviewed by the State Administration of Foreign Exchange will be simultaneously applying for the Payment Business License that based on approval department's decision. We will adjust our plans accordingly and take advantage of the experience in successfully linking with banking systems to launch international remittance models that based upon current banking products. Such regulations speed up industry development and merger and acquisition activities. This encourages those Small and Medium Enterprises involved in the e-payment business to explore further integration and corporate mergers. To us, it is an excellent opportunity to explore investment in assets and co-operation with partners in the industry. We will seize these opportunities to achieve the upgrading of the payment industry platform of the group.

The Group's timber business performed at more than satisfactory levels after making timely adjustments last year in marketing and promotion strategies. This was attributed also to opening the new stores, increased interest from new agents, increased sales from both national and global distribution channels. It has given a solid foundation for the management of timber resources in this period. Fully aware of the importance of distribution channels, we have invested more resources. The Group focused on several key areas, including supply of raw materials, quality control and brand-building, through active cooperation in Indonesia. We have also improved strategies and gained better understanding of the Chinese market in Indonesia by sending more skilled workers and used technology to achieve dual control of raw materials and quality, despite the satisfactory performance during the period, the long-term development of timber business platform is more important.

During this period, all our Shanghai-based subsidiaries moved into the new headquarters. The new working environment has boosted the morale and sense of belonging among employees. It further enhances the image of the Group and increased confidence and faith of our business partners. To maximize the use of the new building, the Group will lease the unused floor/space. The leasing contract with Industrial and Commercial Bank of China Limited is confirmed; negotiation is now underway with interested parties and will be finalized shortly. Independent property-management operation has commenced this season and we are engaged fully in security, fire control, hygiene and epidemic prevention. The Group's business strategy to develop the proposed industrial park project is still proceeding as planned for this period.

The Group will look at the appropriate timing for investment or acquisition taking into consideration the maturity of the industry, the state of development of operations and our ongoing research on expansion, integration and cooperation opportunities.



Prospects

Our management believe that 2010 marks a new beginning with new opportunities and challenges that will enable us to embark on new achievements.

Our focus will be to “target on a whole picture instead of on a single subject”. The most important objective for us this year is to obtain the non-financial institution payment license. In order to meet the requirements, we will adopt high level of technical standards, expand market share and enhance brand awareness. If necessary, we also consider restructuring our capital framework. With our intense preparation, we are fully confident to obtaining the license soon. The strategy adopted for the timber business is proving to be successful for us as we expand the distribution network and not focus on overall profit margin rather than on individual product line profit. The expansion of our distribution network is will be achieved within the next one to two years.

We also believe that “focusing on trend is more important than on timing”. We do not expect that there is a fixed time frame in achieving our goals but as a recognized expert in the payment industry, our pace must remain consistent with government policy and industry trend. As an international hub, our Hong Kong operations will interact closely with international banks and payment partners to complement the efforts of our Shanghai operations. We will strengthen our resources in research and development and product innovation and continuously look for investment opportunities in the sector as well as striving to become the market leader.

We firmly believe that “target on who to do is more crucial than on what to do”. In addition to our investment in customers and technology, investment in human resources is also our main focus in 2010. In the future, we still focus on two aspects in concerning the individual showing off their talent & ability, and also, we care the overall efficiency after individual goes into the group. The management is considering to propose to the board of directors that more focus in implementing the payroll evaluation policy, where granting the share option to employees in order to fulfill the incentive scheme in maximizing and motivating employees, we believe the investment in the cost of human resources and the increase of employee will be greatly helpful for development of the Company in the coming year to achieve the key objectives of the Company.

Our commitment will be unwavering – we will continue our efforts to maintain our leadership position in the industry and create value for shareholders by building a prosperous and sustainable business for the long run.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

At 30 June 2010, the Group had net current assets of approximately HK\$77,613,000. Current assets comprised inventories of approximately HK\$16,772,000, debtors of approximately HK\$16,352,000, trade deposits of approximately HK\$4,409,000, other deposits, prepayments and other receivables of approximately HK\$28,724,000, amounts due from related companies of approximately HK\$13,000, financial assets at fair value through profit or loss of approximately HK\$2,405,000, prepaid land lease premium of approximately HK\$1,659,000 and cash and bank balances of approximately HK\$153,292,000. Current liabilities comprised bank loans of approximately HK\$17,317,000, trade payable of approximately HK\$1,000, payable to merchants of approximately HK\$104,576,000, deposits received, sundry creditors and accruals of approximately HK\$24,085,000, amount due to a director of approximately HK\$29,000 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 2010 was 40% (31 December 2009: 35%).

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 2010, the total number of employees of the Group was 404 (31 December 2009: 297), representing a 36% increase as compared with that at 31 December 2009. The dedication and contribution of the Group's staff during the six-month period ended 30 June 2010 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 2010, the property held under medium-term lease with a net book value of HK\$2,887,000 (31 December 2009: HK\$1,808,000), the construction in progress with a net book value of HK\$51,922,000 (31 December 2009: HK\$39,641,000) and the prepaid land lease premium with a net book value of HK\$80,684,000 (31 December 2009: HK\$77,731,000) were pledged to banks to secure bank loans granted to subsidiaries of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In order to provide better payment solutions service and to meet the ever increasing business growth, the Group intended to upgrade and enhance current system in the coming six to twelve months. The estimated capital expenditure to be incurred for the system upgrade and the setup of hardware infrastructure, is around HKD\$20 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 2010, the Group did not enter into any arrangement to hedge its foreign exchange exposure.

CONTINGENT LIABILITIES

At 30 June 2010, the Group had no contingent liabilities.

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET ("GEM") TO THE MAIN BOARD OF THE STOCK EXCHANGE ("MAIN BOARD")

On 23 April 2010, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board. Subsequent to receiving the approval-in-principle for the transfer of listing from the Stock Exchange on 11 June 2010, dealings in the Company's shares on the Main Board commenced at 9:30 a.m. on 22 June 2010. The Board is of the view that the transfer of listing has enhanced the profile of the Group making it more attractive to institutional and retail investors and thus increasing the trading liquidity of its shares. With improved ability to raise capital, the Group is confident of its business development and growth prospects in the long run. In addition, the stock code for trading in the Shares on the Stock Exchange has been changed from "8091" to "1026" on 22 June 2010.

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

At 30 June 2010, 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 Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules, were as follows:

Name of Director	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares (Note 2)	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests				
Executive Directors:							
Mr. Lau Yeung Sang (Note 1)	-	-	400,280,000	400,280,000	-	400,280,000	25.75%
Mr. Liu Ruisheng	-	-	-	-	-	-	-
Madam Luan Yumin (Note 2)	-	-	-	-	6,200,000	6,200,000	0.40%
Madam Ren Lili (Note 2)	-	-	-	-	6,000,000	6,000,000	0.39%
Non-executive Director:							
Mr. Chow Cheuk Lap (Note 3)	-	-	67,540,000	67,540,000	-	67,540,000	4.34%
Independent Non-executive Directors:							
Mr. Meng Lihui (Note 2)	-	-	-	-	600,000	600,000	0.04%
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 Madam Luan Yumin, Madam Ren Lili and Mr. Meng Lihui 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 2010.

Save as disclosed above, so far as the Directors are aware as at 30 June 2010, 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 Model Code of the Listing Rules.

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 2010, 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

<u>Name</u>	<u>Type of interests</u>	<u>Number of shares</u>	<u>Approximate percentage of interests</u>
World One Investments Limited (<i>Note 1</i>)	Beneficial owner	400,280,000	25.75%
Ever City Industrial Limited (<i>Note 2</i>)	Beneficial owner	106,000,000	6.82%

Notes:

1. World One Investments Limited is wholly and beneficially owned by Mr. Lau Yeung Sang.
2. Ever 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 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
Initial management, shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK\$1.30	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\$1.40	70,000	-	-	-	70,000
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\$0.30	24,020,000	-	(16,850,000)	(1,300,000)	5,870,000
		22 February 2008 to 22 February 2009	22 February 2009 to 21 February 2011	HK\$0.30	24,020,000	-	(16,850,000)	(1,300,000)	5,870,000
		22 February 2008 to 22 February 2010	22 February 2010 to 21 February 2011	HK\$0.30	24,020,000	-	(16,850,000)	(1,300,000)	5,870,000
Director, senior management and staff of the Group	9 April 2010	Fully vested on 9 April 2010	9 April 2010 to 8 April 2012	HK\$0.39	-	60,000,000	-	-	60,000,000
					<u>72,480,000</u>	<u>60,000,000</u>	<u>(50,550,000)</u>	<u>(3,900,000)</u>	<u>78,030,000</u>

Note:

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

(B) Pre-IPO Share Option Schemes

The grantees of these schemes exercised all options before 1 January 2010 and there was no share option outstanding at 30 June 2010.

The above Share Option Schemes adopted by the Company on 21 October 2001 ("GEM Share Option Scheme") were terminated, upon the listing of the shares of the Company being transferred from GEM Board to the Main Board of the Stock Exchange on 22 June 2010. The share options granted under the GEM Share Option Scheme but unexercised will remain valid and exercisable in accordance with their terms of grant. The Board will be proposing to adopt a new share option scheme which will be in compliance with the Main Board Listing Rules and to obtain the approval of the shareholders in accordance with the Main Board Listing Rules at the Company's extraordinary general meeting to be held on 12 August 2010.

At 30 June 2010, the number of shares in respect of which options had been granted and outstanding under the Share Option Schemes was 78,030,000, representing approximately 5.02% 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 2010, 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 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 applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange ("GEM Listing Rules") (the "GEM CG Code") and, where appropriate, the principles and provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board CG Code") subsequent to the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange on 22 June 2010 (the "Transfer Date"). The Company has complied with all the Code Provisions. It has also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the GEM CG Code and after the Transfer Date, the Main Board CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors, before and after the transfer of listing of its shares on the Main Board on 22 June 2010 respectively.

Having made specific enquiry of all Directors, the Directors have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the period ended 30 June 2010.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in December 2001 and has formulated its written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules while it was listed on GEM. The Board has reviewed the terms of reference of the Audit Committee after the Transfer Date and confirmed that the terms of reference are in compliance with paragraph C.3.3 of the Main Board CG Code.

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.

Working closely with the management of the Company, the Audit Committee has reviewed the Company's interim results, the accounting principles and practices adopted by the Group, discussed with the Board and management the internal controls, risk management and financial reporting matters.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.uth.com.hk). The interim report for the six months ended 30 June 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Universal Technologies Holdings Limited
Lau Yeung Sang
Chairman

Hong Kong, 6 August 2010

As at the date of this report, the Board comprises:

Executive Directors:

Mr. Lau Yeung Sang
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