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UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

環球實業科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1026)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- Turnover for the six months ended 30 June 2012 amounted to approximately HK\$66.02 million (six months ended 30 June 2011: HK\$124.53 million), representing a decrease of 47% as compared to the last fiscal period. The decrease in turnover is mainly due to the decrease in revenue of the Group's payment solutions business.
- Net profit attributable to shareholders of the Company for the six months ended 30 June 2012 amounted to approximately HK\$13.91 million (six months ended 30 June 2011: HK\$43.15 million), representing a decrease of 68% as compared to the last fiscal period. Such decrease in profit is mainly due to the decrease in turnover of payment solutions business and increase in operating expenses.
- Basic and diluted earnings per share for the six months ended 30 June 2012 amounted to HK0.82 cent and HK0.81 cent respectively (six months ended 30 June 2011: HK2.79 cents and HK2.79 cents respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: an interim dividend of HK0.80 cent per share and a special dividend of HK1.20 cent per share).

INTERIM RESULTS

The Board of Directors (the “Board”) of Universal Technologies Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012 together with comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover			
Cost of sales/services rendered	3	66,021 (9,107)	124,531 (13,802)
Gross profit		56,914	110,729
Other revenue	3	15,024	2,283
Other income		3,194	147
General and administrative expenses		(54,035)	(63,966)
Profit from operations		21,097	49,193
Finance costs		(3,546)	(1,945)
Share of results of an associate		(180)	—
Profit before income tax	4	17,371	47,248
Income tax expense	6	(565)	(3,925)
Profit for the period		16,806	43,323
Attributable to:			
Shareholders of the Company		13,905	43,148
Non-controlling interests		2,901	175
Profit for the period		16,806	43,323
Earnings per share (<i>in cents</i>)			
Basic	8	0.82	2.79
Diluted	8	0.81	2.79

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	16,806	43,323
Other comprehensive income:		
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China	581	7,031
Other comprehensive income for the period, net of tax	581	7,031
Total comprehensive income for the period	17,387	50,354
Total comprehensive income attributable to:		
Shareholders of the Company	14,354	49,677
Non-controlling interests	3,033	677
	17,387	50,354

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	9	65,708	58,717
Prepaid land lease premium	10	42,824	43,056
Investment properties	11	127,348	120,730
Intangible assets		16,215	15,395
Goodwill		79,870	79,870
Interest in an associate		556	—
Other non-current assets		12,274	—
Other receivables	13	—	600
		<u>344,795</u>	<u>318,368</u>
CURRENT ASSETS			
Inventories		37,106	27,373
Debtors	12	107,563	119,277
Deposits, prepayments and other receivables	13	202,618	169,679
Financial assets at fair value through profit or loss		10,845	14,571
Prepaid land lease premium	10	1,138	1,253
Pledged time deposits		115,376	114,736
Cash and bank balances		399,879	365,337
		<u>874,525</u>	<u>812,226</u>
DEDUCT:			
CURRENT LIABILITIES			
Secured bank loan	17	217,765	217,765
Trade payable	14	685	75
Payable to merchants	15	451,699	328,650
Deposits received, sundry creditors and accruals	16	92,989	129,018
Tax payable		778	1,243
		<u>763,916</u>	<u>676,751</u>
NET CURRENT ASSETS		<u>110,609</u>	<u>135,475</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>455,404</u>	<u>453,843</u>

		At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
	<i>Note</i>		
DEDUCT:			
NON-CURRENT LIABILITY			
Deferred tax liability		<u>13,195</u>	<u>13,122</u>
		<u>13,195</u>	<u>13,122</u>
NET ASSETS		<u>442,209</u>	<u>440,721</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	<i>18</i>	<u>17,046</u>	<u>17,025</u>
Reserves		<u>398,515</u>	<u>400,081</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		415,561	417,106
NON-CONTROLLING INTERESTS		<u>26,648</u>	<u>23,615</u>
TOTAL EQUITY		<u>442,209</u>	<u>440,721</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2012*

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	56,574	25,352
NET CASH USED IN INVESTING ACTIVITIES	(7,413)	(21,897)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(15,899)	82,936
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,262	86,391
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	1,280	1,120
CASH AND CASH EQUIVALENTS AT 1 JANUARY	365,337	267,215
CASH AND CASH EQUIVALENTS AT 30 JUNE	399,879	354,726
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	399,879	354,726

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

	Attributable to shareholders of the Company												Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Treasury share reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	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 2011	15,441	221,148	166	—	1,093	10,754	(2,284)	8,543	9,517	—	63,334	327,712	22,185	349,897
Equity-settled share-based transactions	—	—	—	—	—	—	—	4,945	—	—	—	4,945	—	4,945
Transferred to retained profits	—	—	—	—	—	—	—	(769)	—	—	769	—	—	—
Shares issued under share option scheme	798	31,486	—	—	—	—	—	(2,883)	—	—	—	29,401	—	29,401
Dividend paid	—	—	—	—	—	—	—	—	—	—	(9,229)	(9,229)	—	(9,229)
Repurchased of own shares	(179)	(4,742)	179	—	—	—	—	—	—	—	(179)	(4,921)	—	(4,921)
Total comprehensive income for the period	—	—	—	—	—	—	6,529	—	—	—	43,148	49,677	677	50,354
Transferred to statutory reserve	—	—	—	—	—	—	—	—	869	—	(869)	—	—	—
At 30 June 2011	16,060	247,892	345	—	1,093	10,754	4,245	9,836	10,386	—	96,974	397,585	22,862	420,447
At 1 January 2012	17,025	288,926	425	(810)	1,093	10,754	5,196	6,191	9,753	137	78,416	417,106	23,615	440,721
Transferred to retained profits	—	—	—	—	—	—	—	(10)	—	—	10	—	—	—
Shares issued under share option scheme	77	3,110	—	—	—	—	—	(228)	—	—	—	2,959	—	2,959
Dividend paid	—	—	—	—	—	—	—	—	—	—	(17,046)	(17,046)	—	(17,046)
Repurchased of own shares	(56)	(2,566)	56	810	—	—	—	—	—	—	(56)	(1,812)	—	(1,812)
Total comprehensive income for the period	—	—	—	—	—	—	449	—	—	—	13,905	14,354	3,033	17,387
Transferred to statutory reserve	—	—	—	—	—	—	—	—	230	—	(230)	—	—	—
At 30 June 2012	17,046	289,470	481	—	1,093	10,754	5,645	5,953	9,983	137	74,999	415,561	26,648	442,209

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION

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 Units 601 to 608, 6/F, Harbour View Two, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The principal activity of the Company during the period was investment holding. Its subsidiaries are principally engaged in investment holding, provision of payment solutions and related services, timber trading and furniture manufacturing, system integration and technical platform services, property investment and building management.

The unaudited condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosures required by the Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standards (“HKASs”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are initially measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were in consistent with those applied to the annual financial statements of the Group for the year ended 31 December 2011.

The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for the accounting periods beginning on or after 1 January 2012 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies.

3. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of payment solutions and related services, timber trading and furniture manufacturing, system integration and technical platform services, property investment and building management. Turnover for the period represents revenue recognised from the provision of payment handling income, the net invoiced value of goods sold, system integration and the technical platform services at net invoice amount and rental and building management service income. An analysis of the Group's turnover and other revenue is set out below:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Payment solutions and related services income	49,427	111,195
Timber trading and furniture manufacturing	11,120	10,272
System integration and technical platform services	3,227	—
Rental and building management service income	2,247	3,064
Turnover	66,021	124,531
Interest on bank deposits	5,937	808
Other interest income	3,144	333
Franchise fee income	245	1,121
Dividend income	47	21
Others	5,651	—
Other revenue	15,024	2,283
Total revenue	81,045	126,814

4. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories	8,424	8,188
Staff costs (including directors' remuneration)		
— Salaries and other benefits	24,023	19,057
— Pension scheme contributions	2,032	2,719
— Equity settled share-based payment expenses	—	4,945
	26,055	26,721
Depreciation	3,226	4,835
Amortisation of intangible assets and prepaid land lease premium	797	674
(Gain)/loss on change in fair value of financial assets	(616)	691
Minimum operating lease rentals	1,943	1,473
Interest on bank loan wholly repayable within five years	2,954	773
Loss/(gain) on disposal of property, plant and equipment	35	(70)
(Gain)/loss on disposal of financial assets	(1,010)	268
Rental income less outgoings	(2,117)	(2,068)

5. 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 four 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 People's Republic of China (the "PRC"), Hong Kong and overseas. Currently the Group's activities in this regard are carried out 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. Currently the Group's activities in this regard are carried out in the PRC.

(c) System integration and technical platform services

This segment engaged in provision of system integration and technical platform services to customers in the PRC. Currently the Group's activities in this regard are carried out in the PRC.

(d) Industry park

This segment engaged in development and management of e-commerce, financial and resources industry parks where enterprise cluster of the same industry chain are integrated. The services for enterprise in industry parks include property leasing, property sales, facilities maintenance, processing efficiency improvement and management related consulting, supporting and outsourcing. Currently the Group's activities in this regard are carried out in the PRC.

Others include supporting units of Hong Kong operation and the net result of other subsidiaries and an associate 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 attributable to each reportable segment 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.

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 tables present the information for the Group's reporting segments:

Six months ended 30 June											
Payment solutions		Timber trading and furniture manufacturing		System integration and technical platform service		Industry park		Others		Consolidated	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue											
Revenue from external customers	49,427	111,195	11,120	10,272	3,227	—	2,247	3,064	—	66,021	124,531
Other revenue	9,019	777	248	1,126	8	9	2,558	13	3,191	15,024	2,283
Total revenue	58,446	111,972	11,368	11,398	3,235	9	4,805	3,077	3,191	81,045	126,814
Reportable segment profits											
Interest income	23,083	69,705	512	684	1,309	(1,611)	(3,842)	(3,691)	(9,093)	11,969	48,031
Dividend income										9,081	1,141
										47	21
Profit from operations										21,097	49,193
Finance costs										(3,546)	(1,945)
Share of results of an associate										(180)	—
Profit before income tax										17,371	47,248
Income tax expense										(565)	(3,925)
Profit for the period										16,806	43,323
Attributable to:											
— Shareholders of the Company										13,905	43,148
— Non-controlling interests										2,901	175
										16,806	43,323

(b) Geographical information

Six months ended 30 June					
PRC		Hong Kong/overseas		Consolidated	
2012	2011	2012	2011	2012	2011
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	63,014	43,006	3,007	81,525	66,021
Other revenue	11,824	1,927	3,200	356	15,024
Total revenue	74,838	44,933	6,207	81,881	81,045

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

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profits for the period.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"). The New CIT Law reduces the corporate income tax rate from 27% or 33% to 25% with effect from 1 January 2008. The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2011: 25%).

During the period, certain subsidiaries in the PRC are entitled to preferential tax treatments. Certain subsidiaries 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"). Other subsidiaries in the PRC did not generate any assessable profits subject to Mainland China corporate income tax.

The income tax expense is made up as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Current period	331	3,727
Under-provision in respect of previous period	234	198
	565	3,925

7. DIVIDEND

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividend paid during the period:		
2011 Final dividend of HK1.00 cent per share (2010: HK0.60 cent)	17,046	9,229
Dividend declared subsequent to period end		
2012 Interim dividend: Nil (2011: HK 0.80 cent)	—	13,640
2012 Special dividend: Nil (2011: HK1.20 cent)	—	20,461
	—	34,101

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: an interim dividend of HK0.80 cent per share and a special dividend of HK1.20 cent per share).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>13,905</u>	<u>43,148</u>
	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic earnings per share	1,701,942,649	1,546,372,228
Effect of dilutive potential ordinary shares:		
Share options	<u>8,526,785</u>	<u>—</u>
Weighted average number of shares in issue for the purpose of calculation of diluted earnings per share	<u>1,710,469,434</u>	<u>1,546,372,228</u>

For the period ended 30 June 2011, diluted earnings per share was 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 Company's shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group had additions to property, plant and equipment in the amount of approximately HK\$8,814,000 (31 December 2011: HK\$16,557,000).

At 30 June 2012, the property held under medium-term lease with a net book value of HK\$17,939,000 (31 December 2011: HK\$18,313,000) was pledged to a bank to secure a bank loan granted to the Company (note 17).

10. 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 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Outside Hong Kong, held under medium-term lease	43,962	44,309
Less: Current portion	<u>(1,138)</u>	<u>(1,253)</u>
Non-current portion	<u>42,824</u>	<u>43,056</u>
Representing:		
Opening net book value	44,309	40,258
Exchange adjustments	249	1,449
Additions	—	3,762
Amortisation of prepaid land lease premium	<u>(596)</u>	<u>(1,160)</u>
Closing net book value	<u>43,962</u>	<u>44,309</u>

At 30 June 2012, prepaid land lease premium with a net book value of HK\$36,655,000 (31 December 2011: HK\$44,309,000) was pledged to a bank to secure a bank loan granted to the Company (note 17).

11. INVESTMENT PROPERTIES

	HK\$'000
At 1.1.2011	114,600
Increase in fair value recognised in the consolidated income statement	2,105
Exchange adjustments	<u>4,025</u>
At 31.12.2011 and 1.1.2012	120,730
Addition	5,946
Exchange adjustments	<u>672</u>
At 30.6.2012	<u>127,348</u>

Notes:

- (a) The investment properties are situated in the PRC and held under medium-term lease.
- (b) The investment properties with carrying value of HK\$121,402,000 (31 December 2011: HK\$120,730,000) were pledged to a bank to secure a bank loan granted to the Company (note 17).

12. DEBTORS

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically.

An aging analysis of debtors is set out below:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
0–6 months	73,939	119,142
7–12 months	33,488	—
Over one year	136	135
	<u>107,563</u>	<u>119,277</u>
Neither past due nor impaired	107,425	119,142
Past due but not impaired	138	135
	<u>107,563</u>	<u>119,277</u>

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Utilities and deposits	2,071	5,013
Prepayments	25,667	19,343
Secured loans receivable — <i>note (i)</i>	26,684	26,674
Unsecured loans receivable — <i>note (ii)</i>	58,667	53,869
Other receivables	89,529	65,380
	<u>202,618</u>	170,279
Less: non-current portion	—	(600)
Current portion	<u>202,618</u>	<u>169,679</u>

Notes:

- (i) Secured loans receivable are interest-bearing at about 0.5%–1% (31 December 2011: 0.8%) per month. All secured loans receivable are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts as the Group holds collateral over these balances. Moreover, strict control and recovery actions have been taken and debtors agreed to settle the outstanding balances by the end of third quarter of this year. As such, management believe the amounts are still considered recoverable.
- (ii) Except for an amount of HK\$34,119,000 (31 December 2011: HK\$32,565,000) which are interest-bearing at about 0.5%–1% (31 December 2011: 1%) per month, the remaining unsecured loans receivable are interest-free.

Included in the unsecured loans receivable are debtors with aggregate carrying amount of HK\$34,119,000 (31 December 2011: HK\$32,565,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts as strict control and recovery actions have been taken and debtors agreed to settle the outstanding balances by the end of third quarter of this year. As such, management believe the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

14. TRADE PAYABLE

An aging analysis of trade payable is set out below:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
0–12 months	680	—
Over one year	5	75
	<u>685</u>	<u>75</u>

15. PAYABLE TO MERCHANTS

An aging analysis of payable to merchants is set out below:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
0–12 months	415,230	328,567
Over one year	36,469	83
	<u>451,699</u>	<u>328,650</u>

16. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Deposits received and receipts in advance	16,119	17,616
Sundry creditors	73,290	108,439
Accruals	3,580	2,963
	<u>92,989</u>	<u>129,018</u>

17. SECURED BANK LOAN

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Repayable within one year	<u>217,765</u>	<u>217,765</u>

The secured bank loan is interest-bearing at 2.3%–2.5% plus Hong Kong Interbank Offered Rate per annum (2011: 2.3% plus Hong Kong Interbank Offered Rate per annum), repayable within one year, denominated in Hong Kong dollar and secured by (i) investment properties with a net book value of HK\$121,402,000 (note 11); (ii) property held under medium-term lease with a net book value of HK\$17,939,000 (note 9); (iii) prepaid land lease premium with a net book value of HK\$36,655,000 (note 10); and (iv) pledged time deposits of HK\$115,376,000.

18. SHARE CAPITAL

	<i>Note</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Share capital			
Ordinary share of HK\$0.01 each			
Authorised:			
At 1 January 2012 and 30 June 2012		<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:			
At 1 January 2012		1,702,508,858	17,025
Shares issued under share option scheme	(i)	7,700,000	77
Repurchased of own shares	(ii)	<u>(5,630,000)</u>	<u>(56)</u>
At 30 June 2012		<u>1,704,578,858</u>	<u>17,046</u>

Notes:

- (i) During the six months ended 30 June 2012, 7,700,000 share options were exercised by the eligible option holders, resulting in the issue of 7,700,000 shares of HK\$0.01 each of the Company at a total consideration of HK\$2,959,000.
- (ii) During the six months ended 30 June 2012, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK'000
January 2012	3,880,000	0.475	0.460	1,812

During the six months ended 30 June 2012, a total of 3,880,000 shares were repurchased at an aggregate price paid of HK\$1,812,000.

The 1,750,000 repurchased shares in December 2011 with an aggregate price paid of HK\$810,000 were cancelled on 17 February 2012.

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK\$56,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK\$2,566,000 was charged to the share premium account.

19. CAPTIAL COMMITMENTS

The Group

Capital expenditure contracted for but not provided is as follows:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Investment in an associate	368	—
Other non-current assets	12,274	—
	<u>12,642</u>	<u>—</u>

20. EVENT AFTER THE REPORTING PERIOD

On 8 June 2012, Universal eCommerce China Limited (“eCommerce”), a wholly-owned subsidiary of the Company entered into conditional disposal agreements with Shanghai Chiyi Investment Partnership (“Chiyi”) and Beihai Shiji Information Technology Co., Ltd (“Beihai Shiji”) which were connected persons of the Company in respect of the disposal of 17.49% equity interests in Universal ECPAY Limited (“ECPAY”), which is an indirect non-wholly owned subsidiary of the Company. Chiyi is owned as to 53.64% by Madam Luan Yumin, an executive director of the Company, and Beihai Shiji owned 15% existing equity interests in ECPAY. Therefore, the agreements entered into between Chiyi and Beihai Shiji respectively are connected transactions for the Company. According to the agreements, eCommerce has conditionally agreed to dispose of 9.99% equity interests in ECPAY to Chiyi at a consideration of RMB12,765,500 (equivalent to approximately HK\$15,679,000); and eCommerce has conditionally agreed to dispose 7.5% equity interests in ECPAY to Beihai Shiji at a consideration of RMB36,750,000 (equivalent to approximately HK\$45,137,000). The disposal was subsequently approved by the independent shareholders of the Company on 27 July 2012.

BUSINESS REVIEW AND PROSPECTS

REVIEW

For the six months ended 30 June 2012, under the less slow global and domestic economic environment, the Group was trying to balance amongst the market share competition, profit maintenance, corporate foundation enhancement and sustainable development, in order to pursue a long-term healthy growth.

During the reporting period, the customer is still the core of the payment business, by advancing our product line and payment solutions schemes, a breakthrough of both transactions volume and merchant number have been achieved; we've been devoting to launch more and more specialised industrial payment solutions, such as colleges and universities e-payment solution, hotel, airline ticket and public bill payment, which are all highly recognised and largely extended; along with the speedy process of combination of online and offline solutions, the linkage system for onshore and offshore services is also carried out smoothly. Our quality service and the application for industrial financial value-added needs have reached a brand-new level with the implement of our new products and industrial payment solutions, which forms a solid groundwork for coming half year's stable growth. However, under the impact of global economic downturn and domestic decrease in addition to the stricter regulation on cross-border business in Mainland China, the Company has set up new operation standards, which narrow our oversea business to some extent. The competition within payment industry is incandesced since the end of last season with the pricing rivalry, frequent personnel changing and product similarisation. In order to be better prepared for future challenges, the Group is implementing product structure adjustment, online and offline combination project, business operation optimisation and risk control systematisation, and will complete the overall arrangement for employee incentive schemes. To be precise, the objective of highly efficient operation and risk control must be served. Firstly, the re-allocation and expansion of sales, product, technical and risk control departments, which ensure our product and service update, the smoothness of up and downstream operation flow, the satisfaction of our merchant and customer. Secondly, the recruitment of several experienced new talents strengthens and enriches the structure of internal personnel collocation, which guarantees the support for future human resource needs. The relevant internal incentive programs also set up for long-term development so that the healthy and sustainable increase could be achieved.

For timber trading and furniture manufacturing business, a slight growth was shown compared to the corresponding period of last year, and the profit is almost the same as last year. During the reporting period, China was facing slow economic growth, policy adjustment concerning real estates made under strict regulations. The real estates turnover volume is on the downside, which greatly influence the furniture marketing. In order to better survive under such harsh environment, the Group makes a great effort to expand the distribution network and promote new agents, along with relevant training, maintenance and enlargement. In regards to manufacturing, due to the expansion of production capacity since second half of last year, production volume remains stable for the first six months of this year. Through optimisation in term of operation and work flow, the cost from Indonesia is under control, and a well connection with China Mainland is made to facilitate the quality production and overall efficiency. In addition, the principle of combination between rising and traditional markets is preserved. New designs and development are in process so that to enlighten the variety of the production and to attract attention of market.

During the reporting period, the Headquarter building of the Group receives stabilized rental income and the relevant businesses have met the anticipated target. For the past two years, we have been continuously refining the management structure, cautiously choosing business partners, strictly conducting trainings for our own estate management team, all of which well preserve the image of the Group and effectively improve the productivity and future development potential.

PROSPECT

The year of 2012 is a year of challenges, choose-making, balancing and persistence. A satisfactory answer sheet shall be presented after the sophisticated planning by the management team the hard work and dedication by all the employees.

In future, the Group will actively continue the effort on income generation and internal management and corporate culture building. In the second half year, payment business will keep on maintaining the leading position of the products and new product gestation system for greater profit growth. By speeding up the cash flow and initiating the financial value-added service to stand up in the competition and fight for more market share and clients along with implement of new application for fresh and traditional industries to promote and enhance the brand image. Timber business will still endeavor to build up more distribution channels and better cost control for operation improvement and refinement. Furthermore, the Group have been closely following the development of industry park and initiated the preliminary project, the outcome of which shall be expected soon.

A man without thought for the future will have trouble at hand. A foot may prove short while an inch may prove long. During the fierce competition, we try to pursue the right and tailor-made growing path based on long-term development. We believe, by way of thorough research and extensive hard work, the improvement of internal management operation, stabilised talents support, the self and social value of the corporation and the interest of the Company, employees and shareholders will be achieved and maximised.

FINANCIAL OVERVIEW

Turnover and net profit

During the current period, the Group recorded a turnover of HK\$66,021,000, representing an decrease of 47% as compared to the last fiscal period. The profit attributable to shareholders of the Company was HK\$13,905,000 in the current period, representing an decrease of 68% as compared to the last fiscal period. The decrease in turnover is mainly due to the decrease in turnover of the Group's payment solutions business.

Cost of sales/services rendered

During the current period, the Group recorded a cost of sales/services rendered of HK\$9,107,000, representing an decrease of 34% as compared to the last fiscal period. The decrease of cost of sales/services rendered is in line with the decrease in turnover of the Group's payment solutions business.

Other revenue

During the current period, the Group recorded other revenue of HK\$15,024,000, representing an increase of 558% as compared to the last fiscal period. It is mainly due to an increase in bank interest income.

General and administrative expenses

During the current period, the Group recorded general and administrative expenses of HK\$54,035,000, representing a decrease of 16% as compared to the last fiscal period. It is mainly due to decrease in staff costs and other general expenditure. During the current period, the number of staff increased by 65 or 12% from 547 as at 30 June 2011 to 612 as at 30 June 2012, the Group recorded salaries and other benefits of HK\$24,023,000, representing an increase of 26% as compared to the last fiscal period. The decrease in total staff costs of HK\$666,000 was mainly resulted from the absence of the equity-settled share-based compensation expenses during the current period, thus the percentage decrease of staff cost was reduced. As a percentage of revenue, staff costs increased to 39% in the first half of 2012, as compared to 21% in the same period of 2011. Other general expenditure decreased mainly due to the reduction of depreciation of property, plant and equipment. To be concluded, general and administrative expenses as a percentage of revenue, increased largely to 82% in the first half of 2012, as compared to 51% in the same period of 2011.

Finance costs

During the current period, the Group recorded finance costs of HK\$3,546,000, representing an increase of 82% as compared to the last fiscal period. It is mainly due to an increase in bank charge for the need of business operation and bank loan interest incurred by the new secured bank loan granted in the second quarter of year 2011.

Income tax expense

During the current period, the Group recorded an income tax expense of HK\$565,000, representing a decrease of 86% as compared to the last fiscal period. It is mainly due to the decreased in revenue of the Group's payment solutions business in Hong Kong, thus income tax expense decreased.

Interest in an associate

During the current period, the Group contributed 30% equity interests of RMB900,000 (equivalent to HK\$1,104,000) in OEC Consultant (Shanghai) Co. Ltd, the Company paid RMB600,000 (equivalent to HK\$736,000) in cash on 29 February 2012. The Group recognised the loss of HK\$180,000 for the period between the date of contribution and the end of reporting period.

Debtors

The Group's debtors decreased by HK\$11,714,000 from HK\$119,277,000 as at 31 December 2011 to HK\$107,563,000 as at 30 June 2012. The decrease was mainly attributable to the increase in efficiency of settlement from banks for payment solutions business.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables increased by HK\$32,939,000 from HK\$169,679,000 as at 31 December 2011 to HK\$202,618,000 as at 30 June 2012. The increase was mainly attributable to the increase in prepayments related to payment solutions business in PRC and increase in other receivables incurred in the ordinary course of development of the Group.

Pledged time deposits

The Group's pledged time deposits increased by HK\$640,000 from HK\$114,736,000 as at 31 December 2011 to HK\$115,376,000 as at 30 June 2012. It represents time deposits pledged to a bank to secure the bank loan granted to the Company.

Cash and bank balances

The Group's cash and bank balances increased by HK\$34,542,000 from HK\$365,337,000 as at 31 December 2011 to HK\$399,879,000 as at 30 June 2012. As at 30 June 2012, 89% (31 December 2011: 80%) of cash and bank balances was denominated in Renminbi.

Payable to merchants

The Group's payable to merchants increased by HK\$123,049,000 from HK\$328,650,000 as at 31 December 2011 to HK\$451,699,000 as at 30 June 2012. It was also mainly attributable to the increase in settlement period to merchants of payment solutions business.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals decreased by HK\$36,029,000 from HK\$129,018,000 as at 31 December 2011 to HK\$92,989,000 as at 30 June 2012. The decrease was mainly attributable to the decrease in deposits and sundry creditors of the Group.

Liquidity and financial resources

At 30 June 2012, the Group had net current assets of HK\$110,609,000. Current assets comprised inventories of HK\$37,106,000, debtors of HK\$107,563,000, deposits, prepayments and other receivables of HK\$202,618,000, financial assets at fair value through profit or loss of HK\$10,845,000, prepaid land lease premium of HK\$1,138,000, pledged time deposits of HK\$115,376,000 and cash and bank balances of HK\$399,879,000.

Current liabilities comprised secured bank loan of HK\$217,765,000, trade payable of HK\$685,000, payable to merchants of HK\$451,699,000, deposits received, sundry creditors and accruals of HK\$92,989,000 and tax payable of HK\$778,000.

The gearing ratio (defined as a percentage of total liabilities less deferred tax liability over total assets) of the Group at 30 June 2012 was 63% (31 December 2011: 60%).

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.

EMPLOYEES

At 30 June 2012, the total number of employees of the Group was 612 (31 December 2011: 583), representing a 5% increase as compared with that at 31 December 2011. The dedication and contribution of the Group's staff during the six months ended 30 June 2012 are greatly appreciated and recognised.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance.

In addition, the Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the pension scheme in PRC.

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.

EVENT AFTER THE REPORTING PERIOD

On 8 June 2012, the Universal eCommerce China Limited (“eCommerce”), a wholly-owned subsidiary of the Company entered into conditional disposal agreements with Shanghai Chiyi Investment Partnership (“Chiyi”) and Beihai Shiji Information Technology Co., Ltd (“Beihai Shiji”) which were connected persons of the Company in respect of the disposal of 17.49% equity interests in Universal ECPAY Limited (“ECPAY”), which is an indirect non-wholly owned subsidiary of the Company.

In order to increase the sense of belonging and motivation of ECPAY’s employees and to provide incentive to valuable employees, eCommerce therefore transferred 9.99% equity interests in ECPAY to Chiyi.

On the other hand, Beihai Shiji has been an equity holder of ECPAY and their leading position in the hotel and catering industry in the PRC could assist ECPAY in exploring opportunities for e-commerce services for the hotel and catering industry in the PRC. eCommerce therefore transferred an additional 7.5% equity interests in ECPAY to Beihai Shiji with a view to increasing Beihai Shiji’s stake in ECPAY, thereby deepening the cooperative relationship between eCommerce and Beihai Shiji.

Detailed information has been set out in the Company’s circular (“circular”) dated 12 July 2012, and the resolution as set out in the circular was duly passed at the SGM of the Company (please refer to the Company’s announcement dated 27 July 2012 for further details).

CHARGES ON GROUP’S ASSETS

At 30 June 2012, properties held under medium-term lease with a net book value of HK\$17,939,000 (31 December 2011: HK\$18,313,000), investment properties with a net book value of HK\$121,402,000 (31 December 2011: HK\$120,730,000), prepaid land lease premium with a net book value of HK\$36,655,000 (31 December 2011: HK\$44,309,000) and pledged time deposits of HK\$115,376,000 (31 December 2011: HK\$114,736,000) were pledged to a bank to secure a bank loan granted to the Company.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no detailed future plans for material investment or capital assets at 30 June 2012.

CURRENCY RISK

Currently, the market anticipates moderate appreciation pressure on Renminbi. the Group has not implemented any formal policy in dealing with this foreign currency risk. However, 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 months ended 30 June 2012, the Group did not enter into any arrangement to hedge its foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities at 30 June 2012.

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

At 30 June 2012, 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 Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Interests in ordinary shares			Total interests in ordinary interests	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)	1,500,000	—	277,010,000	278,510,000	—	278,510,000	16.34%
Mr. Xu Hui	—	—	—	—	—	—	—
Mr. Chen Runqiang (Note 2)	—	—	—	—	6,000,000	6,000,000	0.35%
Madam Luan Yumin	—	—	—	—	—	—	—
Chang Hung Lun	—	—	—	—	—	—	—
Non-executive Director:							
Mr. Chow Cheuk Lap (Note 3)	—	—	67,540,000	67,540,000	—	67,540,000	3.96%
Independent Non-executive Directors:							
Mr. Meng Lihui	—	—	—	—	—	—	—
Mr. Fong Heung Sang	—	—	—	—	—	—	—
Dr. Cheung Wai Bun, Charles, J.P.	—	—	—	—	—	—	—

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. Chen Runqiang in underlying shares of the Company represent the interests in share options granted to him 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 interests 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 six months ended 30 June 2012.

Save as disclosed above, so far as the directors are aware at 30 June 2012, 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 Model Code.

The directors confirmed that at 30 June 2012 and for the six months ended 30 June 2012,

- (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 Model Code; 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 2012, 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 Company 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 (<i>Note 1</i>)	Beneficial owner	277,010,000	16.25%
Mr. Lau Sik Suen (<i>Note 2</i>)	Beneficial owner	231,900,000	13.60%
Ever City Industrial Limited (<i>Note 3</i>)	Beneficial owner	106,000,000	6.22%

Notes:

1. World One Investments Limited is wholly and beneficially owned by Mr. Lau Yeung Sang.
2. Mr. Lau Sik Suen is the son of Mr. Lau Yeung Sang.
3. Ever City Industrial Limited is equally and beneficially owned by Mr. Yang Zhimao and Mr. Zhu Fenglian.

(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

(A) GEM Share Option Schemes

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:

(i) 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 of directors (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.

(ii) Pre-IPO Share Option Schemes

The grantees of these schemes exercised all options before 1 January 2012 and there was no share option outstanding at 30 June 2012.

Upon termination of the GEM Share Option Schemes, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the GEM Share Option Schemes shall remain in force. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

(B) New Share Option Scheme

The GEM Share Option Schemes adopted by the Company on 12 October 2001 were terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. The Board adopted a new share option scheme (“New

Share Option Scheme”) which is compliance with the Listing Rules and obtained the approval of the shareholders in accordance with the Listing Rules at the Company’s extraordinary general meeting held on 12 August 2010.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme. 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 option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

At 30 June 2012, the number of shares in respect of which options had been granted and outstanding under the GEM Share Option Schemes and New Share Option Scheme was 176,220,000, representing 10% of the issued share capital of the Company.

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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options					Market value per share at date of grant of option	Market value per share on exercise of option
					Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2012		
Initial management, shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK\$1.300	200,000	—	—	(200,000)	—	HK\$1.300	—
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	50,000	—	—	(50,000)	—	HK\$1.400	—
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\$0.390	6,200,000	—	(6,200,000)	—	—	HK\$0.340	HK\$0.420-HK\$0.455
Director, senior management and staff of the Group	31 August 2010	Fully vested on 31 August 2010	31 August 2010 to 30 August 2013	HK\$0.360	39,850,000	—	(1,500,000)	(200,000)	38,150,000	HK\$0.310	HK\$0.450
Consultants, senior management and staff of the Group	19 May 2011	Fully vested on 19 May 2011	19 May 2011 to 18 May 2013	HK\$0.560	138,120,000	—	—	(50,000)	138,070,000	HK\$0.430	—
					<u>184,420,000</u>	<u>—</u>	<u>(7,700,000)</u>	<u>(500,000)</u>	<u>176,220,000</u>		

Note:

The Company received a consideration of HK\$1.00 from each of the grantees of the GEM Share Option Schemes and New Share Option Scheme.

COMPETITION AND CONFLICT OF INTERESTS

During the current period, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

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

During the current period, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
January 2012	<u>3,880,000</u>	<u>0.475</u>	<u>0.460</u>	<u>1,812</u>

The Company made repurchases with a view to enhancing shareholder value in the long term.

During the six months ended 30 June 2012, a total of 3,880,000 shares were repurchased at an aggregate price paid of HK\$1,812,000.

The 1,750,000 repurchased shares in December 2011 with an aggregate price paid of HK\$810,000 were cancelled on 17 February 2012.

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK\$56,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK\$2,566,000 was charged to the share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during six months ended 30 June 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the listing Rules up to the date of this interim result announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and provisions as set out in 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”). 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 Main Board CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in 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.

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 six months ended 30 June 2012.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: an interim dividend of HK0.80 cent per share and a special dividend of HK1.20 cent per share).

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) in October 2001. The Board has 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 comprises three Independent Non-executive Directors, namely, Mr. Meng Lihui, Mr. Fong Heung Sang and Dr. Cheung Wai Bun, Charles, *J.P.*. The chairman of the Audit Committee is Mr. Meng Lihui.

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 announcement 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 2012 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, 30 August 2012

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

Executive Directors:

Mr. Lau Yeung Sang (*Chairman*)
Mr. Xu Hui (*Chief Executive Officer*)
Mr. Chen Runqiang
Madam Luan Yumin
Mr. Chang Hung Lun

Non-Executive Director:

Mr. Chow Cheuk Lap

Independent Non-Executive Directors:

Mr. Meng Lihui
Mr. Fong Heung Sang
Dr. Cheung Wai Bun, Charles, *J.P.*