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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 2013**

### **HIGHLIGHTS**

- Turnover for the six months ended 30 June 2013 amounted to approximately HK\$81.01 million (six months ended 30 June 2012: HK\$66.02 million), representing an increase of 23% as compared to the last fiscal period. The increase in turnover is mainly due to the increase in revenue of the Group's payment solutions business.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2013 amounted to approximately HK\$2.95 million (six months ended 30 June 2012: Net profit attributable to shareholders of the Company amounted to approximately HK\$13.91 million), representing a decrease of 121% as compared to the last fiscal period. Such decline is mainly due to the increase in staff costs and operating expenses.
- Basic and diluted losses per share for the six months ended 30 June 2013 amounted to HK0.17 cent and HK0.17 cent respectively (six months ended 30 June 2012: Basic and diluted earnings per share HK0.82 cent and HK0.81 cent respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$Nil).

## 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 2013 together with comparative figures for the last corresponding period as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2013*

|                                                 |      | Six months ended 30 June |             |
|-------------------------------------------------|------|--------------------------|-------------|
|                                                 |      | 2013                     | 2012        |
|                                                 |      | (Unaudited)              | (Unaudited) |
|                                                 | Note | HK\$'000                 | HK\$'000    |
| Turnover                                        | 4    | 81,007                   | 66,021      |
| Cost of sales/services rendered                 |      | (14,393)                 | (9,107)     |
| Gross profit                                    |      | 66,614                   | 56,914      |
| Other revenue                                   | 4    | 8,581                    | 15,024      |
| Other income                                    |      | 5,896                    | 3,194       |
| General and administrative expenses             |      | (72,942)                 | (54,035)    |
| Profit from operations                          |      | 8,149                    | 21,097      |
| Finance costs                                   |      | (2,958)                  | (3,546)     |
| Share of results of an associate                |      | (242)                    | (180)       |
| Profit before income tax                        | 5    | 4,949                    | 17,371      |
| Income tax expense                              | 7    | (2,964)                  | (565)       |
| Profit for the period                           |      | 1,985                    | 16,806      |
| Attributable to:                                |      |                          |             |
| Shareholders of the Company                     |      | (2,946)                  | 13,905      |
| Non-controlling interests                       |      | 4,931                    | 2,901       |
| Profit for the period                           |      | 1,985                    | 16,806      |
| (Losses)/earnings per share ( <i>in cents</i> ) |      |                          |             |
| Basic                                           | 9    | (0.17)                   | 0.82        |
| Diluted                                         | 9    | (0.17)                   | 0.81        |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

|                                                                                                                                               | Six months ended 30 June |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------|
|                                                                                                                                               | 2013                     | 2012          |
|                                                                                                                                               | (Unaudited)              | (Unaudited)   |
|                                                                                                                                               | HK\$'000                 | HK\$'000      |
| Profit for the period                                                                                                                         | <u>1,985</u>             | <u>16,806</u> |
| Other comprehensive income:                                                                                                                   |                          |               |
| Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China (the "PRC") | <u>11,010</u>            | <u>581</u>    |
| Other comprehensive income for the period, net of tax                                                                                         | <u>11,010</u>            | <u>581</u>    |
| Total comprehensive income for the period                                                                                                     | <u>12,995</u>            | <u>17,387</u> |
| Total comprehensive income attributable to:                                                                                                   |                          |               |
| Shareholders of the Company                                                                                                                   | 8,018                    | 14,354        |
| Non-controlling interests                                                                                                                     | <u>4,977</u>             | <u>3,033</u>  |
|                                                                                                                                               | <u>12,995</u>            | <u>17,387</u> |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

|                                                       |      | At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|-------------------------------------------------------|------|--------------------------------------------------|----------------------------------------------------|
|                                                       | Note |                                                  |                                                    |
| <b>NON-CURRENT ASSETS</b>                             |      |                                                  |                                                    |
| Property, plant and equipment                         | 10   | 60,943                                           | 63,445                                             |
| Prepaid land lease premium                            | 11   | 42,422                                           | 42,128                                             |
| Investment properties                                 | 12   | 157,302                                          | 154,026                                            |
| Intangible assets                                     |      | 18,098                                           | 16,504                                             |
| Goodwill                                              |      | 79,870                                           | 79,870                                             |
| Interest in an associate                              |      | 453                                              | 697                                                |
| Other investment                                      | 13   | 12,533                                           | 12,272                                             |
|                                                       |      | <u>371,621</u>                                   | <u>368,942</u>                                     |
| <b>CURRENT ASSETS</b>                                 |      |                                                  |                                                    |
| Inventories                                           |      | 39,089                                           | 42,033                                             |
| Debtors                                               | 14   | 205,781                                          | 87,099                                             |
| Deposits, prepayments and other receivables           | 15   | 38,222                                           | 79,359                                             |
| Financial assets at fair value through profit or loss |      | 1,749                                            | 10,057                                             |
| Prepaid land lease premium                            | 11   | 1,225                                            | 1,202                                              |
| Tax recoverable                                       |      | 816                                              | 816                                                |
| Pledged time deposits                                 |      | —                                                | 115,357                                            |
| Cash and bank balances                                |      | 444,161                                          | 341,535                                            |
|                                                       |      | <u>731,043</u>                                   | <u>677,458</u>                                     |
| <b>DEDUCT:</b>                                        |      |                                                  |                                                    |
| <b>CURRENT LIABILITIES</b>                            |      |                                                  |                                                    |
| Bank overdraft                                        |      | 5,964                                            | —                                                  |
| Bank loan, secured                                    | 16   | —                                                | 217,765                                            |
| Payable to merchants                                  | 17   | 422,919                                          | 247,879                                            |
| Deposits received, sundry creditors and accruals      | 18   | 70,965                                           | 67,168                                             |
| Tax payable                                           |      | 2,048                                            | 3,473                                              |
|                                                       |      | <u>501,896</u>                                   | <u>536,285</u>                                     |
| <b>NET CURRENT ASSETS</b>                             |      | <u>229,147</u>                                   | <u>141,173</u>                                     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | <u>600,768</u>                                   | <u>510,115</u>                                     |

|                                                                     |             | At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|---------------------------------------------------------------------|-------------|--------------------------------------------------|----------------------------------------------------|
|                                                                     | <i>Note</i> |                                                  |                                                    |
| <b>DEDUCT:</b>                                                      |             |                                                  |                                                    |
| <b>NON-CURRENT LIABILITY</b>                                        |             |                                                  |                                                    |
| Deferred tax liability                                              |             | <u>15,393</u>                                    | <u>15,072</u>                                      |
| <b>NET ASSETS</b>                                                   |             | <u><b>585,375</b></u>                            | <u><b>495,043</b></u>                              |
| <b>REPRESENTING:</b>                                                |             |                                                  |                                                    |
| <b>CAPITAL AND RESERVES</b>                                         |             |                                                  |                                                    |
| Share capital                                                       | 19          | 18,785                                           | 17,396                                             |
| Reserves                                                            |             | <u>517,155</u>                                   | <u>433,189</u>                                     |
| <b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS<br/>OF THE COMPANY</b> |             | <b>535,940</b>                                   | <b>450,585</b>                                     |
| <b>NON-CONTROLLING INTERESTS</b>                                    |             | <u><b>49,435</b></u>                             | <u><b>44,458</b></u>                               |
| <b>TOTAL EQUITY</b>                                                 |             | <u><b>585,375</b></u>                            | <u><b>495,043</b></u>                              |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2013*

|                                                               | <b>Six months ended 30 June</b> |                    |
|---------------------------------------------------------------|---------------------------------|--------------------|
|                                                               | <b>2013</b>                     | <b>2012</b>        |
|                                                               | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                               | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>           | <b>106,725</b>                  | <b>56,574</b>      |
| <b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b> | <b>4,636</b>                    | <b>(7,413)</b>     |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                  | <b>(22,764)</b>                 | <b>(15,899)</b>    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>              | <b>88,597</b>                   | <b>33,262</b>      |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET</b>           | <b>8,065</b>                    | <b>1,280</b>       |
| <b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>                 | <b>341,535</b>                  | <b>365,337</b>     |
| <b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>                   | <b>438,197</b>                  | <b>399,879</b>     |
| <b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>  |                                 |                    |
| Cash and bank balances                                        | <b>444,161</b>                  | <b>399,879</b>     |
| Bank overdraft                                                | <b>(5,964)</b>                  | <b>—</b>           |
|                                                               | <b>438,197</b>                  | <b>399,879</b>     |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

|                                           | 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 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                           | <u>17,046</u>                               | <u>289,470</u>        | <u>481</u>                 | <u>—</u>               | <u>1,093</u>        | <u>10,754</u>        | <u>5,645</u>         | <u>5,953</u>          | <u>9,983</u>         | <u>137</u>           | <u>74,999</u>        | <u>415,561</u>        | <u>26,648</u>             | <u>442,209</u>        |
| At 1 January 2013                         | <b>17,396</b>                               | <b>303,110</b>        | <b>481</b>                 | <b>—</b>               | <b>1,093</b>        | <b>10,754</b>        | <b>6,716</b>         | <b>4,556</b>          | <b>16,008</b>        | <b>28,407</b>        | <b>62,064</b>        | <b>450,585</b>        | <b>44,458</b>             | <b>495,043</b>        |
| Transferred to retained profits           | —                                           | —                     | —                          | —                      | —                   | —                    | —                    | (37)                  | —                    | —                    | 37                   | —                     | —                         | —                     |
| Shares issued under share option scheme   | <b>1,389</b>                                | <b>80,428</b>         | —                          | —                      | —                   | —                    | —                    | <b>(4,480)</b>        | —                    | —                    | —                    | <b>77,337</b>         | —                         | <b>77,337</b>         |
| Total comprehensive income for the period | —                                           | —                     | —                          | —                      | —                   | —                    | <b>10,964</b>        | —                     | —                    | —                    | <b>(2,946)</b>       | <b>8,018</b>          | <b>4,977</b>              | <b>12,995</b>         |
| Transferred to statutory reserve          | —                                           | —                     | —                          | —                      | —                   | —                    | —                    | —                     | <b>2,905</b>         | —                    | <b>(2,905)</b>       | —                     | —                         | —                     |
| At 30 June 2013                           | <u><b>18,785</b></u>                        | <u><b>383,538</b></u> | <u><b>481</b></u>          | <u><b>—</b></u>        | <u><b>1,093</b></u> | <u><b>10,754</b></u> | <u><b>17,680</b></u> | <u><b>39</b></u>      | <u><b>18,913</b></u> | <u><b>28,407</b></u> | <u><b>56,250</b></u> | <u><b>535,940</b></u> | <u><b>49,435</b></u>      | <u><b>585,375</b></u> |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

## 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.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The interim financial report is unaudited, but has been reviewed by the Group’s audit committee. It has also been reviewed by PKF, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

## 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2012, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs effective as of 1 January 2013, which are set out below.

The Group has adopted the following new and revised HKFRSs for the first time in the condensed consolidated interim financial statements.

|                                               |                                                           |
|-----------------------------------------------|-----------------------------------------------------------|
| HKFRS 1 Amendments                            | Government Loans                                          |
| HKFRS 7 Amendments                            | Offsetting Financial Assets and Financial Liabilities     |
| HKFRS 10                                      | Consolidated Financial Statements                         |
| HKFRS 11                                      | Joint Arrangements                                        |
| HKFRS 12                                      | Disclosure of Interests in Other Entities                 |
| HKFRS 10, HKFRS 11 and<br>HKFRS 12 Amendments | Transition Guidance                                       |
| HKFRS 13                                      | Fair Value Measurement                                    |
| HKAS 1 Amendments                             | Presentation of Items of Other Comprehensive Income       |
| HKAS 19 Amendments                            | Employee Benefits                                         |
| HKAS 27 (Revised)                             | Separate Financial Statements                             |
| HKAS 28 (Revised)                             | Investments in Associates and Joint Ventures              |
| HK(IFRIC)-Int 20                              | Stripping Costs in the Production Phase of a Surface Mine |
| Annual Improvements 2009–2011 Cycle           | Amendments to a number of HKFRSs issued in June 2012      |

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### 4. 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 net of business tax, the net invoiced value of goods sold, system integration and the related consultancy 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:

|                                                    | <b>Six months ended 30 June</b> |                    |
|----------------------------------------------------|---------------------------------|--------------------|
|                                                    | <b>2013</b>                     | <b>2012</b>        |
|                                                    | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                    | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Payment solutions and related services income      | <b>67,502</b>                   | 49,427             |
| Timber trading and furniture manufacturing         | <b>11,736</b>                   | 11,120             |
| System integration and technical platform services | <b>—</b>                        | 3,227              |
| Rental and building management service income      | <b>1,769</b>                    | 2,247              |
|                                                    | <hr/>                           | <hr/>              |
| Turnover                                           | <b>81,007</b>                   | 66,021             |
|                                                    | <hr/>                           | <hr/>              |
| Interest on bank deposits                          | <b>2,920</b>                    | 5,937              |
| Other interest income                              | <b>258</b>                      | 3,144              |
| Government subsidy                                 | <b>4,069</b>                    | 5,651              |
| Franchise fee income                               | <b>1,310</b>                    | 245                |
| Dividend income                                    | <b>24</b>                       | 47                 |
|                                                    | <hr/>                           | <hr/>              |
| Other revenue                                      | <b>8,581</b>                    | 15,024             |
|                                                    | <hr/>                           | <hr/>              |
| Total revenue                                      | <b>89,588</b>                   | 81,045             |
|                                                    | <hr/>                           | <hr/>              |

## 5. PROFIT BEFORE INCOME TAX

|                                                                    | Six months ended 30 June |             |
|--------------------------------------------------------------------|--------------------------|-------------|
|                                                                    | 2013                     | 2012        |
|                                                                    | (Unaudited)              | (Unaudited) |
|                                                                    | HK\$'000                 | HK\$'000    |
| Profit before income tax is arrived at after charging/(crediting): |                          |             |
| Cost of inventories sold                                           | 13,942                   | 8,424       |
| Staff costs (including directors' remuneration)                    |                          |             |
| — Salaries and other benefits                                      | 31,594                   | 24,023      |
| — Pension scheme contributions                                     | 4,972                    | 3,859       |
|                                                                    | 36,566                   | 27,882      |
| Depreciation                                                       | 3,060                    | 3,226       |
| Amortisation of intangible assets and prepaid land lease premium   | 1,526                    | 797         |
| Loss/(gain) on change in fair value of financial assets            | 881                      | (616)       |
| Minimum operating lease rentals                                    | 2,506                    | 1,943       |
| Impairment loss on loans receivable                                | 497                      | —           |
| Interest on bank loan wholly repayable within five years           | 2,449                    | 2,954       |
| Write down of inventories                                          | 3,030                    | —           |
| (Gain)/loss on disposal of property, plant and equipment           | (18)                     | 35          |
| Gain on disposal of financial assets                               | (716)                    | (1,010)     |
| Rental income less outgoings                                       | (1,734)                  | (2,117)     |

## 6. 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 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 integrating and technical platform service |          | Industry park |          | Others   |          | Consolidated |          |
|                                  | 2013                     | 2012     | 2013                                       | 2012     | 2013                                              | 2012     | 2013          | 2012     | 2013     | 2012     | 2013         | 2012     |
|                                  | HK\$'000                 | HK\$'000 | HK\$'000                                   | HK\$'000 | HK\$'000                                          | HK\$'000 | HK\$'000      | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000     | HK\$'000 |
| Reportable segment revenue       |                          |          |                                            |          |                                                   |          |               |          |          |          |              |          |
| Revenue from external customers  | 67,502                   | 49,427   | 11,736                                     | 11,120   | —                                                 | 3,227    | 1,769         | 2,247    | —        | —        | 81,007       | 66,021   |
| Other revenue                    | 5,267                    | 9,019    | 1,319                                      | 248      | 1,921                                             | 8        | 2             | 2,558    | 72       | 3,191    | 8,581        | 15,024   |
| Total revenue                    | 72,769                   | 58,446   | 13,055                                     | 11,368   | 1,921                                             | 3,235    | 1,771         | 4,805    | 72       | 3,191    | 89,588       | 81,045   |
| Reportable segment profits       | 27,135                   | 23,083   | (4,100)                                    | 512      | (1,738)                                           | 1,309    | (3,740)       | (3,842)  | (12,610) | (9,093)  | 4,947        | 11,969   |
| Interest income                  |                          |          |                                            |          |                                                   |          |               |          |          |          | 3,178        | 9,081    |
| Dividend income                  |                          |          |                                            |          |                                                   |          |               |          |          |          | 24           | 47       |
| Profit from operations           |                          |          |                                            |          |                                                   |          |               |          |          |          | 8,149        | 21,097   |
| Finance costs                    |                          |          |                                            |          |                                                   |          |               |          |          |          | (2,958)      | (3,546)  |
| Share of results of an associate |                          |          |                                            |          |                                                   |          |               |          |          |          | (242)        | (180)    |
| Profit before income tax         |                          |          |                                            |          |                                                   |          |               |          |          |          | 4,949        | 17,371   |
| Income tax expense               |                          |          |                                            |          |                                                   |          |               |          |          |          | (2,964)      | (565)    |
| Profit for the period            |                          |          |                                            |          |                                                   |          |               |          |          |          | 1,985        | 16,806   |
| Attributable to:                 |                          |          |                                            |          |                                                   |          |               |          |          |          |              |          |
| — Shareholders of the Company    |                          |          |                                            |          |                                                   |          |               |          |          |          | (2,946)      | 13,905   |
| — Non-controlling interests      |                          |          |                                            |          |                                                   |          |               |          |          |          | 4,931        | 2,901    |
|                                  |                          |          |                                            |          |                                                   |          |               |          |          |          | 1,985        | 16,806   |

## (b) Geographical information

|                                 | Six months ended 30 June |          |                    |          |              |          |
|---------------------------------|--------------------------|----------|--------------------|----------|--------------|----------|
|                                 | PRC                      |          | Hong Kong/overseas |          | Consolidated |          |
|                                 | 2013                     | 2012     | 2013               | 2012     | 2013         | 2012     |
|                                 | HK\$'000                 | HK\$'000 | HK\$'000           | HK\$'000 | HK\$'000     | HK\$'000 |
| Revenue from external customers | 80,036                   | 63,014   | 971                | 3,007    | 81,007       | 66,021   |
| Other revenue                   | 8,496                    | 11,824   | 85                 | 3,200    | 8,581        | 15,024   |
| Total revenue                   | 88,532                   | 74,838   | 1,056              | 6,207    | 89,588       | 81,045   |

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

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 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% (six months ended 30 June 2012: 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 |             |
|-----------------------------------------------|--------------------------|-------------|
|                                               | 2013                     | 2012        |
|                                               | (Unaudited)              | (Unaudited) |
|                                               | HK\$'000                 | HK\$'000    |
| Current tax:                                  |                          |             |
| Current period                                | 2,964                    | 331         |
| Under-provision in respect of previous period | —                        | 234         |
|                                               | <u>2,964</u>             | <u>565</u>  |

## 8. DIVIDEND

|                                                                                                                                                                      | Six months ended 30 June |             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
|                                                                                                                                                                      | 2013                     | 2012        |
|                                                                                                                                                                      | (Unaudited)              | (Unaudited) |
|                                                                                                                                                                      | HK\$'000                 | HK\$'000    |
| Dividend paid during the period:                                                                                                                                     |                          |             |
| No final dividend was proposed in respect of the previous financial year, approved and paid during the period (six months ended 30 June 2012: HK1.00 cent per share) | —                        | 17,046      |

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$Nil).

## 9. (LOSSES)/EARNINGS PER SHARE

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

|                                                                                     | Six months ended 30 June |               |
|-------------------------------------------------------------------------------------|--------------------------|---------------|
|                                                                                     | 2013                     | 2012          |
|                                                                                     | (Unaudited)              | (Unaudited)   |
|                                                                                     | HK\$'000                 | HK\$'000      |
| (Losses)/earnings                                                                   |                          |               |
| (Losses)/earnings for the purposes of basic and diluted (losses)/earnings per share | <u>(2,946)</u>           | <u>13,905</u> |

|                                                                                                                  | Six months ended 30 June |                      |
|------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------|
|                                                                                                                  | 2013                     | 2012                 |
|                                                                                                                  | (Unaudited)              | (Unaudited)          |
| <b>Number of shares</b>                                                                                          |                          |                      |
| Weighted average number of shares in issue for the purpose of calculation of basic (losses)/earnings per share   | 1,783,688,361            | 1,701,942,649        |
| Effect of dilutive potential ordinary shares:                                                                    |                          |                      |
| Share options                                                                                                    | 658,736                  | 8,526,785            |
| Weighted average number of shares in issue for the purpose of calculation of diluted (losses)/earnings per share | <u>1,784,347,097</u>     | <u>1,710,469,434</u> |

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group had additions to property, plant and equipment in the amount of approximately HK\$1,814,000 (31 December 2012: HK\$19,170,000).

At 30 June 2013, no property held under medium-term lease (31 December 2012: HK\$17,409,000) was pledged to a bank to secure a bank loan granted to the Company as the bank loan was fully repaid during the current period.

## 11. 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<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|-------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| Outside Hong Kong, held under medium-term lease | 43,647                                           | 43,330                                             |
| Less: Current portion                           | <u>(1,225)</u>                                   | <u>(1,202)</u>                                     |
| Non-current portion                             | <u>42,422</u>                                    | <u>42,128</u>                                      |
| Representing:                                   |                                                  |                                                    |
| Opening net book value                          | 43,330                                           | 44,309                                             |
| Exchange adjustments                            | 924                                              | 242                                                |
| Amortisation                                    | <u>(607)</u>                                     | <u>(1,221)</u>                                     |
| Closing net book value                          | <u>43,647</u>                                    | <u>43,330</u>                                      |

At 30 June 2013, no prepaid land lease premium (31 December 2012: HK\$40,079,000) was pledged to a bank to secure a bank loan granted to the Company as the bank loan was fully repaid during the current period.

## 12. INVESTMENT PROPERTIES

HK\$'000

|                                                                        |                |
|------------------------------------------------------------------------|----------------|
| At 1.1.2012                                                            | 120,730        |
| Increase in fair value recognised in the consolidated income statement | 8,869          |
| Acquisition of a subsidiary                                            | 17,566         |
| Additions                                                              | 6,153          |
| Exchange adjustments                                                   | 708            |
|                                                                        | <hr/>          |
| At 31.12.2012 and 1.1.2013                                             | 154,026        |
| Exchange adjustments                                                   | 3,276          |
|                                                                        | <hr/>          |
| <b>At 30.6.2013</b>                                                    | <b>157,302</b> |
|                                                                        | <hr/> <hr/>    |

Notes:

- (a) The investment properties are situated in the PRC and held under medium-term lease.
- (b) No investment properties (31 December 2012: HK\$130,046,000) were pledged to a bank to secure a bank loan granted to the Company as the bank loan was fully repaid during the current period.

## 13. OTHER INVESTMENT

At 30 June 2013, other investment of HK\$12,533,000 (31 December 2012: 12,272,000) represents capital injection paid by the Group in connection with the acquisition of 8.63% equity interests of a company, incorporated in the PRC. This investment is made through a trust arrangement and paid through a company which is controlled by a key personnel management of the Group. At the date of the transaction, the key personnel management had no relationship with the Group. Additional capital will be injected and details are disclosed in note 20.

## 14. DEBTORS

Apart from payment solutions business, 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. For payment solutions business, as the Group is playing the role as an agent on behalf of the merchants for collection of payments, there is no significant credit risk.

An ageing analysis of debtors is set out below:

|                               | At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|-------------------------------|--------------------------------------------------|----------------------------------------------------|
| 0-6 months                    | 157,925                                          | 41,153                                             |
| 7-12 months                   | 2,021                                            | 688                                                |
| 1-2 year                      | 45,695                                           | 45,123                                             |
| Over two years                | 140                                              | 135                                                |
|                               | <hr/>                                            | <hr/>                                              |
|                               | 205,781                                          | 87,099                                             |
|                               | <hr/>                                            | <hr/>                                              |
| Neither past due nor impaired | 157,925                                          | 41,153                                             |
| Past due but not impaired     | 47,856                                           | 45,946                                             |
|                               | <hr/>                                            | <hr/>                                              |
|                               | 205,781                                          | 87,099                                             |
|                               | <hr/> <hr/>                                      | <hr/> <hr/>                                        |

Debtors that were neither past due nor impaired relate to tenants and a wide range of customers for timber trading and furniture manufacturing business and service providers of payment solutions business for whom there were no recent history of default.

Debtors that were past due but not impaired included an amount of HK\$139,000 (31 December 2012 : HK\$135,000) which was related to a number of independent customers of timber trading and furniture manufacturing business that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Debtors that were past due but not impaired included an amount of HK\$47,717,000 (31 December 2012: HK\$45,811,000) which were related to service providers of payment solutions business. As the Group was playing the role as an agent on behalf of the merchants for collection of payments, thus no impairment allowance was necessary in respect of this balance.

## 15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

|                                                               | At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|---------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| Utilities and deposits                                        | 2,489                                            | 2,296                                              |
| Prepayments                                                   | 22,467                                           | 18,614                                             |
| Secured loans receivable — <i>note (i)</i>                    | —                                                | 31,204                                             |
| Unsecured loans receivable — <i>note (ii)</i>                 | 5,013                                            | 4,909                                              |
| Other receivables                                             | 8,755                                            | 23,029                                             |
|                                                               | <u>38,724</u>                                    | <u>80,052</u>                                      |
| Less: impairment loss on loans receivable — <i>note (iii)</i> | (502)                                            | (693)                                              |
|                                                               | <u><u>38,222</u></u>                             | <u><u>79,359</u></u>                               |

### Notes:

- (i) Secured loans receivable are interest-bearing at 0.50%–0.80% per month or 7% per quarter (31 December 2012: interest-bearing at 0.50%–0.80% per month or 7% per quarter) and repayable within one year. An amount of HK\$30,511,000 was fully repaid during the current period.
- (ii) Unsecured loans receivable are interest-free and repayable within one year.
- (iii) The movement in the impairment loss on loans receivable is as follows:

|                            | At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|----------------------------|--------------------------------------------------|----------------------------------------------------|
| At 1 January               | 693                                              | —                                                  |
| Impairment loss recognised | 497                                              | 693                                                |
| Written off                | (693)                                            | —                                                  |
| Exchange difference        | 5                                                | —                                                  |
|                            | <u>502</u>                                       | <u>693</u>                                         |
| At 30 June/31 December     | <u><u>502</u></u>                                | <u><u>693</u></u>                                  |

## 16. BANK LOAN, SECURED

| At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------|----------------------------------------------------|
|--------------------------------------------------|----------------------------------------------------|

Due for payment:

Within one year

|   |         |
|---|---------|
| — | 217,765 |
|---|---------|

The secured bank loan was interest-bearing at 2.5% plus Hong Kong Interbank Offered Rate per annum, denominated in Hong Kong dollar and was fully repaid during the current period.

## 17. PAYABLE TO MERCHANTS

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

| At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------|----------------------------------------------------|
|--------------------------------------------------|----------------------------------------------------|

0–12 months

365,862

Over one year

191,634

57,057

56,245

422,919

247,879

## 18. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

| At<br>30 June<br>2013<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2012<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------|----------------------------------------------------|
|--------------------------------------------------|----------------------------------------------------|

Deposits received and receipts in advance

47,691

Accruals

4,882

Sundry creditors

18,392

13,195

70,965

67,168

## 19. SHARE CAPITAL

|                                          | <i>Note</i> | <i>Number of<br/>shares</i> | <i>HK\$'000</i> |
|------------------------------------------|-------------|-----------------------------|-----------------|
| <b>Share capital</b>                     |             |                             |                 |
| Ordinary share of HK\$0.01 each          |             |                             |                 |
| Authorised:                              |             |                             |                 |
| At 1 January 2013 and 30 June 2013       |             | <u>5,000,000,000</u>        | <u>50,000</u>   |
| Issued and fully paid:                   |             |                             |                 |
| At 1 January 2013                        |             | 1,739,578,858               | 17,396          |
| Shares issued under share option schemes | (i)         | <u>138,870,000</u>          | <u>1,389</u>    |
| At 30 June 2013                          |             | <u>1,878,448,858</u>        | <u>18,785</u>   |

*Note:*

- (i) During the six months ended 30 June 2013, 138,870,000 share options were exercised by the eligible option holders, resulting in the issue of 138,870,000 shares of HK\$0.01 each of the Company at a total consideration of HK\$77,337,200.

## 20. CAPITAL COMMITMENTS

### The Group

Capital expenditure contracted but not provided for is as follows:

|                                              | <b>At<br/>30 June<br/>2013<br/>(Unaudited)<br/>HK\$'000</b> | <b>At<br/>31 December<br/>2012<br/>(Audited)<br/>HK\$'000</b> |
|----------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|
| Acquisition of property, plant and equipment | —                                                           | 784                                                           |
| Investment                                   | <u>12,533</u>                                               | <u>12,272</u>                                                 |
|                                              | <u>12,533</u>                                               | <u>13,056</u>                                                 |

On 28 March 2012, a wholly-owned subsidiary of the Company entered into an agreement to acquire 8.63% equity interests of a company incorporated in the PRC at a total consideration of RMB20,000,000 (equivalent to HK\$25,066,000). At 30 June 2013, the remaining RMB10,000,000 (equivalent to HK\$12,533,000) (31 December 2012: RMB10,000,000 (equivalent to HK\$12,272,000)) was contracted for but not yet paid.

## 21. EVENTS AFTER THE REPORTING PERIOD

On 18 June 2013, the Company entered into the placing agreement (the “Placing Agreement”) with Enlighten Securities Limited (the “Placing Agent”) whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 200,000,000 placing shares (the “Placing Shares”) to not less than 6 independent placees at a price of HK\$0.58 per placing share. The completion of the placing took place on 23 July 2013, whereby a total of 192,000,000 Placing Shares were successfully placed by the Placing Agent to not less than six placees at the placing price pursuant to the terms and conditions of the Placing Agreement. The gross proceeds from the Placing are approximately HK\$111.36 million and the net proceeds from the Placing, after deducting the placing commission and other professional fees incurred by the Company in the Placing, are approximately HK\$108.58 million.

## **22. CONTINGENT LIABILITIES**

The Group is subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to directors and shareholders.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities including lawsuits, the Directors of the Company believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

## **BUSINESS REVIEW AND PROSPECTS**

### **BUSINESS REVIEW**

For the six-month period ended 30 June 2013, the Group had a mixture of challenges and opportunities. In view of the subdued economic recovery and the intensified competition in the industry, the Group's efforts and resources were focused on its core business, so as to optimize the allocation of resources and to maintain a stable source of income, thus paving a solid path for the long-term development of the Group.

For our core business, thanks to our goal of teaming up with partners in joint force development, our core businesses in Mainland China attained steady development in various aspects in a well-disciplined manner during the period. Revenue from our main businesses in the first half of the year jumped by more than 20% compared to the corresponding period of last year, mainly as a result of the significant growth in the domestic card business and the trading volume of POS acquiring products. Meanwhile, to fuel its long-term development, the Group also devoted more funds, which were used as costs and expenses relating to human resources and product research and development. Accordingly, in line with our strategic goals, we continued to achieve solid growth and steady progress in our main businesses in the spectrums of traditional payment market, college e-bill payments and offline e-bill acquiring projects, thus driving the sustainable growth of the Company. We have been staying ahead of market demand, and have been garnering exceptional market response since the launch of the brand new products of the Company. Along with the further development of our business operations, we will be well-positioned to reach new horizons in the area of large-scale chain businesses at all-out efforts. With the integration of our online and offline operations, we made ourselves ready to put into effect an integrated system internally and externally. The Company was stepping up efforts in building a new trading system which aimed to enhance its risk management, strategic transformation, data warehouse construction, in order to achieve the consistency of "control flow, information flow, capital flow". In the first half of the year, we maintained steady growth momentum in terms of trading volume, number of business dealers, product innovation, brand awareness and business revenue. We also achieved a historic breakthrough in the enhancement of the quality customers and the application of financial value-added services in the industry, thus laying a strong foundation for the sustained growth in the coming six months. In addition, in respect of our international businesses, against the backdrop of the continued sluggishness in the global economic landscape, we remained focused on the expansion and development of our overseas international businesses. In light of the introduction of a series of measures, we continued to adjust our payment business in Hong Kong. Though there was no substantial contribution of turnover and profit for the period, we strongly believe that we will be able to strategically tie up tighter and stronger business alliances through constant internal adjustments as well as optimization and integration of resources, and that we will stand poised to bolster up our turnover and profitability.

For timber resources and furniture manufacturing business, despite the background of the challenging business environment, we have been upholding a prudent-yet-proactive business philosophy, while embracing customer-led strategy that is focused on product quality and services. In connection with brand building, the brand reputation of the Company was buoyed up through a number of effective marketing strategies. Besides, our efforts in cementing increasingly mature cooperation with our industry chain partners have helped us establish efficient communication and operations. Sales and profit for the period remained almost the same as the corresponding period of last year.

During the period, with adherence to our business philosophy of achieving ever-higher standards of service excellence and with the continued enhancement of the quality of service and the standard of comprehensive property management, a tenant mix management model was put in place by the Group's headquarters, thereby offering companies and tenants access to higher-quality services and generating a stable source of rental income for the Group.

In addition, despite the dispute and litigation between the directors and shareholders of the Group during the period, the overall operation and financial condition of the Group were not materially and adversely affected, as a result of the mature business development, well-established management system and smooth operation at the moment. Moreover, during the period, through due considerations, the management decided to actively seek external development opportunities by taking advantage of the Group's solid financial advantages, with a view to fostering the Group's organic growth. The Board proposed a share allotment scheme. This represented a good opportunity for the Group to raise funds and to broaden its shareholder base and capital base. This was also in line with the interests of the Company and the shareholders as a whole. The funds so raised will be used to finance the Company's business expansion, to grasp the potential investment opportunities and to fund the Group's general working capital, adding favourable impetus to the Group's long-term development.

## **PROSPECTS**

In the second half of 2013, given fierce competition in the payment market faced by the Group's core business on a multi-dimensional, multi-industry basis, coupled with heightened uncertainties in policies, the Company will strive to reinforce its intrinsic strengths and raise its comprehensive edges in various aspects. Recognizing the very essence of people, by building up an elite team of people with enhanced quality, the Company has retained a great pool of talent, which help the Company realize its strategic goals. In the second half of the year, by taking full advantage of our inherent advantages, we will continue to vigorously create new profit growth points and exercise effective cost control. In the coming period, we will further accelerate the development of our payment business, which is initially bearing fruits from the integration. With the integration of online and offline operations, compounded by our efforts in market exploration in the previous periods, we are blessed with promising market prospects, and are heading towards new business directions. We will further step up the building and development of the financial operation system. We will also endeavour to reap continued business growth by persistently lifting up our core competitiveness both internally and externally.

For timber resources and furniture manufacturing business, relying on the country's supporting policies on raw materials for high-end mahogany furniture, the Group will further take advantages of its competitive edges in raw materials. We will capture the development opportunities arising from the mahogany furniture market, in order to secure bigger market share. At the same time, in respect of brand building, we will extend intensive efforts to boost our well-respected brand reputation in the market and achieve after-sales service excellence, in an effort to yield larger revenue for the Group.

As to the operation and management of Group's headquarters in Shanghai, by working intensively on the enhancement of our services and equipment as well as the improvement of our property management, we will also continue to contribute a stable stream of rental income for the Group and strive to maximize its value.

We will endeavour to raise our business target to a new high with unwavering devotion and dedication. In our firm belief, riding on our long-term strategic moves, we will fulfill our goal of attaining higher management efficiency. With core principles of reinforcing our organizational structure and internal

management, we will sharpen our soft strengths. Based on reasonable grounds, with adherence to appropriate tactics, coupled with the establishment of an innovative product and efficient business model and the effective implementation of well-diversified strategies by our team, the Company is set to gradually expand and enhance its sustainable development and influence. The Group is bound to promote its business development at a speedy pace, and to ultimately create higher value for shareholders and investors.

## **FINANCIAL OVERVIEW**

### **Turnover and net loss**

During the current period, the Group recorded a turnover of HK\$81,007,000, representing an increase of 23% as compared to the last fiscal period. The increase in turnover is mainly due to the increase in revenue of the Group's payment solutions business.

The loss attributable to shareholders of the Company was HK\$2,946,000 in the current period, representing a decrease of 121% as compared to the last fiscal period. The decline is mainly due to the increase of staff costs and operating expenses.

### **Cost of sales/services rendered**

During the current period, the Group recorded a cost of sales/services rendered of HK\$14,393,000, representing an increase of 58% as compared to the last fiscal period. The increase was due the increase of cost of sales in timber business and cost of services rendered in payment solutions business.

### **Other revenue and other income**

During the current period, other revenue and other income are amounted to HK\$14,477,000, representing a decrease of 20% as compared to the last fiscal period. It is mainly due to a decrease in interest on bank deposits and other interest income.

### **General and administrative expenses**

During the current period, the Group recorded general and administrative expenses of HK\$72,942,000, representing an increase of 35% as compared to the last fiscal period. It is mainly due to increase in staff costs and research and development expenses. During the current period, the Group recorded salaries and other benefits of HK\$31,594,000, representing an increase of 32% as compared to the last fiscal period. The Group recorded research and development expenses of HK\$11,175,000, representing an increase of 93% as compared to the last fiscal period, the increase of research and development expenses is due to the implementing of several projects of payment solutions business during the current period. To be conclude, general and administrative expenses as a percentage of revenue, increased to 90% in the first half of 2013, as compared to 82% in the same period of 2012.

### **Finance costs**

During the current period, the Group recorded finance costs of HK\$2,958,000, representing a decrease of 17% as compared to the last fiscal period. It is mainly due to a decrease in bank charge for the need of business operation and bank loan interest incurred as the bank loan was fully repaid during the current period.

## **Income tax expense**

During the current period, the Group recorded an income tax expense of HK\$2,964,000, representing an increase of 425% as compared to the last fiscal period. It is mainly due to the fact that the profit of the Group's payment solutions business in PRC, which was fully exempted from income tax in the PRC in the last fiscal period, is started to be taxed at 50% of the applicable tax rate during the current period.

## **Interest in an associate**

The Group's interest in an associate decreased by HK\$244,000 from HK\$697,000 as at 31 December 2012 to HK\$453,000 as at 30 June 2013. The decrease was due to the share of loss of an associate of HK\$242,000 during the current period.

## **Debtors**

The Group's debtors increased by HK\$118,682,000 from HK\$87,099,000 as at 31 December 2012 to HK\$205,781,000 as at 30 June 2013. The increase was mainly attributable to increase in transaction volume of payment solutions business. The increase was also due to the fact that large amount of transaction moneys was not settled on Saturday and Sunday, which was the balance sheet date of 30 June 2013, until next working day. However, based on the good track record of the debtor with the Group, management believed that no impairment allowance is necessary on increased amount of past due amount. Debtors that were past due but not impaired included an amount of HK\$47,717,000 which were related to service providers of payment solutions business. As the Group was playing the role as an agent on behalf of the merchants for collection of payments, thus no impairment allowance was necessary in respect of this balance.

## **Deposits, prepayments and other receivables**

The Group's deposits, prepayments and other receivables decreased by HK\$41,137,000 from HK\$79,359,000 as at 31 December 2012 to HK\$38,222,000 as at 30 June 2013. The decrease in deposits, prepayments and other receivables was due to the repayment of the secured loans receivables during the current period and the decrease in other receivables incurred in the ordinary course of development of the Group.

## **Financial assets at fair value through profit or loss**

The Group's financial assets at fair value through profit or loss decreased by HK\$8,308,000 from HK\$10,057,000 as at 31 December 2012 to HK\$1,749,000 as at 30 June 2013. The decrease in financial assets at fair value through profit or loss was mainly due to the disposal of financial assets during the current period.

## **Pledged time deposits**

The Group's pledged time deposits decreased by HK\$115,357,000 from HK\$115,357,000 as at 31 December 2012 to HK\$Nil as at 30 June 2013. As the bank loan was fully repaid during the current period and no time deposits was pledged to a bank to secure the bank loan.

## **Cash and bank balances**

The Group's cash and bank balances increased by HK\$102,626,000 from HK\$341,535,000 as at 31 December 2012 to HK\$444,161,000 as at 30 June 2013. As at 30 June 2013, 95% (31 December 2012: 88%) of cash and bank balances was denominated in Renminbi.

### **Bank loan, secured**

The Group's bank loan, secured decreased by HK\$217,765,000 from HK\$217,765,000 as at 31 December 2012 to HK\$Nil as at 30 June 2013. The secured bank loan was fully repaid during the current period.

### **Payable to merchants**

The Group's payable to merchants increased by HK\$175,040,000 from HK\$247,879,000 as at 31 December 2012 to HK\$422,919,000 as at 30 June 2013. The increase in payable to merchants is in line with the increase in debtors. The increase was mainly attributable to the increase in transaction volume of payment solutions business. The increase was also due to the fact that large amount of transaction moneys was not settled on Saturday and Sunday, which was the balance sheet date of 30 June 2013, until next working day. The Group was playing the role as an agent on behalf of the merchants for collection of transaction moneys from debtors and then paid such transaction moneys to the merchant after deducting services fee. The Group mainly booked the services fee which is determined based on an agreed percentage of the transaction moneys involved as turnover.

### **Deposits received, sundry creditors and accruals**

The Group's deposits received, sundry creditors and accruals increased by HK\$3,797,000 from HK\$67,168,000 as at 31 December 2012 to HK\$70,965,000 as at 30 June 2013. The increase was mainly attributable to the increase in deposits and sundry creditors of the Group.

### **Liquidity and financial resources**

At 30 June 2013, the Group had net current assets of HK\$229,147,000. Current assets comprised inventories of HK\$39,089,000, debtors of HK\$205,781,000, deposits, prepayments and other receivables of HK\$38,222,000, financial assets at fair value through profit or loss of HK\$1,749,000, prepaid land lease premium of HK\$1,225,000, tax recoverable of HK\$816,000 and cash and bank balances of HK\$444,161,000.

Current liabilities comprised bank overdraft of HK\$5,964,000, payable to merchants of HK\$422,919,000, deposits received, sundry creditors and accruals of HK\$70,965,000 and tax payable of HK\$2,048,000.

The gearing ratio (defined as a percentage of total liabilities less deferred tax liability over total assets) of the Group at 30 June 2013 was 46% (31 December 2012: 51%).

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 2013, the total number of employees of the Group was 650 (31 December 2012: 596), representing a 9% increase as compared with that at 31 December 2012. The dedication and contribution of the Group's staff during the six months ended 30 June 2013 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.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

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

## **CHARGES ON GROUP'S ASSETS**

At 30 June 2013, properties held under medium-term lease with a net book value of HK\$Nil (31 December 2012: HK\$17,409,000), investment properties with a net book value of HK\$Nil (31 December 2012: HK\$130,046,000), prepaid land lease premium with a net book value of HK\$Nil (31 December 2012: HK\$40,079,000) and pledged time deposits of HK\$Nil (31 December 2012: HK\$115,357,000) were pledged to a bank to secure a bank loan granted to the Company. The bank loan was fully repaid during the current period.

## **DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

On 18 June 2013, the Company entered into the placing agreement (the "Placing Agreement") with Enlighten Securities Limited (the "Placing Agent") whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 200,000,000 placing shares (the "Placing Shares") to not less than 6 independent placees at a price of HK\$0.58 per placing share. The completion of the placing took place on 23 July 2013, whereby a total of 192,000,000 Placing Shares were successfully placed by the Placing Agent to not less than six placees at the placing price pursuant to the terms and conditions of the Placing Agreement. The gross proceeds from the Placing are approximately HK\$111.36 million and the net proceeds from the Placing, after deducting the placing commission and other professional fees incurred by the Company in the Placing, are approximately HK\$108.58 million. The Group intends to use the Placing proceeds for expansion of business and potential investment opportunities and general working capital of the Group.

## **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 2013, 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 Group is subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to directors and shareholders.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities including lawsuits, the Directors of the Company believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

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

At 30 June 2013, 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 | Aggregate interests | % of the Company's issued share capital |
|---------------------------------------------|------------------------------|------------------|---------------------|---------------------------------------|---------------------|-----------------------------------------|
|                                             | Personal interests           | Family interests | Corporate interests |                                       |                     |                                         |
| <b>Executive Directors:</b>                 |                              |                  |                     |                                       |                     |                                         |
| Mr. Chen Runqiang                           | 6,000,000                    | —                | —                   | —                                     | 6,000,000           | 0.32%                                   |
| Mr. Lau Yeung Sang <i>(Note 1)</i>          | —                            | —                | 306,380,000         | 306,380,000                           | 306,380,000         | 16.31%                                  |
| Mr. Xu Hui                                  | —                            | —                | —                   | —                                     | —                   | —                                       |
| Mr. Zhou Jianhui                            | 6,000,000                    | —                | —                   | —                                     | 6,000,000           | 0.32%                                   |
| Mr. Chen Jinyang                            | —                            | —                | —                   | —                                     | —                   | —                                       |
| <b>Non-executive Director:</b>              |                              |                  |                     |                                       |                     |                                         |
| Mr. Chow Cheuk Lap <i>(Note 2)</i>          | —                            | —                | 67,540,000          | 67,540,000                            | 67,540,000          | 3.59%                                   |
| <b>Independent Non-executive Directors:</b> |                              |                  |                     |                                       |                     |                                         |
| Dr. Cheung Wai Bun, Charles, <i>J.P.</i>    | —                            | —                | —                   | —                                     | —                   | —                                       |
| Mr. David Tsoi                              | —                            | —                | —                   | —                                     | —                   | —                                       |
| Mr. Chan Chun Kau                           | —                            | —                | —                   | —                                     | —                   | —                                       |

*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"). World One Investments Limited is deemed to be interested in 306,380,000 Shares, comprising (a) 256,380,000 Shares in the capacity of beneficial owner; and (b) 50,000,000 Shares in the capacity of "other interest". World One Investments Limited is owned as to 33.33% by each of Mr. Lau Yeung Sang, Mr. Lau Sik Suen and Mr. Chai Ming. Pursuant to the SFO, each of Mr. Lau Yeung Sang, Mr. Lau Sik Suen and Mr. Chai Ming is deemed to be interested in the entire 306,380,000 Shares because World One Investments Limited is a controlled corporation of each of them.

2. Total interests of Mr. Chow Cheuk Lap in the ordinary shares of the Company include 67,540,000 shares held by Top Nation International Limited ("Top Nation"). Mr. Chow Cheuk Lap owns 50% beneficial interests in Top Nation and he is deemed to be interested in these ordinary shares held by Top Nation.
3. There were no debt securities nor debentures issued by the Group at any time during the period ended 30 June 2013.

Save as disclosed above, so far as the directors are aware at 30 June 2013, 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 2013 and for the six months ended 30 June 2013,

- (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 2013, 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**

| <b>Name</b>                                          | <b>Type of interests</b>                                | <b>Number of shares</b> | <b>Approximate percentage of interests</b> |
|------------------------------------------------------|---------------------------------------------------------|-------------------------|--------------------------------------------|
| Ever City Industrial Development Limited<br>(Note 1) | Beneficial owner and interest in controlled corporation | 356,000,000             | 18.95%                                     |
| Mr. Yang Zhimao (Note 1)                             | Interest in controlled corporation                      | 356,000,000             | 18.95%                                     |
| World One Investments Limited (Note 2)               | Beneficial owner                                        | 306,380,000             | 16.31%                                     |
| Mr. Lau Yeung Sang (Note 2)                          | Interest in controlled corporation                      | 306,380,000             | 16.31%                                     |

| Name                                                               | Type of interests                                                | Number of shares | Approximate percentage of interests |
|--------------------------------------------------------------------|------------------------------------------------------------------|------------------|-------------------------------------|
| Mr. Lau Sik Suen ( <i>Note 2</i> )                                 | Interest in controlled corporation                               | 306,380,000      | 16.31%                              |
| Mr. Chai Ming ( <i>Note 2</i> )                                    | Interest in controlled corporation                               | 306,380,000      | 16.31%                              |
| Eastcorp International Limited ( <i>Note 3</i> )                   | Beneficial owner and person having a security interest in shares | 250,000,000      | 13.31%                              |
| Mr. Song Tie Ming                                                  | Beneficial owner                                                 | 141,500,000      | 7.53%                               |
| Ms. Zhu Fenglin ( <i>Note 1</i> )                                  | Interest in controlled corporation                               | 106,000,000      | 5.64%                               |
| Jiu Zhou International Investment Group Co., Ltd ( <i>Note 4</i> ) | Beneficial owner and interest in controlled corporation          | 98,150,000       | 5.23%                               |
| Mr. Su Deke ( <i>Note 4</i> )                                      | Interest in controlled corporation                               | 98,150,000       | 5.23%                               |

*Notes:*

1. Mr. Yang Zhimao is deemed to be interested in 356,000,000 Shares, comprising (a) 106,000,000 Shares directly held by his controlled corporation Ever City Industrial Development Limited; (b) 200,000,000 Shares directly held by his controlled corporation Eastcorp International Limited; and (c) 50,000,000 Shares deemed to be interested by Eastcorp International Limited in the capacity of “person having a security interest in shares”. Eastcorp International Limited is owned as to 50% by Ever City Industrial Development Limited, which is in turn 80% owned by Mr. Yang Zhimao. The remaining 20% shareholding in Ever City Industrial Development Limited is owned by Ms. Zhu Fenglin, the spouse of Mr. Yang Zhimao. Pursuant to the SFO, Ever City Industrial Development Limited is also deemed to be interested in the entire 356,000,000 Shares because Eastcorp International Limited is deemed to be its controlled corporation. Eastcorp International Limited is beneficially owned by Ever City Industrial Development Limited, Mr. Chau Cheuk Wah and Mr. Chen Zhihao as to 50%, 25% and 25% respectively. Eastcorp International Limited directly holds 200,000,000 shares and has a security interest in 50,000,000 shares.
2. World One Investments Limited is deemed to be interested in 306,380,000 Shares, comprising (a) 256,380,000 Shares in the capacity of beneficial owner; and (b) 50,000,000 Shares in the capacity of “other interest”. World One Investments Limited is owned as to 33.33% by each of Mr. Lau Yeung Sang, Mr. Lau Sik Suen and Mr. Chai Ming. Pursuant to the SFO, each of Mr. Lau Yeung Sang, Mr. Lau Sik Suen and Mr. Chai Ming is deemed to be interested in the entire 306,380,000 Shares because World One Investments Limited is a controlled corporation of each of them.
3. Eastcorp International Limited is beneficially owned by Ever City Industrial Development Limited, Mr. Chau Cheuk Wah and Mr. Chen Zhihao as to 50%, 25% and 25% respectively. Eastcorp International Limited directly holds 200,000,000 shares and has a security interest in 50,000,000 shares.
4. Mr. Su Deke is deemed to be interested in 98,150,000 Shares, comprising (a) 21,700,000 Shares directly held by his controlled corporation Jiu Zhou International Investment Group Co., Ltd; and (b) 76,450,000 Shares directly held by his controlled corporation Harvest Dragon Holdings Limited. Harvest Dragon Holdings Limited is wholly owned by Jiu Zhou International Investment Group Co., Ltd, which is in turn wholly owned

by Mr. Su Deke. Pursuant to the SFO, Jiu Zhou International Investment Group Co., Ltd is also deemed to be interested in the entire 98,150,000 Shares because Harvest Dragon Holdings Limited is deemed to be its controlled corporation.

**(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 2013 and there was no share option outstanding at 30 June 2013.

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 2013, the number of shares in respect of which options had been granted and there is no outstanding under the GEM Share Option Schemes and New Share Option Scheme was 1,000,000, representing 0.05% 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       |                           |                             |                          | Outstanding at 30 June 2013 | Market value per share at date of grant of option | Market value per share on exercise of option |
|-------------------------------------------------------|----------------|--------------------------------|----------------------------------|----------------|-------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|---------------------------------------------------|----------------------------------------------|
|                                                       |                |                                |                                  |                | Outstanding at 1 January 2013 | Granted during the period | Exercised during the period | Lapsed during the period |                             |                                                   |                                              |
|                                                       |                |                                |                                  |                |                               |                           |                             |                          |                             |                                                   |                                              |
| 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      | 3,150,000                     | —                         | (2,150,000)                 | —                        | 1,000,000                   | HK\$0.530                                         | —                                            |
| 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      | 137,870,000                   | —                         | (136,720,000)               | (1,150,000)              | —                           | HK\$0.470                                         | HK\$0.570–<br>HK\$0.630                      |
|                                                       |                |                                |                                  |                | <u>141,020,000</u>            | <u>—</u>                  | <u>(138,870,000)</u>        | <u>(1,150,000)</u>       | <u>1,000,000</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 six-month period ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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. One Independent Non-Executive Director did not attend the annual general meeting of the Company held on 3 June 2013 due to other engagements. This constitutes a deviation from the code provision of A.6.7 of the CG Code which requires, inter alia, Independent Non-Executive Directors and other Non-Executive Directors to attend general meetings.

## **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 2013.

## **DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## **DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2012 are set out as follows:

Mr. David Tsoi was appointed as Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee with effect from 3 June 2013.

Mr. Chan Chun Kau was appointed as Independent Non-Executive Director, the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee with effect from 3 June 2013.

Dr. Cheung Wai Bun, Charles, *J.P.* was appointed as the Chairman of the Remuneration Committee with effect from 3 June 2013. The emolument of Dr. Cheung Wai Bun, Charles, *J.P.* as an Independent Non-Executive Director was adjusted from HK\$20,000 per month to HK\$25,000 per month, which was determined with reference to the duties and responsibilities of an Independent Non-Executive Director, with effect from 1 January 2013.

Mr. Meng Lihui and Mr. Fong Heung Sang, both of whom are Independent Non-Executive Directors retired at the conclusion of the AGM and ceased to be members of the Audit Committee, the Remuneration Committee and the Nomination Committee, with effect from 3 June 2013. Before retirement, the emolument of them as Independent Non-Executive Director was each adjusted from HK\$25,000 per month to HK\$30,000 per month, which was determined with reference to the duties and responsibilities of Independent Non-executive Directors, with effect from 1 January 2013.

The emolument of Mr. Chow Cheuk Lap as an Non-Executive Director was adjusted from HK\$25,000 per month to HK\$30,000 per month, which was determined with reference to the duties and responsibilities of a Non-Executive Director, with effect from 1 January 2013.

## **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, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chan Chun Kau. The chairman of the Audit Committee is Mr. David Tsoi.

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.

The interim financial report for the period ended 30 June 2013 is unaudited, but has been reviewed by PKF, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The interim financial report has been reviewed by the Audit Committee.

## **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](http://www.hkexnews.hk)) and the Company’s website ([www.uth.com.hk](http://www.uth.com.hk)). The interim report for the six months ended 30 June 2013 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**  
**Chen Runqiang**  
*Chairman*

Hong Kong, 30 August 2013

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

*Executive Directors:*

Mr. Chen Runqiang (*Chairman*)

Mr. Xu Hui

Mr. Lau Yeung Sang

Mr. Zhou Jianhui

Mr. Chen Jinyang

*Non-Executive Director:*

Mr. Chow Cheuk Lap

*Independent Non-Executive Directors:*

Dr. Cheung Wai Bun, Charles, *J.P.*

Mr. David Tsoi

Mr. Chan Chun Kau