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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 2014

HIGHLIGHTS

- Turnover for the six months ended 30 June 2014 amounted to approximately HK\$131.49 million (six months ended 30 June 2013: HK\$81.01 million), representing an increase of 62% 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 profit attributable to shareholders of the Company for the six months ended 30 June 2014 increased by HK\$4.54 million, or 154%, from a net loss of HK\$2.95 million for the six months ended 30 June 2013 to a net profit of HK\$1.59 million for the period.
- Basic and diluted earnings per share for the six months ended 30 June 2014 amounted to HK0.08 cent and HK0.08 cent respectively (six months ended 30 June 2013: Basic and diluted losses per share amounted to HK0.17 cent and HK0.17 cent respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014 together with comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Note	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	4	131,487	81,007
Cost of sales/services rendered		(13,061)	(14,393)
Gross profit		118,426	66,614
Other revenue	4	5,636	8,581
Other income		558	5,896
General and administrative expenses		(117,866)	(72,445)
Profit from operations		6,754	8,646
Impairment loss on debtors	13	(79)	—
Impairment loss on other receivables	14	(566)	(497)
Finance costs		(420)	(2,958)
Share of results of an associate		504	(242)
Profit before income tax	5	6,193	4,949
Income tax expense	7	(779)	(2,964)
Profit for the period		5,414	1,985
Profit/(loss) attributable to:			
Shareholders of the Company		1,594	(2,946)
Non-controlling interests		3,820	4,931
Profit for the period		5,414	1,985
Earnings/(losses) per share (<i>in cent</i>)			
Basic	8	0.08	(0.17)
Diluted	8	0.08	(0.17)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>5,414</u>	<u>1,985</u>
Other comprehensive (loss)/income:-		
Items that may be reclassified subsequently to profit or loss:-		
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China (the "PRC")	<u>(3,218)</u>	<u>11,010</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(3,218)</u>	<u>11,010</u>
Total comprehensive income for the period	<u><u>2,196</u></u>	<u><u>12,995</u></u>
Total comprehensive (loss)/income attributable to:		
Shareholders of the Company	(1,199)	8,018
Non-controlling interests	<u>3,395</u>	<u>4,977</u>
	<u><u>2,196</u></u>	<u><u>12,995</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	49,358	53,888
Prepaid land lease premium	10	41,381	42,317
Investment properties	11	176,144	166,274
Intangible assets		13,654	18,443
Goodwill		77,097	76,402
Interest in an associate		978	270
Other investment	12	12,588	12,683
Other receivable	14	4,532	4,566
Deferred tax assets		2,114	—
		<u>377,846</u>	<u>374,843</u>
CURRENT ASSETS			
Inventories		47,005	36,713
Debtors	13	126,475	128,003
Deposits, prepayments and other receivables	14	60,032	30,412
Financial assets at fair value through profit or loss	15	1,988	1,794
Prepaid land lease premium	10	1,230	1,238
Tax recoverable		263	1,153
Cash and bank balances		640,561	592,079
		<u>877,554</u>	<u>791,392</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank overdraft, unsecured		—	4,241
Payable to merchants	16	451,338	364,189
Deposits received, sundry creditors and accruals	17	105,573	100,016
Tax payable		3,626	6,170
		<u>560,537</u>	<u>474,616</u>
NET CURRENT ASSETS		<u>317,017</u>	<u>316,776</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>694,863</u>	<u>691,619</u>

		At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
DEDUCT:			
NON-CURRENT LIABILITY			
Deferred tax liability		<u>17,794</u>	<u>17,350</u>
NET ASSETS		<u>677,069</u>	<u>674,269</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	18	20,705	20,705
Reserves		<u>597,160</u>	<u>598,359</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		617,865	619,064
NON-CONTROLLING INTERESTS		<u>59,204</u>	<u>55,205</u>
TOTAL EQUITY		<u><u>677,069</u></u>	<u><u>674,269</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	60,597	106,725
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(7,512)	4,636
NET CASH USED IN FINANCING ACTIVITIES	—	(22,764)
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,085	88,597
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(362)	8,065
CASH AND CASH EQUIVALENTS AT 1 JANUARY	587,838	341,535
CASH AND CASH EQUIVALENTS AT 30 JUNE	640,561	438,197
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	640,561	444,161
Bank overdraft	—	(5,964)
	640,561	438,197

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	Attributable to shareholders of the Company										Non-		Total
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Other reserve	Retained profits	Total	controlling interests	
	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 2013	17,396	303,110	481	1,093	10,754	6,716	4,556	16,008	28,407	62,064	450,585	44,458	495,043
Transferred to retained profits	—	—	—	—	—	—	(37)	—	—	37	—	—	—
Shares issued under share option scheme	1,389	80,428	—	—	—	—	(4,480)	—	—	—	77,337	—	77,337
Total comprehensive income for the period	—	—	—	—	—	10,964	—	—	—	(2,946)	8,018	4,977	12,995
Transferred to statutory reserve	—	—	—	—	—	—	—	2,905	—	(2,905)	—	—	—
At 30 June 2013	18,785	383,538	481	1,093	10,754	17,680	39	18,913	28,407	56,250	535,940	49,435	585,375
At 1 January 2014	20,705	490,194	481	1,093	10,754	18,571	4,796	21,903	28,407	22,160	619,064	55,205	674,269
Acquisition of a subsidiary — note 19	—	—	—	—	—	—	—	—	—	—	—	604	604
Total comprehensive income for the period	—	—	—	—	—	(2,793)	—	—	—	1,594	(1,199)	3,395	2,196
Transferred to statutory reserve	—	—	—	—	—	—	—	116	—	(116)	—	—	—
At 30 June 2014	20,705	490,194	481	1,093	10,754	15,778	4,796	22,019	28,407	23,638	617,865	59,204	677,069

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 investment properties and certain financial instruments, which are measured at fair values. 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 and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

During the six months ended 30 June 2014, the management of the Group reviewed the estimated useful lives of all of its computer software and technology and concluded that due to the technological development in recent years, the expected useful lives of its computer software and technology were shorter than their original estimation. As a result, the Group has shortened the estimated useful lives of its computer software and technology to 3 years.

The change in accounting estimates is accounted for prospectively from 1 January 2014. The effect of this change in estimated useful lives is estimated to have increased amortisation charge by approximately HK\$4,366,000 for the six months ended 30 June 2014.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Leases

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 and rental and building management service income. An analysis of the Group's turnover and other revenue is set out below:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Payment solutions and related services income	115,189	67,502
Timber trading and furniture manufacturing	14,980	11,736
Rental and building management service income	1,318	1,769
Turnover	131,487	81,007
Interest on bank deposits	5,358	2,920
Other interest income	58	258
Government subsidy	119	4,069
Franchise fee income	—	1,310
Dividend income	101	24
Other revenue	5,636	8,581
Total revenue	137,123	89,588

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	11,788	13,942
Staff costs (including directors' remuneration)		
— Salaries and other benefits	48,922	31,594
— Pension scheme contributions	6,852	4,972
	55,774	36,566
Depreciation	7,675	3,060
Amortisation of intangible assets and prepaid land lease premium	5,307	1,526
Loss on change in fair value of financial assets	327	881
Minimum operating lease rentals	3,423	2,506
Impairment loss on debtors	79	—
Impairment loss on other receivables	566	497
Interest on bank loan wholly repayable within five years	73	2,449
Write down of inventories	660	3,030
Loss/(gain) on disposal of property, plant and equipment	293	(18)
Gain on disposal of financial assets	(54)	(716)
Rental income less outgoings	(1,040)	(1,734)

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	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
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	115,189	67,502	14,980	11,736	—	—	1,318	1,769	—	131,487	81,007
Other revenue	5,085	5,267	187	1,319	248	1,921	11	2	105	5,636	8,581
Total revenue	120,274	72,769	15,167	13,055	248	1,921	1,329	1,771	105	137,123	89,588
Reportable segment profits											
Interest income	25,689	27,135	(2,634)	(4,100)	(3,080)	(1,738)	(6,020)	(3,243)	(12,718)	1,237	5,444
Dividend income										5,416	3,178
										101	24
Profit from operations										6,754	8,646
Impairment loss on debtors	(13)	—	(66)	—	—	—	—	—	—	(79)	—
Impairment loss on other receivables										(566)	(497)
Finance costs										(420)	(2,958)
Share of results of an associate										504	(242)
Profit before income tax										6,193	4,949
Income tax expense										(779)	(2,964)
Profit for the period										5,414	1,985
Attributable to:											
— Shareholders of the Company										1,594	(2,946)
— Non-controlling interests										3,820	4,931
										5,414	1,985

(b) Geographical information

Six months ended 30 June					
PRC		Hong Kong/overseas		Consolidated	
2014	2013	2014	2013	2014	2013
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	130,449	80,036	1,038	131,487	81,007
Other revenue	5,518	8,496	118	5,636	8,581
Total revenue	135,967	88,532	1,156	137,123	89,588

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

7. INCOME TAX EXPENSE

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2014 and 2013.

Pursuant to the income tax laws and regulations of the People's Republic of China (the "PRC"), the company's subsidiary in the PRC is subject to PRC corporate income tax at a rate of 25% (Six months ended 30 June 2013: 25%) on its assessable profits.

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:-		
Current period	2,899	2,964
Deferred tax:-		
Current period	(2,120)	—
	779	2,964

8. EARNINGS/(LOSSES) PER SHARE

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(losses)		
Earnings/(losses) for the purposes of basic and diluted earnings/(losses) per share	1,594	(2,946)
	2,070,448,858	1,783,688,361
	5,814,307	658,736
	2,076,263,165	1,784,347,097

Earnings/(losses)

Earnings/(losses) for the purposes of basic and diluted earnings/(losses) per share

Number of shares

Weighted average number of shares in issue for the purpose of calculation of basic earnings/(losses) per share

Effect of dilutive potential ordinary shares:

Share options

Weighted average number of shares in issue for the purpose of calculation of diluted earnings/(losses) per share

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group had additions to property, plant and equipment in the amount of approximately HK\$5,381,000 (31 December 2013: HK\$10,761,000).

10. PREPAID LAND LEASE PREMIUM

The Group's interests in land lease premium represents prepaid operating lease payments and its net book value is analysed as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Outside Hong Kong, held under medium-term lease	42,611	43,555
Less: Current portion	(1,230)	(1,238)
Non-current portion	<u>41,381</u>	<u>42,317</u>
Representing:		
Opening net book value	43,555	43,330
Exchange adjustments	(328)	1,448
Amortisation	(616)	(1,223)
Closing net book value	<u>42,611</u>	<u>43,555</u>

11. INVESTMENT PROPERTIES

	HK\$'000
At 1.1.2013	154,026
Increase in fair value recognised in the consolidated statement of profit or loss	6,996
Exchange adjustments	5,252
At 31.12.2013 and 1.1.2014	166,274
Acquisition of a subsidiary — <i>note 19</i>	11,096
Exchange adjustments	(1,226)
At 30.6.2014	<u>176,144</u>

The investment properties are situated in the PRC and held under medium-term lease.

12. OTHER INVESTMENT

At 30 June 2014, other investment of HK\$12,588,000 (31 December 2013: HK\$12,683,000) 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.

13. DEBTORS

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Trade debtors	128,280	129,730
Less: impairment loss — <i>note (iii)</i>	(1,805)	(1,727)
	<u>126,475</u>	<u>128,003</u>

Note:

- (i) 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.

- (ii) An ageing analysis of debtors is set out below:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
0–6 months	80,220	82,142
7–12 months	472	—
1–2 years	100	100
Over two years	45,683	45,761
	<u>126,475</u>	<u>128,003</u>

- (iii) The movement in the impairment loss on debtors during the period is as follows:

	At 2014 (Unaudited) HK\$'000	At 2013 (Audited) HK\$'000
At 1 January	1,727	—
Impairment loss recognised	79	1,704
Exchange adjustments	(1)	23
At 30 June/31 December	<u>1,805</u>	<u>1,727</u>

(iv) The aging analysis of debtors that neither individually or collectively considered to be impaired is as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Neither past due nor impaired	80,692	82,142
Past due but not impaired	45,783	45,861
	<u>126,475</u>	<u>128,003</u>

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\$45,783,000 (31 December 2013: HK\$45,861,000) which were mainly 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.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Utilities and deposits	2,350	2,347
Prepayments	23,722	22,560
Secured loans receivable — <i>note (i)</i>	4,343	693
Unsecured loans receivable — <i>note (ii)</i>	29,838	7,356
Other receivables	11,580	8,727
	<u>71,833</u>	<u>41,683</u>
Less: impairment loss on other receivables — <i>note (iii)</i>	(7,269)	(6,705)
	<u>64,564</u>	<u>34,978</u>
Less: non-current portion — <i>note (ii)</i>	(4,532)	(4,566)
	<u>60,032</u>	<u>30,412</u>

Notes:

- (i) Except for an amount of HK\$503,520 which is interest-free, all secured loans receivable are interest-bearing at 1% per month and repayable within one year.
- (ii) Unsecured loans receivable of HK\$21,530,000 (31 December 2013: HK\$2,790,000) are interest-free and repayable within one year. An amount of HK\$3,776,000 (31 December 2013: Nil) is interest bearing at 1.5% per month and repayable within one year. An amount of HK\$4,532,000 (31 December 2013: HK\$4,566,000) is interest-free and repayable after one year.
- (iii) The movement in the impairment loss on other receivables is as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
At 1 January	6,705	693
Impairment loss recognised	566	5,931
Exchange difference	(2)	81
At 30 June/31 December	<u>7,269</u>	<u>6,705</u>

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 30 June 2014, the only financial instruments of the Group carried at fair value were financial assets at fair value through profit or loss of HK\$1,988,000 (31 December 2013: HK\$1,794,000) listed on the Shanghai Stock Exchange. These instruments fall into Level 1 of the fair value hierarchy described above.

During the current period, there were no significant transfers between financial level instruments in Level 1 and Level 2.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2014 and 31 December 2013.

16. PAYABLE TO MERCHANTS

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

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
0–12 months	394,835	307,686
Over one year	56,503	56,503
	<u>451,338</u>	<u>364,189</u>

17. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Deposits received and receipts in advance	80,754	61,990
Accruals	12,556	17,998
Sundry creditors	12,263	20,028
	<u>105,573</u>	<u>100,016</u>

18. SHARE CAPITAL

	Number of shares	HK\$'000
Share capital		
Ordinary share of HK\$0.01 each		
Authorised:		
At 31 December 2013, 1 January 2014 and 30 June 2014	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 31 December 2013, 1 January 2014 and at 30 June 2014	<u>2,070,448,858</u>	<u>20,705</u>

19. ACQUISITION OF A SUBSIDIARY

On 20 May 2014, the Group acquired the entire 100% equity interests in Shanghai Chi Star Property Management Limited, a company incorporated in the PRC, at a cash consideration of RMB2,205,000 (equivalent to HK\$2,771,000).

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition is as follows:

	<i>HK\$'000</i>
Investment property — <i>note 11</i>	11,096
Other receivables	1,144
Cash and bank balances	104
Other payables and accruals	(9,090)
Deferred tax liabilities	(574)
	2,680
Non-controlling interests	(604)
Net assets	2,076
Goodwill arising on acquisition	
Consideration for acquisition	2,771
Less: Fair value of identifiable net assets acquired	(2,076)
	695
Net cash outflow arising on acquisition	
Cash consideration paid	(2,771)
Less: cash and cash equivalents acquired	104
	(2,667)

The Group recognised a goodwill of HK\$695,000 because the purchase consideration exceeded the fair value of net assets acquired.

The newly acquired business contribute a turnover of HK\$59,000 to the Group and contributed a loss of HK\$72,000 to the Group for the period between the date of acquisition and the end of reporting period.

If the acquisition had been completed on 1 January 2014, total Group's turnover for the period would have been HK\$131,740,000, and profit for the period would have been HK\$3,971,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been completed on 1 January 2014 nor is intended to be a projection of future results.

20. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for is as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Investment	<u>12,588</u>	<u>12,683</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\$25,366,000). At 30 June 2014, the remaining RMB10,000,000 (equivalent to HK\$12,588,000) (31 December 2013: RMB10,000,000 (equivalent to HK\$12,683,000)) was contracted for but not yet paid.

21. CONTINGENT LIABILITIES

At 30 June 2014, the Group had no material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six-month period ended 30 June 2014, the slow economic recovery brought opportunities and challenges to the Group. The Group continuously expanded its cooperation channels and contributed its major resources to the comprehensive development of its core business product lines by following its strategic objectives and enhancing its internal management mechanism. Despite the fact that the Group's overall consolidated results was below expectation, turnover recorded a significant growth over the last fiscal period, which laid a foundation for the long-term development of the Group.

Regarding the Group's core business during the period, under the intensified competition in the third-party payment market as well as the market environment with unceasing business model innovation, diversified social networks increasingly integrated with e-commerce and progressively clear and improved payment regulatory policies, the Group's payment business continued its innovation and transformation strategy in 2013 and strived to maintain the balanced development of internal value and external value, eventually generating the greatest synergy. In relation to the products, we achieved the development objectives through functional optimisation of existing products and increase in efforts to resources allocation and integration. Of which, besides the emphasis on the traditional payment business, integrated college solution products and the field of capital management in physical retail industry which has formed typical benchmark customers in early period have been steadily progressing. In spite of good expectation in the market, the following factors had imposed various challenges on the business development of the Group: in the internal aspect, the cost pressures from pursuit of growth; in the external aspect, intensified competition in the market and profits under pressure owing to the continuous extension of the banks from their major business to the third-party payment business, ambiguous trend of the capital management platform policies under the internet financial environment, together with other uncertainties. For international payment business, despite the continuous influence of the downturn in surrounding economies, the Group has paid attention to the overseas market and made efforts to expand and develop overseas business. During the period, the payment business underwent a series of adjustments; consequently, it did not make a substantial contribution to the Group's turnover and profits. However, we believed that it would definitely bring more returns to the Group and the shareholders and enhance the value of the Group through leverage on the good market environment, continuous adjustments and resources optimisation.

During the period, in terms of pool of talent, the Group always valued the philosophy of "internal and external cultivation oriented to people". The core beliefs of the world's outstanding enterprises resemble in the following aspects: (1) emphasis and embodiment of the value of "human"; and (2) emphasis and embodiment of the value of market demand. During the period, the Group's payment team made efforts on the internal work with a basic objective to comprehensively enhance customer experience and the quality of operation. Moreover, the Group reformed the department structures and functions, optimised the pool of senior personnel for payment business and continued its research, development and construction of the systems. The Group aimed to safeguard the stable development of the payment business under the intensified market competition and achieve business breakthrough by accelerating new positioning.

With regard to the timber and furniture manufacturing business during the period, the policies had an adverse effect on the high-end real estate market and consequently affected the sales of mid- to high-end furniture. Taking the market condition into account, the Group slowed down the increase in the number of stores during the period, which remained stable compared with the corresponding

period of last year. During the period, for the sales volume per store, the clientele established in the past played an important role in maintaining a stable growth in sales volume despite the overall results below expectation.

During the period, the Group's headquarters maintained a continued enhancement of the quality of property services, and continued to contribute stable rental income for the Group.

Prospects

In the second half of 2014, the impact of the financial crisis gradually subsides. However, the growth of global economy is still slow, leading to the underperformance of most of the regions and economies in the world. Under the chronic impact of the financial crisis, both the major developed economies and economies from emerging markets are subject to adjustments of structural and periodic factors, and thus, there are instability and uncertainties in the market.

In the second half of the year, the Group will continue to adopt its overall strategy of “concentrating on growth, reducing losses, and modifying the structure”. The organisation, system and process will be optimised and modified constantly. A more professional service team will be established to provide enhanced globalised services. In terms of operation, the Group will emphasise product upgrade and product portfolio with the focal point on the core products and core fields. Resources will be invested in new business development of high-growth solutions. Meanwhile, the international channel structure will be continuously optimised and thus the operating cost will be cut down to improve the profit, with the objectives of realising achievement and advancement from a stable progress.

For our core business, under an increasingly fierce competition of the third-party payment market in the post license era, two distinct trends of market competition are formed. One of the trends is degree of concentration in payment is getting higher, leading to a trend of oligopolistic market. Another is payment enterprises tend to seek the dislocation competition in the market with diversified business models and innovative payment methods. It also greatly heralds the payment industry will face an industry shuffle to bring an unpredictable factor for the future pattern of the payment market with a great potential under a dynamic market condition and a warning from the uncertain policies. It is anticipated that there will be opportunities and risks for the development of the payment business in the second half of 2014.

With the continuation of the difficult transition of the payment business from the first half of the year to the second half of the year, the Group will pay more attention to the stability of our core staff and increase the efforts in the induction of talents by a variety of ways. Moreover, with services and operations as the starting point, we will strive for a large presence of loyal entity clients with high quality. The Group's payment business will continue its development in the field of traditional payment and is expected to have new breakthroughs in new business areas. We continue to protect the investment in research and development of the systems in order to increase the core competitiveness of the Group's payment business for a constant sound operation.

For the timber and furniture manufacturing business, it is expected that sales will remain under pressure with the impact from property market. In order to secure our market share, the Group plans to invest more resources in safeguarding and promoting our brands in the second half of the year, so as to maintain a stable growth of the sales results of timber business and improve the overall performance. At the same time, we do not rule out the possibility of adjusting certain business fields and strive to create new profit contribution on the basis of consolidating the existing market.

The Group's headquarters will continue its optimisation in property management and service rationale in order to improve the Group's image, accumulate the intangible value for the Group and bring constant and stable rental income for the Group.

Distinctive situation leads to a clear direction. Accurate judgement boosts confidence. We believe that after a long-term adjustment of layout and preparation, the effects on system reform and structural adjustment will gradually shine up. The Group's operation is bound for larger room for development.

FINANCIAL OVERVIEW

Turnover and net profit

During the current period, the Group recorded a turnover of HK\$131,487,000, representing an increase of 62% 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 profit attributable to shareholders of the Company for the six months ended 30 June 2014 increased by HK\$4,540,000, or 154%, from a net loss of HK\$2,950,000 for the six months ended 30 June 2013 to a net profit of HK\$1,590,000 for the period.

Cost of sales/services rendered

During the current period, the Group recorded a cost of sales/services rendered of HK\$13,061,000, representing a decrease of 9% as compared to the last fiscal period. The decrease was due to the decrease of cost of sales in timber business.

Other revenue and other income

During the current period, other revenue and other income amounted to HK\$6,194,000, representing a decrease of 57% as compared to the last fiscal period. It is mainly due to the decrease in government subsidy, franchise fee income and exchange gain.

General and administrative expenses

During the current period, the Group recorded general and administrative expenses of HK\$117,866,000, representing an increase of 63% as compared to the last fiscal period. It is mainly due to increase in staff costs, professional fees and other administrative expenses. During the current period, the Group recorded salaries and other benefits of HK\$55,774,000, representing an increase of 53% as compared to the last fiscal period. To be conclude, general and administrative expenses as a percentage of revenue, it is 90% in the first half of 2014, which is similar to the same period of 2013.

Finance costs

During the current period, the Group recorded finance costs of HK\$420,000, representing a decrease of 86% as compared to the last fiscal period. It is mainly due to the decrease in bank charge for the need of business operation and bank loan interest incurred as the bank loan was fully repaid during the last fiscal period.

Income tax expense

During the current period, the Group recorded an income tax expense of HK\$779,000, representing a decrease of 74% as compared to the last fiscal period. The decrease was mainly due to the deferred tax credits of payment solutions business in the PRC.

Investment properties

The Group's investment properties increased by HK\$9,870,000 or 6% from HK\$166,274,000 as at 31 December 2013 to HK\$176,144,000 as at 30 June 2014. It was mainly attributable to the addition of investment property during the current period. The Group acquired one property in the PRC which located at Room 6F, No. 726 Yan'an West Road, Changning District, Shanghai, the PRC. The fair value of the investment properties acquired during the current period was valued by BMI Appraisals Limited, an independent valuer, on an open market value basis at HK\$11,096,000.

Interest in an associate

The Group's interest in an associate increased by HK\$708,000 from HK\$270,000 as at 31 December 2013 to HK\$978,000 as at 30 June 2014. The increase was mainly due to the share of profit of an associate of HK\$504,000 and gain on deemed disposal of HK\$208,000 during the current period.

Debtors

The Group's debtors decreased by HK\$1,528,000 from HK\$128,003,000 as at 31 December 2013 to HK\$126,475,000 as at 30 June 2014. The decrease was mainly attributable to the shorten settlement period of online payment solutions services business. Debtors that were past due but not impaired included an amount of HK\$45,783,000 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 increased by HK\$29,586,000 from HK\$34,978,000 as at 31 December 2013 to HK\$64,564,000 as at 30 June 2014. The increase in deposits, prepayments and other receivables was due to the increase in secured and unsecured loans receivables during the current period and the increase 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 increased by HK\$194,000 from HK\$1,794,000 as at 31 December 2013 to HK\$1,988,000 as at 30 June 2014. There was no significant changes in financial assets at fair value through profit or loss during the current period.

Cash and bank balances

The Group's cash and bank balances increased by HK\$48,482,000 from HK\$592,079,000 as at 31 December 2013 to HK\$640,561,000 as at 30 June 2014. As at 30 June 2014, 86% (31 December 2013: 95%) of cash and bank balances was denominated in Renminbi.

Payable to merchants

The Group's payable to merchants increased by HK\$87,149,000 from HK\$364,189,000 as at 31 December 2013 to HK\$451,338,000 as at 30 June 2014. The increase was mainly attributable to the increase in transaction volume of payment solutions business. 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\$5,557,000 from HK\$100,016,000 as at 31 December 2013 to HK\$105,573,000 as at 30 June 2014. The increase was mainly attributable to the increase in deposits received and receipts in advance of the Group.

Liquidity and financial resources

At 30 June 2014, the Group had net current assets of HK\$317,017,000. Current assets comprised inventories of HK\$47,005,000, debtors of HK\$126,475,000, deposits, prepayments and other receivables of HK\$60,032,000, financial assets at fair value through profit or loss of HK\$1,988,000, prepaid land lease premium of HK\$1,230,000, tax recoverable of HK\$263,000 and cash and bank balances of HK\$640,561,000.

Current liabilities comprised payable to merchants of HK\$451,338,000, deposits received, sundry creditors and accruals of HK\$105,573,000 and tax payable of HK\$3,626,000.

The gearing ratio (defined as a percentage of total liabilities less deferred tax liability over total assets less deferred tax assets) of the Group at 30 June 2014 was 45% (31 December 2013: 41%).

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 2014, the total number of employees of the Group was 777 (31 December 2013: 695), representing a 12% increase as compared with that at 31 December 2013. The dedication and contribution of the Group's staff during the six months ended 30 June 2014 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 the 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

During the current period, the Group acquired the entire 100% equity interests in Shanghai Chi Star Property Management Limited, at a cash consideration of RMB2,205,000 (equivalent to HK\$2,771,000). The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition was HK\$2,076,000. The newly acquired business contribute a turnover of HK\$59,000 to the Group and contributed a loss of HK\$72,000 to the Group for the period between the date of acquisition and at the end of the current period. The Group recognised a goodwill of HK\$695,000 because the purchase consideration exceeded the fair value of net assets acquired.

CHARGES ON GROUP'S ASSETS

At 30 June 2014, no assets of the Group have been pledged since the bank loan was fully repaid during the last fiscal period.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In order to broaden the shareholder base and capital base of the Company and raise capital to strength and grow the Company's business, 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 under a general mandate granted to the Directors at the annual general meeting held on 3 June 2013. The Group intended to use the placing proceeds for expansion of business and potential investment opportunities and general working capital of the Group. The Directors considered that the terms of the Placing Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and the shareholders as a whole.

All conditions of the placing have been fulfilled and the completion of the placing took place on 23 July 2013, whereby a total of 192,000,000 ordinary shares with par value of HK\$0.01 each at the placing price of HK\$0.58 per Placing Share were successfully placed by the Placing Agent to not less than six placees, who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons, pursuant to the terms and conditions of the Placing Agreement. The closing price per share in the Company as quoted on the Stock Exchange on 18 June 2013, being the date of the Placing Agreement, was HK\$0.63. The aggregate nominal value of the 192,000,000 Placing Shares is HK\$1,920,000. 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, of which approximately HK\$33.84 million was used for the general working of the Group as intended and the remaining balance was held as bank deposit at 30 June 2014. The net placing price per share was approximately HK\$0.57. The Placing Shares rank pari

passu in all respects with Shares in issue on the date of allotment and issue of the Placing Shares. Details of the placing were disclosed in the announcements of the Company dated 18 June 2013 and 23 July 2013.

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 2014, 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.

CAPITAL COMMITMENT

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\$25,366,000). At 30 June 2014, the remaining RMB10,000,000 (equivalent to HK\$12,588,000) (31 December 2013: RMB10,000,000 (equivalent to HK\$12,683,000)) was contracted for but not yet paid.

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 2014, 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 shares	Total interests in underlying shares (Note 1)	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate Interests (Note 2)				
Executive Directors:							
Mr. Chen Jinyang (Note 1)	—	—	—	—	20,000,000	20,000,000	0.97%
Mr. Chau Cheuk Wah (Note 1)	—	—	—	—	20,000,000	20,000,000	0.97%
Mr. Chen Runqiang (Note 1)	6,000,000	—	—	6,000,000	20,000,000	26,000,000	1.26%
Mr. Chow Cheuk Lap (Note 1,2)	—	—	67,540,000	67,540,000	20,000,000	87,540,000	4.23%
Mr. Zhou Jianhui (Note 1)	6,000,000	—	—	6,000,000	20,000,000	26,000,000	1.26%
Non-executive Director:							
Ms. Fan Man Yee Alice (Note 1)	—	—	—	—	20,000,000	20,000,000	0.97%
Independent Non-executive Directors:							
Dr. Cheung Wai Bun, Charles, J.P.	—	—	—	—	—	—	—
Mr. David Tsoi	—	—	—	—	—	—	—
Mr. Chan Chun Kau	—	—	—	—	—	—	—
Mr. Chao Pao Shu George	—	—	—	—	—	—	—

Notes:

1. The interests of Mr. Chen Jinyang, Mr. Chau Cheuk Wah, Mr. Chen Runqiang, Mr. Chow Cheuk Lap, Mr. Zhou Jianhui and Ms. Fan Man Yee Alice in underlying shares of the Company represent the interests in share options granted to them under the share option schemes of the Company.

Details of the interests in the share options of the Company are separately disclosed in the section headed “Share Options”.

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 2014.

Save as disclosed above, so far as the directors are aware at 30 June 2014, 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 2014 and for the six months ended 30 June 2014,

- (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 2014, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:

(a) Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City Industrial Development Limited (<i>Note 1</i>)	Beneficial owner and interest in controlled corporation	356,000,000	17.19%
Mr. Yang Zhimao (<i>Note 1</i>)	Interest in controlled corporation	356,000,000	17.19%
Eastcorp International Limited (<i>Note 3</i>)	Beneficial owner and person having a security interest in shares	250,000,000	12.07%
World One Investments Limited (<i>Note 2</i>)	Beneficial owner	204,380,000	9.87%
Mr. Chai Ming (<i>Note 2</i>)	Interest in controlled corporation	204,380,000	9.87%
Mr. Song Tie Ming (<i>Note 4</i>)	Beneficial owner and interest of Spouse	424,380,000	20.50%
Ms. Li Yuan (<i>Note 5</i>)	Beneficial owner and interest of Spouse	424,380,000	20.50%
Ms. Zhu Fenglian (<i>Note 1</i>)	Interest in controlled corporation	106,000,000	5.12%

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 Fenglian, 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 directly holds 204,380,000 shares. World One Investments Limited is owned as to 50% by each of Mr. Song Tie Ming and Mr. Chai Ming. Pursuant to the SFO, each of Mr. Song Tie Ming and Mr. Chai Ming is deemed to be interested in the entire 204,380,000 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. Song Tie Ming is deemed to be interested in 424,380,000 shares, comprising (a) 201,500,000 shares directly held by him; (b) 18,500,000 shares held by Ms. Li Yuan, the spouse of Mr. Song Tie Ming, Mr. Song Tie Ming is deemed to be interested in all shares held by Ms. Li Yuan under the SFO; and (c) 204,380,000 shares directly held by his controlled corporation, World One Investments Limited.
5. Ms. Li Yuan is deemed to be interested in 424,380,000 shares, comprising (a) 18,500,000 shares directly held by her; (b) 201,500,000 shares held by Mr. Song Tie Ming, the spouse of Ms. Li Yuan, Ms. Li Yuan is deemed to be interested in all shares held by Mr. Song Tie Ming under the SFO; and (c) 204,380,000 shares directly held by Mr. Song Tie Ming's controlled corporation, World One Investments Limited.

(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 2014 and there was no share option outstanding at 30 June 2014.

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.

The grantees of the GEM Share Option Scheme exercised all options before 1 January 2014 and there was no share option outstanding at 30 June 2014.

(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 2014, the number of shares in respect of which options had been granted and outstanding under the New Share Option Scheme was 120,000,000, representing approximately 6% of the issued share capital of the Company.

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

Grantees	Date of grant	Vesting period	Exercise period	Number of share options						Market value per share at date of grant of option	Market value per share on exercise of option
				Exercise price	Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2014		
Directors of the Group	25 November 2013	Fully vested on 25 November 2013	25 November 2013 to 11 August 2020	HK\$0.465	120,000,000	—	—	—	120,000,000	HK\$0.460	—

Note:

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

COMPETITION AND CONFLICT OF INTERESTS

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

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

During the current period, 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.

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 2014.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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 four Independent Non-Executive Directors, namely, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi, Mr. Chan Chun Kau and Mr. Chao Pao Shu George. 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 2014 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) and the Company's website (www.uth.com.hk). The interim report for the period ended 30 June 2014 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 Jinyang
Chairman

Hong Kong, 29 August 2014

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

Executive Directors:

Mr. Chen Jinyang (*Chairman*)
Mr. Chau Cheuk Wah (*Chief Executive Officer*)
Mr. Chen Runqiang
Mr. Chow Cheuk Lap
Mr. Zhou Jianhui

Non-Executive Director:

Ms. Fan Man Yee Alice

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
Mr. David Tsoi
Mr. Chan Chun Kau
Mr. Chao Pao Shu George