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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)

FINAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS OF THE YEAR

- Revenue for the year ended 31 December 2015 amounted to HK\$224.42 million (2014: HK\$317.15 million), representing a decrease of 29% over the last fiscal year. Decrease in revenue was mainly due to decrease in revenue of the Group's payment solutions business and timber trading and furniture manufacturing business.
- Net loss attributable to shareholders of the Company for the year ended 31 December 2015 was HK\$44.41 million (2014: Net profit attributable to shareholders of the Company of HK\$32.69 million), representing an increase in net loss attributable to shareholders of the Company of 236% over the last fiscal year. Loss for the year of the Group was mainly due to (i) decrease in revenue and profit of payment solutions business; and (ii) the fact that the Group recognised a non-recurring gain on disposals of subsidiaries in 2014 while no similar gain was recognised by the Group in 2015.
- Basic and diluted losses per share for the year ended 31 December 2015 amounted to HK2.12 cents and HK2.12 cents respectively (2014: Basic and diluted earnings per share of HK1.58 cents and HK1.58 cents respectively).
- The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2015 (2014: HK\$Nil).

RESULTS

The Board of Directors (the “Board”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2015 together with the comparative audited figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	3	224,417	317,148
Cost of sales/services rendered		(3,514)	(30,646)
Gross profit		220,903	286,502
Other revenue	3	16,564	12,536
Other income	4	1,009	7,999
General and administrative expenses		(294,607)	(294,021)
(Loss)/profit from operations		(56,131)	13,016
Gain on a bargain purchase		—	10
Increase in fair value of investment properties		1,206	126
Impairment loss on debtors		(58)	(923)
Impairment loss on other receivables		—	(994)
Impairment loss on intangible assets		—	(8,796)
Gain on disposals of subsidiaries		—	46,224
Share of results of an associate		(3)	256
Finance costs	5(a)	(5,428)	(760)
(Loss)/profit before income tax	5	(60,414)	48,159
Income tax expense	7	(2,134)	(10,425)
(Loss)/profit for the year		<u>(62,548)</u>	<u>37,734</u>
Attributable to:-			
Shareholders of the Company		(44,412)	32,694
Non-controlling interests		<u>(18,136)</u>	<u>5,040</u>
(Loss)/profit for the year		<u>(62,548)</u>	<u>37,734</u>
(Losses)/earnings per share (in cents)			
Basic	9	<u>(2.12)</u>	<u>1.58</u>
Diluted	9	<u>(2.12)</u>	<u>1.58</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
(Loss)/profit for the year	<u>(62,548)</u>	<u>37,734</u>
Other comprehensive loss:-		
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	(22,374)	(10,964)
— Financial statements of an associate established in the People's Republic of China	<u>(68)</u>	<u>—</u>
Other comprehensive loss for the year, net of tax	<u>(22,442)</u>	<u>(10,964)</u>
Total comprehensive (loss)/income for the year	<u><u>(84,990)</u></u>	<u><u>26,770</u></u>
Total comprehensive (loss)/income attributable to:-		
Shareholders of the Company	(49,242)	22,060
Non-controlling interests	<u>(35,748)</u>	<u>4,710</u>
	<u><u>(84,990)</u></u>	<u><u>26,770</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		468,843	37,986
Prepaid land lease premium		29,364	9,406
Investment properties		53,847	32,539
Intangible assets		356,297	4,250
Goodwill		167,387	77,097
Interest in an associate		29,542	—
Deferred tax assets	8	202	146
Loan to an officer	12	—	12,362
Deposit paid for acquisition of property, plant and equipment		37,588	—
Other receivables	11	227	5,037
		<u>1,143,297</u>	<u>178,823</u>
CURRENT ASSETS			
Inventories		3,011	1,502
Debtors	10	91,559	65,656
Deposits, prepayments and other receivables	11	212,642	213,336
Financial assets at fair value through profit or loss		1,647	221
Prepaid land lease premium		285	300
Fixed deposits		63,218	338,087
Pledged time deposit		281,021	—
Cash and bank balances		637,771	512,223
		<u>1,291,154</u>	<u>1,131,325</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings		413,873	—
Trade payables	13	1,888	—
Payable to merchants	14	412,844	422,875
Deposits received, sundry creditors and accruals		271,034	104,207
Amounts due to related companies	15	123,796	14,350
Tax payable		12,959	11,057
		<u>1,236,394</u>	<u>552,489</u>
NET CURRENT ASSETS		<u>54,760</u>	<u>578,836</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Note</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,198,057	757,659
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings		247,982	—
Deferred tax liabilities	8	65,034	1,401
		313,016	1,401
NET ASSETS		885,041	756,258
REPRESENTING:-			
CAPITAL AND RESERVES			
Share capital		21,205	20,705
Reserves		496,314	533,972
		517,519	554,677
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
NON-CONTROLLING INTERESTS		367,522	201,581
TOTAL EQUITY		885,041	756,258

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to shareholders of the Company												Total
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Other reserve	Retained profits/ (accumulated losses)	Total	Non-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 1.1.2014	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	—	—	—	—	—	—	—	—	—	—	—	604	604
Change in ownership interests in a subsidiary that do not result in a loss of control	—	—	—	—	—	—	—	—	(86,447)	—	(86,447)	141,062	54,615
Total comprehensive (loss)/income for the year	—	—	—	—	—	(10,634)	—	—	—	32,694	22,060	4,710	26,770
Transferred to statutory reserve	—	—	—	—	—	—	—	4,044	—	(4,044)	—	—	—
At 31.12.2014 and 1.1.2015	20,705	490,194	481	1,093	10,754	7,937	4,796	25,947	(58,040)	50,810	554,677	201,581	756,258
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	187,982	187,982
Change in ownership interests in a subsidiary that do not result in a loss of control	—	—	—	—	—	—	—	—	162	—	162	13,707	13,869
Shares issued under share option scheme	500	23,150	—	—	—	—	(400)	—	—	—	23,250	—	23,250
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	(11,328)	(11,328)	—	(11,328)
Total comprehensive loss for the year	—	—	—	—	—	(4,830)	—	—	—	(44,412)	(49,242)	(35,748)	(84,990)
Transferred to statutory reserve	—	—	—	—	—	—	—	4,297	—	(4,297)	—	—	—
At 31.12.2015	<u>21,205</u>	<u>513,344</u>	<u>481</u>	<u>1,093</u>	<u>10,754</u>	<u>3,107</u>	<u>4,396</u>	<u>30,244</u>	<u>(57,878)</u>	<u>(9,227)</u>	<u>517,519</u>	<u>367,522</u>	<u>885,041</u>

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 Room A & B2, 11/F, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:-

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual improvements to HKFRSs (2010–2012)	Amendments to HKFRS 8, HKAS 16, HKAS 24 and HKAS 38
Annual improvements to HKFRSs (2011–2013)	Amendments to HKFRS 3, HKFRS 13 and HKAS 40

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

(b) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 December 2015 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2015:-

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 28, HKFRS 10 and HKFRS 12	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements to HKFRSs (2012–2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19

The Group is required to initially apply these standards and amendments in its annual consolidated financial statements beginning on 1 January 2016, except that the Group is required to initially apply HKFRS 15 and HKFRS 9 (2014) in its annual consolidated financial statements beginning on 1 January 2018 and amendments to HKAS 28 and HKFRS10 have no mandatory effective date. HKFRS 14 is not applicable to the Group.

3. REVENUE AND OTHER 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, building management and water supply. Revenue for the year represents revenue recognised from the provision of payment handling income net of tax, the net invoiced value of goods sold, rental and building management service income and water supply and related services income. An analysis of the Group's revenue and other revenue is set out below:-

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Payment solutions and related services income	218,914	279,900
Timber trading and furniture manufacturing	—	34,195
Rental and building management service income	159	3,053
Water supply and related services income	5,344	—
Revenue	224,417	317,148
Interest on bank deposits	8,360	8,490
Other interest income	29	247
Government subsidy	6,367	3,691
Consultancy service income	1,808	—
Dividend income	—	108
Other revenue	16,564	12,536
Total revenue	240,981	329,684

4. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain on disposal of financial assets at fair value through profit or loss	524	1,377
Gain on change in fair value of financial assets at fair value through profit or loss	—	101
Reversal of written off of inventories	—	496
Exchange gain	—	5,979
Others	485	46
	1,009	7,999

5. (LOSS)/PROFIT BEFORE INCOME TAX

2015
HK\$'000

2014
HK\$'000

(Loss)/profit before income tax is arrived at after charging/(crediting) :-

(a) Finance costs

Interest on bank loan expenses	4,942	—
Interest on bank overdraft	—	72
Less: interest capitalised included in property, plant and equipment and other intangible assets (<i>note</i>)	(68)	—
Bank charges	554	688
	<u>5,428</u>	<u>760</u>

Note:-

For the year ended 31 December 2015, the capitalisation rate was ranged from 6% to 6.13%.

(b) Other items

2015
HK\$'000

2014
HK\$'000

Auditor's remuneration

— Audit services	950	671
— Other services	800	200
	1,750	871

Cost of inventories sold

3,514

27,119

Staff costs (including directors' remuneration)

— Salaries and other benefits	124,243	134,120
— Pension scheme contributions	21,156	18,110
	145,399	152,230

Bad debts written off

126

—

Depreciation

19,611

29,976

Impairment loss on debtors

58

923

Impairment loss on other receivables

—

994

Impairment loss on intangible assets

—

8,796

Write-down of inventories

883

3,470

Amortisation of prepaid land lease premium

302

1,240

Amortisation of intangible assets

477

4,764

Loss/(gain) on change in fair value of financial assets
at fair value through profit or loss

85

(101)

Minimum operating lease rentals

21,909

15,798

Sale proceeds of property, plant and equipment

(501)

(2,611)

Less: Carrying amounts of property, plant and equipment

1,091

4,634

Loss on disposal of property, plant and equipment

590

2,023

Gain on disposal of financial assets at fair value through profit or loss

(524)

(1,377)

Rental income less direct outgoings

(149)

(2,393)

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 five reportable segments.

(a) Payment solutions

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

(e) Water supply and related services

This segment engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province. The water supply business currently operates three water treatment plants, which source raw water from local river sources. All the water treatment plants have obtained licenses and approvals from the local government to source raw water from the local river sources.

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 reportable segment.

The key management assesses the performance of the segments based on the results, assets and liabilities 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.

Segment assets and liabilities excluded deferred tax assets, financial assets at fair value through profit or loss, deferred tax liability and other corporate assets and liabilities.

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, assets and liabilities

The following tables present the information for the Group's reporting segments:-

	Payment solutions		Timber trading and furniture manufacturing		System integrating and technical platform services		Industry park		Water supply and related services		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue														
Revenue from external customers	218,914	279,900	—	34,195	—	—	152	3,053	5,351	—	—	—	224,417	317,148
Other revenue	13,005	11,436	—	535	1	253	459	141	7	—	3,092	171	16,564	12,536
Total revenue	231,919	291,336	—	34,730	1	253	611	3,194	5,358	—	3,092	171	240,981	329,684
Reportable segment (loss)/profit	(35,002)	56,147	—	(7,001)	(638)	(3,760)	(863)	(16,462)	1,704	—	(36,088)	(28,444)	(70,887)	480
Interest on bank deposits													8,360	8,490
Other interest income													29	247
Government subsidy													6,367	3,691
Dividend income													—	108
(Loss)/profit from operations													(56,131)	13,016
Gain on a bargain purchase													—	10
Increase in fair value of investment properties													1,206	126
Impairment loss on debtors	(58)	(858)	—	(65)	—	—	—	—	—	—	—	—	(58)	(923)
Impairment loss on other receivables													—	(994)
Impairment loss on intangible assets													—	(8,796)
Gain on disposal of subsidiaries													—	46,224
Share of results of an associate													(3)	256
Finance costs													(5,428)	(760)
(Loss)/profit before income tax													(60,414)	48,159
Income tax expense													(2,134)	(10,425)
(Loss)/profit for the year													(62,548)	37,734
Attributable to:														
— Shareholders of the Company													(44,412)	32,694
— Non-controlling interests													(18,136)	5,040
													(62,548)	37,734
Depreciation for the year	17,774	23,462	—	1,115	265	233	145	4,054	538	—	889	1,112	19,611	29,976
Amortisation	386	4,870	—	—	—	—	113	1,042	280	—	—	92	779	6,004
Capital expenditure incurred during the year	12,109	40,576	—	1,916	1	1,184	—	1,235	8,494	—	1,978	816	22,582	45,727
Reportable segment assets	832,157	846,012	—	—	29,124	19,347	96,457	55,093	1,069,550	—	405,314	389,329	2,432,602	1,309,781
Unallocated assets													1,849	367
Total assets													2,434,451	1,310,148
Reportable segment liabilities	521,528	475,903	—	—	23,008	13,080	281,677	2,625	560,819	—	79,283	46,246	1,466,315	537,854
Unallocated liabilities													83,095	16,036
Total liabilities													1,549,410	553,890

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in both years.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	224,096	315,598	321	1,550	224,417	317,148
Other revenue	13,442	12,347	3,122	189	16,564	12,536
Total revenue	<u>237,538</u>	<u>327,945</u>	<u>3,443</u>	<u>1,739</u>	<u>240,981</u>	<u>329,684</u>
Non-current assets	<u>1,087,601</u>	<u>122,261</u>	<u>55,494</u>	<u>56,416</u>	<u>1,143,095</u>	<u>178,677</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and prepaid land lease premium, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operation, in the case of interest in an associate, deposit paid for acquisition of property, plant and equipment, loan to an officer and other receivables.

7. INCOME TAX EXPENSE

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2014: 25%).

During the year, 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. Other subsidiaries in the PRC did not generate any assessable profits subject to Mainland China corporate income tax.

- (b) The income tax expense represents the sum of the current tax and deferred tax and is made up as follows:-

	2015	2014
	HK\$'000	HK\$'000
Current tax:-		
Current year	1,863	9,931
Under-provision in respect of previous year	<u>21</u>	<u>608</u>
	<u>1,884</u>	<u>10,539</u>
Deferred taxation (Note 8(a)):-		
Current year	<u>250</u>	<u>(114)</u>
	<u>2,134</u>	<u>10,425</u>

- (c) The income tax expense for the year can be reconciled to the (loss)/profit per consolidated statement of profit or loss as follows:-

	Hong Kong		PRC		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit before income tax	<u>(52,155)</u>	<u>(436)</u>	<u>(8,259)</u>	<u>48,595</u>	<u>(60,414)</u>	<u>48,159</u>
Applicable tax rate (%)	<u>16.5</u>	<u>16.5</u>	<u>25</u>	<u>25</u>	<u>N/A</u>	<u>N/A</u>
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	(8,606)	(72)	(2,065)	12,149	(10,671)	12,077
Tax effect of non-deductible expenses in determining taxable profit	1,986	702	6,044	2,844	8,030	3,546
Tax effect of non-taxable revenue in determining taxable profit	(513)	(8,607)	(368)	(1,243)	(881)	(9,850)
Tax effect of unrecognised accelerated depreciation allowances	(6)	(241)	(103)	(199)	(109)	(440)
Tax effect of unrecognised tax losses	7,139	8,218	879	4,011	8,018	12,229
Tax effect on tax concession	—	—	(2,274)	(7,745)	(2,274)	(7,745)
Under-provision in respect of previous year	—	—	21	608	21	608
Income tax expense	<u>—</u>	<u>—</u>	<u>2,134</u>	<u>10,425</u>	<u>2,134</u>	<u>10,425</u>

8. DEFERRED TAXATION

- (a) The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the current year and prior year:-

	Impairment loss on debtors	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties	Temporary differences on intangible assets recognised under service concession arrangement	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2014	—	(17,350)	—	(17,350)
Acquisition of a subsidiary	—	(574)	—	(574)
Disposals of subsidiaries	—	16,452	—	16,452
Credited/(charged) to profit or loss — <i>Note 7(b)</i>	146	(32)	—	114
Exchange adjustments	—	103	—	103
At 31.12.2014 and 1.1.2015	146	(1,401)	—	(1,255)
Acquisition of a subsidiary	—	(41,295)	(22,258)	(63,553)
Credited/(charged) to profit or loss — <i>Note 7(b)</i>	66	(312)	(4)	(250)
Exchange adjustments	(10)	184	52	226
At 31.12.2015	<u>202</u>	<u>(42,824)</u>	<u>(22,210)</u>	<u>(64,832)</u>

Represented by:-

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets	202	146
Deferred tax liabilities	(65,034)	(1,401)
	<u>(64,832)</u>	<u>(1,255)</u>

(b) The components of unrecognised deductible/(taxable) temporary difference of the Group are as follows:-

	2015 HK\$'000	2014 HK\$'000
Deductible temporary difference — <i>note (i)</i>		
Decelerated tax allowances	416	—
Unutilised tax losses	<u>191,556</u>	<u>144,772</u>
	191,972	144,772
Taxable temporary difference — <i>note (ii)</i>		
Accelerated tax allowances	<u>—</u>	<u>(569)</u>
	<u>191,972</u>	<u>144,203</u>

Notes:-

- (i) Deductible temporary difference has not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unrecognised tax losses are losses of HK\$27,742,000 (2014: HK\$24,225,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.
- (ii) Taxable temporary difference has not been recognised in these consolidated financial statements owing to its immateriality.

9. (LOSSES)/EARNINGS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
(Loss)/profit		
(Loss)/profit for the purposes of basic and diluted (losses)/earnings per share	<u>(44,412)</u>	<u>32,694</u>
	2015	2014
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic (losses)/earnings per share	2,091,133,790	2,070,448,858
Effect of dilutive potential ordinary shares:-		
Share options (<i>Note</i>)	<u>—</u>	<u>—</u>
Weighted average number of shares in issue for the purpose of calculation of diluted (losses)/earnings per share	<u>2,091,133,790</u>	<u>2,070,448,858</u>

Note:-

The computation of diluted losses per share for the year ended 31 December 2015 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in losses per share for the year which is regarded as anti-dilutive.

For the year ended 31 December 2014, diluted earnings per share was equal to the basic earnings per share because the exercise price of the Group's share option was higher than the average market price of the Company's shares.

10. DEBTORS

	2015 HK\$'000	2014 HK\$'000
Trade debtors	94,118	68,166
Less: impairment loss — Note 10(a)	(2,559)	(2,510)
	<u>91,559</u>	<u>65,656</u>

Notes:-

- (a) 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.
- (b) An aging analysis of debtors is set out below:-

	2015 HK\$'000	2014 HK\$'000
0–6 months	90,900	65,656
7–12 months	350	—
1–2 years	309	—
	<u>91,559</u>	<u>65,656</u>
Neither past due nor impaired	91,250	65,656
Past due but not impaired	309	—
	<u>91,559</u>	<u>65,656</u>

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

At 31 December 2015, debtors that were past due but not impaired included an amount of HK\$309,000 which was related to numbers of independent customers of water supply service which had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

(c) The movement in the impairment loss on accounts receivable during the year is as follows:-

	2015 HK\$'000	2014 HK\$'000
At 1 January	2,510	1,727
Impairment loss recognised	58	923
Disposals of subsidiaries	—	(140)
Exchange adjustments	(9)	—
At 31 December	<u>2,559</u>	<u>2,510</u>

(d) At 31 December 2015, the receivables under service concession arrangement with a carrying amount of HK\$21,818,000 (2014: HK\$Nil) were pledged to secure bank loans granted to the Group.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Utilities and deposits	4,398	2,852
Prepayments	4,394	12,437
Secured loans receivable — <i>Note 11(a)</i>	55,495	5,988
Unsecured loans receivable — <i>Note 11(b)</i>	112,744	129,081
Interest receivable	119	—
Amounts due from former subsidiaries — <i>Note 11(c)</i>	14,590	64,839
Amount due from non-controlling shareholder of a subsidiary	13,419	—
Other receivables	8,911	5,114
	<u>214,070</u>	<u>220,311</u>
Less: impairment loss on other receivables — <i>Note 11(d)</i>	(1,201)	(1,938)
	<u>212,869</u>	<u>218,373</u>
Less: non-current portion	(227)	(5,037)
Current portion	<u>212,642</u>	<u>213,336</u>

Notes:-

- Except for an amount of HK\$Nil (2014: HK\$5,295,000) which was interest-free, the remaining secured loans receivable were interest-bearing at 2% per month (2014: 0.8% per month) and repayable within one year.
- All unsecured loans receivable were interest-free. Except for an amount of HK\$227,000 (2014: HK\$500,000) which was repayable after one year, the remaining balance was repayable within one year.
- The amounts are interest-free, unsecured and repayable on demand.
- The movement in the impairment loss on other receivables during the year is as follows:-

	2015 HK\$'000	2014 HK\$'000
At 1 January	1,938	6,705
Impairment loss recognised	—	994
Written off	(693)	—
Disposals of subsidiaries	—	(5,724)
Exchange adjustments	(44)	(37)
At 31 December	<u>1,201</u>	<u>1,938</u>

12. LOAN TO AN OFFICER

Loan to an officer of the Group disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance are as follows:-

Name of officer	At 31 December 2015 <i>HK\$'000</i>	At 1 January 2015 <i>HK\$'000</i>	Maximum outstanding during the year <i>HK\$'000</i>	Terms
Madam Luan Yumin	—	12,362	12,362	Interest-free, unsecured and repayable on 1 September 2016

The amount was repaid to the Group on 23 April 2015.

13. TRADE PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
An aging analysis of trade payables is set out below:-		
0–12 months	<u>1,888</u>	<u>—</u>

14. PAYABLE TO MERCHANTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
An aging analysis of payable to merchants is set out below:-		
0–12 months	409,827	418,479
Over one year	<u>3,017</u>	<u>4,396</u>
	<u>412,844</u>	<u>422,875</u>

15. AMOUNTS DUE TO RELATED COMPANIES

The amounts are interest-free, unsecured and repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue and profit for the year

During the current fiscal year, the Group recorded a revenue of HK\$224,417,000, representing a decrease of 29% as compared to the last fiscal year. Loss attributable to shareholders of the Company was HK\$44,412,000 in the current year, representing an increase in loss attributable to shareholders of the Company of 236% as compared to the last fiscal year. Decrease in revenue was mainly due to the decrease in revenue of the Group's payment solutions business and timber trading and furniture manufacturing business. Loss for the year of the Group was mainly attributable to (i) decrease in revenue and profit of payment solutions business; and (ii) the fact that the Group recognised a non-recurring gain on disposals of subsidiaries in 2014 while no similar gain was recognised by the Group in 2015.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered, in the amount of HK\$3,514,000, representing a decrease of 89% as compared to the last fiscal year. Decrease of cost of sales/services rendered was mainly due to the disposal of subsidiaries in 2014. Cost of sales for the year 2015 was mainly attributable to the water supply business.

Other revenue

During the current fiscal year, the Group recorded other revenue of HK\$16,564,000, representing an increase of 32% as compared to the last fiscal year. It was mainly due to an increase in government subsidy for payment solutions business.

Other income

During the current fiscal year, the Group recorded other income of HK\$1,009,000, representing a decrease of 87% as compared to the last fiscal year. It was mainly due to decrease in exchange gain.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK\$294,607,000, which is approximately the same as last fiscal year. During the current fiscal year, general and administrative expenses decreased in terms of staff costs, depreciation and other administrative expenses, but such decrease was offset by the increase in legal and professional fees.

Increase in fair value of investment properties

The increase in fair value of investment properties increased from HK\$126,000 in the year of 2014 to HK\$1,206,000 in the year of 2015, representing an increase of 857% as compared to the last fiscal year. The increase in fair value mainly related to the properties located at Shanghai, the People's Republic of China (the "PRC"). The increase in fair value of investment properties is based on a professional valuation of an independent valuer, BMI Appraisal Limited.

Finance costs

During the current fiscal year, the Group recorded finance costs of HK\$5,428,000, representing an increase of 614% as compared to the last fiscal year. It was mainly due to bank loan interest incurred in relation to cross-border guarantee arrangement for cross-border RMB settlement on the acquisition of water supply group in 2015.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK\$2,134,000, representing a decrease of 80% as compared to the last fiscal year. It was mainly due to the decrease in profit of payment solution business.

Property, plant and equipment

The Group's property, plant and equipment increased by HK\$430,857,000 from HK\$37,986,000 as at 31 December 2014 to HK\$468,843,000 as at 31 December 2015. Increase was due to the acquisition of water supply group during the current fiscal year.

Prepaid land lease premium

The Group's prepaid land lease premium increased by HK\$19,943,000 from HK\$9,706,000 as at 31 December 2014 to HK\$29,649,000 as at 31 December 2015. Increase was due to the acquisition of water supply group during the current fiscal year.

Goodwill

The Group's goodwill increased by HK\$90,290,000 from HK\$77,097,000 as at 31 December 2014 to HK\$167,387,000 as at 31 December 2015. Increase in goodwill was mainly attributable to the acquisition of water supply group during the current fiscal year.

Intangible assets

The Group's intangible assets increased by HK\$352,047,000 from HK\$4,250,000 as at 31 December 2014 to HK\$356,297,000 as at 31 December 2015. Increase was mainly attributable to the acquisition of water supply group during the current fiscal year. The intangible assets of water supply group represent the right to operate a water supply plant in the PRC under service concession arrangement.

Investment properties

The Group's investment properties increased by HK\$21,308,000 or 65% from HK\$32,539,000 as at 31 December 2014 to HK\$53,847,000 as at 31 December 2015. It was mainly attributable to the acquisition of water supply group during the current fiscal year.

Deposit paid for acquisition of property, plant and equipment

The Group's deposit paid for acquisition of property, plant and equipment increased by HK\$37,588,000 from HK\$Nil as at 31 December 2014 to HK\$37,588,000 as at 31 December 2015. Increase was due to the acquisition of property, plant and equipment during the current fiscal year.

Interest in an associate

The Group's interest in an associate increased by HK\$29,542,000, or 100% from HK\$Nil as at 31 December 2014 to HK\$29,542,000 as at 31 December 2015. Increase was mainly due to capital injection of 49.5% equity interest in an associate, Shanghai Renda Commercial Factoring Company Limited, which was made in the current fiscal year.

Loan to an officer

The Group's loan to an officer decreased by HK\$12,362,000, or 100% from HK\$12,362,000 as at 31 December 2014 to HK\$Nil as at 31 December 2015. The loan was fully repaid to the Group during the current fiscal year.

Debtors

The Group's debtors increased by HK\$25,903,000 or 39% from HK\$65,656,000 as at 31 December 2014 to HK\$91,559,000 as at 31 December 2015. Increase was primarily attributable to the acquisition of water supply group in the current fiscal year.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased by HK\$5,504,000 from HK\$218,373,000 as at 31 December 2014 to HK\$212,869,000 as at 31 December 2015. Decrease in deposits, prepayments and other receivables was due to decrease in amounts due from former subsidiaries during the current fiscal year.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss increased by HK\$1,426,000 from HK\$221,000 as at 31 December 2014 to HK\$1,647,000 as at 31 December 2015. Increase in financial assets at fair value through profit or loss was mainly due to the acquisition of financial assets during the current fiscal year.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK\$149,321,000 from HK\$850,310,000 as at 31 December 2014 to HK\$700,989,000 as at 31 December 2015. Decrease in cash and bank balances and fixed deposits was mainly due to the acquisition of water supply group in current fiscal year. As at 31 December 2015, 95% (31 December 2014: 96%) of cash and bank balances was denominated in Renminbi.

Pledged time deposit

The Group's pledged time deposit increased by HK\$281,021,000 from HK\$Nil as at 31 December 2014 to HK\$281,021,000 as at 31 December 2015. It was due to part of the time deposits was pledged during the year for securing bank loans under cross-guarantee arrangement for cross-border RMB settlement on the acquisition of water supply group in the current fiscal year.

Bank and other borrowings

The Group's bank and other borrowings increased by HK\$661,855,000 from HK\$Nil as at 31 December 2014 to HK\$661,855,000 as at 31 December 2015. Increase was mainly attributable to bank loans and other borrowings granted by banks to the Group. The loan was made under the cross-border guarantee arrangement for cross-border RMB settlement on the acquisition of water supply group during the current fiscal year.

Trade payables

The Group's trade payables increased by HK\$1,888,000 from HK\$Nil as at 31 December 2014 to HK\$1,888,000 as at 31 December 2015. Trade payables were attributable to the water supply group.

Payable to merchants

The Group's payable to merchants decreased by HK\$10,031,000 or 2% from HK\$422,875,000 as at 31 December 2014 to HK\$412,844,000 as at 31 December 2015. It was mainly attributable to the decrease 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 money from debtors and then paid such transaction money to the merchants 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 revenue.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals increased by HK\$166,827,000 from HK\$104,207,000 as at 31 December 2014 to HK\$271,034,000 as at 31 December 2015. Increase was mainly attributable to increase in construction fee payable, dividend payable to non-controlling shareholder of a subsidiary, accruals and sundry creditors in water supply group.

Amounts due to related companies

Amounts due to related companies increased by HK\$109,446,000, or 763% from HK\$14,350,000 as at 31 December 2014 to HK\$123,796,000 as at 31 December 2015. The amounts represent advances from related companies. The advances are unsecured, interest-free and repayable on demand.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2015, the Group had net current assets of HK\$54,760,000. Current assets comprised inventories of HK\$3,011,000, debtors of HK\$91,559,000, deposits, prepayments and other receivables of HK\$212,642,000, financial assets at fair value through profit or loss of HK\$1,647,000, prepaid land lease premium of HK\$285,000, fixed deposits of HK\$63,218,000, pledged time deposit of HK\$281,021,000 and cash and bank balances of HK\$637,771,000.

Current liabilities comprised bank and other borrowings of HK\$413,873,000, trade payables of HK\$1,888,000, payable to merchants of HK\$412,844,000, deposits received, sundry creditors and accruals of HK\$271,034,000, amounts due to related companies of the HK\$123,796,000 and tax payable of HK\$12,959,000.

The gearing ratio (defined as a percentage of total liabilities (excludes deferred tax liability) over total assets (excludes deferred tax assets)) of the Group at 31 December 2015 was 61% (2014: 42%).

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 flows from operations. However, for a more massive scale of expansion and development, debt or equity financing may be required.

BUSINESS REVIEW AND PROSPECTS

Business Review

The year 2015 was full of challenges with adjustment in global economy, and emerging countries encountered difficulties in economic development in general. The economy of China continued the declining trend with a modest GDP growth of below 7%, which was a record low since the 2008 financial tsunami, according to data published on the website of the National Bureau of Statistics. Against such economic backdrop, together with combined effects of intensified competition, and tougher business environment, the Group's revenue for the year recorded a significant decrease. Meanwhile, the Group turned around from profitability in 2014 to loss-making in 2015, mainly due to decrease in profit of payment solutions business and the absence of gain on disposal of subsidiaries in 2015.

With regard to the payment business for the year, the payment industry saw a series of new development: 1. new payment pattern became a driving force to the industry development. With establishment of payment scenarios and development of user habit for mobile payment, consumer loyalty increased apparently with market share of mobile payment surpassing that of internet; 2. the growth of internet finance slowed down. Trans-sector cooperation became a common practice for current internet financial industry, where all kinds of strategic cooperation were found between internet financial corporations and traditional companies; 3. stringent policies have been effectively implemented during the year. Profit-making simply through payment channels was subject to banks and policies, and thus outmoded; 4. the Chinese government tightened the administration of payment license. According to financial news in China, under the regulatory system, the People's Bank of China ("PBOC") has revoked the license for payment businesses of three companies in 2015, which were reportedly involved in issues of embezzling customers' advanced cash to make investment. In light of an array of problems, the PBOC expedited the establishment of system on central management of customers' settlement fund for non-bank payment institution during the year. It was contemplated to incorporate the inter-institutional settlement business into an integrated system in order to prevent operational risks and related systematic risk, constrain payment institutions from tran-sector operation and maintain a proper market order for payment service. Under such market situation, the Group continued the strategic goal of self-development for its payment business during the year. In addition to maintaining existing standard in respect of research, risk control and internal control, we also carried out appropriate internal adjustment in line with the market and policies. With regard to domestic business for the year, we strived to develop and build a service platform by deeply cultivating preliminary sectors with advantages, and run trial operations for a series of new businesses with product and technological innovation as well as system upgrade, but the result has yet to show prospect. On the other hand, for oversea market expansion in respect of our payment business, the result was below expectation and was affected by various factors like the neighboring environment, and it will take time before improvement will be seen in this sector.

Moreover, to further optimize resources deployment and follow the medium and long term sustainable development target of the Group, on 23 December 2015, the Group completed an acquisition of 49% of equity interest in 東莞市擎瑋置業有限公司 (Qinghui Properties Ltd.*) and its eight subsidiaries (hereafter referred to "Qinghui Group"). The Qinghui Group was principally engaged in water supply

business and property investment business and has extensive experience in water supply industry. It maintains a good and long-term working relationship with local government authorities. The Group has formulated a set of flexible solutions in respect of property investment and capital management. With comprehensive system management, the operation and performance has posed a stable growing trend in a long time. Completion of the acquisition enabled the Group's diversified business to enter a new phase with growth potential, and that the investment could generate stable and immediate cash flow for the Company as an additional financial assurance for its daily operations and business development.

With regard to property investment and management for the year, in addition to holding the existing investment properties and self-use properties, the Group also acquired 11 properties and lands held by Qinghui group in Qingyuan City. Among the 11 properties and lands, some has been leased out while some are for self-use purpose. The properties generated steady rental income for the Group and their fair values continued to increase during the year.

With respect to the pool of talent for the year, the Group is convinced that a team of highly qualified staff is the key to success of the Company's development. The Group has been making efforts on understanding the needs of talents in order to recruit suitable staff and strategically allocating adequate resources for staff promotion, attracting and retaining talents. Reasonable allocation of human resources and continued talent recruitment have laid down a solid foundation for providing key drivers for the Group's sustainable and stable development. Moreover, since the Group acquired the business of water supply during the year, the total number of employees of the Group reached 1,004 as at 31 December 2015. With the substantial increase in the number of employees, the Group set a higher standard for the management and control of its staff and effectively implementing allocation and integration of staff will be a top priority for the Group in the second half of the year.

Prospects

The year ahead for the Group is expected to be full of challenges and uncertainties.

For the principal operations of the Group, in 2016, the industry has been transforming from a product-oriented market towards an application-oriented one as a result of payment innovation. With improving regulatory system for internet financing, the payment industry currently enjoys economies of scale and appears to be in a "winner-takes-all" situation. As regulatory policies become more stringent, the payment market will put more emphasis on value-added service and online service, and focus more on context and user experience. It is also intended that the payment function will become a basic application to be embedded in the system. Platformization, all-inclusive mode and comprehensive businesses will become the mainstream development approach. Considering that both the market and regulatory system have a tendency to shift towards the finance industry, many of the Group's businesses in respect of payment may not materialize. Therefore, we will streamline current operations with caution based on actual developments. By adjusting business segments as well as through expansion and exploration of cooperation with existing partners and merchants, we can provide differentiated services and maintain profits effectively. On the other hand, as the overall economic environment continues to tighten, the Group's operations based on the corporate clients are bound to be affected correspondingly. Although the operating results of the payment business in 2016 will face internal and external pressures, the Group believes that based on our solid financial foundation and strategy for diversified sustainable development, we will achieve synergy in due course through group structure rationalisation.

As for the Group's water supply business, in 2016, given the slowing economic growth condition as the "new normal" in China, the manufacturing industry enters into the "de-capacity" phase, whereas the real estate industry enters into the "de-stocking" phase. In light of the economic condition in the coming year, the Qinghui Group will maintain its current operational and management strategy and actively adapt to the new economic condition. It will perform its responsibilities of supplying water effectively and ensure water safety, while continuing to deepen operating ideas. In addition, the Qinghui Group will keep abreast of market developments and proactively explore businesses. It will also strive to push its services onto a new level by innovating platforms of services. With all the aforementioned measures, the Qinghui Group will take every effort to promote new corporate developments. It is believed that by capitalizing on the Group's own experience in water supply business and current operations, such new growth sources will continue to deliver results in the upcoming years and contribute steady revenues and profits to the Group, thereby strengthening the foundation for the Group's further development.

2016 will be a year full of opportunities and challenges. We will work hard to overcome difficulties and maintain momentum striving forward. Adhering to its strategic direction of "concentrating on growth, reducing losses, and modifying the structure", the Group will explore fields of business and investment opportunities from time to time for business diversification and financial growth, and maximize the investment value of shareholders.

REVIEW OF CONTRACTUAL ARRANGEMENTS

In light of the Administrative Provisions on Foreign-invested Telecommunication Enterprises, foreign investors shall not hold more than 50% equity interest of a PRC enterprise providing value-added telecommunication services. The principal businesses of the Universal eCommerce China Limited ("Universal eCommerce China") are classified as value-added telecommunication services which are categorised as a type of business which is subject to foreign investment restriction in the PRC.

Reference is made to the Reorganisation Announcement dated 9 September 2005 in relation to the Reorganisation whereby the Company (through International Payment Solutions (China) Limited ("International Payment Solutions (China)")) (formerly known as Universal Media (Shanghai) Limited), a wholly foreign owned enterprise established under the laws of the PRC and an indirect 51% owned subsidiary of the Company) acquired an effective control over the entire interest in Universal eCommerce China (formerly known as *International Payment Solutions (Shanghai) Limited), a limited liability company established under the laws of the PRC whose financial results are accounted for and consolidated in the Group's consolidated accounts through the Structured Contracts and the effective interest attributable to the Group is 51% through the Structured Contracts. As disclosed in the Reorganisation Announcement, at the time of the entering into of the Structured Contracts, (i) operators of value-added telecommunication services in the PRC must obtain a valid Internet Content Provider (ICP) license issued by the Ministry of Information Industry in the PRC or its provincial-level bureau (MII); (ii) PRC laws and regulations limited foreign investment in and only allowed foreign investors to own up to 50% equity interest in businesses providing value-added telecommunication services in the PRC; and (iii) the Group's own PRC subsidiaries were not entitled to apply for such ICP license. Therefore, the Company underwent the Reorganisation so as to acquire an effective control over the entire interest in Universal eCommerce China and entered into the Structured Contracts to recognize and receive all the economic benefits of the businesses and operations of Universal eCommerce China (including the revenues generated from the operation of its businesses and all dividends and distributions accrued thereon).

Please also refer to the announcement of the Company dated 18 August 2015 in relation to update announcement on structured contracts relating to the business operation of OPCO for further details of the Contractual Arrangements.

EMPLOYEES

At 31 December 2015, the total number of employees of the Group was 1,004 (2014: 602). The dedication and contribution of the Group's staff during the year 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 central pension scheme in the PRC.

ENVIRONMENTAL POLICY AND PERFORMANCE

Notion and policy

The Group acknowledges that being a responsible enterprise, the Group still has to take into account the impact of its business operation on the environment while enjoying financial stableness. The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth. The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

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

On 21 June 2015, Shenzhen Huanye Universal Technologies Limited (an indirect wholly-owned subsidiary of the Company) ("Shenzhen Huanye") and Dongguan Hongshun Shiye Development Company Limited ("Hongshun Shiye") entered into the sale and purchase agreement pursuant to which Shenzhen Huanye has conditionally agreed to acquire and Hongshun Shiye conditionally agreed to sell 49% of the entire equity interest in Qinghui Properties Ltd and its eight subsidiaries ("Qinghui Group") (the "Acquisition"), at cash consideration of RMB224,420,000 (equivalent to approximately HK\$268,519,000). Hongshun Shiye is beneficially and wholly-owned by Mr. Yang Zhimao and his spouse Ms. Zhu Fenglian ("Yangs"), who also own the entire issued share capital of Ever City Industrial Development Limited which is a substantial shareholder of the Company. Accordingly, Hongshun Shiye is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company. The acquisition was subsequently approved by the independent shareholders of the Company on 18 December 2015 and completed on 23 December 2015.

On 23 December 2015, the fair value of the identifiable assets and liabilities of Qinghui group acquired as at the date of acquisition was HK\$178,229,000. The newly acquired business contribute a revenue of HK\$5,313,000 to the Group and contributed a profit of HK\$1,203,000 to the Group for the period between the date of acquisition and the financial year end. The Group recognised a goodwill of HK\$90,290,000 because the purchase consideration exceeded the fair value of net assets acquired.

On 23 September 2015, the Group set up a new company, Shanghai Renda Commercial Factoring Company Limited (“Shanghai Renda”), a company incorporated in the PRC. The Group injected capital of RMB24,750,000 (equivalent to approximately HK\$29,613,000) on 49.5% equity interests in Shanghai Renda. The Group recognised the share of the associate’s loss of HK\$3,000 for the period between the date of setting up and the end of the fiscal year.

On 27 January 2015, the Group disposed of its entire equity interest of Universal Unipass Limited at a consideration of approximately RMB991,000 (equivalent to approximately HK\$1,246,000). The net assets of the Universal Unipass Limited as at the date of disposal was approximately RMB991,000 (equivalent to approximately HK\$1,246,000).

On 8 June 2012, Universal eCommerce China Limited (“eCommerce”), a wholly-owned subsidiary of the Company, entered into conditional disposal agreements with Shanghai Chiyi Investment Partnership (“Chiyi”) and Beihai Shiji Information Technology Co., Ltd. (“Beihai Shiji”) which were connected persons of the Company in respect of the disposal of 17.49% equity interests in Universal ECPAY Limited (“ECPAY”), which is an indirect non-wholly owned subsidiary of the Company. Chiyi was owned as to 53.64% by Madam Luan Yumin, a former Executive Director of the Company, and Beihai Shiji owned 15% existing equity interests in ECPAY in 2012. Therefore, the agreements entered into between Chiyi and Beihai Shiji respectively were connected transactions for the Company. According to the agreements, eCommerce has conditionally agreed to dispose 9.99% equity interests in ECPAY to Chiyi; and eCommerce has conditionally agreed to dispose 7.5% equity interests in ECPAY to Beihai Shiji. The disposal of 7.5% equity interests in ECPAY was completed on 17 September 2012.

The disposal of the remaining portion of 9.99% equity interests in ECPAY to Chiyi at a consideration of RMB11,383,000 (Equivalents to HK\$14,147,000) was completed on 23 December 2015. The carrying amount of the non-controlling interests in ECPAY on the date of disposal was HK\$13,707,000. The Group recognised an increase in non-controlling interests of HK\$13,707,000 and increase in equity attributable to shareholders of the Company of HK\$162,000.

CHARGES ON GROUP’S ASSETS

The Group’s bank loans at 31 December 2015 were secured by:

- (i) charge over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK\$281,021,000);
- (ii) charges over property, plant and equipment with aggregate carrying amounts of RMB35,904,000 (equivalent to approximately HK\$42,858,000);
- (iii) charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,355,000 (equivalent to approximately HK\$5,198,000);
- (iv) pledge of 49% equity interest in Qingyuan Water Supply Development Co. Ltd;

- (v) pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Co. Ltd;
- (vi) pledge of trade receivables under service concession arrangement with a carrying amount of RMB18,278,000 (equivalent to approximately HK\$21,818,000); and
- (vii) guarantee by Xinhongcheng Enterprise Management Co. Ltd and Qingyuan Qingxin District Huike Properties Co. Ltd, both being the subsidiaries of the Company.

The Group had not charged any of its assets as at 31 December 2014.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 21 November 2006, Qingyuan Qingxin District Taihe Water Co. Ltd (“Taihe Water”, a subsidiary of newly acquired Qinghui Group) entered into service concession arrangement with the local government of Qingyuan City, Guangdong Province, whereby Taihe Water was contracted to construct the water supply plants and to operate and maintain the water supply plants under a build-operate-transfer basis.

As at 31 December 2015, there is new water treatment plant (Taihe Plant #2 Phrase 2) under construction with a planned daily production capacity of approximately 100,000 tonnes, which is located next to the existing plant (Taihe Plant #2 Phrase 1). The new plant would share the existing infrastructures of the existing plant. In addition, the Group intends to expand its coverage area by way of expansion of pipeline coverage.

CURRENCY RISK

Currently, the market anticipates moderate depreciation 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 and settled in Renminbi, the exposure of the Group’s risk from exchange rate fluctuation was minimal. For the year ended 31 December 2015, 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

At 31 December 2015, the Group had contracted but not provided were approximately HK\$249,612,000 for in respect of (i) acquisition of property, plant and equipment was approximately HK\$138,590,000 (2014: HK\$Nil); and (ii) other intangible assets (as defined under the adopted accounting standards) were approximately HK\$111,022,000 (2014: HK\$Nil), and it is for the expansion of water treatment capacity and pipeline network, as well as the maintenance capital expenditures in the normal course of business of Qingyuan Water Supply Development Co. Ltd. and Qingyuan Qingxin District Taihe Water Co. Ltd.

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.

DIVIDEND

The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2015 (2014: HK\$Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 May 2016 to Friday, 27 May 2016 (both days inclusive) to facilitate the processing of proxy voting. To be entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 23 May 2016.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

On 7 January 2016, additional secured banking facilities of RMB 600,000,000 (equivalent to approximately HK\$716,220,000) were granted to the Group. Up to date of this result announcement, such banking facilities were utilised by the Group to the extent of RMB 260,000,000 (equivalent to approximately HK\$310,362,000).

CORPORATE GOVERNANCE

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Listing Rules in the construction of our corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of our shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders. A full description of the Company's Corporate Governance will be set out in the section of Corporate Governance contained in the 2015 annual report.

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 applicable Code Provisions of the Main Board CG Code except that one Independent Non-Executive Director was not present at the extraordinary general meeting of the Company which was held on 18 December 2015. This constitutes a deviation from the code provision of A.6.7 which requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2015. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters.

By Order of the Board
UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
Chen Jinyang
Chairman

Hong Kong, 31 March 2016

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

Executive Directors:

Mr. Chen Jinyang (*Chairman*)

Mr. Chau Cheuk Wah (*Chief Executive Officer*)

Mr. Zhou Jianhui

Non-Executive Director:

Ms. Zhang Haimei

Independent Non-Executive Directors:

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

Mr. David Tsoi

Mr. Chao Pao Shu George