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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 2017

HIGHLIGHTS

- Revenue for the six months ended 30 June 2017 amounted to approximately HK\$111.72 million, which is classified under continuing operations (six months ended 30 June 2016: HK\$233.65 million, of which HK\$87.17 million was classified under discontinued operations and HK\$146.48 million was classified as continuing operations.). Revenue from continuing operations for the six months ended 30 June 2017 of HK\$111.72 million represented a decrease of HK\$34.76 million or 24% as compared to the corresponding period last year. Decrease in revenue was mainly due to the completion of the construction of Taihe Water Plant Phase 2, resulting in decrease in construction service income under BOT water plant project.
- Net profit attributable to shareholders of the Company for the six months ended 30 June 2017 amounted to approximately HK\$8.08 million (six months ended 30 June 2016: net loss attributable to shareholders of the Company of HK\$22.41 million), representing an increase by HK\$30.49 million or 136% as compared to the corresponding period last year. Turnaround from loss to profit for the period of the Group was mainly due to (i) the absence of net loss from International Payment Solutions Holdings Limited and its subsidiaries (“Payment Co Group”) which was disposed in December 2016; and (ii) the currency exchange gain on Renminbi denominated assets of the Group arising from the revaluation of Renminbi.
- Basic and diluted earnings per share for the six months ended 30 June 2017 amounted to HK0.38 cent and HK0.38 cent respectively (six months ended 30 June 2016: basic and diluted loss per share of HK1.06 cents and HK1.06 cents respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017 together with comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
	Note	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Continuing operations			
Revenue	4	111,718	146,479
Cost of sales/services rendered		(64,749)	(100,176)
Gross profit		46,969	46,303
Other revenue	4	4,467	4,547
Other income		10,157	12,361
General and administrative expenses		(22,654)	(32,243)
Profit from operations		38,939	30,968
Impairment loss on debtors	13	(351)	–
Impairment loss on other receivables	14	–	(29)
Intangible assets written off		–	(1,402)
Finance costs		(8,118)	(9,832)
Profit before income tax	5	30,470	19,705
Income tax expense	7	(6,659)	(6,823)
Profit for the period from continuing operations		23,811	12,882
Discontinued operations			
Loss for the period from discontinued operations	8	–	(37,068)
Profit/(loss) for the period		23,811	(24,186)
Profit/(loss) attributable to:			
Shareholders of the Company		8,077	(22,406)
Non-controlling interests		15,734	(1,780)
Profit/(loss) for the period		23,811	(24,186)
Earnings/(loss) per share (in cents)			
From continuing and discontinued operations			
– Basic	9	0.38	(1.06)
– Diluted	9	0.38	(1.06)
From continuing operations			
– Basic	9	0.38	0.15
– Diluted	9	0.38	0.15
From discontinued operations			
– Basic	9	–	(1.21)
– Diluted	9	–	(1.21)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
Note	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	<u>23,811</u>	<u>(24,186)</u>
Other comprehensive income/(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 (the "PRC")	1,537	(5,198)
Exchange differences arising on translation of financial statements of an associate established in the PRC	<u>–</u>	<u>(640)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>1,537</u>	<u>(5,838)</u>
Total comprehensive income/(loss) for the period	<u><u>25,348</u></u>	<u><u>(30,024)</u></u>
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	7,041	(25,544)
Non-controlling interests	<u>18,307</u>	<u>(4,480)</u>
	<u><u>25,348</u></u>	<u><u>(30,024)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	473,105	459,154
Prepaid land lease premium	11	24,098	22,216
Investment properties	12	43,881	44,820
Intangible assets		407,817	398,112
Goodwill		99,037	90,290
Deposit paid for acquisition of property, plant and equipment		13,359	13,244
		1,061,297	1,027,836
CURRENT ASSETS			
Inventories		2,940	2,606
Debtors	13	20,296	23,154
Deposits, prepayments and other receivables	14	13,998	7,024
Prepaid land lease premium	11	101	97
Fixed deposits		85,547	34,643
Pledged time deposit		272,416	262,898
Cash and bank balances		246,098	402,992
		641,396	733,414
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	20	326,718	312,195
Trade payables	16	2,448	2,433
Payable to merchants	17	3,013	3,008
Deposits received, sundry creditors and accruals	18	154,511	193,646
Amounts due to related companies	19	50,957	76,499
Tax payable		16,819	16,690
		554,466	604,471
NET CURRENT ASSETS		86,930	128,943

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
	<i>Note</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,148,227</u>	<u>1,156,779</u>
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings	20	360,727	398,176
Deferred tax liabilities		63,147	65,385
Deferred revenue		<u>5,787</u>	<u>—</u>
		<u>429,661</u>	<u>463,561</u>
NET ASSETS		<u>718,566</u>	<u>693,218</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	21	21,205	21,205
Reserves		<u>494,244</u>	<u>487,203</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		515,449	508,408
NON-CONTROLLING INTERESTS		<u>203,117</u>	<u>184,810</u>
TOTAL EQUITY		<u>718,566</u>	<u>693,218</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2017*

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(19,920)	23,583
NET CASH USED IN INVESTING ACTIVITIES	(28,230)	(138,865)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(58,471)	170,257
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(106,621)	54,975
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	631	(5,101)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	437,635	700,989
CASH AND CASH EQUIVALENTS AT 30 JUNE	331,645	750,863
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	246,098	703,731
Fixed deposits	85,547	47,132
	331,645	750,863

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	Attributable to shareholders of the Company												
	Capital					Share						Non-	
	Share	Share	redemption	Capital	Special	Exchange	options	Statutory	Other	Accumulated		controlling	Total
	capital	premium	reserve	reserve	reserve	reserve	reserve	reserve	reserve	losses	Total	interests	equity
	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 2016	21,205	513,344	481	1,093	10,754	3,107	4,396	30,244	(57,878)	(9,227)	517,519	367,522	885,041
Acquisitions of subsidiaries (note 22(b) & (c))	–	–	–	–	–	–	–	–	–	–	–	316	316
Transferred to accumulated losses	–	–	–	–	–	–	(399)	–	–	399	–	–	–
Total comprehensive loss for the period	–	–	–	–	–	(3,138)	–	–	–	(22,406)	(25,544)	(4,480)	(30,024)
Transferred to statutory reserve	–	–	–	–	–	–	–	11,848	–	(11,848)	–	–	–
At 30 June 2016	<u>21,205</u>	<u>513,344</u>	<u>481</u>	<u>1,093</u>	<u>10,754</u>	<u>(31)</u>	<u>3,997</u>	<u>42,092</u>	<u>(57,878)</u>	<u>(43,082)</u>	<u>491,975</u>	<u>363,358</u>	<u>855,333</u>
At 1 January 2017	21,205	513,344	481	1,093	10,754	19,167	3,997	5,000	–	(66,633)	508,408	184,810	693,218
Total comprehensive (loss)/income for the period	–	–	–	–	–	(1,036)	–	–	–	8,077	7,041	18,307	25,348
Transferred to statutory reserve	–	–	–	–	–	–	–	3,028	–	(3,028)	–	–	–
At 30 June 2017	<u>21,205</u>	<u>513,344</u>	<u>481</u>	<u>1,093</u>	<u>10,754</u>	<u>18,131</u>	<u>3,997</u>	<u>8,028</u>	<u>–</u>	<u>(61,584)</u>	<u>515,449</u>	<u>203,117</u>	<u>718,566</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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.

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, system integration and technical platform services, property investment, building management and water supply and related services. The provision of payment solutions and related services, system integration and technical platform services of the Group were regarded as discontinued operations.

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 Hong Kong Limited, 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 interim financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has initially applied certain new standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (the “new HKFRSs”) issued by the HKICPA which are relevant to the Group and effective for the annual period beginning on 1 January 2017. The adoption of the new HKFRSs has no material impact on the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated interim financial statements and amounts reported for the current and prior periods. The Group has not early adopted the new HKFRSs that have been issued but are not yet effective.

4. REVENUE AND OTHER REVENUE

Revenue for the period 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. The provision of payment solutions and related services income were regarded as discontinued operations since 23 December 2016. An analysis of the Group’s revenue and other revenue is set out below:

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Payment solutions and related services income	–	–	–	86,997	–	86,997
Rental and building management service income	1,130	793	–	175	1,130	968
Water supply and related services income	110,588	145,686	–	–	110,588	145,686
Revenue	111,718	146,479	–	87,172	111,718	233,651
Interest on bank deposits	4,383	4,496	–	2,884	4,383	7,380
Government subsidy	84	–	–	–	84	–
Consultancy service income	–	51	–	–	–	51
Dividend income	–	–	–	2	–	2
Other revenue	4,467	4,547	–	2,886	4,467	7,433
Total revenue	116,185	151,026	–	90,058	116,185	241,084

5. PROFIT/(LOSS) BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) before income tax is arrived at after charging/(crediting):						
Cost of sales	1,320	97,429	–	111	1,320	97,540
Staff costs (including directors' remuneration)						
– Salaries and other benefits	15,870	17,037	–	54,814	15,870	71,851
– Pension scheme contributions	1,611	1,368	–	11,104	1,611	12,472
	17,481	18,405	–	65,918	17,481	84,323
Depreciation	16,622	16,159	–	4,055	16,622	20,214
Amortisation of intangible assets and prepaid land lease premium	8,178	8,582	–	193	8,178	8,775
Exchange (gain)/loss	(9,946)	6,237	–	112	(9,946)	6,349
Loss on change in fair value of financial assets at fair value through profit or loss	–	–	–	115	–	115
Minimum operating lease rentals	1,409	2,619	–	9,554	1,409	12,173
Impairment loss on debtors	351	–	–	37	351	37
(Reversal of)/impairment loss on other receivables	(34)	29	–	552	(34)	581
Intangible assets written off	–	1,402	–	–	–	1,402
Interest on bank loans expenses	10,904	16,143	–	1,575	10,904	17,718
Less: interest capitalised included in property, plant and equipment and other intangible assets	(2,880)	(6,321)	–	–	(2,880)	(6,321)
	8,024	9,822	–	1,575	8,024	11,397
Write down of inventories	–	–	–	271	–	271
Loss on disposal of property, plant and equipment	–	333	–	–	–	333
Loss on disposal of financial assets at fair value through profit or loss	–	–	–	400	–	400
Gain on bargain purchase	–	–	–	(166)	–	(166)
Gain on early extinguishment of bank loans	–	(11,657)	–	–	–	(11,657)
Rental income less outgoings	(621)	(790)	–	–	(621)	(790)

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 two reportable segments.

(a) 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.

(b) Properties investment and development

This segment engaged in development, leasing and management of land, commercial and residential properties. Currently the Group's activities in this regard are carried out in the PRC.

The payment solutions, system integration and technical platform services of the Group were regarded as discontinued operations (Note 8).

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											
	Continuing operations								Discontinued operations			
	Reportable Segments											
	Water supply and related services		Properties investment and development		Others		Total		Payment solutions and related services, system integration and technical platform services		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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	110,748	145,860	970	794	–	–	111,718	146,654	–	86,997	111,718	233,651
Other revenue	697	420	133	118	3,637	4,009	4,467	4,547	–	2,886	4,467	7,433
Total revenue	111,445	146,280	1,103	912	3,637	4,009	116,185	151,201	–	89,883	116,185	241,084
Reportable segment profit/(loss)	37,484	45,104	(1,573)	(936)	(1,439)	(17,427)	34,472	26,741	–	(37,954)	34,472	(11,213)
Interest income											4,383	7,380
Dividend income											–	2
Government subsidy											84	–
Consultancy service income											–	51
Profit/(loss) from operations											38,939	(3,780)
Gain on bargain purchase											–	166
Impairment loss on debtors	(351)	–	–	–	–	–	(351)	–	–	(37)	(351)	(37)
Impairment loss on other receivables	–	–	–	–	–	(29)	–	(29)	–	(552)	–	(581)
Intangible assets written off	–	(1,402)	–	–	–	–	–	(1,402)	–	–	–	(1,402)
Finance costs											(8,118)	(11,557)
Share of results of an associate											–	(33)
Profit/(loss) before income tax											30,470	(17,224)
Income tax expense											(6,659)	(6,962)
Profit/(loss) for the period											23,811	(24,186)
Attributable to:												
– Shareholders of the Company											8,077	(22,406)
– Non-controlling interests											15,734	(1,780)
											23,811	(24,186)

(b) Geographical information

	Six months ended 30 June					
	The PRC		Hong Kong/overseas		Consolidated	
	2017	2016	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Continuing operations						
Revenue from external customers	111,718	146,650	–	4	111,718	146,654
Other revenue	839	544	3,628	4,003	4,467	4,547
Discontinued operations						
Revenue from external customers	–	86,634	–	363	–	86,997
Other revenue	–	2,886	–	–	–	2,886
Total revenue	<u>112,557</u>	<u>236,714</u>	<u>3,628</u>	<u>4,370</u>	<u>116,185</u>	<u>241,084</u>

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 2017 and 2016.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (six months ended 30 June 2016: 25%).

No preferential tax rate during the period (six months ended 30 June 2016: pursuant to relevant laws and regulations in the PRC and with approval from tax authorities in charge, one of the Groups' subsidiaries qualified as a High and New Technology Enterprise and was entitled to the preferential tax rate of 15%).

The income tax expense is made up as follows:

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2017	2016	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax:						
Current period	9,529	5,892	–	139	9,529	6,031
Deferred tax:						
Current period	(2,870)	931	–	–	(2,870)	931
Total revenue	<u>6,659</u>	<u>6,823</u>	<u>–</u>	<u>139</u>	<u>6,659</u>	<u>6,962</u>

8. DISCONTINUED OPERATIONS

On 2 November 2016, the Group and Brilliant Dragon Investment Limited (“**Brilliant Dragon**”) entered into the Sale and Purchase Agreement (“**SP Agreement**”), pursuant to which the Group conditionally agreed to sell and Brilliant conditionally agreed to acquire 51% equity interest of International Payment Solutions Holdings Limited (“**IPSH**”) and net shareholder loans at a total consideration of HK\$158,000,000. Upon completion of the disposal, Payment Co Group ceased to be subsidiaries of the Group. The SP Agreement and the transaction contemplated thereunder were approved at the extraordinary general meeting of the Company held on 16 December 2016. Details of the disposal are set out in the Company’s announcement dated 2 November 2016 and the Company’s circular dated 30 November 2016.

Following completion of the disposal of the entire equity interest of IPSH (Note 23, details of which set out in the announcement of the Company dated 23 December 2016), the Group no longer continued to carry on business in provision of payment solutions.

The unaudited results from discontinued operations for the six months ended 30 June 2016 are as follows:

		<i>HK\$’000</i>
Revenue	4	87,172
Cost of sales/services rendered		(111)
Gross profit		87,061
Other revenue	4	2,886
Other income		25
General and administrative expenses		(124,720)
Loss from operations		(34,748)
Gain on bargain purchase		166
Impairment loss on debtors		(37)
Impairment loss on other receivables		(552)
Finance costs		(1,725)
Share of results of an associate		(33)
Loss before income tax	5	(36,929)
Income tax expense	7	(139)
Loss for the period		(37,068)
Loss attributable to:		
Shareholders of the Company		(25,663)
Non-controlling interests		(11,405)
Loss for the period		(37,068)

The net cash flows incurred by discontinued operations for the period are as follows:

HK\$'000

Cash flows from discontinued operations

Net cash generated from operating activities	33,640
Net cash used in investing activities	(32,878)
Net cash generated from financing activities	2,846
Net cash inflow	3,608

9. EARNINGS/(LOSS) PER SHARE

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

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss)						
Profit/(loss) for the period attributable to shareholders of the Company	<u>8,077</u>	<u>3,257</u>	<u>—</u>	<u>(25,663)</u>	<u>8,077</u>	<u>(22,406)</u>
				Six months ended 30 June		
				2017	2016	
				(Unaudited)	(Unaudited)	
Number of shares						
Weighted average number of shares in issue for the purpose of calculation of basic earnings/(loss) per share				2,120,448,858	2,120,448,858	
Effect of dilutive potential ordinary shares:						
Share options – note				<u>—</u>	<u>—</u>	
Weighted average number of shares in issue for the purpose of calculation of diluted earnings/(loss) per share				<u>2,120,448,858</u>	<u>2,120,448,858</u>	

Note: The computation of diluted earnings/(loss) per share for the six months ended 30 June 2017 and 30 June 2016 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in earnings/(loss) per share for the period which is regarded as anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group had additions to property, plant and equipment in the amount of approximately HK\$16,424,000 (year ended 31 December 2016: HK\$74,969,000).

11. PREPAID LAND LEASE PREMIUM

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Outside Hong Kong, held under medium-term lease	24,199	22,313
Less: Current portion	<u>(101)</u>	<u>(97)</u>
Non-current portion	<u>24,098</u>	<u>22,216</u>
Representing:		
Opening net book value	22,313	29,649
Disposals of subsidiaries – <i>Note 23</i>	–	(5,341)
Transfer from property, plant and equipment and investment properties	1,735	–
Exchange adjustments	463	(1,201)
Amortisation of prepaid land lease premium	<u>(312)</u>	<u>(794)</u>
Closing net book value	<u>24,199</u>	<u>22,313</u>

12. INVESTMENT PROPERTIES

	HK\$'000
At 1.1.2016 (Audited)	53,847
Increase in fair value recognised in the consolidated statement of profit or loss	4,582
Transfer from deposit paid for acquisition of investment properties	15,877
Additions	30,799
Disposals of subsidiaries – <i>Note 23</i>	(56,606)
Exchange adjustments	<u>(3,679)</u>
At 31.12.2016 and 1.1.2017 (Audited)	44,820
Transfer to property, plant and equipment and prepaid land lease premium	(2,521)
Exchange adjustments	<u>1,582</u>
At 30.6.2017 (Unaudited)	<u>43,881</u>

The investment properties are located at the PRC and held under medium-term leases.

13. DEBTORS

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Trade debtors	21,284	24,004
Less: impairment loss – note (iv)	(988)	(850)
	<u>20,296</u>	<u>23,154</u>

Notes:

(i) Apart from water supply service, 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.

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
0-6 months	20,054	22,937
7-12 months	40	51
1-2 years	202	166
	<u>20,296</u>	<u>23,154</u>

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Neither past due nor impaired	20,094	22,988
Past due but not impaired	202	166
	<u>20,296</u>	<u>23,154</u>

Debtors that were neither past due nor impaired relate to tenants and water supply service for whom there were no recent history of default.

(iv) The movement in the impairment loss on debtors during the period/year is as follows:

	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000
At 1 January	850	2,559
Impairment loss recognised	351	70
Disposals of subsidiaries	–	(1,578)
Written off	(222)	–
Exchange adjustments	9	(201)
	<u>988</u>	<u>(201)</u>
At 30 June/31 December	<u><u>988</u></u>	<u><u>850</u></u>

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Utilities and deposits	2,438	2,696
Prepayments	1,108	1,115
Interest receivable	1,800	1,737
Other receivables	8,717	1,601
	<u>14,063</u>	<u>7,149</u>
Less: impairment loss on other receivables – note (i)	<u>(65)</u>	<u>(125)</u>
	<u><u>13,998</u></u>	<u><u>7,024</u></u>

Notes:

(i) The movement in the impairment loss on other receivables during the period/year is as follows:

	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000
At 1 January	125	1,201
(Reversal of)/impairment loss recognised	(34)	673
Written off	(29)	(428)
Disposals of subsidiaries	–	(1,242)
Exchange adjustments	3	(79)
	<u>65</u>	<u>125</u>
At 30 June/31 December	<u><u>65</u></u>	<u><u>125</u></u>

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

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 2017 and 31 December 2016.

16. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
0-12 months	<u>2,448</u>	<u>2,433</u>

17. PAYABLE TO MERCHANTS

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Over one year	<u>3,013</u>	<u>3,008</u>

18. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Deposits received and receipts in advance	17,779	11,440
Accruals	4,023	11,485
Sundry creditors	47,004	52,908
Construction fee payable	76,886	95,967
Other tax payables	<u>8,819</u>	<u>21,846</u>
	<u>154,511</u>	<u>193,646</u>

19. AMOUNTS DUE TO RELATED COMPANIES

The amounts are interest-free, unsecured and repayable on demand.

20. BANK AND OTHER BORROWINGS

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
	<i>Note</i>		
Bank loans, secured	(a)	684,526	706,595
Government loans, unsecured		2,919	3,776
		<u>687,445</u>	<u>710,371</u>
		<u>687,445</u>	<u>710,371</u>
		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Due for payment:			
– Within one year		326,718	312,195
– Within two to five years		93,886	126,410
– Over five years		266,841	271,766
		<u>687,445</u>	<u>710,371</u>
		<u>687,445</u>	<u>710,371</u>

Notes:

(a) The Group had the following banking facilities:

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Total banking facilities granted	1,215,375	1,172,430
Less: banking facilities utilised by the Group	<u>(684,526)</u>	<u>(706,595)</u>
Unutilised banking facilities	<u>530,849</u>	<u>465,835</u>

As at 30 June 2017, these banking facilities were secured by:

- i. charges over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK\$272,416,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,189,000 (equivalent to approximately HK\$4,849,000);
- iii. pledge of trade receivables under service concession arrangement with a carrying amount of RMB17,533,000 (equivalent to approximately HK\$20,294,000);
- iv. pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;
- v. pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vi. guarantee by Dongguan Xinghongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;
- vii. guarantee by Dongguan New Century Science and Education Development Limited, Mr. Yang Zhimao (“Mr. Yang”) and Ms. Zhu Fenglian (“Ms. Zhu”); and
- viii. guarantee by the non-controlling shareholder Qingyuan Qingxin District Taihe Water Company Limited, a 51%-owned subsidiary of Dongguan Xinghongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Group.

As at 31 December 2016, these banking facilities were secured by:

- i. charges over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK\$262,898,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,244,000 (equivalent to approximately HK\$4,739,000);
- iii. pledge of trade receivables under service concession arrangement with a carrying amount of RMB20,723,000 (equivalent to approximately HK\$23,139,000);
- iv. pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;
- v. pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vi. guarantee by Dongguan Xinghongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;
- vii. guarantee by Dongguan New Century Science and Education Development Limited, Mr. Yang and Ms. Zhu; and
- viii. guarantee by the non-controlling shareholder Qingyuan Qingxin District Taihe Water Company Limited, a 51%-owned subsidiary of Dongguan Xinghongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Group.

21. SHARE CAPITAL

Number of shares *HK\$'000*

Share capital

Ordinary share of HK\$0.01 each

Authorised:

At 31 December 2016, 1 January 2017 and 30 June 2017	5,000,000,000	50,000
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Issued and fully paid:

At 31 December 2016, 1 January 2017 and 30 June 2017	2,120,448,858	21,205
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As at 30 June 2017, the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22. ACQUISITIONS OF SUBSIDIARIES

- (a) On 14 June 2017, for the purpose of engaging in the financial services business, Universal Technologies Capital Holdings Limited ("UTCHL"), a directly wholly owned subsidiary of the Group, acquired 100% equity interests in Hooray Asset Management Limited ("Hooray"), a company incorporated in Hong Kong, at a cash consideration of HK\$9,000,000.

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

	<i>HK\$'000</i>
Property, plant and equipment	10
Prepayment	16
Cash and bank balances	227
Net assets	253
Goodwill arising on acquisition	
Consideration for acquisition	9,000
Less: Fair value of identifiable net assets acquired	(253)
	8,747
Net cash outflow arising on acquisition	
Cash consideration paid	(9,000)
Less: Cash and bank balances acquired	227
Net cash outflow on acquisition	(8,773)

Acquisition-related costs amounting to HK\$140,000 have been recognised as an expense in year 2017, within the "general and administrative expenses" line item in the consolidated statement of profit or loss.

The Group recognised a goodwill of HK\$8,747,000 arising from acquisition of Hooray.

The newly acquired business did not contribute any revenue to the Group but resulted in a loss of HK\$56,000 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 2017, total Group's revenue for the period would have been HK\$111,718,000 and profit for the period would have been HK\$23,811,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2017 nor is intended to be a projection of future results.

- (b) On 14 February 2016, IPS E-Commerce Hong Kong Limited, a non-wholly owned subsidiary with 34.43% effective interest held by the Group, acquired 100% equity interests in H and R International Investment Limited ("HRI"), a company incorporated in Hong Kong, at a cash consideration of HK\$2. The Group holds 34.43% effective interest in HRI indirectly.

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

	<i>HK\$'000</i>
Deposits paid for acquisition of property, plant and equipment	7,670
Other receivables	1,899
Cash and bank balances	103
Sundry creditors and accruals	(9,200)
	472
Non-controlling interests	(310)
Net assets	162
Goodwill arising on acquisition	
Consideration for acquisition	—
Less: Fair value of identifiable net assets acquired	(162)
Gain on bargain purchase	(162)
Net cash inflow arising on acquisition	
Cash consideration paid	—
Less: Cash and bank balances acquired	103
Net cash inflow on acquisition	103

The Group recognised a gain on bargain purchase of HK\$162,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly acquired business did not contribute any revenue to the Group but resulted in a loss of HK\$65,000 to the Group for the period between the date of acquisition and 30 June 2016.

If the acquisition had been completed on 1 January 2016, total Group's revenue for the period would have been HK\$233,651,000 and loss for the period would have been HK\$24,186,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2016 nor is intended to be a projection of future results.

On 23 December 2016, the Group disposed of its entire equity interest of HRI which is one of the subsidiaries in IPSH (Note 23).

- (c) On 14 February 2016, IPS E-Commerce Hong Kong Limited, a non-wholly owned subsidiary with 34.43% effective interest held by the Group, acquired 100% equity interests in Speed International Technology Company Limited ("Speed"), a company incorporated in Hong Kong, at a cash consideration of HK\$2. The Group holds 34.43% effective interest in Speed indirectly.

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

	<i>HK\$ '000</i>
Deposits paid for acquisition of property, plant and equipment	8,207
Other receivables	5
Sundry creditors and accruals	<u>(8,202)</u>
	10
Non-controlling interests	<u>(6)</u>
Net assets	<u><u>4</u></u>
Goodwill arising on acquisition	
Consideration for acquisition	–
Less: Fair value of identifiable net assets acquired	<u>(4)</u>
Gain on bargain purchase	<u><u>(4)</u></u>
Net cash outflow on acquisition	
Cash consideration paid	–
Less: Cash and bank balances acquired	<u>–</u>
Net cash outflow on acquisition	<u><u>–</u></u>

The Group recognised a gain on bargain purchase of HK\$4,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly acquired business did not contribute any revenue to the Group but resulted in a loss of HK\$50,000 to the Group for the period between the date of acquisition and 30 June 2016.

If the acquisition had been completed on 1 January 2016, total Group's revenue for the period would have been HK\$233,651,000 and loss for the period would have been HK\$24,186,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2016 nor is intended to be a projection of future results.

On 23 December 2016, the Group disposed of its entire equity interest of Speed which is one of the subsidiaries in IPSH (Note 23).

23. DISPOSALS OF SUBSIDIARIES

On 23 December 2016, the Group disposed of 51% equity interests of IPSH at a consideration of HK\$158,000,000.

HK\$ '000

Net assets disposed of:–

Property, plant and equipment	15,898
Prepaid land lease premium – <i>Note 11</i>	5,341
Investment properties – <i>Note 12</i>	56,606
Intangible assets	3,750
Goodwill	77,097
Interest in an associate	27,725
Deferred tax assets	189
Deposits paid for acquisition of property, plant and equipment	21,871
Inventories	768
Debtors	320,376
Deposits, prepayments and other receivables	258,069
Financial assets at fair value through profit or loss	604
Cash and bank balances	460,467
Bank loans	(65,506)
Payables to merchants	(776,388)
Deposits received, sundry creditors and accruals	(149,942)
Tax payable	(6,079)
Deferred tax liabilities	(527)
Net assets disposed of	250,319
Non-controlling interests	(160,428)
Net assets	89,891

Gain on disposals of subsidiaries

Consideration received	158,000
Less: Net assets disposed of	(89,891)
Less: Shareholder loans	(47,407)
Less: Exchange reserve realised on disposal	(6,297)
Less: Direct expenses in relation to the disposal	(2,929)
Less: Tax effect	(9,476)
	2,000

Net cash outflow arising on disposals of subsidiaries

Cash consideration received	158,000
Less: Cash and bank balances disposed of	(460,467)
	(302,467)

24. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for is as follows:

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Property, plant and equipment	66,395	85,854
Other intangible assets	62,682	79,840
	<u>129,077</u>	<u>165,694</u>

25. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) On 20 September 2016, UTCHL, a direct wholly-owned subsidiary of the Company, and Ever City Industrial Development Limited (“**Ever City**”) entered into the acquisition agreement (the “**Acquisition Agreement**”), pursuant to which UTCHL conditionally agreed to acquire from Ever City, and Ever City conditionally agreed to sell, the entire issued share capital of Hooray for a total cash consideration of HK\$9,000,000. The issued share capital of Ever City is 20% owned by Ms. Zhu (an executive Director of the Company) and 80% owned by Mr. Yang (the spouse of Ms. Zhu). In addition, Ever City was a substantial shareholder of the Company interested in, directly and indirectly through its subsidiary, a total of 520,380,000 shares, representing 24.54% of the issued share capital of the Company as at the date of the Acquisition Agreement. Accordingly, Ever City is a connected person of the Company and the proposed acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The proposed acquisition is subject to announcement and reporting requirements but exempt from the circular and independent shareholders’ approval requirements. The acquisition has completed on 14 June 2017.
- (b) Apart from the transactions as disclosed in notes 19 and 20 to the unaudited condensed consolidated interim financial statements, the Group had other material transactions with its related party during the period as follows:

		Six months ended 30 June 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Particulars	Relationship		
Rental income	Common shareholder	292	299
	Related party	464	266
Water testing services income	Related party	198	—
Water supply related installation and maintenance income	Related party	<u>464</u>	<u>—</u>

(c) Key management compensation

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees for key management personnel	300	277
Salaries, allowances and other benefits in kind	4,189	5,715
Pension scheme contributions	61	166
	<u>4,550</u>	<u>6,158</u>

26. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities.

27. COMPARATIVE AMOUNTS

The comparative statement of profit or loss and other comprehensive income has been represented as the operations of payment solution segment had been discontinued at the beginning of the comparative period (Note 8).

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six-month period ended 30 June 2017, the Group was mainly engaged in the business of water supply and related services in Qingyuan City, Guangdong Province, China. Revenue from water supply and related service amounted to approximately HK\$111,718,000, of which revenue from sales of water amounted to approximately HK\$88,593,000, 79% of total Water Supply Group's revenue (for the period ended 30 June 2016: HK\$81,502,000), representing an increase of 9% as compared to the corresponding period last year.

Following completion of the acquisition of 49% equity interest in Qinghui Properties Limited (which together with its subsidiaries, collectively the "Water Supply Group"), the Group consolidated the financial statements of the Water Supply Group under its new water supply segment. The Water Supply Group has a service concession arrangement with the governmental authority in Qingyuan City, Guangdong Province, China, whereby the Water Supply Group acts as the operator constructing water supply plants on a build-operate-transfer ("BOT") basis and operating and maintaining water supply plants at specified performance standards for a period of 20 years from 21 November 2006 to 21 November 2026 (the "Service Concession Periods") in return of service charges fixed by stipulated pricing adjustment mechanisms. As the Group has the right to charge users for the water supply services, under HK(IFRIC) Interpretation 12, the Group recognises construction revenue in respect of the consideration received or receivable in exchange for construction services rendered, which is recorded as intangible asset in its statement of financial position.

To maintain high level of social responsibility, it is the Group's key business objective to ensure safety and quality in respect of its water supply through the implementation of staff and management training, internal control systems, customer services improvement, compliance with international standardization in terms of quality, safety and environment, and regular maintenance, upgrades and construction works.

For the period ended 30 June 2017, the water volume sold of water supply business from water plant reached 59,078,000m³ and water supply related business (including water quality test, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) recorded a revenue of HK\$15,156,000, representing an increase of 30% as compared to the same period last year.

The Group's property investment and development segment recorded revenue of approximately HK\$970,000 (for six months ended 30 June 2016: HK\$794,000), mainly attributable to the rental income generated from the Group's investment properties. The modest increase in rental income was resulted from higher rental level and higher leasehold occupancy rate this year. The Group's property development and investment segment contributes stable recurring income and positive cash flow to the Group. The properties portfolio owned by the Group as at 30 June 2017 is largely the same as the properties portfolio as at 30 June 2016.

In September 2016, the Group entered into an acquisition agreement to acquire 100% shareholding in Hooray Asset Management Limited, a licensed corporation licensed by Hong Kong Securities and Futures Commission to conduct Type 9 (asset management) regulated activities. The acquisition was completed in June 2017. Equipped with many years of business operations in China and Hong Kong, the Group considers that we are well positioned to capitalize our extensive business networks in China by diversifying into financial services industry, in particular the asset management sector.

As part of the Group's environmental, social and governance initiatives, the Group provided training and equal opportunities to staff, with the view to developing talents, skills and sense of belonging within the Group. In addition, the Group is dedicated to high corporate governance and internal control standards, setting out key performance indicators and review processes to improve management effectiveness and efficiency.

Prospects

In the second half of 2017, the Group will continue to focus on its existing principal businesses of water supply, property development and investment and financial services. The Group will also continue to explore suitable investment and diversification opportunities which may arise from time to time.

Qingyuan City is a prefecture-level city in northern Guangdong on the banks of North River, covering an area of 19,015 square kilometers. Based on 2016 census, its total population was approximately 3.85 million. With the continual growth of population and economy in Qingyuan, we expect our water supply business to continue to provide stable income stream to the Group.

FINANCIAL OVERVIEW

Continuing Operations

Revenue and profit

During the current period, the Group recorded a revenue of HK\$111,718,000, which was classified under continuing operations, representing a decrease of 24% as compared with corresponding period last year's revenue under continuing operations. Profit attributable to shareholders of the Company for the six months ended 30 June 2017 was HK\$8,077,000, representing an increase in profit attributable to shareholders of the Company of 136% as compared to the corresponding period last year. Decrease in revenue was mainly due to the completion of the construction of Taihe Water Plant Phase 2, resulting in decrease in construction service income under BOT water plant project. The increase in net profit was mainly attributable to (i) the absence of net loss from the Payment Co Group which was disposed in December 2016 and (ii) the currency exchange gain on Renminbi denominated assets of the Group as a result of the revaluation of Renminbi.

Cost of sales/services rendered

During the current period, the Group recorded a cost of sales/services rendered, in the amount of HK\$64,749,000, decreased by HK\$35,427,000 as compared to the corresponding period last year. The decrease of cost of sales/services rendered was mainly attributable to decrease in the construction service cost under BOT water plant project.

Other revenue

During the current period, the Group recorded other revenue of HK\$4,467,000, representing a decrease of 2% as compared to the corresponding period last year. Other revenue represents bank interest income from Water Supply Group business.

Other income

During the current period, the Group recorded other income of HK\$10,157,000, representing a decrease of 18% as compared with corresponding period last year. Other income in the current period mainly represents exchange gain on denominated assets of the Group arising from the revaluation of Renminbi, while other income in the corresponding period last year was mainly contributed by the gain on early extinguishment of bank loans.

General and administrative expenses

During the current period, the Group recorded general and administrative expenses of HK\$22,654,000, representing a decrease of 30% as compared to the corresponding period last year. During the current period, general and administrative expenses decreased in terms of staff costs, exchange loss and other expenses.

Finance costs

During the current period, the Group recorded finance costs of HK\$8,118,000, representing a decrease of 17% as compared to the corresponding period last year. It was mainly due to decrease in bank loan of Water Supply Group business.

Income tax expense

During the current period, the Group recorded an income tax expense of HK\$6,659,000, representing an decrease of 2% as compared to the corresponding period last year. It was mainly due to decrease in deferred tax expenses.

Property, plant and equipment

The Group's property, plant and equipment increased by HK\$13,951,000 from HK\$459,154,000 as at 31 December 2016 to HK\$473,105,000 as at 30 June 2017. The increase was due to reclassification of certain investment properties as property, plant and equipment during the current period.

Prepaid land lease premium

The Group's prepaid land lease premium increased by HK\$1,886,000 from HK\$22,313,000 as at 31 December 2016 to HK\$24,199,000 as at 30 June 2017. The increase was mainly due to the reclassification of certain investment properties to prepaid land lease premium during the current period.

Intangible assets

The Group's intangible assets increased by HK\$9,705,000 from HK\$398,112,000 as at 31 December 2016 to HK\$407,817,000 as at 30 June 2017. The increase was mainly attributable to the completion of the construction of Taihe Water Plant phase 2, resulting in the increase in value of the consideration received or receivable in exchange for the construction services during the current period, which was recognised by the Group as intangible assets due to the Group's right to charge users of the water supply service under service concession arrangement.

Goodwill

The Group's goodwill increased by HK\$8,747,000 from HK\$90,290,000 as at 31 December 2016 to HK\$99,037,000 as at 30 June 2017. The increase in goodwill was mainly attributable to the acquisition of a licensed corporation licensed by Hong Kong Securities and Future Commission to conduct type 9 (asset management) regulated activities during the current period.

Investment properties

The Group's investment properties decreased by HK\$939,000 or 2% from HK\$44,820,000 as at 31 December 2016 to HK\$43,881,000 as at 30 June 2017. It was mainly attributable to the reclassification of certain investment properties to property, plant and equipment and prepaid land lease premium during the current period.

Debtors

The Group's debtors decreased by HK\$2,858,000 or 12% from HK\$23,154,000 as at 31 December 2016 to HK\$20,296,000 as at 30 June 2017. The decrease was mainly attributable to the shorter settlement period by customers of Water Supply Group.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables increased by HK\$6,974,000 from HK\$7,024,000 as at 31 December 2016 to HK\$13,998,000 as at 30 June 2017. The increase in deposits, prepayments and other receivables was due to increase in other receivables of Water Supply Group.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK\$105,990,000 from HK\$437,635,000 as at 31 December 2016 to HK\$331,645,000 as at 30 June 2017. The decrease in cash and bank balances and fixed deposits was mainly due to the settlement of bank loans by Water Supply Group business, payment of dividend and construction fee under BOT water plant project in current period. As at 30 June 2017, 55% (31 December 2016: 54%) of cash and bank balances was denominated in Renminbi.

Pledged time deposit

The Group's pledged time deposit increased by HK\$9,518,000 from HK\$262,898,000 as at 31 December 2016 to HK\$272,416,000 as at 30 June 2017. The pledged time deposit was denominated in Renminbi, and the increase was due to the revaluation of Renminbi more than 3%.

Bank and other borrowings

The Group's bank and other borrowings decreased by HK\$22,926,000 from HK\$710,371,000 as at 31 December 2016 to HK\$687,445,000 as at 30 June 2017. The decrease was mainly attributable to the settlement of bank loans by the Water Supply Group business.

Payable to merchants

The Group's payable to merchants as at 30 June 2017 amounted to approximately HK\$3,013,000, which is similar to the figure as at 31 December 2016. It was mainly attributable to the payables which were pending settlement with the past merchants to the discontinued payment segment in Hong Kong as the Group lost contact with these merchants.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals decreased by HK\$39,135,000 from HK\$193,646,000 as at 31 December 2016 to HK\$154,511,000 as at 30 June 2017. The decrease was mainly attributable to decrease in construction fee payables, accruals and sundry creditors.

Amounts due to related companies

Amounts due to related companies decreased by HK\$25,542,000, or 33% from HK\$76,499,000 as at 31 December 2016 to HK\$50,957,000 as at 30 June 2017. The amounts represent advances from related companies. The advances are unsecured, interest-free and repayable on demand.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had net current assets of HK\$86,930,000. Current assets comprised inventories of HK\$2,940,000, debtors of HK\$20,296,000, deposits, prepayments and other receivables of HK\$13,998,000, prepaid land lease premium of HK\$101,000, fixed deposits of HK\$85,547,000, pledged time deposit of HK\$272,416,000 and cash and bank balances of HK\$246,098,000.

Current liabilities comprised bank and other borrowings of HK\$326,718,000, trade payables of HK\$2,448,000, payable to merchants of HK\$3,013,000, deposits received, sundry creditors and accruals of HK\$154,511,000, amounts due to related companies of HK\$50,957,000 and tax payable of HK\$16,819,000.

The gearing ratio (defined as a percentage of total liabilities less deferred tax liability over total assets) of the Group at 30 June 2017 was 54% (31 December 2016: 57%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development. However, for a more massive scale of expansion and development, debt or equity financing may be required.

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 refer to the announcement of the Company dated 18 August 2015 containing an update of the details of the Contractual Arrangements.

On 2 November 2016, the Group entered into a sale and purchase agreement to sell 51% equity interests of Payment Co and the net shareholders’ loans for an aggregate consideration of HK\$158 million. The disposal was approved by the shareholders of the Company on 16 December 2016 and completed on 23 December 2016. Upon completion of the disposal, the Group is no longer affected by the said contractual arrangements. Please refer to the announcement of the Company dated 2 November 2016 in relation to the exempted connected transaction and very substantial disposal in relation to the disposal by the Group of 51% equity interest of Payment Co.

Reference is made to the Company’s announcement dated 22 June 2015 (the “Announcement”) and the Company’s circular dated 3 December 2015 (the “Circular”) in relation to the equity transfer agreement dated 21 June 2015 (the “Agreement”) entered into between Shenzhen Huanye Universal Technologies Limited (an indirect wholly-owned subsidiary of the Company) (the “Purchaser”) and Dongguan Hongshun Shiye Development Company Limited (the “Vendor”) in respect of the acquisition (the “Acquisition”) by the Purchaser from the Vendor of 49% equity interest in Qinghui Properties Limited (“Qinghui”). The Acquisition was completed on 23 December 2015.

Pursuant to the Agreement, during the period of one year from the date of completion of the Acquisition (“Completion”), if the Purchaser is dissatisfied with the Water Supply Group, the Purchaser may require the Vendor to repurchase the equity interest in such member of the water supply Group as is owned by Qinghui (the “Put Option”) at such predetermined price as was determined with reference to the adjusted audited net asset value of the Water Supply Group as stipulated in the Agreement and disclosed in the Announcement and the Circular. The Company will consider whether to exercise the Put Option based on the following factors, namely: (i) whether the performance of the respective member of the Water Supply Group meet the representations and warranties under the Agreement; (ii) whether the regulatory framework of the business which the Water Supply Group participate in is favourable for the operations and development of the Water Supply Group’s business; (iii) the performance of the business operations and financial position; and (iv) any other relevant factors.

The Company has not exercised the Put Option. Accordingly, the Put Option lapsed on 22 December 2016.

Pursuant to the Agreement, the audited consolidated net profit after tax of the Water Supply Group (excluding profits and losses not arising from the ordinary and usual course of business) prepared under the generally accepted accounting principles of the PRC for the two financial years following Completion (including the financial year in which Completion occurred) shall be not less than RMB31,000,000 per year on average (the “Profit Guarantee Undertaking”), failing which the Vendor shall pay to the Purchaser an amount equivalent to 14.77 times of 49% of the profit shortfall.

Based on the information obtained from the Water Supply Group, the audited consolidated net profit after tax of the Water Supply Group (excluding profits and losses not arising from the ordinary and usual course of business) for 2016 and 2015 were RMB48,293,000 and RMB38,931,000, respectively. Accordingly, the Vendor has satisfied the Profit Guarantee Undertaking.

EMPLOYEES

At 30 June 2017, the total number of employees of the Group was 386 (31 December 2016: 383), which is approximately the same as last fiscal year. The remuneration of the employees (including directors) were determined according to their performance and work experience. In addition to 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. 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.

The dedication and contribution of the Group’s staff during the year are greatly appreciated and acknowledged.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 20 September 2016, Universal Technologies Capital Holdings Limited (“UTCHL”), a direct wholly-owned subsidiary of the Company, and Ever City Industrial Development Limited (“Ever City”) entered into the acquisition agreement (the “Acquisition Agreement”), pursuant to which UTCHL conditionally agreed to acquire from Ever City, and Ever City conditionally agreed to sell, the entire issued share capital of Hooray for a total cash consideration of HK\$9,000,000. The issued share capital of Ever City is 20% owned by Ms. Zhu (an executive Director of the Company) and 80% owned by Mr. Yang (the spouse of Ms. Zhu). In addition, Ever City was a substantial shareholder of the Company interested in, directly and indirectly through its subsidiary, a total of 520,380,000 shares, representing 24.54% of the issued share capital of the Company as at the date of the Acquisition Agreement. Accordingly, Ever City is a connected person of the Company and the proposed acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The proposed acquisition is subject to announcement and reporting requirements but exempt from the circular and independent shareholders’ approval requirements. The acquisition has completed on 14 June 2017.

Save as disclosed above, the Group did not have any other detailed plans for material investment or capital assets as at 30 June 2017.

CHARGES ON GROUP’S ASSETS

The Group’s bank loans at 30 June 2017 were secured by:

- (i) charge over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK\$272,416,000);
- (ii) charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,189,000 (equivalent to approximately HK\$4,849,000);
- (iii) pledge of trade receivables under service concession arrangement with a carrying amount of RMB17,533,000 (equivalent to approximately HK\$20,294,000);
- (iv) pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;
- (v) pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited; and
- (vi) guarantee by Dongguan Xinhongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no other future plan for material investments or capital assets during the period ended 30 June 2017.

CURRENCY RISK

The Group's core businesses are mainly transacted and settled in Renminbi and the majority of assets and liabilities are denominated in Renminbi ("RMB") and Hong Kong dollar ("HK\$"). There are no significant assets and liabilities denominated in other currencies. For the six months ended 30 June 2017, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK\$ or RMB may have an impact on the operating results of the Group.

The exchange rate of RMB to HK\$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

CAPITAL COMMITMENT

At 30 June 2017, the Group had contracted but not provided for were approximately HK\$129,077,000 (31 December 2016: HK\$165,694,000) comprising (i) acquisition of property, plant and equipment of approximately HK\$66,395,000 (31 December 2016: HK\$85,854,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK\$62,682,000 (31 December 2016: HK\$79,840,000), both of which being in connection with 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 Company Limited and Qingyuan Qingxin District Taihe Water Company Limited.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities as at 30 June 2017.

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 except the following:

The code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. The non-executive director did not attend the annual general meeting of the Company held on 23 June 2017 due to other engagements.

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 2017.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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, internal control and risk management systems.

The Audit Committee currently comprises three Independent Non-Executive Directors, namely, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi, and Mr. Chao Pao Shu George. The chairman of the Audit Committee is Mr. David Tsoi, who possesses recognised professional qualifications in accounting.

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 and internal controls, risk management and financial reporting matters.

The interim financial report for the period ended 30 June 2017 is unaudited, but has been reviewed by PKF Hong Kong Limited, 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 2017 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, 25 August 2017

As at the date of this announcement, the Board of Directors of the Company comprises four executive Directors namely Mr. Chen Jinyang (Chairman), Mr. Chau Cheuk Wah (Chief Executive Officer), Mr. Zhou Jianhui and Ms. Zhu Fenglian; one non-executive Director namely Ms. Zhang Haimei; and three independent non-executive Directors namely Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George.