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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS OF THE YEAR

– Revenue for the year ended 31 December 2017 amounted to HK$248.54 million (2016: HK$444.35 million, of which HK$137.68 million classified under discontinued operations and HK$306.67 million classified as continuing operations), representing a decrease in revenue of HK$58.13 million or 19% as compared to the revenue from continuing operations last year. Decrease in revenue was mainly due to the completion of the construction of Taihe Water Plant Phase 2 in 2016, resulting in decrease in construction service income under BOT water plant project.

– Net profit attributable to shareholders of the Company for the year ended 31 December 2017 was HK$2.66 million (2016: net loss attributable to shareholders of the Company of HK$25.17 million), representing an increase by HK$27.83 million of 111% as compared with the year ended 31 December 2016. Turnaround from loss to profit for the year 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 exchange gain on Renminbi denominated assets of the Group arising from the appreciation of Renminbi.

– Basic and diluted earning per share for the year ended 31 December 2017 amounted to HK$0.13 cent and HK$0.13 cent, respectively (Basic and diluted loss per share for the year ended 31 December 2016: HK$1.19 cents and HK$1.19 cents, respectively).

– The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2017 (2016: 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 2017 together with the comparative audited figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	3	**248,536**	306,671
Cost of sales/services rendered		**(155,917)**	(194,743)
Gross profit		**92,619**	111,928
Other revenue	3	**10,994**	8,993
Other income	4	**21,755**	12,186
General and administrative expenses		**(63,070)**	(72,793)
Profit from operations		**62,298**	60,314
Increase in fair value of investment properties		**5,343**	4,582
Impairment loss on debtors	11	**(504)**	(33)
Impairment loss on other receivables		**–**	(130)
Loss on disposal of intangible assets		**–**	(1,333)
Finance costs	5(a)	**(27,235)**	(23,336)
Profit before income tax	5	**39,902**	40,064
Income tax expense	7	**(15,326)**	(23,652)
Profit for the year from continuing operations		**24,576**	16,412
Discontinued operations			
Loss for the year from discontinued operations	8	**–**	(21,112)
Profit/(loss) for the year		**24,576**	(4,700)
Attributable to: –			
Shareholders of the Company		**2,660**	(25,171)
Non-controlling interests		**21,916**	20,471
Profit/(loss) for the year		**24,576**	(4,700)

	Note	2017 HK$'000	2016 HK$'000
Earnings/(loss) per share (in cents)	10		
From continuing and discontinued operations			
– Basic		**0.13**	(1.19)
– Diluted		**0.13**	(1.19)
From continuing operations			
– Basic		**0.13**	(1.01)
– Diluted		**0.13**	(1.01)
From discontinued operations			
– Basic		–	(0.18)
– Diluted		–	(0.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the year	**24,576**	(4,700)
Other comprehensive income/(loss):–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of:–		
– Financial statements of overseas subsidiaries	**3,767**	(12,552)
– Financial statements of an overseas associate	**–**	110
– Release of exchange reserve upon disposals of subsidiaries	**–**	6,297
Other comprehensive income/(loss) for the year, net of tax	**3,767**	(6,145)
Total comprehensive income/(loss) for the year	**28,343**	(10,845)
Total comprehensive income/(loss) attributable to:–		
Shareholders of the Company	**(2,211)**	(9,111)
Non-controlling interests	**30,554**	(1,734)
	28,343	(10,845)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**503,874**	459,154
Prepaid land lease premium		**30,533**	22,216
Investment properties		**50,775**	44,820
Intangible assets		**411,342**	398,112
Goodwill		**99,037**	90,290
Deposit paid for acquisition of property, plant and equipment		**14,249**	13,244
		1,109,810	1,027,836
CURRENT ASSETS			
Inventories		**4,713**	2,606
Debtors	*11*	**26,305**	23,154
Deposits, prepayments and other receivables	*12*	**10,702**	7,024
Prepaid land lease premium		**693**	97
Fixed deposits		**80,716**	34,643
Pledged time deposit		**291,239**	262,898
Cash and bank balances		**230,420**	402,992
		644,788	733,414
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings		**344,968**	312,195
Trade payables	*13*	**33,154**	2,433
Payable to merchants	*14*	**3,017**	3,008
Deposits received, sundry creditors and accruals		**177,245**	193,646
Amounts due to related companies	*15*	**39,383**	76,499
Tax payable		**3,635**	16,690
		601,402	604,471
NET CURRENT ASSETS		**43,386**	128,943

	Note	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,153,196**	1,156,779
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings		**364,884**	398,176
Deferred tax liabilities	*9(a)*	**66,751**	65,385
		431,635	463,561
NET ASSETS		**721,561**	693,218
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital		**21,205**	21,205
Reserves		**484,992**	487,203
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**506,197**	508,408
NON-CONTROLLING INTERESTS		**215,364**	184,810
TOTAL EQUITY		**721,561**	693,218

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to shareholders of the Company												
	Share capital	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Special reserve**	**Exchange reserve**	**Share options reserve**	**Statutory reserve**	**Other reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total 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 1.1.2016	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	–	–	–	–	–	–	–	–	–	–	–	316	316
Disposals of subsidiaries	–	–	–	–	–	–	–	(30,722)	57,878	(27,156)	–	(160,428)	(160,428)
Lapse of share options granted in prior years	–	–	–	–	–	–	(399)	–	–	399	–	–	–
Dividend paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(20,866)	(20,866)
Total comprehensive income/(loss) for the year	–	–	–	–	–	16,060	–	–	–	(25,171)	(9,111)	(1,734)	(10,845)
Transferred to statutory reserve	–	–	–	–	–	–	–	5,478	–	(5,478)	–	–	–
At 31.12.2016 and 1.1.2017	**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 year	**–**	**–**	**–**	**–**	**–**	**(4,871)**	**–**	**–**	**–**	**2,660**	**(2,211)**	**30,554**	**28,343**
Transferred to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,814**	**–**	**(6,814)**	**–**	**–**	**–**
At 31.12.2017	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**14,296**	**3,997**	**11,814**	**–**	**(70,787)**	**506,197**	**215,364**	**721,561**

Notes

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 its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business 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. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:–

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all application individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

In addition, the consolidated financial statements comply with all applicable disclosures provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Initial application of revised HKFRSs

In the current year, the Group initially applied the following revised HKFRSs:–

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvements (2014-2016)	Amendments to HKFRS 12

Except for Amendments to HKAS 7 disclosed below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's consolidated financial statements for the current and prior years.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has provided the information for the current year in the consolidated financial statements.

3. REVENUE AND OTHER REVENUE

The Group is principally engaged in investment holding, property investment and development, building management and water supply and related services. The payment solutions and related services, system integration and technical platform services of the Group were disposed of and regarded as discontinued operations during the year ended 31 December 2016. Revenue for the year represents revenue recognised from 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:–

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Payment solutions and related services income	**–**	–	**–**	136,812	**–**	136,812
Rental and building management service income	**2,423**	2,268	**–**	864	**2,423**	3,132
Water supply and related services income	**246,113**	304,403	**–**	–	**246,113**	304,403
Revenue	**248,536**	306,671	**–**	137,676	**248,536**	444,347
Interest on bank deposits	**10,755**	8,753	**–**	6,368	**10,755**	15,121
Government subsidy	**239**	240	**–**	158	**239**	398
Consultancy service income	**–**	–	**–**	36,895	**–**	36,895
Dividend income	**–**	–	**–**	16	**–**	16
Other revenue	**10,994**	8,993	**–**	43,437	**10,994**	52,430
Total revenue	**259,530**	315,664	**–**	181,113	**259,530**	496,777

4. OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Gain on change in fair value of financial assets at fair value through profit or loss	**–**	–	**–**	320	**–**	320
Gain on early extinguishment of bank loans	**–**	11,609	**–**	–	**–**	11,609
Reversal of impairment loss on other receivables	**56**	–	**–**	–	**56**	–
Exchange gain	**21,227**	–	**–**	–	**21,227**	–
Others	**472**	577	**–**	998	**472**	1,575
	21,755	12,186	**–**	1,318	**21,755**	13,504

5. PROFIT BEFORE INCOME TAX

(a) Finance costs

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):–						
Interest on bank loans	**32,413**	32,490	**–**	3,044	**32,413**	35,534
Less: interest capitalised included in property, plant and equipment and other intangible assets (note)	**(5,973)**	(9,366)	**–**	–	**(5,973)**	(9,366)
Bank charges	**795**	212	**–**	366	**795**	578
	27,235	23,336	**–**	3,410	**27,235**	26,746

Note:

The capitalisation rate was ranged from 5.12% to 5.46% (2016: 4.29% to 5.64%).

(b) Other items

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration						
– Audit services	**1,052**	1,380	–	–	**1,052**	1,380
– Other services	**611**	1,152	–	–	**611**	1,152
	1,663	2,532	–	–	**1,663**	2,532
Cost of inventories sold	**2,678**	2,423	–	156	**2,678**	2,579
Staff costs (including directors' remuneration)						
– Salaries and other benefits	**39,066**	37,391	–	104,660	**39,066**	142,051
– Pension scheme contributions	**3,355**	2,966	–	21,822	**3,355**	24,788
	42,421	40,357	–	126,482	**42,421**	166,839
Depreciation	**35,181**	33,307	–	8,567	**35,181**	41,874
Impairment loss on debtors	**504**	33	–	37	**504**	70
(Reversal of)/impairment loss on other receivables	**(56)**	130	–	543	**(56)**	673
Write-down of inventories	–	–	–	505	–	505
Amortisation of intangible assets	**16,330**	18,944	–	197	**16,330**	19,141
Amortisation of prepaid land lease premium	**733**	621	–	173	**733**	794
Gain on change in fair value of financial assets at fair value through profit or loss	–	–	–	(320)	–	(320)
Minimum operating lease rentals	**2,808**	2,797	–	18,272	**2,808**	21,069
Sale proceeds of intangible assets	–	(46)	–	–	–	(46)
Less: carrying amounts of intangible assets	–	1,379	–	–	–	1,379
Loss on disposal of intangible assets	–	1,333	–	–	–	1,333
Sale proceeds of property, plant and equipment	**(8)**	(6)	–	(716)	**(8)**	(722)
Less: carrying amounts of property, plant and equipment	**25**	78	–	727	**25**	805
Loss on disposal of property, plant and equipment	**17**	72	–	11	**17**	83
Loss on disposal of financial assets at fair value through profit or loss	–	–	–	505	–	505
Exchange (gain)/loss	**(21,227)**	20,957	–	1,066	**(21,227)**	22,023
Gain on early extinguishment of bank loans	–	(11,609)	–	–	–	(11,609)
Gain on bargain purchase	–	–	–	(166)	–	(166)
Rental income less direct outgoings of HK$1,494,000 (2016: HK$1,203,000)	**(929)**	(1,196)	–	(733)	**(929)**	(1,929)

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 and Australia.

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

Others include newly acquired financial services business in Hong Kong, supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and overseas. 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, deferred tax liabilities 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:-

	Continuing operations								Discontinued operations			
	Reportable Segments											
	Water supply and related services		Properties investment and development		Others		Total		Payment solutions and related services, system intregrating and technical platform services		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	246,503	304,918	2,033	1,753	–	–	248,536	306,671	–	137,676	248,536	444,347
Other revenue	1,397	1,174	239	129	9,358	7,690	10,994	8,993	–	43,437	10,994	52,430
Total revenue	247,900	306,092	2,272	1,882	9,358	7,690	259,530	315,664	–	181,113	259,530	496,777
Reportable segment profit/(loss)	69,094	100,378	(3,401)	(5,192)	(14,445)	(43,865)	51,248	51,321	–	(25,734)	51,248	25,587
Interest on bank deposits											10,755	15,121
Government subsidy											239	398
Dividend income											–	16
Profit from operations											62,242	41,122
Gain on bargain purchase											–	166
Increase in fair value of investment properties											5,343	4,582
Impairment loss on debtors	(504)	(33)	–	–	–	–	(504)	(33)	–	(37)	(504)	(70)
Reversal of/(impairment loss) on other receivables	56	(100)	–	–	–	(30)	56	(130)	–	(543)	56	(673)
Loss on disposal of intangible assets	–	(1,333)	–	–	–	–	–	(1,333)	–	–	–	(1,333)
Gain on disposals of subsidiaries											–	2,000
Share of results of an associate											-	41
Finance costs											(27,235)	(26,746)
Profit before income tax											39,902	19,089
Income tax expense											(15,326)	(23,789)
Profit/(loss) for the year											24,576	(4,700)
Attributable to:												
– Shareholders of the Company											2,660	(25,171)
– Non-controlling interests											21,916	20,471
											24,576	(4,700)
Depreciation for the year	33,125	31,127	1,097	958	959	1,222	35,181	33,307	–	8,567	35,181	41,874
Amortisation	16,681	19,253	382	312	–	–	17,063	19,565	–	370	17,063	19,935
Capital expenditure incurred during the year	63,488	156,285	–	7	53	33	63,541	156,325	–	35,414	63,541	191,739
Reportable segment assets	1,164,464	1,191,277	100,096	75,265	490,038	494,708	1,754,598	1,761,250	–	–	1,754,598	1,761,250
Unallocated assets											–	–
Total assets											1,754,598	1,761,250
Reportable segment liabilities	630,470	637,757	288,380	265,713	43,801	82,246	962,651	985,716	-	–	962,651	985,716
Unallocated liabilities											70,386	82,316
Total liabilities											1,033,037	1,068,032

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	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Continuing operations						
Revenue from external customers	**248,536**	306,671	**–**	–	**248,536**	306,671
Other revenue	**1,668**	1,315	**9,326**	7,678	**10,994**	8,993
Discontinued operations						
Revenue from external customers	**–**	136,087	**–**	1,589	**–**	137,676
Other revenue	**–**	43,437	**–**	–	**–**	43,437
Total revenue	**250,204**	487,510	**9,326**	9,267	**259,530**	496,777
Non-current assets						
Continuing operations	**1,095,908**	978,736	**13,902**	49,100	**1,109,810**	1,027,836
Discontinued operations	**–**	–	**–**	–	**–**	–
Total non-current assets	**1,095,908**	978,736	**13,902**	49,100	**1,109,810**	1,027,836

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 deposit paid for acquisition of property, plant and equipment.

7. INCOME TAX EXPENSE

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

The Company's subsidiaries operating in the PRC and Australia are subject to the tax rate at 25% and 30% respectively (2016: PRC at 25%).

During the year, no preferential tax rate was entitled by the Group (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%).

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

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax:						
Current year	**15,497**	21,476	**–**	410	**15,497**	21,886
(Over)/under-provision in respect of previous years	**(46)**	6	**–**	(273)	**(46)**	(267)
	15,451	21,482	**–**	137	**15,451**	21,619
Deferred taxation (Note 9(a)):						
Current year	**(125)**	2,170	**–**	–	**(125)**	2,170
	15,326	23,652	**–**	137	**15,326**	23,789

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

2017	Continuing operations			
	HK	**PRC**	**AUS**	**Total**
	HK$000	***HK$000***	***HK$000***	***HK$000***
(Loss)/profit before income tax	**(5,657)**	**45,625**	**(66)**	**39,902**
Applicable tax rate (%)	**16.5**	**25**	**30**	**N/A**
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	**(933)**	**11,406**	**(20)**	**10,453**
Tax effect of non-deductible expenses in determining taxable profit	**1,791**	**1,135**	**20**	**2,946**
Tax effect of non-taxable income in determining taxable profit	**(5,041)**	**(305)**	**–**	**(5,346)**
Tax effect of unrecognised decelerated depreciation allowance	**148**	**–**	**–**	**148**
Tax effect of unrecognised tax loss	**4,035**	**3,136**	**–**	**7,171**
Over-provision in respect of previous year	**–**	**(46)**	**–**	**(46)**
Income tax expense	**–**	**15,326**	**–**	**15,326**

2016	Continuing operations			Discontinued operations			
	HK	PRC	Sub-total	HK	PRC	Sub-total	Total
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
(Loss)/profit before income tax	(36,260)	76,324	40,064	(14,754)	(6,221)	(20,975)	19,089
Applicable tax rate (%)	16.5	25	N/A	16.5	25	N/A	N/A
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	(5,983)	19,081	13,098	(2,434)	(1,555)	(3,989)	9,109
Tax effect of non-deductible expenses in determining taxable profit	4,224	9,351	13,575	28	9,555	9,583	23,158
Tax effect of non-taxable income in determining taxable profit	(1,935)	(8,035)	(9,970)	(358)	(8,560)	(8,918)	(18,888)
Tax effect of unrecognised decelerated/(accelerated) depreciation allowance	144	5	149	182	(97)	85	234
Tax effect of unrecognised tax loss	3,550	3,244	6,794	2,582	1,067	3,649	10,443
Under/(over)-provision in respect of previous year	–	6	6	–	(273)	(273)	(267)
Income tax expense	–	23,652	23,652	–	137	137	23,789

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 shareholders loans at a total consideration of HK$158,000,000. Upon completion of the disposal, IPSH and its subsidiaries 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, details of which are 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 results from discontinued operations for the year ended 31 December 2016 were as follows:–

	Note	*HK$'000*
Revenue	*3*	137,676
Cost of services rendered		(156)
Gross profit		137,520
Other revenue	*3*	43,437
Other income	*4*	1,318
General and administrative expenses		(201,467)
Loss from operations		(19,192)
Gain on bargain purchase		166
Impairment loss on debtors		(37)
Impairment loss on other receivables		(543)
Share of results of an associate		41
Finance costs	*5(a)*	(3,410)
Gain on disposals of subsidiaries		2,000
Loss before income tax	*5*	(20,975)
Income tax expense	*7*	(137)
Loss for the year from discontinued operations		(21,112)
Loss for the year from discontinued operations attributable to:–		
Shareholders of the Company		(3,702)
Non-controlling interests		(17,410)
		(21,112)

The net cash flows incurred by discontinued operations for the year ended 31 December 2016 were as follows:–

	HK$'000
Cash flows from discontinued operations	
Net cash generated from operating activities	47,772
Net cash used in investing activities	(39,550)
Net cash used in financing activities	(27,914)
Net cash outflow	(19,692)

9. 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 1.1.2016	202	(42,824)	(22,210)	(64,832)
Disposals of subsidiaries	(189)	527	–	338
Charged to profit or loss – *Note 7(b)*	–	(1,616)	(554)	(2,170)
Exchange adjustments	(13)	614	678	1,279
At 31.12.2016 and 1.1.2017	–	(43,299)	(22,086)	(65,385)
Credited/(charged) to profit or loss – *Note 7(b)*	–	291	(166)	125
Exchange adjustments	–	(656)	(835)	(1,491)
At 31.12.2017	–	(43,664)	(23,087)	(66,751)

Represented by:–

	2017	2016
	HK$'000	*HK$'000*
Deferred tax assets	**–**	–
Deferred tax liabilities	**(66,751)**	(65,385)
	(66,751)	(65,385)

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

	2017	2016
	HK$'000	*HK$'000*
Deductible temporary differences – note (i)		
Decelerated tax allowances	**760**	–
Unutilised tax losses	**204,147**	167,144
Taxable temporary difference – note (ii)	**204,907**	167,144
Accelerated tax allowances	**–**	(139)
	204,907	167,005

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 difference. Included in unrecognised tax losses are losses of HK$31,638,000 (2016: HK$19,093,000) 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.

(c) As at 31 December 2017, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB94,093,000 (equivalent to approximately HK$112,987,000) (2016: RMB69,241,000 (equivalent to approximately HK$77,315,000)). The related deferred tax liabilities of approximately HK$5,649,000 (2016: HK$3,866,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiaries and the directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

10. EARNINGS/(LOSS) PER SHARE

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

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss)						
Profit/(loss) for the year attributable to shareholders of the Company	**2,660**	(21,469)	**–**	(3,702)	**2,660**	(25,171)

	2017	2016
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic earnings/(loss) per share	**2,120,448,858**	2,120,448,858
Effect of diluted potential ordinary shares as a result of the share options granted	**–**	–
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted earnings/(loss) per share	**2,120,448,858**	2,120,448,858

For the year ended 31 December 2017, 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.

For the year ended 31 December 2016, the computation of diluted loss per share did not assume the conversion of the Company's outstanding share options since their exercise of those share options would result a reduction in loss per share for the year which is regarded as anti-dilutive.

11. DEBTORS

	2017	2016
	HK$'000	*HK$'000*
Trade debtors	**27,682**	24,004
Less: impairment loss – *Note 11(c)*	**(1,377)**	(850)
	26,305	23,154

Notes:–

(a) 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.

(b) An aging analysis of debtors, based on invoice date and net of impairment loss on debtors, is set out below:–

	2017	2016
	HK$'000	*HK$'000*
0 – 6 months	**25,150**	22,937
7 – 12 months	**180**	51
1 – 2 years	**975**	166
	26,305	23,154
Neither past due nor impaired	**25,330**	22,988
Past due but not impaired	**975**	166
	26,305	23,154

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

As at 31 December 2017, debtors that were past due but not impaired included an amount of HK$975,000 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 debtors during the year is as follows:–

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**850**	2,559
Impairment loss recognised	**504**	70
Disposals of subsidiaries	**–**	(1,578)
Exchange adjustments	**23**	(201)
At 31 December	**1,377**	850

(d) As at 31 December 2017, the receivables with a carrying amount of RMB21,881,000 (equivalent to approximately HK$26,275,000) (2016: RMB20,723,000 (equivalent to approximately HK$23,139,000)) were pledged to secure bank loans granted to the Group.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Utilities and deposits	**2,539**	2,696
Prepayments	**1,292**	1,115
Interest receivable	**3,532**	1,737
Other receivables	**3,384**	1,601
	10,747	7,149
Less: impairment loss on other receivables – *Note 12(a)*	**(45)**	(125)
	10,702	7,024

Note:–

(a) The movement in the impairment loss on other receivables during the year is as follows:–

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**125**	1,201
(Reversal of)/impairment loss recognised	**(56)**	673
Written off	**(29)**	(428)
Disposals of subsidiaries	**–**	(1,242)
Exchange adjustments	**5**	(79)
At 31 December	**45**	125

13. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
An aging analysis of trade payables based on invoice date is set out below:–		
0 – 12 months	**33,154**	2,433

14. PAYABLE TO MERCHANTS

	2017	2016
	HK$'000	*HK$'000*
An aging analysis of payable to merchants based on invoice date is set out below:–		
0 – 12 months	**–**	–
Over one year	**3,017**	3,008
	3,017	3,008

15. AMOUNTS DUE TO RELATED COMPANIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Continuing Operations

Revenue and profit for the year

During the current fiscal year, the Group recorded a revenue of HK$248,536,000, representing a decrease by 19% or HK$58,135,000 as compared with last year's revenue under continuing operations. Profit attributable to shareholders of the Company for the year ended 31 December 2017 was HK$2,660,000, representing an increase in profit attributable to shareholders of the Company of 111% as compared to last fiscal year. Decrease in revenue was mainly due to the completion of the construction of Taihe Water Plant Phase 2 in 2016, resulting in a 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 exchange gain on Renminbi denominated assets of the Group as a result of the appreciation of Renminbi.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered in the amount of HK$155,917,000, representing a decrease of HK$38,826,000 as compared to the last fiscal 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 fiscal year, the Group recorded other revenue of HK$10,994,000, representing an increase of 22% as compared with the last fiscal year. Other revenue mainly represents bank interest income from Water Supply Group business.

Other income

During the current fiscal year, the Group recorded other income of HK$21,755,000, representing an increase of 79% as compared with the last fiscal year. Other income in the current year mainly represents exchange gain on Renminbi denominated assets of the Group arising from the appreciation of Renminbi, while other income in the last fiscal year was mainly contributed by the gain on early extinguishment of bank loans, representing the difference between the carrying value of the previous bank loans and the consideration paid to settle the loan.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK$63,070,000, representing a decrease of 13% as compared with the last fiscal year. During the current fiscal year, general and administrative expenses decreased in terms of exchange loss and other expenses.

Finance costs

During the current fiscal year, the Group recorded finance costs of HK$27,235,000, representing an increase of 17% as compared with the last fiscal year. It was mainly due to the increase in interest rate on bank loan of the Group.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$15,326,000, representing a decrease of 35% as compared with the last fiscal year. It was mainly due to decrease in profit of Water Group.

Property, plant and equipment

The Group's property, plant and equipment increased by HK$44,720,000 from HK$459,154,000 as at 31 December 2016 to HK$503,874,000 as at 31 December 2017. The increase was due to reclassification of certain investment properties as property, plant and equipment and additions in construction in progress on water pipeline during the current fiscal year.

Prepaid land lease premium

The Group's prepaid land lease premium increased by HK$8,913,000 from HK$22,313,000 as at 31 December 2016 to HK$31,226,000 as at 31 December 2017. The increase was mainly due to the reclassification of certain investment properties to prepaid land lease premium during the current fiscal year.

Intangible assets

The Group's intangible assets increased by HK$13,230,000 from HK$398,112,000 as at 31 December 2016 to HK$411,342,000 as at 31 December 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 year, 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 31 December 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 year.

Investment properties

The Group's investment properties increased by HK$5,955,000 or 13% from HK$44,820,000 as at 31 December 2016 to HK$50,775,000 as at 31 December 2017. It was mainly attributable to the increase in fair value of investment properties during the current year.

Debtors

The Group's debtors increased by HK$3,151,000 or 14% from HK$23,154,000 as at 31 December 2016 to HK$26,305,000 as at 31 December 2017. The increase in debtors was attributable to growth of water supply and related services business during the year.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables increased by HK$3,678,000 from HK$7,024,000 as at 31 December 2016 to HK$10,702,000 as at 31 December 2017. The increase was mainly attributable to increase in fixed deposit interest receivables and other receivables of Water Supply Group during the year, primarily due to the increase in interest rate of fixed deposit during the year. Other receivable of Water Supply Group represents compensation and service fee receivable from the PRC government for last year that has not been settled.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK$126,499,000 from HK$437,635,000 as at 31 December 2016 to HK$311,136,000 as at 31 December 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 year. As at 31 December 2017, 59% (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$28,341,000 from HK$262,898,000 as at 31 December 2016 to HK$291,239,000 as at 31 December 2017. The pledged time deposit was denominated in Renminbi, and the increase was due to the appreciation of Renminbi.

Bank and other borrowings

The Group's bank and other borrowings decreased by HK$519,000 from HK$710,371,000 as at 31 December 2016 to HK$709,852,000 as at 31 December 2017. The decrease was mainly attributable to the settlement of bank loans by the Water Supply Group business.

Trade payables

The Group's trade payable increased by HK$30,721,000 from HK$2,433,000 as at 31 December 2016 to HK$33,154,000 as at 31 December 2017. The increase was mainly attributable to the increase of water resources charges payable to the PRC government.

Payable to merchants

The Group's payable to merchants as at 31 December 2017 amounted to approximately HK$3,017,000, which is similar to the figure as at 31 December 2016.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals decreased by HK$16,401,000 from HK$193,646,000 as at 31 December 2016 to HK$177,245,000 as at 31 December 2017. The decrease was mainly attributable to the settlement of most of construction fee payables for the year.

Amounts due to related companies

Amounts due to related companies decreased by HK$37,116,000 or 49% from HK$76,499,000 as at 31 December 2016 to HK$39,383,000 as at 31 December 2017. The amounts represent advances from related companies. The decrease was mainly attributable to the partial settlement to related companies on the advance. The advances are unsecured, interest-free and repayable on demand.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had net current assets of HK$43,386,000. Current assets comprised inventories of HK$4,713,000, debtors of HK$26,305,000, deposits, prepayments and other receivables of HK$10,702,000, prepaid land lease premium of HK$693,000, fixed deposits of HK$80,716,000, pledged time deposit of HK$291,239,000 and cash and bank balances of HK$230,420,000.

Current liabilities comprised bank and other borrowings of HK$344,968,000, trade payables of HK$33,154,000, payable to merchants of HK$3,017,000, deposits received, sundry creditors and accruals of HK$177,245,000, amounts due to related companies of the HK$39,383,000 and tax payable of HK$3,635,000.

The gearing ratio, which is defined as a percentage of the total liabilities (excluding deferred tax liability) over the total assets (excluding deferred tax assets), of the Group as at 31 December 2017 was 55% (2016: 57%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its current commitments and working capital requirements, and the Group should be able to fund its foreseeable expenditures through cash flows from operations. However, if the Group launch any massive scale of expansion, development, investment or acquisition, additional debt or equity financing may be required.

BUSINESS REVIEW AND PROSPECTS

Review

For the financial year 2017, the Group was principally engaged in the businesses of water supply and related services as well as property investment and development. Revenue from principal businesses amounted to approximately HK$248,536,000, representing a decrease of 19% or approximately HK$58,135,000 as compared with the continuing operating revenue of approximately HK$306,671,000 for last year. The decrease in revenue was mainly due to the completion of the construction of Water Treatment Plant Phase 2 of Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water"), a subsidiary of Qinghui Properties Limited in 2016, among which the construction service income under build-operate-transfer (BOT) project accounted for 28% of the continuing operating revenue for 2016 and such revenue decreased significantly for the current year. Excluding the construction service income, the Group's revenue from water supply and related services increased by 9.7% as compared with last year, which was mainly attributable to the increasing demand on water supply as the city continued its expansion.

Following completion of the acquisition of 49% equity interest in Qinghui Properties Limited (which together with its subsidiaries, collectively the "**Water Supply Group**") at the end of 2015, the Group consolidated the financial statements of the Water Supply Group under its new water supply segment. Taihe Water has a service concession arrangement with the governmental authority in Qingyuan City, Guangdong Province, China, whereby it acts as the operator in the construction of water supply plants on a build-operate-transfer ("**BOT**") basis and operating and maintaining these 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, the Water Supply Group receives service charges to be 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 recognizes construction revenue in respect of the consideration received or receivable in exchange for construction services rendered, which is recognized as intangible assets in its statement of financial position.

During the year under review, the water volume sold from water plants under the water supply business reached 139,319,000 cubic meters (m^3), representing an increase of 14.8% as compared with last year. Revenue from water supply related business (including water quality test, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) amounted to HK$32,532,000, representing an increase of 7.5% as compared with last year.

In addition to enhancing its market competitiveness, the Group also endeavored to maintain high level of social responsibility. Through the provision of staff and management training, enhancement of internal control systems, improvement of customer services, strict compliance with international standardization of quality, safety and environment, as well as regular maintenance, upgrades and construction work, the Group was able to ensure safety and quality of its water supply so as to increase its production efficiency steadily.

During the year under review, the Group's revenue from property investment and development segment amounted to approximately HK$2,423,000, representing a decrease of 23% as compared with last year, mainly due to the decrease in rental income as a result of the disposal of the Payment Co Group, which was included in the rental income in December 2016. Excluding the property income rental from the Payment Co Group, the Group's rental income increased by 6.8% as compared with last year. The modest increase in rental income was resulted from higher rental level and a higher leasehold occupancy rate for the year. The property development and investment segment contributed stable recurring income and positive cash flow to the Group.

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. With many years of experience in business operations in China and Hong Kong, the Group considered that it was 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 our environmental, social and governance initiatives, the Group offered training to all staff, provided equal opportunities to eligible candidates and retained all outstanding staff members. All employees were provided ample development chances and satisfying and safe working environment, 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 2018, the Group will continue to focus on its existing principal businesses of water supply and property investment and development.

The population and economy growth of Qingyuan City is expected to accelerate with the implementation of "Guangzhou-Qingyuan integration" and the national policy of "Guangdong-Hong Kong-Macao Bay Area". We expect that the water supply business will continue to provide the Group with stable revenue.

Since early 2018, the global economy has seen a period of instability and fluctuation due to the combined effect of intensified expectation on US interest hike, geopolitical tension in middle-east and North Asia and the rise of international trade protectionism. In China, the continual implementation of macro-tightening measures in residential property market are expected to create pressure on the pace of property development and industry profit margin. The Group will strive to explore good property projects in China and overseas to spread risk. In addition, the Group will focus on mature markets of first-tier cities in China and developed countries to minimize risk, while being more realistic in terms of investment or development return. The Group will also explore other feasible opportunities for investment so as to generate revenue from diversified sources and ensure sustainable growth.

EMPLOYEES

As at 31 December 2017, the total number of employees of the Group was 366 (2016: 383). 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. Ever City is a controlled corporation of Ms. Zhu Fenglian (an executive Director) and 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. 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 significant investments, acquisitions and disposals for the year ended 31 December 2017.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2017 were secured by:

(i) charge over a time deposit amounting to RMB242,497,000 (equivalent to approximately HK$291,239,000);

(ii) charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,133,000 (equivalent to approximately HK$4,963,000);

(iii) pledge of trade receivables with a carrying amount of RMB21,881,000 (equivalent to approximately HK$26,275,000);

(iv) pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;

(v) pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

(vi) guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being the 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 shareholders of subsidiaries.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no other future plan for material investments or capital assets for the year ended 31 December 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$"). There are no significant assets and liabilities denominated in other currencies. During the year ended 31 December 2017, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK$ 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

As at 31 December 2017, the Group had contracted but not provided for of approximately HK$159,545,000 comprising (i) acquisition of property, plant and equipment of approximately HK$71,799,000 (2016: HK$85,854,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK$87,746,000 (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 31 December 2017.

DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 June 2018 to Friday, 29 June 2018 (both days inclusive) to facilitate the processing of proxy voting. In order to be entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the share registrar of the Company in Hong Kong, at Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 25 June 2018.

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.

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 its corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasize on a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability to all stakeholders of the Company. A full description of the Company's corporate governance will be set out in the section headed "Corporate Governance" contained in the 2017 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 Non-Executive Director was not present at the annual general meeting of the Company which was held on 23 June 2017. 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.

MODEL CODE FOR 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 the Company's directors, the directors have complied with the required standard set out in the Model Code throughout year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2017. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal controls, risk management and financial reporting matters.

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

Hong Kong, 29 March 2018

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.