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UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
環球實業科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1026)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS OF THE YEAR

– Revenue for the year ended 31 December 2018 amounted to HK$271.91 million (2017: HK$248.54 million), representing an increase in revenue of HK$23.37 million or 9.4% as compared to the revenue from last year. Such increase was mainly due to the increase in revenue of the Group's water supply business.

– Net loss attributable to shareholders of the Company for the year ended 31 December 2018 was HK$26.81 million (2017: net profit attributable to shareholders of the Company of HK$2.66 million), representing a decrease by HK$29.47 million as compared with the year ended 31 December 2017. The Group's loss for the year was mainly due to (i) the exchange loss on Renminbi for the year ended 31 December 2018, as compared to the exchange gain on Renminbi for the year ended 31 December 2017; and (ii) the increase in operating costs, staff costs and administrative expenses for the year ended 31 December 2018.

– Basic and diluted loss per share for the year ended 31 December 2018 amounted to HK$1.26 cents and HK$1.26 cents, respectively (Basic and diluted earnings per share for the year ended 31 December 2017: HK$0.13 cent and HK$0.13 cent, respectively).

– The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2018 (2017: HK$Nil).

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 2018 together with the comparative audited figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018	2017
		HK$'000	*HK$'000*
Revenue	*3*	**271,909**	248,536
Cost of sales/services rendered		**(187,350)**	(155,917)
Gross profit		**84,559**	92,619
Other income and gains	*4*	**19,880**	38,092
General and administrative expenses		**(75,596)**	(63,574)
Profit from operations		**28,843**	67,137
Finance costs	*5(a)*	**(28,239)**	(27,235)
Profit before income tax	*5*	**604**	39,902
Income tax expense	*7*	**(10,621)**	(15,326)
(Loss)/profit for the year		**(10,017)**	24,576
Attributable to: –			
Shareholders of the Company		**(26,805)**	2,660
Non-controlling interests		**16,788**	21,916
(Loss)/profit for the year		**(10,017)**	24,576
(Loss)/earnings per share (in cents)	*9*		
– Basic		**(1.26)**	0.13
– Diluted		**(1.26)**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(10,017)**	24,576
Other comprehensive (loss)/income:–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**(4,765)**	3,767
Other comprehensive (loss)/income for the year, net of tax	**(4,765)**	3,767
Total comprehensive (loss)/income for the year	**(14,782)**	28,343
Total comprehensive (loss)/income attributable to:–		
Shareholders of the Company	**(25,549)**	(2,211)
Non-controlling interests	**10,767**	30,554
	(14,782)	28,343

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**493,213**	503,874
Prepaid land lease premium		**28,706**	30,533
Investment properties		**46,599**	50,775
Intangible assets		**353,701**	411,342
Goodwill		**99,037**	99,037
Deposit paid for acquisition of property, plant and equipment		**13,224**	14,249
Deferred tax assets	*8(a)*	**266**	–
		1,034,746	1,109,810
CURRENT ASSETS			
Inventories		**24,467**	4,713
Debtors	*10*	**24,195**	26,305
Deposits, prepayments and other receivables	*11*	**7,713**	10,702
Prepaid land lease premium		**557**	693
Fixed deposits		**122,135**	80,716
Pledged time deposit		**—**	291,239
Cash and bank balances		**166,533**	230,420
		345,600	644,788
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings		**6,687**	344,968
Trade payables	*12*	**10,606**	33,154
Payable to merchants	*13*	**3,011**	3,017
Deposits received, sundry creditors and accruals		**130,072**	177,245
Contract liabilities	*14*	**23,396**	—
Amounts due to related companies	*15*	**46**	39,383
Tax payable		**5,522**	3,635
		179,340	601,402
NET CURRENT ASSETS		**166,260**	43,386

	Note	2018 HK$'000	2017 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,201,006**	1,153,196
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings		**445,492**	364,884
Deferred tax liabilities	*8(a)*	**60,451**	66,751
		505,943	431,635
NET ASSETS		**695,063**	721,561
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital		**21,205**	21,205
Reserves		**459,443**	484,992
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**480,648**	506,197
NON-CONTROLLING INTERESTS		**214,415**	215,364
TOTAL EQUITY		**695,063**	721,561

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to shareholders of the Company											
	Share capital	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Special reserve**	**Exchange reserve**	**Share options reserve**	**Statutory 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*
At 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 and 1.1.2018	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**14,296**	**3,997**	**11,814**	**(70,787)**	**506,197**	**215,364**	**721,561**
Lapse of share options granted in prior years	**–**	**–**	**–**	**–**	**–**	**–**	**(2,398)**	**–**	**2,398**	**–**	**–**	**–**
Dividend paid to non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,716)**	**(11,716)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**1,256**	**–**	**–**	**(26,805)**	**(25,549)**	**10,767**	**(14,782)**
Transferred to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,485**	**(6,485)**	**–**	**–**	**–**
At 31.12.2018	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**15,552**	**1,599**	**18,299**	**(101,679)**	**480,648**	**214,415**	**695,063**

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 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 ("HKICPA").

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) Application of new and amendments to HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:-

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers to Investment Property

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. The other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

Impairment of financial assets

The Group has two main types of financial assets that are subject to HKFRS 9's new expected credit loss ("ECL") model:

– Trade debtors; and

– Other financial assets measured at amortised costs (including cash and cash equivalents and other receivables)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Trade debtors

The Group applies HKFRS 9 simplified approach to measuring ECLs which uses a lifetime ECL allowance for all trade debtors.

To measure the ECLs, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the ECL model applied to the trade debtors at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of ECL model under HKFRS 9 did not have material impact on allowance for impairment of trade debtors calculated under HKAS 39.

Other financial assets measured at amortised cost

Other financial assets at amortised cost include other receivables. The Group has applied the ECL model to other receivables at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, there was no identified impairment loss.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts. HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no significant impact on the Group's financial position and financial results upon initial application at 1 January 2018. Comparative information continues to be reported under HKASs 11 and 18.

Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

– When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's retained profits at 1 January 2018.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, with amount of HK$23,396,000 (at 1 January 2018: HK$19,615,000) are now separately presented in the consolidated statement of financial position at 31 December 2018, as a result of the adoption of HKFRS 15.

3. REVENUE

The Group is principally engaged in investment holding, property investment and development, building management and water supply and related services. Revenue for the year represents revenue recognised from rental and building management service income and water supply and related services income. Disaggregation of revenue from contracts with customers by service lines is as follows:–

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Water supply and related services income	**271,893**	239,595
Construction services of infrastructure under concession arrangement (note)	**(2,624)**	6,518
Revenue from other sources		
Rental and building management service income	**2,640**	2,423
	271,909	248,536

Note:

The amount represents revenue recognised during the construction stage of the service concession period. During the year ended 31 December 2018, changes of estimation of HK$13,292,000 were made when the Group finalised the construction costs with sub-contractors.

4. OTHER INCOME AND GAINS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank deposits	**10,001**	10,755
Government subsidy	**111**	239
Increase in fair value of investment properties	**231**	5,343
Gain on early extinguishment of bank loans	**7,077**	—
Gain on disposal of prepaid land lease premium	**2,067**	—
Reversal of impairment loss on other receivables	**4**	56
Exchange gain	**—**	21,227
Others	**389**	472
	19,880	38,092

5. PROFIT BEFORE INCOME TAX

(a) Finance costs

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):–		
Interest on bank loans	**35,344**	32,413
Less: interest capitalised included in property, plant and equipment and other intangible assets (note)	**(7,396)**	(5,973)
Bank charges	**291**	795
	28,239	27,235

Note:

The capitalisation rate was ranged from 5.07% to 5.64% (2017: 5.12% to 5.46%).

(b) Other items

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit services	**1,096**	1,052
— Other services	**519**	611
	1,615	1,663
Cost of inventories sold	**5,089**	2,678
Staff costs (including directors' remuneration)		
— Salaries and other benefits	**45,502**	39,066
— Pension scheme contributions	**4,440**	3,355
	49,942	42,421
Depreciation	**41,428**	35,181
Impairment loss on debtors	**555**	504
Reversal of impairment loss on other receivables	**(4)**	(56)
Amortisation of intangible assets	**39,249**	16,330
Amortisation of prepaid land lease premium	**846**	733
Minimum operating lease rentals	**3,438**	2,808
Sale proceeds of prepaid land lease premium	**(2,601)**	—
Less: carrying amounts of prepaid land lease premium	**534**	—
Gain on disposal of prepaid land lease premium	**(2,067)**	—
Sale proceeds of property, plant and equipment	**(52)**	(8)
Less: carrying amounts of property, plant and equipment	**125**	25
Loss on disposal of property, plant and equipment	**73**	17
Exchange loss/(gain)	**17,501**	(21,227)
Gain on early extinguishment of bank loans	**(7,077)**	—
Rental income less direct outgoings of HK$1,787,000 (2017: HK$1,494,000)	**(853)**	(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.

(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 overseas.

"Others" refers to the supporting units of Hong Kong operation and the net results of other subsidiaries in Hong Kong and overseas. These "other" operating units 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 other head office or corporate administration costs.

(a) **Segments results, assets and liabilities**

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

	Reportable Segments							
	Water supply and related services		Properties investment and development		Others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Disaggregated by timing of revenue recognition								
Point in time	**17,043**	15,745	**—**	—	**—**	—	**17,043**	15,745
Over time	**252,718**	230,758	**2,148**	2,033	**—**	—	**254,866**	232,791
Reportable segment revenue	**269,761**	246,503	**2,148**	2,033	**—**	—	**271,909**	248,536
Reportable segment profit/(loss)	**68,162**	68,646	**(4,114)**	(3,401)	**(45,548)**	(14,445)	**18,500**	50,800
Interest on bank deposits							**10,001**	10,755
Government subsidy							**111**	239
Increase in fair value of investment properties							**231**	5,343
Finance costs							**(28,239)**	(27,235)
Profit before income tax							**604**	39,902
Income tax expense							**(10,621)**	(15,326)
(Loss)/profit for the year							**(10,017)**	24,576
Attributable to:								
— Shareholders of the Company							**(26,805)**	2,660
— Non-controlling interests							**16,788**	21,916
							(10,017)	24,576
Depreciation for the year	**39,464**	33,125	**1,501**	1,097	**463**	959	**41,428**	35,181
Amortisation	**39,713**	16,681	**382**	382	**—**	—	**40,095**	17,063
Capital expenditure incurred during the year	**59,769**	63,488	**2,915**	—	**2**	53	**62,686**	63,541
Reportable segment assets	**1,118,265**	1,164,464	**106,106**	100,096	**155,709**	490,038	**1,380,080**	1,754,598
Unallocated assets							**266**	—
Total assets							**1,380,346**	1,754,598
Reportable segment liabilities	**606,645**	630,470	**1,074**	288,380	**11,591**	43,801	**619,310**	962,651
Unallocated liabilities							**65,973**	70,386
Total liabilities							**685,283**	1,033,037

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	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**271,909**	248,536	**—**	—	**271,909**	248,536
Non-current assets	**1,021,038**	1,095,908	**13,442**	13,902	**1,034,480**	1,109,810

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% (2017: 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 (2017: PRC at 25% and Australia at 30%).

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

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Current year	**16,008**	15,497
Under/(over)-provision in respect of previous years	**56**	(46)
	16,064	15,451
Deferred taxation (Note 8(a)):		
Current year	**(5,443)**	(125)
	10,621	15,326

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

2018	**HK**	**PRC**	**AUS**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
(Loss)/profit before income tax	**(32,538)**	**33,223**	**(81)**	**604**
Applicable tax rate (%)	**16.5**	**25**	**30**	**N/A**
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	**(5,369)**	**8,306**	**(24)**	**2,913**
Tax effect of non-deductible expenses in determining taxable profit	**3,709**	**5**	**–**	**3,714**
Tax effect of non-taxable income in determining taxable profit	**(2,124)**	**(2,005)**	**–**	**(4,129)**
Tax effect of unrecognised decelerated depreciation allowance	**28**	**–**	**–**	**28**
Tax effect of unrecognised tax loss	**3,756**	**4,259**	**24**	**8,039**
Under-provision in respect of previous year	**–**	**56**	**–**	**56**
Income tax expense	**–**	**10,621**	**–**	**10,621**

2017	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

8. DEFERRED TAXATION

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

	Impairment loss on debtors *HK$'000*	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties *HK$'000*	Temporary differences on intangible assets recognised under service concession arrangement *HK$'000*	Total *HK$'000*
At 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 and 1.1.2018	—	(43,664)	(23,087)	(66,751)
Credited to profit or loss – Note 7(b)	277	1,545	3,621	5,443
Exchange adjustments	(11)	596	538	1,123
At 31.12.2018	**266**	**(41,523)**	**(18,928)**	**(60,185)**

Represented by:–

	2018 ***HK$'000***	2017 *HK$'000*
Deferred tax assets	**266**	—
Deferred tax liabilities	**(60,451)**	(66,751)
	(60,185)	(66,751)

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

	2018	2017
	HK$'000	*HK$'000*
Deductible temporary differences – *note (i)*		
Decelerated tax allowances	**1,115**	760
Unutilised tax losses	**244,026**	204,147
Taxable temporary difference – *note (ii)*	**245,141**	204,907
Accelerated tax allowances	**(186)**	—
	244,955	204,907

Notes:–

(i) Deductible temporary differences have 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. The unutilised tax losses accumulated in Hong Kong and Australia amounted to HK$195,271,000 (2017: HK$172,509,000) and HK$80,000 (2017: HK$Nil) respectively can be carried forward indefinitely and the unutilised tax losses accumulated in PRC amounted to HK$48,675,000 (2017: HK$31,638,000) can be carried forward for five years following the year when the losses were incurred.

(ii) Taxable temporary difference has not been recognised in these consolidated financial statements owing to its immateriality.

(c) As at 31 December 2018, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB88,989,000 (equivalent to approximately HK$101,305,000) (2017: RMB94,093,000 (equivalent to approximately HK$112,987,000)). The related deferred tax liabilities of approximately HK$5,065,000 (2017: HK$5,649,000) 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.

9. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit		
(Loss)/profit for the year attributable to shareholders of the Company	**(26,805)**	2,660

	2018	2017
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic (loss)/earnings 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 (loss)/earnings per share	**2,120,448,858**	2,120,448,858

For the year ended 31 December 2018, 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.

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.

10. DEBTORS

	2018	2017
	HK$'000	*HK$'000*
Trade debtors	**26,076**	27,682
Less: loss allowance – *Note 10(c)*	**(1,881)**	(1,377)
	24,195	26,305

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 loss allowance on debtors, is set out below:–

	2018	2017
	HK$'000	*HK$'000*
0 – 6 months	**24,042**	25,150
7 – 12 months	**112**	180
1 – 2 years	**41**	975
	24,195	26,305

(c) The movement in the loss allowance on debtors during the year is as follows:–

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**1,377**	850
Impairment loss recognised	**555**	504
Exchange adjustments	**(51)**	23
At 31 December	**1,881**	1,377

(d) At 31 December 2018, the receivables with a carrying amount of RMB21,090,000 (equivalent to approximately HK$24,009,000) (2017: RMB21,881,000 (equivalent to approximately HK$26,275,000)) were pledged to secure bank loans granted to the Group.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Utilities and deposits	**1,092**	2,539
Prepayments	**1,926**	1,292
Interest receivable	**5**	3,532
Other receivables	**4,728**	3,384
	7,751	10,747
Less: loss allowance on other receivables – *Note 11(a)*	**(38)**	(45)
	7,713	10,702

Note:–

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

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**45**	125
Reversal of impairment loss recognised	**(4)**	(56)
Written off	**—**	(29)
Exchange adjustments	**(3)**	5
At 31 December	**38**	45

12. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
An aging analysis of trade payables based on invoice date is set out below:–		
0 – 12 months	**10,606**	33,154

13. PAYABLE TO MERCHANTS

	2018	2017
	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	**3,011**	3,017
	3,011	3,017

14. CONTRACT LIABILITIES

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. As a result of initial application of HKFRS 15, contract liabilities, including receipts in advance from customers, at 31 December 2018 are separately presented in the consolidated statement of financial position (Note 2(b)).

Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to HK$19,615,000 was recognised in the reporting period.

15. AMOUNTS DUE TO RELATED COMPANIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue and loss for the year

During the current fiscal year, the Group recorded a revenue of HK$271,909,000, representing an increase by 9% or HK$23,373,000 as compared with the last fiscal year. Loss attributable to shareholders of the Company for the year ended 31 December 2018 was HK$26,805,000, representing a decrease in profit attributable to shareholders of the Company of HK$29,465,000 as compared to the last fiscal year. Increase in revenue was mainly attributable to the water supply business. The loss for the year was mainly attributable to: (a) the exchange loss on Renminbi for the year, as compared to the exchange gain on Renminbi for the year of 2017; and (b) the increase in operating costs, staff costs and administrative expenses for the year.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered in the amount of HK$187,350,000, representing an increase of HK$31,433,000 as compared to the last fiscal year. The increase of cost of sales/services rendered was mainly attributable to the Group's water supply and related business.

Other income and gains

During the current fiscal year, the Group recorded other income and gains of HK$19,880,000, representing a decrease of 48% as compared with the last fiscal year. The decrease in other income and gains mainly attributable to the decrease in exchange gain the current year under review.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK$75,596,000, representing an increase of 19% as compared with the last fiscal year. During the current fiscal year, general and administrative expenses increased in terms of staff costs, exchange loss and other expenses.

Finance costs

During the current fiscal year, the Group recorded finance costs of HK$28,239,000, representing an increase of 4% as compared with the last fiscal year. It was mainly due to the increase in interest rate on bank loans of the Group.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$10,621,000, representing a decrease of 31% as compared with the last fiscal year. It was mainly due to the decrease in profit of water supply business for the current year under review.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK$10,661,000 from HK$503,874,000 as at 31 December 2017 to HK$493,213,000 as at 31 December 2018. The decrease was due to the depreciation for the current fiscal year.

Prepaid land lease premium

The Group's prepaid land lease premium decreased by HK$1,963,000 from HK$31,226,000 as at 31 December 2017 to HK$29,263,000 as at 31 December 2018. The decrease was mainly due to the disposal of part of prepaid land lease premium during the current fiscal year.

Investment properties

The Group's investment properties decreased by HK$4,176,000 or 8% from HK$50,775,000 as at 31 December 2017 to HK$46,599,000 as at 31 December 2018. It was mainly attributable to the reclassification of certain investment properties to property, plant and equipment and prepaid land lease premium during the current fiscal year.

Intangible assets

The Group's intangible assets decreased by HK$57,641,000 from HK$411,342,000 as at 31 December 2017 to HK$353,701,000 as at 31 December 2018. The decrease was mainly due to the amortisation for the current fiscal year.

Inventories

The Group's inventories increased by HK$19,754,000 from HK$4,713,000 as at 31 December 2017 to HK$24,467,000 as at 31 December 2018. The increase was mainly due to the increase in purchase of material for water pipeline construction projects for water supply and related business and purchase of overseas freehold land for the current fiscal year.

Debtors

The Group's debtors decreased by HK$2,110,000 or 8% from HK$26,305,000 as at 31 December 2017 to HK$24,195,000 as at 31 December 2018. The decrease in debtors was attributable to the shorter settlement period by customers of the Group's water supply and related business.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased by HK$2,989,000 from HK$10,702,000 as at 31 December 2017 to HK$7,713,000 as at 31 December 2018. The decrease was mainly attributable to decrease in interest receivables and utilities and other deposits for the current fiscal year.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK$22,468,000 from HK$311,136,000 as at 31 December 2017 to HK$288,668,000 as at 31 December 2018. The decrease in cash and bank balances and fixed deposits was mainly due to the settlement of bank borrowing in current year. As at 31 December 2018, 91% (31 December 2017: 59%) of cash and bank balances was denominated in Renminbi.

Pledged time deposit

The Group's pledged time deposit decreased by HK$291,239,000 from HK$291,239,000 as at 31 December 2017 to HK$Nil as at 31 December 2018. The pledged time deposit was released upon the settlement of relevant bank borrowing for the current fiscal year.

Bank and other borrowings

The Group's bank and other borrowings decreased by HK$257,673,000 from HK$709,852,000 as at 31 December 2017 to HK$452,179,000 as at 31 December 2018. The decrease was mainly attributable to the settlement of bank borrowing for the current fiscal year.

Trade payables

The Group's trade payable decreased by HK$22,548,000 from HK$33,154,000 as at 31 December 2017 to HK$10,606,000 as at 31 December 2018. The decrease was mainly attributable to the settlement of water resources charges payable to the PRC government for the current fiscal year.

Payable to merchants

The Group's payable to merchants as at 31 December 2018 amounted to approximately HK$3,011,000, which is similar to the figure as at 31 December 2017.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals decreased by HK$47,173,000 from HK$177,245,000 as at 31 December 2017 to HK$130,072,000 as at 31 December 2018. The decrease was mainly attributable to the decrease in accruals and reclassification of contract liabilities from deposits received, sundry creditors and accruals, due to the adoption of HKFRS 15 during the year.

Contract liabilities

The Group's contract liabilities increased by HK$23,396,000 from HK$Nil as at 31 December 2017 to HK$23,396,000 as at 31 December 2018. The increase was mainly due to reclassification of contract liabilities from deposits received, sundry creditors and accruals, due to the adoption of HKFRS 15 during the year.

Amounts due to related companies

Amounts due to related companies decreased by HK$39,337,000 from HK$39,383,000 as at 31 December 2017 to HK$46,000 as at 31 December 2018. 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.

Events after the reporting period

*(i) Proposed acquisition of Chevalier Earth Group Limited (the "**Target Company**")*

On 15 February 2019, the Company entered into an agreement with Billion Eminence Investment Limited (the "**Vendor**"), pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase from the Vendor, the entire issued share capital of the Target Company and the corresponding shareholders' loans for the total cash consideration of RMB576,000,000 (equivalent to approximately HK$673,286,400), details of which were set out in the Company's announcement dated 17 February 2019 and the Company's circular dated 22 March 2019.

*(ii) Proposed rights issue (the "**Rights Issue**")*

In relation to the proposed acquisition mentioned in note (i) above, the board of directors of the Company proposed to raise gross proceeds of up to approximately HK$975.41 million (before expenses) on the basis of two (2) rights shares for every one (1) share held on 24 April 2019 (or such other date as may be determined by the Company) by issuing up to 4,240,897,716 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date) at the Subscription Price of HK$0.23 per Rights Share, details of which were set out in the Company's announcement dated 17 February 2019 and the Company's circular dated 22 March 2019.

*(iii) Proposed placing of new shares under specific mandate (the "**Placing**")*

On 15 February 2019 (after trading hours), the Company and Celestial Capital Limited, Yue Xiu Securities Company Limited and Fulixin Securities Limited (collectively, the "**Placing Agents**") entered into the placing agreement, pursuant to which the Placing Agents conditionally agreed to effect the Placing by procuring no less than six placees to subscribe for such number of placing shares as is equivalent to the number of untaken Shares during the Rights Issue at the Placing Price of HK$0.23 per Share on a best effort basis, details of which were set out in the Company's announcement dated 17 February 2019 and the Company's circular dated 22 March 2019.

As at the date of this announcement, the above transactions have not yet been completed.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had net current assets of HK$166,260,000. Current assets comprised inventories of HK$24,467,000, debtors of HK$24,195,000, deposits, prepayments and other receivables of HK$7,713,000, prepaid land lease premium of HK$557,000, fixed deposits of HK$122,135,000 and cash and bank balances of HK$166,533,000.

Current liabilities comprised bank and other borrowings of HK$6,687,000, trade payables of HK$10,606,000, payable to merchants of HK$3,011,000, deposits received, sundry creditors and accruals of HK$130,072,000, contract liabilities of HK$23,396,000, amounts due to related companies of HK$46,000 and tax payable of HK$5,522,000.

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 2018 was 45% (2017: 55%).

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 launches any massive scale of expansion, development, investment or acquisition, additional debt or equity financing may be required.

BUSINESS REVIEW AND PROSPECTS

Review

For the year ended 31 December 2018, the Group recorded net loss attributable to shareholders of the Company in the amount of approximately HK$26,805,000, representing a decrease of approximately HK$29,465,000 as compared to net profit attributable to shareholders of the Company in the amount of approximately HK$2,660,000 last year. The loss for the year of the Group was mainly attributable to: (a) the exchange loss on Renminbi for the year ended 31 December 2018, as compared to the exchange gain on Renminbi for the year ended 31 December 2017; and (b) the increase in operating costs, staff costs and administrative expenses for the year 2018.

During the year, 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$271,909,000, representing an increase of 9% or approximately HK$23,373,000 as compared to approximately HK$248,536,000 last year. The volume of water supplied by the Group's water plant increased by 10,640,000 m^3, representing an increase of 8.7% as compared to last year. The water supply related business (including water pipe repairs and maintenance, water meter maintenance and replacement and other related services) recorded a revenue of HK$41,655,000, representing an increase of 28% as compared to last year, which was mainly attributable to the increased demand on water supply due to urban growth of the city.

During the year under review, the Group's property investment and development segment recorded revenue of approximately HK$2,640,000, representing an increase of 9% as compared to last year. The modest increase in rental income was resulted from higher rental level and higher leasehold occupancy rate during the current period under review. The Group's property development and investment segment contributes stable income and positive cash flow to the Group.

This year, the Group strove to improve its corporate culture, system efficiency, branding and human resource planning with the view to enhancing competitiveness and strengthening core competencies while maintaining a high degree of social responsibility. 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 to improve management effectiveness and efficiency.

PROSPECTS

The population and economy of Qingyuan City is expected to grow continuously with the implementation of the national policy of “Guangdong-Hong Kong-Macao Bay Area”. We will continue to make efforts to improve our performance with the view to improving profitability of the water supply business.

The Group will also continue to explore suitable investment and diversification opportunities which may arise from time to time. As disclosed in the Company’s announcement dated 17 February 2019 and the Company’s circular dated 22 March 2019, the Company entered into an acquisition agreement with the Vendor to acquire the Target Company and certain PRC commercial properties at the consideration of RMB576,000,000 (equivalent to approximately HK$673,286,400). Simultaneously, the Company proposed to launch the Rights Issue and the Placing to finance the Consideration.

The Company always gives high priority to facility upgrade, staff training, risk management and efficiency improvement. Going forward, the Company will continue to identify strategies in line with its diversified development policies and to seek suitable investment opportunities to diversify its income stream. Meanwhile, the Company will also regularly review its business model and strategy to mitigate the impact of fluctuations during different stages of business cycle. All improvement efforts take time to show results, and the Company will continue to implement measures to lay a solid foundation for sustainable growth and long-term development.

EMPLOYEES

As at 31 December 2018, the total number of employees of the Group was 387 (2017: 366). 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 Company would like to thank its staff for their continual dedication and contribution.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 15 February 2019, the Company (as purchaser), the Vendor and the Target Company entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Interests for the total cash consideration of RMB576,000,000 (equivalent to approximately HK$673,286,400). The purpose of the Acquisition is to acquire certain commercial-use properties in Guangzhou, China. Simultaneously, the Company launched the Rights Issue and the Placing to raise funding to finance the Acquisition. The Rights Issue and Placing have not yet completed as at the date of this announcement. If the Company does not manage to raise minimum gross proceeds of HK$710,000,000 under the Rights Issue and the Placing (the "**Minimum Proceeds Condition**"), it does not intend to proceed with the Completion of the Acquisition Agreement.

Ms. Zhu Fenglian, an executive Director, is also the owner of part of the properties acquired under the Acquisition. The Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The acquisition is subject to shareholders' approval and has not yet completed as at the date of this announcement.

Save as disclosed above, the Group did not have any other significant investments, acquisitions and disposals for the year ended 31 December 2018.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2018 were secured by:

(i) charges over a land use right under service concession arrangement with a carrying amount of RMB4,022,000 (equivalent to approximately HK$4,579,000);

(ii) pledge of trade receivables with a carrying amount of RMB21,090,000 (equivalent to approximately HK$24,009,000);

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

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

(v) guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being the subsidiaries of the Group;

(vi) guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse; and

(vii) guarantee by the non-controlling shareholders of subsidiaries.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 15 February 2019, the Company (as purchaser), the Vendor and the Target Company entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Interests for the total cash consideration of RMB576,000,000 (equivalent to approximately HK$673,286,400). Simultaneously, the Company launched the Rights Issue and the Placing to finance the Consideration. If the Company does not manage to satisfy the Minimum Proceeds Condition through the raising of minimum gross proceeds of HK$710,000,000 through the Rights Issue and the Placing, it does not intend to proceed with the Completion of the Acquisition Agreement.

The Group intends to use the net proceeds of the Rights Issue and the Placing for the following sequence: (i) approximately HK$673.29 million for settlement of the Consideration; and (ii) the balance of between approximately HK$25.18 million (assuming that the Minimum Proceeds Condition is just achieved) and approximately HK$297.35 million (assuming full acceptance under the Rights Issue) for the development of fund investment and management businesses of the Group in Hong Kong and the PRC.

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$**"). There are no significant assets and liabilities denominated in other currencies. During the year ended 31 December 2018, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK$ 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 COMMITMENTS

As at 31 December 2018, the Group had contracted but not provided for of approximately HK$104,671,000 (2017: HK$159,545,000) comprising (i) acquisition of property, plant and equipment of approximately HK$51,634,000 (2017: HK$71,799,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK$53,037,000 (2017: HK$87,746,000), 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 2018.

DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019 (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, 24 June 2019.

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 2018 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.

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 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2018. 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.

SCOPE OF WORK

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditors, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary announcement.

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

Hong Kong, 29 March 2019

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), Ms. Zhu Fenglian and Ms. Zhang Maimei; one non-executive Director namely Mr. Xuan Zhensheng; and three independent non-executive Directors namely Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George.