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UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

環球實業科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1026)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 amounted to approximately HK\$173.25 million (six months ended 30 June 2020: approximately HK\$141.22 million), representing an increase of HK\$32.03 million or 23% as compared to the corresponding period last year. Such increase was mainly due to an increase in revenue of the Group's water supply business.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2021 amounted to approximately HK\$25.14 million (six months ended 30 June 2020: approximately HK\$9.16 million), representing an increase by approximately HK\$15.98 million as compared to the corresponding period last year, mainly due to (i) the increase in finance costs of the Group's businesses of water supply services and properties investment and development; and (ii) the recognition of deferred tax credit for provision of cost of sales of the Group's water supply and related business for the six months ended 30 June 2020 while no similar deferred tax credit was recognised by the Group for the six months ended 30 June 2021.
- Basic and diluted loss per share for the six months ended 30 June 2021 amounted to HK0.46 cent and HK0.46 cent, respectively (six months ended 30 June 2020: basic and diluted loss per share amounted to HK0.17 cent and HK0.17 cent, respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

INTERIM RESULTS

The Board of Directors (the “**Board**”) of Universal Technologies Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

| | Note | Six months ended 30 June | |
|-------------------------------------|------|---------------------------------|---------------------------------|
| | | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Revenue | 3 | 173,249 | 141,215 |
| Cost of sales/services rendered | | <u>(149,867)</u> | <u>(124,828)</u> |
| Gross profit | | 23,382 | 16,387 |
| Other income and gains | 4 | 1,091 | 7,954 |
| General and administrative expenses | | (32,456) | (29,099) |
| Share of loss of a joint venture | | <u>(81)</u> | <u>(53)</u> |
| Loss from operations | | (8,064) | (4,811) |
| Finance costs | | <u>(24,956)</u> | <u>(15,921)</u> |
| Loss before income tax | 5 | (33,020) | (20,732) |
| Income tax (expense)/credit | 7 | <u>(9,373)</u> | <u>4,630</u> |
| Loss for the period | | <u><u>(42,393)</u></u> | <u><u>(16,102)</u></u> |
| Attributable to:– | | | |
| Shareholders of the Company | | (25,142) | (9,157) |
| Non-controlling interests | | <u>(17,251)</u> | <u>(6,945)</u> |
| | | <u><u>(42,393)</u></u> | <u><u>(16,102)</u></u> |
| Loss per share (in cents) | | | |
| – Basic | 8 | <u><u>(0.46)</u></u> | <u><u>(0.17)</u></u> |
| – Diluted | 8 | <u><u>(0.46)</u></u> | <u><u>(0.17)</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|---|--------------------------|------------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Note | HK\$'000 | HK\$'000 |
| Loss for the period | <u>(42,393)</u> | <u>(16,102)</u> |
| Other comprehensive income/(loss): – | | |
| Item that may be reclassified subsequently to profit or loss: – | | |
| Exchange differences arising on translation of financial statements of overseas subsidiaries | <u>14,229</u> | <u>(17,140)</u> |
| Other comprehensive income/(loss) for the period, net of income tax | <u>14,229</u> | <u>(17,140)</u> |
| Total comprehensive loss for the period | <u>(28,164)</u> | <u>(33,242)</u> |
| Total comprehensive loss attributable to: – | | |
| Shareholders of the Company | <u>(13,864)</u> | <u>(24,097)</u> |
| Non-controlling interests | <u>(14,300)</u> | <u>(9,145)</u> |
| | <u>(28,164)</u> | <u>(33,242)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2021*

| | | At 30 June 2021 (Unaudited) <i>HK\$'000</i> | At 31 December 2020 (Audited) <i>HK\$'000</i> |
|--|-------------|---|---|
| | <i>Note</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>9</i> | 448,405 | 446,589 |
| Prepaid land lease premium | <i>10</i> | 25,835 | 25,996 |
| Investment properties | <i>11</i> | 695,142 | 686,103 |
| Right-of-use assets | | 4,160 | 5,605 |
| Interest in a joint venture | | 263,131 | 259,789 |
| Intangible assets | | 273,153 | 294,892 |
| Goodwill | | – | – |
| Deferred tax assets | | 2,047 | 2,047 |
| | | <u>1,711,873</u> | <u>1,721,021</u> |
| CURRENT ASSETS | | | |
| Inventories | | 14,390 | 16,085 |
| Debtors | <i>12</i> | 53,262 | 47,787 |
| Deposits, prepayments and other receivables | <i>13</i> | 10,724 | 9,712 |
| Fixed deposits | | 146,839 | 143,614 |
| Cash and bank balances | | 648,109 | 999,061 |
| | | <u>873,324</u> | <u>1,216,259</u> |
| DEDUCT:– | | | |
| CURRENT LIABILITIES | | | |
| Bank and other borrowings | <i>18</i> | 55,304 | 40,362 |
| Trade payables | <i>14</i> | 130,300 | 121,862 |
| Payable to merchants | <i>15</i> | 3,011 | 3,011 |
| Deposits received, sundry creditors and accruals | <i>16</i> | 101,016 | 113,274 |
| Contract liabilities | | 11,671 | 25,981 |
| Lease liabilities | | 2,624 | 2,728 |
| Amount due to a related company | <i>17</i> | 48 | 47 |
| Tax liabilities | | 11,838 | 11,967 |
| | | <u>315,812</u> | <u>319,232</u> |
| NET CURRENT ASSETS | | <u>557,512</u> | <u>897,027</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,269,385</u> | <u>2,618,048</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

| | | At 30 June 2021 (Unaudited) <i>HK\$'000</i> | At 31 December 2020 (Audited) <i>HK\$'000</i> |
|---|-------------|---|---|
| | <i>Note</i> | | |
| DEDUCT:– | | | |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings | 18 | 891,950 | 1,202,459 |
| Lease liabilities | | 1,610 | 2,896 |
| Deferred tax liabilities | | 52,618 | 52,161 |
| | | <u>946,178</u> | <u>1,257,516</u> |
| NET ASSETS | | <u>1,323,207</u> | <u>1,360,532</u> |
| REPRESENTING: – | | | |
| CAPITAL AND RESERVES | | | |
| Share capital | 19 | 55,130 | 55,130 |
| Reserves | | 1,070,922 | 1,091,009 |
| TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | | 1,126,052 | 1,146,139 |
| NON-CONTROLLING INTERESTS | | <u>197,155</u> | <u>214,393</u> |
| TOTAL EQUITY | | <u>1,323,207</u> | <u>1,360,532</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|--|--------------------------|-------------------------|
| | 2021 | 2020 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 6,778 | 16,784 |
| NET CASH USED IN INVESTING ACTIVITIES | (16,987) | (305,125) |
| NET CASH USED IN FINANCING ACTIVITIES | <u>(348,690)</u> | <u>(50,175)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (358,899) | (338,516) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET | 11,172 | (6,319) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | <u>1,142,675</u> | <u>733,461</u> |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | <u><u>794,948</u></u> | <u><u>388,626</u></u> |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 648,109 | 245,695 |
| Fixed deposits | <u>146,839</u> | <u>142,931</u> |
| | <u><u>794,948</u></u> | <u><u>388,626</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Attributable to shareholders of the Company

| | Attributable to shareholders of the Company | | | | | | | | | | | Total equity HK\$'000 | |
|--|---|---------------------------|--|-----------------------------|-----------------------------|------------------------------|-----------------------------------|--|-------------------------------|--------------------------------|-----------------------|--------------------------|---------------------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Capital reserve HK\$'000 | Special reserve HK\$'000 | Exchange reserve HK\$'000 | Share options reserve HK\$'000 | Shares held under share award scheme HK\$'000 | Statutory reserve HK\$'000 | Accumulated losses HK\$'000 | Sub total HK\$'000 | | Non-controlling interests HK\$'000 |
| At 1 January 2020 (audited) | 55,128 | 1,247,414 | 481 | 1,093 | 10,754 | 12,930 | - | - | 21,644 | (220,059) | 1,129,385 | 198,348 | 1,327,733 |
| Share-based payments | - | - | - | - | - | - | 3 | - | - | - | 3 | - | 3 |
| Shares issued under share option scheme | 2 | 39 | - | - | - | - | (3) | - | - | - | 38 | - | 38 |
| Disposal of a subsidiary | - | - | - | - | - | 65 | - | - | - | - | 65 | (1,345) | (1,280) |
| Dividend paid to non-controlling shareholder of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | (12,944) | (12,944) |
| Total comprehensive loss for the period | - | - | - | - | - | (14,940) | - | - | - | (9,157) | (24,097) | (9,145) | (33,242) |
| Transferred to statutory reserve | - | - | - | - | - | - | - | - | 235 | (235) | - | - | - |
| At 30 June 2020 (unaudited) | <u>55,130</u> | <u>1,247,453</u> | <u>481</u> | <u>1,093</u> | <u>10,754</u> | <u>(1,945)</u> | <u>-</u> | <u>-</u> | <u>21,879</u> | <u>(229,451)</u> | <u>1,105,394</u> | <u>174,914</u> | <u>1,280,308</u> |
| At 1 January 2021 (audited) | 55,130 | 1,247,453 | 481 | 1,093 | 10,754 | 65,980 | - | - | 25,237 | (259,989) | 1,146,139 | 214,393 | 1,360,532 |
| Purchases of shares for share award scheme (note) | - | - | - | - | - | - | - | (6,223) | - | - | (6,223) | - | (6,223) |
| Dividend paid to non-controlling shareholder of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | (2,938) | (2,938) |
| Total comprehensive loss for the period | - | - | - | - | - | 11,278 | - | - | - | (25,142) | (13,864) | (14,300) | (28,164) |
| Transferred to statutory reserve | - | - | - | - | - | - | - | - | 279 | (279) | - | - | - |
| At 30 June 2021 (unaudited) | <u>55,130</u> | <u>1,247,453</u> | <u>481</u> | <u>1,093</u> | <u>10,754</u> | <u>77,258</u> | <u>-</u> | <u>(6,223)</u> | <u>25,516</u> | <u>(285,410)</u> | <u>1,126,052</u> | <u>197,155</u> | <u>1,323,207</u> |

Note: During the six months ended 30 June 2021, 17,610,000 (year ended 31 December 2020: nil) shares were purchased from the open market at the aggregate consideration of HK\$6,223,000 pursuant to the share award scheme adopted by the Company on 15 January 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is 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.

The principal activity of the Company during the period was investment holding. Its subsidiaries are principally engaged in investment holding, property investment and development, building management and water supply and related services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values. The unaudited condensed consolidated financial statements are presented in thousands of units of Hong Kong dollar (HK\$'000), unless otherwise stated.

The interim financial report is unaudited, but has been reviewed by the Group’s audit committee. It has also been reviewed by PKF Hong Kong Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the amendments to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) described below:–

- (1) In the current interim period, the Group has adopted the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements:

| | |
|--|--|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

The adoption of the above amendments to HKFRSs did not have any significant financial impacts on these unaudited condensed consolidated financial statements.

- (2) The Group had not applied any new or amendments to HKFRSs that have been issued but were not yet effective for the accounting period of the unaudited condensed consolidated financial statements. The directors anticipate that the application of these new or amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue for the period represents revenue recognised from rental and building management service income and water supply and related services income. Disaggregation of revenue from contracts with customers and other sources by service lines is as follows: –

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Revenue from contracts with customers | | |
| Water supply and related services income | 153,013 | 123,521 |
| Construction services of infrastructure under concession arrangement (<i>note</i>) | – | (1,135) |
| Revenue from other sources | | |
| Rental and building management service income | 20,236 | 18,829 |
| | <u>173,249</u> | <u>141,215</u> |

Note: The amount represents revenue recognised during the construction stage of the service concession period. During the six months ended 30 June 2021, there were no changes of estimation (six months ended 30 June 2020: changes of estimation of HK\$4,703,000) when the Group finalised the construction costs with sub-contractors.

Disaggregation of revenue from contracts with customers and other sources by the timing of revenue recognition and by geographic markets is disclosed in note 6.

4. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Interest income on bank deposits | 845 | 2,051 |
| Gain on disposal of a subsidiary (<i>Note 20</i>) | – | 4,584 |
| Sundry income | 246 | 1,319 |
| | <u>1,091</u> | <u>7,954</u> |

5. LOSS BEFORE INCOME TAX

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

| | Six months ended 30 June | |
|---|--------------------------|-------------------------|
| | 2021 | 2020 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Cost of inventories sold | 4,547 | 2,001 |
| Staff costs (including directors' remuneration) | | |
| – Salaries and other benefits | 22,229 | 20,131 |
| – Pension scheme contributions | 3,591 | 868 |
| – Share-based payments | – | 3 |
| | 25,820 | 21,002 |
| Depreciation of property, plant and equipment | 20,972 | 21,379 |
| Depreciation of right-of-use assets | 1,458 | 1,233 |
| Amortisation of intangible assets and prepaid land lease premium | 25,501 | 23,328 |
| Net exchange loss | 43 | 3,380 |
| Short-term lease expenses | 4,815 | 306 |
| Low value lease expenses | 8 | – |
| Reversal of impairment on debtors | – | (870) |
| Interest on bank loans | 22,795 | 18,406 |
| Less: interest capitalised included in property, plant and equipment and other intangible assets | (1,083) | (2,643) |
| | 21,712 | 15,763 |
| Interest on loan from a third party | 2,983 | – |
| Interest on lease liabilities | 125 | 50 |
| Rental income less outgoings | (13,370) | (15,166) |
| | <u> </u> | <u> </u> |

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 is engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province.

(b) Properties investment and development

This segment is 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 People's Republic of China ("PRC") and overseas.

"Others" refer 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 attributable to each reportable segment on the following basis :-

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “adjusted EBIT”, i.e. “adjusted earnings before interest and taxes”, where “interest” is regarded as including investment income. To arrive at adjusted EBIT, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

(a) Segments results

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

| | Six months ended 30 June | | | | | | | |
|--|-----------------------------------|---------------------------------|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Reportable Segments | | | | Consolidated | | | |
| | Water supply and related services | | Properties investment and development | | Others | | | |
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Disaggregated by timing of revenue recognition | | | | | | | | |
| Point in time | 5,806 | 6,937 | - | - | - | - | 5,806 | 6,937 |
| Over time | 147,207 | 115,449 | 20,236 | 18,829 | - | - | 167,443 | 134,278 |
| Reportable segment revenue | <u>153,013</u> | <u>122,386</u> | <u>20,236</u> | <u>18,829</u> | <u>-</u> | <u>-</u> | <u>173,249</u> | <u>141,215</u> |
| Reportable segment (loss)/profit | (7,940) | (11,341) | 11,102 | 13,650 | (11,990) | (9,118) | (8,828) | (6,809) |
| Interest income | | | | | | | 845 | 2,051 |
| Finance costs | | | | | | | (24,956) | (15,921) |
| Share of loss of a joint venture | | | | | | | (81) | (53) |
| Loss before income tax | | | | | | | (33,020) | (20,732) |
| Income tax (expense)/credit | | | | | | | (9,373) | 4,630 |
| Loss for the period | | | | | | | <u>(42,393)</u> | <u>(16,102)</u> |
| Attributable to: | | | | | | | | |
| - Shareholders of the Company | | | | | | | (25,142) | (9,157) |
| - Non-controlling interests | | | | | | | (17,251) | (6,945) |
| | | | | | | | <u>(42,393)</u> | <u>(16,102)</u> |

(b) Geographical information

| | Six months ended 30 June | | | | | |
|----------------------------|--|--|--|--|--|--|
| | PRC | | Hong Kong/overseas | | Consolidated | |
| | 2021 (Unaudited) <i>HK\$'000</i> | 2020 (Unaudited) <i>HK\$'000</i> | 2021 (Unaudited) <i>HK\$'000</i> | 2020 (Unaudited) <i>HK\$'000</i> | 2021 (Unaudited) <i>HK\$'000</i> | 2020 (Unaudited) <i>HK\$'000</i> |
| Reportable segment revenue | <u>173,249</u> | <u>141,215</u> | <u>–</u> | <u>–</u> | <u>173,249</u> | <u>141,215</u> |

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

7. INCOME TAX EXPENSE/(CREDIT)

No provision for Hong Kong profits tax and Australia corporate income tax have been provided as the Company's subsidiaries operating in Hong Kong and Australia have no estimated assessable profits for the six months ended 30 June 2021 and 2020.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (six months ended 30 June 2020: 25%).

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

| | Six months ended 30 June | |
|---|--|--|
| | 2021 (Unaudited) <i>HK\$'000</i> | 2020 (Unaudited) <i>HK\$'000</i> |
| Current tax: | | |
| PRC Enterprise Income Tax | | |
| Current period | 8,001 | 5,420 |
| Over-provision in respect of prior period | <u>–</u> | <u>(80)</u> |
| | 8,001 | 5,340 |
| Deferred tax: | | |
| Current period | <u>1,372</u> | <u>(9,970)</u> |
| | <u>9,373</u> | <u>(4,630)</u> |

11. INVESTMENT PROPERTIES

| | <i>HK\$'000</i> |
|---|-----------------|
| At 1 January 2020 (Audited) | 691,076 |
| Net increase in fair value recognised in the consolidated statement of profit or loss | 48 |
| Disposal of a subsidiary (<i>Note 20</i>) | (392) |
| Disposal during the year | (44,871) |
| Exchange adjustments | 40,242 |
| | <hr/> |
| At 31 December 2020 and 1 January 2021 (Audited) | 686,103 |
| Exchange adjustments | 9,039 |
| | <hr/> |
| At 30 June 2021 (Unaudited) | 695,142 |
| | <hr/> <hr/> |

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

12. DEBTORS

| | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|--|--|--|
| Trade debtors | 55,971 | 50,471 |
| Less: credit loss allowances – <i>note (iii)</i> | (2,709) | (2,684) |
| | <hr/> | <hr/> |
| | 53,262 | 47,787 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes: –

- (i) The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically.
- (ii) An aging analysis of debtors, based on invoice date and net of credit loss allowance on debtors, is set out below: –

| | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|-------------|--|--|
| 0-6 months | 53,175 | 47,699 |
| 6-12 months | 65 | 65 |
| 1-2 years | 22 | 23 |
| | <hr/> | <hr/> |
| | 53,262 | 47,787 |
| | <hr/> <hr/> | <hr/> <hr/> |

(iii) The movement in the credit loss allowances on debtors during the period/year is as follows: –

| | 2021 (Unaudited) HK\$'000 | 2020 (Audited) HK\$'000 |
|----------------------------|--|-------------------------------|
| At 1 January | 2,684 | 2,269 |
| Impairment loss recognised | – | 308 |
| Exchange adjustments | <u>25</u> | <u>107</u> |
| At 30 June/31 December | <u>2,709</u> | <u>2,684</u> |

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|---|---|--|
| Utilities and deposits | 1,077 | 1,138 |
| Prepayments | 1,306 | 1,147 |
| Interest receivable | 20 | 8 |
| Other receivables | <u>8,427</u> | <u>7,524</u> |
| | 10,830 | 9,817 |
| Less: credit loss allowances on other receivables – <i>note</i> | <u>(106)</u> | <u>(105)</u> |
| | <u>10,724</u> | <u>9,712</u> |

Note:

The movement in the loss allowances on other receivables during the period/year is as follows: –

| | 2021 (Unaudited) HK\$'000 | 2020 (Audited) HK\$'000 |
|----------------------------|--|-------------------------------|
| At 1 January | 105 | 55 |
| Impairment loss recognised | – | 47 |
| Exchange adjustments | <u>1</u> | <u>3</u> |
| At 30 June/31 December | <u>106</u> | <u>105</u> |

14. TRADE PAYABLES

An aging analysis of trade payables based on invoice date is set out below: –

| | At 30 June 2021 (Unaudited) <i>HK\$'000</i> | At 31 December 2020 (Audited) <i>HK\$'000</i> |
|---------------|---|---|
| 0-12 months | 63,590 | 108,721 |
| Over one year | <u>66,710</u> | <u>13,141</u> |
| | <u>130,300</u> | <u>121,862</u> |

15. PAYABLE TO MERCHANTS

An aging analysis of payable to merchants based on invoice date is set out below: –

| | At 30 June 2021 (Unaudited) <i>HK\$'000</i> | At 31 December 2020 (Audited) <i>HK\$'000</i> |
|---------------|---|---|
| Over one year | <u>3,011</u> | <u>3,011</u> |

16. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

| | At 30 June 2021 (Unaudited) <i>HK\$'000</i> | At 31 December 2020 (Audited) <i>HK\$'000</i> |
|--------------------------|---|---|
| Deposits received | 6,687 | 7,703 |
| Accruals | 10,136 | 16,223 |
| Sundry creditors | 42,348 | 53,153 |
| Construction fee payable | 35,684 | 31,672 |
| Other tax payables | <u>6,161</u> | <u>4,523</u> |
| | <u>101,016</u> | <u>113,274</u> |

17. AMOUNT DUE TO A RELATED COMPANY

The amount is interest-free, unsecured and repayable within one year.

18. BANK AND OTHER BORROWINGS

| | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|---|--|--|
| Bank loans, secured – <i>note (a)</i> | 947,254 | 684,692 |
| Government loans, unsecured | – | 350 |
| Loan from a third party – <i>note (b)</i> | – | 557,779 |
| | <u>947,254</u> | <u>1,242,821</u> |

| | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|---|--|--|
| Due for payment: | | |
| – Within one year | 55,304 | 40,362 |
| – Within a period of more than one but not exceeding five years | 628,805 | 473,668 |
| – Over five years | 263,145 | 728,791 |
| | <u>947,254</u> | <u>1,242,821</u> |

Note: –

(a) The Group had the following banking facilities: –

| | At 30 June 2021 (Unaudited) HK\$'000 | At 31 December 2020 (Audited) HK\$'000 |
|--|--|--|
| Total banking facilities granted | 1,262,520 | 949,411 |
| Less: banking facilities utilised by the Group | <u>(947,254)</u> | <u>(684,692)</u> |
| Unutilised banking facilities | <u>315,266</u> | <u>264,719</u> |

Note: – (continued)

(a) As at 30 June 2021, these banking facilities were secured by:–

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB2,177,000 (equivalent to approximately HK\$2,618,000);
- ii. charges over the investment properties with carrying amounts of RMB536,300,000 (equivalent to approximately HK\$644,847,000);
- iii. pledge of trade receivables with a carrying amount of RMB44,194,000 (equivalent to approximately HK\$53,139,000);
- 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. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- vii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- viii. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian (“**Ms. Zhu**”) and her spouse; and
- ix. guarantee by the non-controlling shareholders of subsidiaries.

As at 31 December 2020, these banking facilities were secured by:–

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB2,375,000 (equivalent to approximately HK\$2,671,000);
- ii. pledge of trade receivables with a carrying amount of RMB34,449,000 (equivalent to approximately HK\$40,883,000);
- 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 subsidiaries of the Group;
- vi. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and
- vii. guarantee by the non-controlling shareholders of subsidiaries.

(b) During the current interim period, the Group repaid fully the loan from a third party amounted to HK\$557,779,000.

19. SHARE CAPITAL

| | <i>Number of shares</i> | <i>HK\$'000</i> |
|--|-------------------------|-----------------|
| Share capital | | |
| Ordinary share of HK\$0.01 each | | |
| Authorised:– | | |
| At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 | <u>20,000,000,000</u> | <u>200,000</u> |
| Issued and fully paid:– | | |
| At 1 January 2020 | 5,512,758,758 | 55,128 |
| Shares issued under share option scheme – <i>note</i> | <u>241,242</u> | <u>2</u> |
| At 31 December 2020, 1 January 2021 and 30 June 2021 | <u>5,513,000,000</u> | <u>55,130</u> |

Notes:–

On 29 April 2020, 241,242 share options were exercised by the eligible option holders, resulting in the issue of 241,242 shares of HK\$0.01 each of the Company at a total consideration of approximately HK\$38,000.

20. DISPOSAL OF A SUBSIDIARY

On 8 May 2020, Qinghui Properties Limited (“**Qinghui**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Qingyuan Yuncheng Properties Company Limited (“**Yuncheng**”), an independent third party, pursuant to which Qinghui agreed to sell (the “**Disposal**”) and Yuncheng agreed to purchase 100% equity interests in Qingyuan Kaipeng Properties Company Limited (“**Kaipeng**”) at a total consideration of RMB5,300,000 (equivalent to approximately HK\$5,942,000).

After the completion of the Disposal on 13 May 2020, Kaipeng has ceased to be a subsidiary of the Group.

| | <i>HK\$'000</i> |
|--|-----------------|
| Net assets disposed of:- | |
| Property, plant and equipment | 1,669 |
| Prepaid land lease premium (<i>Note 10</i>) | 2,366 |
| Investment properties (<i>Note 11</i>) | 392 |
| Deposits, prepayments and other receivables | 6 |
| Cash and bank balances | 118 |
| Deposits received, sundry creditors and accruals | (1,142) |
| Deferred tax liabilities | (771) |
| | <hr/> |
| Net assets disposed of | 2,638 |
| Release of exchange reserve | 65 |
| Non-controlling interest | (1,345) |
| Gain on disposal of a subsidiary (<i>Note 4</i>) | 4,584 |
| | <hr/> |
| | 5,942 |
| | <hr/> <hr/> |
| Satisfied by: | |
| Cash consideration | 5,942 |
| | <hr/> <hr/> |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Kaipeng during the six months ended 30 June 2020 was as follows:-

| | |
|---|-------------|
| Cash consideration | 5,942 |
| Cash and cash equivalents disposed of | (118) |
| | <hr/> |
| Net inflow of cash and cash equivalents in respect of the disposal of Kaipeng | 5,824 |
| | <hr/> <hr/> |

21. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for is as follows: –

| | At 30 June 2021 (Unaudited) <i>HK\$'000</i> | At 31 December 2020 (Audited) <i>HK\$'000</i> |
|-------------------------------|---|---|
| Property, plant and equipment | <u>5,034</u> | <u>4,572</u> |

22. RELATED PARTY TRANSACTIONS

(a) Transaction with related party of the Group

Apart from the balance as disclosed in note 17, the Group had other transactions with its related party during the period as follows:–

| Particulars | Relationship | Six months ended 30 June | |
|---------------|--------------------|--|--|
| | | 2021 (Unaudited) <i>HK\$'000</i> | 2020 (Unaudited) <i>HK\$'000</i> |
| Rental income | Common shareholder | <u>295</u> | <u>249</u> |

(b) Key management compensation

| | Six months ended 30 June | |
|---|--|--|
| | 2021 (Unaudited) <i>HK\$'000</i> | 2020 (Unaudited) <i>HK\$'000</i> |
| Fees for key management personnel | 810 | 1,058 |
| Salaries, allowances and other benefits in kind | 2,409 | 2,600 |
| Pension scheme contributions | <u>33</u> | <u>9</u> |
| | <u>3,252</u> | <u>3,667</u> |

23. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 June 2021, the Group was principally engaged in the business of water supply and related services as well as property investment and development. Revenue from the principal business amounted to approximately HK\$173,249,000, representing an increase of 23% or HK\$32,034,000 as compared with the revenue of approximately HK\$141,215,000 for the corresponding period last year. Water supply and related business (including water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) recorded a revenue of approximately HK\$153,013,000, representing an increase of 25% or approximately HK\$30,627,000 as compared with the revenue of approximately HK\$122,386,000 for the corresponding period last year, which was primarily attributable to the increased demand in tap water supply due to urban development and progressive improvement of supporting facilities.

The property investment and development business of the Group mainly comprise the rental operation of the Group's commercial properties in Guangzhou. For the six months ended 30 June 2021, the property development and investment segment of the Group recorded revenue of approximately HK\$20,236,000, representing an increase of 7% or approximately HK\$1,407,000 as compared with the revenue of approximately HK\$18,829,000 for the corresponding period last year. The increase in rental income was primarily due to the easing of COVID-19, which resulted in the rebound of rental income from commercial properties in China.

For the six months ended 30 June 2021, the net loss attributable to shareholders of the Company of approximately HK\$25,142,000 was incurred, representing an increase of HK\$15,985,000 as compared with the net loss attributable to the shareholders of the Company of approximately HK\$9,157,000 for the corresponding period last year. The increase in the Group's loss during the period was mainly due to (i) the increase in finance costs of the Group's businesses of water supply services and properties investment and development; and (ii) the recognition of deferred tax credit for provision of cost of sales of the Group's water supply and related business for the six months ended 30 June 2020 while no similar deferred tax credit was recognised by the Group for the six months ended 30 June 2021.

The Group is committed to increasing market competitiveness and maintaining good corporate governance standards and procedures at the same time, and implementing effective management systems and resource allocation with an aim to enhancing its competitiveness and maximising the value of its investment for shareholders, thereby achieving sustainable development of the Group. The Group places emphasis on talent development and deeply believes that the expertise and experience of its employees are important elements of the Group's long-term sustainable development. The Group is committed to providing training and career paths for its employees to develop their potential, skills and cultivate their sense of belonging, as well as providing incentive schemes to motivate and retain talents. As disclosed in the Company's announcement dated 15 January 2021, the Company has adopted a Share Award Scheme ("**Share Award Scheme**") as an incentive to retain and attract suitable personnel for the continuing operation, growth and development of the Group.

For the six months ended 30 June 2021, the Group purchased 17,610,000 (2020: nil) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK\$6,223,000, but no shares were granted or agreed to be granted to any Eligible Participant under the Share Award Scheme.

The Group focuses on property investment and development in China and overseas, explores opportunities in potential investment and development projects in the property market to increase the recurring income and for capital appreciation purpose. As disclosed in the Company's announcement dated 2 February 2021, a 49%-owned subsidiary of the Group sought to participate in the fund-raising round of a commercial bank in the PRC (the "**Financial Investment**").

In May 2021, the Group entered into an acquisition agreement to acquire the entire equity interest of Hooray Capital Limited and Hooray Securities Limited ("**Target Companies**"), which are corporations licensed by the Securities and Futures Commission (the "**SFC**") to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. The Group considers that the securities brokerage and financial advisory businesses of the Target Companies would be complimentary to the existing financial licenses held by the Group with the view to developing the Group into an integrated financial holding company providing full-range financial services to our customers. As at the date of this announcement, the proposed acquisition has not been completed.

Prospects

The Group has been closely monitoring the development of the COVID-19, and has made unremitting efforts to enhance its competitiveness and strengthen its core business, while exploring new and innovative business opportunities and seeking other potential investment opportunities to diversify the Group's business, create new revenue streams for the Group, and achieve sustainable growth through continuous innovation.

In addition to business development, the Group acknowledges that enterprises shall bear responsibilities and commitments to the environment, society and governance in different aspects. As such, the Group is committed to maintaining good corporate governance standards and procedures, and implement effective management systems and resource allocation with an aim to enhancing its competitiveness and maximising the value of its investment for shareholders. As part of the Group's environmental, social and governance initiatives, the Group provides training and career development paths to its employees to develop their talent, skills and sense of belonging for the Group's sustainable growth.

FINANCIAL OVERVIEW

Revenue and loss attributable to shareholders of the Company for the period

During the six months ended 30 June 2021, the Group recorded a revenue of HK\$173,249,000, representing an increase by 23% or HK\$32,034,000 as compared to the corresponding period last year. The increase in revenue was mainly attributable to the water supply business and rental income from the properties investment and development business. The loss attributable to shareholders of the Company for the six months ended 30 June 2021 was HK\$25,142,000, representing an increase of HK\$15,985,000 as compared to the corresponding period last year. The loss attributable to shareholders of the Company for the period increased, mainly due to (i) the increase in finance costs of the Group's businesses of water supply services and properties investment and development business; and (ii) the recognition of deferred tax credit for provision of cost of sales of the Group's water supply and related business for the six months ended 30 June 2020 while no similar deferred tax credit was recognised by the Group for the six months ended 30 June 2021.

Cost of sales/services rendered

During the six months ended 30 June 2021, the Group recorded a cost of sales/services rendered in the amount of HK\$149,867,000, representing an increase of HK\$25,039,000 as compared to the corresponding period last 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

Other income and gains consist of interest income on bank deposits, gain on disposal of a subsidiary and other miscellaneous income.

During the six months ended 30 June 2021, the Group recorded other income and gains of HK\$1,091,000, representing a decrease of HK\$6,863,000 as compared to the corresponding period last year. The decrease in other income and gains was mainly attributable to the gain on disposal of a subsidiary for the six months ended 30 June 2020 while no such income was recognised for the current period.

General and administrative expenses

During the six months ended 30 June 2021, the Group recorded general and administrative expenses of HK\$32,456,000, representing an increase of 12% as compared to the corresponding period last year. The increase in the general and administrative expenses was mainly due to the appreciation of Renminbi .

Share of loss of a joint venture

During the six months ended 30 June 2021, the Group recorded share of loss of a joint venture of HK\$81,000, representing an increase of HK\$28,000 as compared to the corresponding period last year. It was mainly attributable to the loss from a joint venture for the current period.

Finance costs

During the six months ended 30 June 2021, the Group recorded finance costs of HK\$24,956,000, representing an increase of 57% as compared to the corresponding period last year. It was mainly due to the increase in loan interest of the Group's businesses of water supply services and properties investment and development.

Income tax (expenses)/credit

During the six months ended 30 June 2021, the Group recorded an income tax expense of HK\$9,373,000, representing a decrease of income tax credit of HK\$14,003,000 as compared to the corresponding period last year. It was mainly attributable to the Group's water supply and related business.

Property, plant and equipment

The Group's property, plant and equipment increased by HK\$1,816,000 from HK\$446,589,000 as at 31 December 2020 to HK\$448,405,000 as at 30 June 2021. The increase was mainly due to the foreign exchange gain and addition of property, plant and equipment, partially offset by the depreciation charge during the period.

Prepaid land lease premium.

The Group's prepaid land lease premium as at 30 June 2021 amounted to HK\$25,835,000, which is similar to the figure as at 31 December 2020.

Investment properties

The Group's investment properties increased by HK\$9,039,000, from HK\$686,103,000 as at 31 December 2020 to HK\$695,142,000 as at 30 June 2021. It was mainly attributable to the increase in the Group's Renminbi-denominated investment properties resulting from the appreciation of Renminbi during the current period.

Right-of-use assets

The Group's right-of-use assets decreased by HK\$1,445,000 from HK\$5,605,000 as at 31 December 2020 to HK\$4,160,000 as at 30 June 2021. The decrease was mainly due to the depreciation for the current period.

Interest in a joint venture

The Group's interest in a joint venture increased by HK\$3,342,000 from HK\$259,789,000 as at 31 December 2020 to HK\$263,131,000 as at 30 June 2021. It was mainly attributable to the increase in the Group's Renminbi-denominated interest in a joint venture resulting from the appreciation of Renminbi during the current period.

Intangible assets

The Group's intangible assets decreased by HK\$21,739,000 from HK\$294,892,000 as at 31 December 2020 to HK\$273,153,000 as at 30 June 2021. The decrease was mainly due to the amortisation for the current period.

Inventories

The Group's inventories decreased by HK\$1,695,000 from HK\$16,085,000 as at 31 December 2020 to HK\$14,390,000 as at 30 June 2021. The decrease was mainly due to the decrease in purchase of material for water pipeline construction projects for water supply and related business for the current period.

Debtors

The Group's debtors increased by HK\$5,475,000 or 11% from HK\$47,787,000 as at 31 December 2020 to HK\$53,262,000 as at 30 June 2021. The increase in debtors was attributable to the increase in revenue for water supply and related business and properties investment and development business for the current period.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables consist of utilities and other deposits, prepayments, interest receivable, other tax receivables of water supply business and other receivables from independent third parties. The other receivables are unsecured and interest free.

The Group's deposits, prepayments and other receivables increased by HK\$1,012,000 from HK\$9,712,000 as at 31 December 2020 to HK\$10,724,000 as at 30 June 2021. The increase was mainly due to provision of funds to the trustee for purchasing shares under share award scheme, which was partially offset by the decrease in other receivable of water supply business for the current period.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK\$347,727,000 from HK\$1,142,675,000 as at 31 December 2020 to HK\$794,948,000 as at 30 June 2021. The decrease in cash and bank balances and fixed deposits was mainly due to the repayment of loan advanced by a third party during the current period. As at 30 June 2021, 93% (31 December 2020: 93%) of cash and bank balances was denominated in Renminbi.

Bank and other borrowings

The Group's bank and other borrowings decreased by HK\$295,567,000 from HK\$1,242,821,000 as at 31 December 2020 to HK\$947,254,000 as at 30 June 2021. The decrease was mainly attributable to the repayment of loan advanced by a third party, which was partially offset by the additional loan obtained by properties investment and development business during the current period.

Trade payables

The Group's trade payables increased by HK\$8,438,000 from HK\$121,862,000 as at 31 December 2020 to HK\$130,300,000 as at 30 June 2021. The increase in trade payables was due to the provision of costs of sales pending the resolution of disputes and litigations as more particularly set out in the section headed "Litigation" of this announcement.

Payable to merchants

The Group's payable to merchants as at 30 June 2021 amounted to HK\$3,011,000, which is similar to the figure as at 31 December 2020.

Deposits received, sundry creditors and accruals

Deposits received, sundry creditors and accruals consist of rental and other deposits received, accruals, construction fee payable, other tax payable and amount due to independent third parties of the water supply business. These amounts are unsecured and interest free.

The Group's deposits received, sundry creditors and accruals decreased by HK\$12,258,000 from HK\$113,274,000 as at 31 December 2020 to HK\$101,016,000 as at 30 June 2021. The decrease was mainly attributable to the decrease in accruals of the water supply business for the current period.

Contract liabilities

The Group's contract liabilities decreased by HK\$14,310,000 from HK\$25,981,000 as at 31 December 2020 to HK\$11,671,000 as at 30 June 2021. The decrease was mainly due to the decrease in contract income of the Group's water supply and related business for the current period.

Lease liabilities

The Group's lease liabilities as at 30 June 2021 amounted to HK\$2,624,000, which is similar to the figure as at 31 December 2020.

Amount due to a related company

The Group's amount due to a related company as at 30 June 2021 amounted to HK\$48,000, which is similar to the figure as at 31 December 2020.

Liquidity and financial resources

As at 30 June 2021, the Group had net current assets of HK\$557,512,000. Current assets comprised inventories of HK\$14,390,000, debtors of HK\$53,262,000, deposits, prepayments and other receivables of HK\$10,724,000, fixed deposits of HK\$146,839,000, and cash and bank balances of HK\$648,109,000.

Current liabilities comprised bank and other borrowings of HK\$55,304,000, trade payables of HK\$130,300,000, payable to merchants of HK\$3,011,000, deposits received, sundry creditors and accruals of HK\$101,016,000, contract liabilities of HK\$11,671,000, lease liabilities of HK\$2,624,000, amount due to a related company of HK\$48,000 and tax payable of HK\$11,838,000.

The gearing ratio (defined as the percentage ratio of the total liabilities, excluding deferred tax liabilities, over the total assets, excluding deferred tax assets) of the Group at 30 June 2021 was 47% (31 December 2020: 52%).

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.

EMPLOYEES

At 30 June 2021, the total number of employees of the Group was 409 (31 December 2020: 400). 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 period are greatly appreciated and acknowledged.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

(i) Discloseable transaction in relation to the proposed subscription of the Financial Investment

In February 2021, Qinghui Properties Limited ("**Qinghui**"), a 49%-owned subsidiary of the Group, proposed to participate in the fund-raising round of Guangdong Nanyue Bank Co., Ltd. ("**Nanyue Bank**"), through the proposed subscription of a maximum of 177,000,000 shares of Nanyue Bank (the "**Financial Investment**") for the subscription price of up to RMB380,550,000 (HK\$455,203,000) in cash. As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules are less than 25%, the proposed subscription of the Financial Investment constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. Further details regarding the Financial Investment were disclosed in the Company's announcement dated 2 February 2021.

(ii) Connected transaction in relation to the acquisition of two licensed corporations licensed by the SFC

On 25 May 2021, Universal Technologies Capital Holdings Limited (“**UTCHL**”), a wholly owned subsidiary of the Group, and Ms. Zhu entered into the acquisition agreement (the “**Acquisition Agreement**”), pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of the Target Companies for a total cash consideration of HK\$36,500,000 (the “**Acquisition**”). Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of Hooray Securities Limited and Hooray Capital Limited (the “**Target Companies**”) were legally and beneficially owned by Ms. Zhu. Ms. Zhu, is an executive Director of the Company. Ever City Industrial Development Limited (a controlled corporation of Ms. Zhu) is a substantial shareholder of the Company interested in, directly and indirectly through Eastcorp International Limited, 1,561,140,000 Shares, representing approximately 28.32% of the issued share capital of the Company. Accordingly, Ms. Zhu is a connected person of the Company, and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Acquisition is conducted on normal commercial terms or better and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are all less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the Acquisition is exempt from circular (including independent financial advice) and independent shareholders’ approval requirements but is only subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. The proposed acquisition has not yet completed as at the date of this announcement. Further details regarding the acquisition were disclosed in the Company’s announcement dated 25 May 2021.

CHARGES ON GROUP’S ASSETS

The Group’s bank loans at 30 June 2021 were secured by:–

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB2,177,000 (equivalent to approximately HK\$2,618,000);
- ii. charges over the investment properties with carrying amounts of RMB536,300,000 (equivalent to approximately HK\$644,847,000);
- iii. pledge of trade receivables with a carrying amount of RMB44,194,000 (equivalent to approximately HK\$53,139,000);
- 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. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- vii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;

- viii. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and
- ix. guarantee by the non-controlling shareholders of subsidiaries.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In February 2021, Qinghui, a 49%-owned subsidiary of the Group, proposed to participate in the fund-raising round of Nanyue Bank currently taking place, through the proposed subscription of a maximum of 177,000,000 Nanyue Bank Shares for the subscription price of up to RMB380,550,000 (HK\$455,203,000) in cash. Further details regarding the Financial Investment were disclosed in the Company's announcement dated 2 February 2021.

On 25 May 2021, UTCHL, a wholly owned subsidiary of the Group, and Ms. Zhu entered into the Acquisition Agreement, pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of the Target Companies for a total cash consideration of HK\$36,500,000. Further details regarding the acquisition were disclosed in the Company's announcement dated 25 May 2021.

Save as disclosed above, there was no other future plan for material investments or capital assets during the six months ended 30 June 2021.

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 dollars ("HK\$"). There are no significant assets and liabilities denominated in other currencies. For the six months ended 30 June 2021, 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 30 June 2021, the Group had a total capital commitment in respect of the acquisition of property, plant and equipment in the amount of approximately HK\$5,034,000 (31 December 2020: approximately HK\$4,572,000) being in connection with the capital expenditures of the Group's water supply and related business.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities as at 30 June 2021.

LITIGATION

Save as disclosed below, as at the date of this announcement, neither the Company nor any other member of the Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

Unless the context otherwise requires, capitalized terms in this section have the same meanings as defined in the Announcement.

Reference is made to the Company's announcement dated 3 March 2020 (the "**Announcement**") regarding the Cessation Notice issued by the Bureau on 3 March 2020, the cessation of water intake of Qixinggang Water Plant operated by WSD Company (a subsidiary of the Group) and the commencement of full water intake from the Government-designated Water Plant.

As disclosed in the Announcement, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government-designated Water Plant. In October 2020, WSD Company received a writ of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" in the sum of RMB96.5 million. After seeking advice from their PRC legal advisers, WSD Company is of the view that the dispute is originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore the plaintiff's claim is without legal basis. At this stage, it is difficult to predict the outcome of the litigation. However, the Group has provided the cost of water supply, based on a reasonable estimation, in its consolidated financial statements, pending the resolution of the relevant disputes and litigations. Further announcement(s) will be made by the Company if there is any material development of this matter or the related disputes/litigations which warrant disclosure.

COMPETITION AND CONFLICT OF INTERESTS

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

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

During the current period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Listing Rules up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**CG Code**”). The Company has complied with the applicable Code Provisions of the CG Code save for the deviation mentioned below:

During the period, Mr. Chen Jinyang has been acting as an executive Director, the chairman of the Board as well as the chief executive officer of the Company. This arrangement deviates from the provision of A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Directors are of the opinion that the current arrangement will enable stronger leadership for managing the Company and will carry out effective and efficient management and solid business and strategic planning. The Directors believe that the current arrangement does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendments, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all directors, the directors have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the six months ended 30 June 2021.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) in October 2001. The Board has confirmed that the terms of reference are in compliance with paragraph C.3.3 of the Main Board CG Code. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, internal control and risk management systems.

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

Working closely with the management of the Company, the Audit Committee has reviewed the Company’s interim results, the accounting principles and practices adopted by the Group, discussed with the Board and management the internal controls, risk management and financial reporting matters.

The interim financial report for the six months ended 30 June 2021 is unaudited, but has been reviewed by PKF Hong Kong Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The interim financial report has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.uth.com.hk). The interim report for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules is expected to be dispatched to shareholders and published on the websites of the Stock Exchange and the Company on or before 30 September 2021.

By order of the Board
Universal Technologies Holdings Limited
Chen Jinyang
Chairman and Chief Executive Officer

Hong Kong, 30 August 2021

As at the date of this announcement, the Board of Directors of the Company comprises three executive Directors namely Mr. Chen Jinyang (Chairman and Chief Executive Officer), Ms. Zhu Fenglian and Ms. Zhang Haimei; 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.