



TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026



2022

INTERIM REPORT

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Highlights

- Revenue for the six months ended 30 June 2022 amounted to approximately HK\$169.14 million (six months ended 30 June 2021: approximately HK\$173.25 million), representing a decrease of HK\$4.11 million or 2% as compared to the corresponding period last year. Such decrease was mainly due to slight decreases in the income of the Group's water supply business and property investment and development business.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2022 amounted to approximately HK\$43.50 million (six months ended 30 June 2021: approximately HK\$25.14 million), representing an increase of approximately HK\$18.36 million as compared to the corresponding period last year, mainly due to the loss of the financial service business acquired in November 2021 and an increase in the operating costs, staff costs and administrative expenses, including an exchange loss on Renminbi denominated assets of the Group.
- Basic and diluted loss per share for the six months ended 30 June 2022 amounted to HK0.79 cent and HK0.79 cent, respectively (six months ended 30 June 2021: basic and diluted loss per share amounted to HK0.46 cent and HK0.46 cent, respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 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 2022

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3	169,139	173,249
Cost of sales/services rendered		(157,651)	(149,867)
Gross profit		11,488	23,382
Other income and gains	4	4,693	1,091
General and administrative expenses		(51,679)	(32,456)
Share of loss of a joint venture		(82)	(81)
Loss from operations		(35,580)	(8,064)
Finance costs		(24,918)	(24,956)
Loss before income tax	5	(60,498)	(33,020)
Income tax expense	7	(2,870)	(9,373)
Loss for the period		(63,368)	(42,393)

Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Attributable to:-			
Shareholders of the Company		(43,500)	(25,142)
Non-controlling interests		(19,868)	(17,251)
		(63,368)	(42,393)
Loss per share (in cents)			
– Basic	8	(0.79)	(0.46)
– Diluted	8	(0.79)	(0.46)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss for the period		(63,368)	(42,393)
Other comprehensive (loss)/income: – Item that may be reclassified subsequently to profit or loss: – Exchange differences arising on translation of financial statements of overseas subsidiaries		(36,466)	14,229
Other comprehensive (loss)/income for the period, net of income tax		(36,466)	14,229
Total comprehensive loss for the period		(99,834)	(28,164)
Total comprehensive loss attributable to: – Shareholders of the Company		(75,375)	(13,864)
Non-controlling interests		(24,459)	(14,300)
		(99,834)	(28,164)

Condensed Consolidated Statement of Financial Position

At 30 June 2022

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	9	430,635	450,423
Prepaid land lease premium	10	24,621	25,791
Investment properties	11	678,044	709,387
Right-of-use assets		2,537	4,761
Interest in a joint venture		256,244	268,172
Intangible assets		225,867	260,324
Goodwill		11,328	11,328
Statutory deposits for financial service business		400	400
Deferred tax assets		17,818	12,175
		1,647,494	1,742,761
CURRENT ASSETS			
Inventories		16,058	16,722
Debtors	12	45,729	56,691
Deposits, prepayments and other receivables	13	81,548	16,571
Fixed deposits		106,082	66,638
Pledged time deposit	14(a)	183,932	192,441
Cash and bank balances	14(b)	589,656	799,632
		1,023,005	1,148,695

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2022

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	Note		
DEDUCT:-			
CURRENT LIABILITIES			
Bank and other borrowings	19	197,568	217,849
Trade payables	15	240,088	272,454
Payable to merchants	16	3,015	3,021
Deposits received, sundry creditors and accruals	17	117,075	122,269
Contract liabilities		18,230	20,606
Lease liabilities		2,567	4,505
Amount due to a related company	18	47	49
Tax liabilities		4,617	2,053
		583,207	642,806
NET CURRENT ASSETS		439,798	505,889
TOTAL ASSETS LESS CURRENT LIABILITIES		2,087,292	2,248,650
DEDUCT:-			
NON-CURRENT LIABILITIES			
Bank and other borrowings	19	815,879	874,157
Lease liabilities		86	408
Deferred tax liabilities		55,592	54,929
		871,557	929,494
NET ASSETS		1,215,735	1,319,156

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2022

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	Note		
REPRESENTING: – CAPITAL AND RESERVES			
Share capital	20	55,130	55,130
Reserves		992,302	1,067,711
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		1,047,432	1,122,841
NON-CONTROLLING INTERESTS		168,303	196,315
TOTAL EQUITY		1,215,735	1,319,156

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,784	6,778
NET CASH USED IN INVESTING ACTIVITIES	(19,443)	(16,987)
NET CASH USED IN FINANCING ACTIVITIES	(55,172)	(348,690)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(69,831)	(358,899)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(30,945)	11,172
CASH AND CASH EQUIVALENTS AT 1 JANUARY	793,950	1,142,675
CASH AND CASH EQUIVALENTS AT 30 JUNE	693,174	794,948
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	587,092	648,109
Fixed deposits	106,082	146,839
	693,174	794,948

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to shareholders of the Company											
	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	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	Total equity HK\$'000
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)	55,130	1,247,453	481	1,093	10,754	77,258	(6,223)	25,516	(285,410)	1,126,052	197,155	1,323,207
At 1 January 2022 (audited)	55,130	1,247,453	481	1,093	10,754	88,007	(6,223)	27,235	(301,089)	1,122,841	196,315	1,319,156
Purchases of shares for share award scheme (note)	-	-	-	-	-	-	(34)	-	-	(34)	-	(34)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,553)	(3,553)
Total comprehensive loss for the period	-	-	-	-	-	(31,875)	-	-	(43,500)	(75,375)	(24,459)	(99,834)
Transferred to statutory reserve	-	-	-	-	-	-	-	1,694	(1,694)	-	-	-
At 30 June 2022 (unaudited)	55,130	1,247,453	481	1,093	10,754	56,132	(6,257)	28,929	(346,283)	1,047,432	168,303	1,215,735

Note: During the six months ended 30 June 2022, 270,000 (six months ended 30 June 2021: 17,610,000) shares were purchased from the open market at the aggregate consideration of HK\$34,000 (six months ended 30 June 2021: 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 2022

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, water supply and related services and financial 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. BASIS OF PREPARATION (CONTINUED)

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, 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 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to HKFRSs	Annual improvements to HKFRSs 2018-2020

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 current 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of water supply and related services		
Water supply and related services income	147,481	153,013
Construction services of infrastructure under concession arrangement	135	–
Provision of financial services		
Interest income from securities margin financing	268	–
Service fee income	685	–
Commission and brokerage income	139	–
Advisory income	2,670	–
Revenue from other sources		
Rental and building management service income	17,761	20,236
	169,139	173,249

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	4,269	845
Sundry income	424	246
	4,693	1,091

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	4,346	4,547
Staff costs (including directors' remuneration)		
– Salaries and other benefits	27,518	22,229
– Pension scheme contributions	3,912	3,591
	31,430	25,820
Depreciation of property, plant and equipment	21,655	20,972
Depreciation of right-of-use assets	2,191	1,458
Amortisation of intangible assets and prepaid land lease premium	24,217	25,501
Net exchange loss	11,639	43
Short-term lease expenses	3,610	4,815
Low value lease expenses	7	8
Interest on bank loans	25,618	22,795
Less: interest capitalised included in property, plant and equipment and other intangible assets	(896)	(1,083)
	24,722	21,712
Interest on loan from a third party	–	2,983
Interest on lease liabilities	87	125
Rental income less outgoings	(15,142)	(13,370)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 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) Property 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.

(c) Financial services

This segment is engaged in provision of corporate finance advisory, asset management, securities brokerage services and margin financing.

"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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. SEGMENT REPORTING (CONTINUED)

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									
	Water supply and related services		Property investment and development		Financial services		Others		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Disaggregated by timing of revenue recognition										
Point in time	5,739	5,806	-	-	824	-	-	-	6,563	5,806
Over time	141,877	147,207	17,761	20,236	2,938	-	-	-	162,576	167,443
Reportable segment revenue	147,616	153,013	17,761	20,236	3,762	-	-	-	169,139	173,249
Reportable segment (loss)/ profit	(11,250)	(7,940)	8,348	11,102	(3,243)	-	(33,622)	(11,990)	(39,767)	(8,828)
Interest income									4,269	845
Finance costs									(24,918)	(24,956)
Share of loss of a joint venture									(82)	(81)
Loss before income tax									(60,498)	(33,020)
Income tax expense									(2,870)	(9,373)
Loss for the period									(63,368)	(42,393)
Attributable to:										
– Shareholders of the Company									(43,500)	(25,142)
– Non-controlling interests									(19,868)	(17,251)
									(63,368)	(42,393)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

	Six months ended 30 June					
	PRC		Hong Kong/overseas		Consolidated	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Reportable segment revenue	165,377	173,249	3,762	-	169,139	173,249

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

7. INCOME TAX EXPENSE

No provision 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 2022 and 2021.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (six months ended 30 June 2021: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE (CONTINUED)

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax		
Current period	7,407	8,001
Deferred tax:		
Current period	(4,537)	1,372
	2,870	9,373

8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to shareholders of the Company for the period is based on the following data:

–

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to shareholders of the Company	(43,500)	(25,142)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic/diluted loss per share	5,513,000,000	5,513,000,000

The diluted loss per share is equal to the basic loss per share for the six months ended 30 June 2022 and 2021 as there was no dilutive potential ordinary shares in issue.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group had additions to property, plant and equipment in the amount of HK\$18,907,000 (year ended 31 December 2021: HK\$36,533,000).

10. PREPAID LAND LEASE PREMIUM

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Opening net book value	25,791	25,996
Exchange adjustments	(777)	575
Amortisation of prepaid land lease premium	(393)	(780)
Closing net book value	24,621	25,791

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11. INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2021 (Audited)	686,103
Net increase in fair value recognised in the consolidated statement of profit or loss	761
Exchange adjustments	22,523
At 31 December 2021 (Audited) and 1 January 2022	709,387
Exchange adjustments	(31,343)
At 30 June 2022 (Unaudited)	678,044

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. DEBTORS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade debtors arising from water supply and related services and rental receivables	43,014	53,283
Less: credit loss allowances – note (iii)	(2,685)	(2,771)
	40,329	50,512
Trade receivables arising from the ordinary course of business of dealing in securities		
HKSCC	–	493
Cash clients	122	124
Margin clients, secured	5,322	5,606
	5,444	6,223
Less: credit loss allowances – note (iii)	(44)	(44)
	5,400	6,179
	45,729	56,691

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. DEBTORS (CONTINUED)

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.

The settlement terms of trade debtors attributable to dealing in securities are two days after trade date. Trade debtors from margin clients are repayable on demand and bear variable interest at commercial rates.

- (ii) An aging analysis of debtors arising from water supply and related services and retail receivables, based on invoice date and net of credit loss allowance on debtors, is set out below: –

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
0-6 months	37,821	50,335
6-12 months	1,925	152
1-2 years	583	25
	40,329	50,512

No detailed aging analysis is disclosed for trade debtors arising from dealing in securities as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of securities dealing business. All trade debtors from cash clients are not past due at the end of reporting periods.

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

	2022 (Unaudited) HK\$'000	2021 (Audited) HK\$'000
At 1 January	2,815	2,684
Impairment loss recognised	–	69
Exchange adjustments	(86)	62
At 30 June/31 December	2,729	2,815

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Utilities and deposits	927	1,810
Prepayments	1,140	1,383
Interest receivable	3,560	1,720
Other receivables	76,026	11,768
	81,653	16,681
Less: credit loss allowances on other receivables – note	(105)	(110)
	81,548	16,571

Note:

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

	2022 (Unaudited) HK\$'000	2021 (Audited) HK\$'000
At 1 January	110	105
Impairment loss recognised	–	2
Exchange adjustments	(5)	3
At 30 June/31 December	105	110

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

(a) Pledged time deposits

Pledged bank deposit of HK\$183,932,000 (year ended 31 December 2021: HK\$192,441,000) carries fixed interest rate of 2.7% (year ended 31 December 2021: 2.7%) per annum and is pledged to banks to secure bank loans granted to the Group.

(b) Cash and bank balances

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Cash and bank balances:		
General accounts and cash	587,092	727,312
Client accounts	2,564	72,320
At 30 June/31 December	589,656	799,632

Bank balances maintained in the client accounts represent money deposited by the Group's clients of the financial service business. These clients' monies are maintained in segregated trust accounts with licensed bank. The Group has recognised the corresponding accounts payables to the respective clients and does not have an enforceable right to offset these payables with the deposits placed.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE PAYABLES

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade payables arising from water supply and related services	237,524	199,960
Trade payables arising from the ordinary course of business of dealing in securities		
Cash clients	2,271	71,649
Margin clients, secured	293	845
	240,088	272,454

An aging analysis of trade payables arising from water supply and related services based on invoice date is set out below: –

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
0-12 months	125,632	131,958
Over one year	111,892	68,002
	237,524	199,960

The normal settlement terms of trade payables arising from dealing in securities are two days after trade days. Accounts payable to margin clients are repayable on demand. In the opinion of the directors of the Group, the aging analysis of trade payables arising from dealing in securities is not disclosed as this does not give additional value in view of the nature of securities dealing business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

16. PAYABLE TO MERCHANTS

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Over one year	3,015	3,021

17. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Deposits received	6,030	7,048
Accruals	13,373	21,374
Sundry creditors	51,297	62,702
Construction fee payable	27,264	23,231
Other tax payables	19,111	7,914
	117,075	122,269

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. AMOUNT DUE TO A RELATED COMPANY

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

19. BANK AND OTHER BORROWINGS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Bank loans, secured – note (a)	1,013,447	1,092,006

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Due for payment:		
– Within one year	197,568	217,849
– Within a period of more than one but not exceeding five years	593,715	644,033
– Over five years	222,164	230,124
	1,013,447	1,092,006

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. BANK AND OTHER BORROWINGS (CONTINUED)

Note: –

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Total banking facilities granted	1,417,568	1,483,097
Less: banking facilities utilised by the Group	(1,013,447)	(1,092,006)
Unutilised banking facilities	404,121	391,091

(b) As at 30 June 2022, these banking facilities were secured by:-

- i. charge over a time deposit amounting to RMB157,000,000 (equivalent to approximately HK\$183,932,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,781,000 (equivalent to approximately HK\$2,087,000);
- iii. charges over the investment properties with carrying amounts of RMB537,000,000 (equivalent to approximately HK\$629,096,000);
- iv. pledge of trade receivables with a carrying amount of RMB34,157,000 (equivalent to approximately HK\$40,016,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. BANK AND OTHER BORROWINGS (CONTINUED)

Note: – (continued)

(b) As at 30 June 2022, these banking facilities were secured by:– (continued)

- ix. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian (“**Ms. Zhu**”), an executive Director, and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

As at 31 December 2021, these banking facilities were secured by:–

- i. charge over a time deposit amounting to RMB157,000,000 (equivalent to approximately HK\$192,441,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,979,000 (equivalent to approximately HK\$2,426,000);
- iii. charges over the investment properties with carrying amounts of RMB537,000,000 (equivalent to approximately HK\$658,201,000);
- iv. pledge of trade receivables with a carrying amount of RMB40,901,000 (equivalent to approximately HK\$50,133,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

20. SHARE CAPITAL

	Number of shares	HK\$'000
Share capital		
Ordinary share of HK\$0.01 each		
Authorised:-		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	20,000,000,000	200,000
Issued and fully paid:-		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	5,513,000,000	55,130

21. CAPITAL COMMITMENTS

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Property, plant and equipment	462	6,891

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

22. RELATED PARTY TRANSACTIONS

(a) Transaction with related party of the Group

Apart from the transactions and balance disclosed in notes 18 and 19, the Group had other transactions with its related party during the period as follows:-

Particulars	Relationship	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Rental income	Common shareholder	296	295

(b) Key management compensation

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Fees for key management personnel	810	810
Salaries, allowances and other benefits in kind	2,739	2,409
Pension scheme contributions	35	33
	3,584	3,252

23. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities.

Independent Review Report



大信梁學濂(香港)會計師事務所有限公司

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**TO THE BOARD OF DIRECTORS OF
UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 31, which comprises the condensed consolidated statement of financial position of Universal Technologies Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) as of 30 June 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report (continued)

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong

30 August 2022

Lam Kar Bo

Practising Certificate Number: P05453

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 June 2022, the Group was principally engaged in the business of water supply and related services, property investment and development and financial services. Revenue from the principal business amounted to approximately HK\$169,139,000, representing a decrease of 2% or approximately HK\$4,110,000 as compared with the revenue of approximately HK\$173,249,000 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\$147,616,000, representing a decrease of 4% or HK\$5,397,000 as compared with the revenue of approximately HK\$153,013,000 for the corresponding period last year, which was believed to have been affected by the disruption of factory production caused by the COVID-19 pandemic.

The property investment and development business of the Group mainly comprises the rental operation of the Group's commercial properties in Guangzhou. For the six months ended 30 June 2022, the property investment and development segment of the Group recorded revenue of approximately HK\$17,761,000, representing a decrease of 12% or approximately HK\$2,475,000 as compared with the revenue of approximately HK\$20,236,000 for the corresponding period last year. The decrease in rental income was primarily due to the rental discounts offered to the Group's tenants in an effort to alleviating their operational pressure and actively attracting new potential tenants in response to the decrease in customer traffic as a result of the resurgence of the COVID-19 pandemic in China early this year.

The financial services business of the Group mainly comprises the provision of corporate finance advisory, asset management, margin financing and stockbroking services. For the six months ended 30 June 2022, the financial services segment of the Group recorded revenue of approximately HK\$3,762,000, representing an increase of 100% as compared to HK\$nil in the corresponding period last year, since the Group's acquisition of Hooray Capital Limited and Hooray Securities Limited only completed on 3 November 2021.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Business Review (continued)

For the six months ended 30 June 2022, the net loss attributable to shareholders of the Company amounted to approximately HK\$43,500,000, representing an increase of HK\$18,358,000 as compared with the net loss attributable to the shareholders of the Company of approximately HK\$25,142,000 for the corresponding period last year. The increase in the Group's loss during the period was mainly due to the loss of financial service business acquired in November 2021 and an increase in the operating costs, staff costs and administrative expenses, including an exchange loss on Renminbi ("**RMB**") denominated assets of the Group.

During the period, the Group was committed to enhancing its corporate culture, raising the standards of corporate governance, system efficiency, brand and human resource planning and internal control standards, and setting key performance indicators with the aim of improving its competitiveness and long-term shareholder returns. As part of its environmental, social and governance initiatives, the Group also paid attention to talent training, holding the belief that the expertise and experience of employees is an important element in the long-term sustainability of the Group. The Group is committed to enhancing the capabilities of staff by providing training and equal opportunities, as well as offering share incentive schemes to motivate, retain and attract the appropriate talents, so as to promote the long-term operation, growth and development of the Group.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Prospects

Since the first half of 2022, the global economy has become unstable and volatile as many developed economies have experienced soaring inflation not seen in decades due to the expectations of interest rate hikes in the US, political tensions between Russia and Ukraine and uncertainties surrounding the development of the pandemic worldwide. The Group has been closely monitoring such developments and continued to focus on its water supply business and property investment and development business, which are expected to continue to provide a stable source of income for the Group. The Group will also continue to explore potential investment and development opportunities in other sectors, including property projects with good potential in China and overseas to diversify risks, enhance market competitiveness and strengthen its core business. This will help to diversify the Group's business and create new revenue streams for the Group to achieve sustainable growth.

Impact of the COVID-19 pandemic

The Group's operation centers are mainly located in Guangdong Province, China. Since late January 2020, travel restrictions and other public health measures (the **"Public Health Measures"**), including traveler quarantine requirements, have been implemented in various regions of China to control the COVID-19 pandemic (the **"Pandemic"**). The long-term impact of the Pandemic and the Public Health Measures have had an impact on the overall market sentiment and economic sentiment in China and globally.

The Pandemic has had a negative impact on the Group's business performance. The Group has taken all practicable measures to address the challenges ahead, including implementing cost control measures and identifying opportunities to further develop its business and enhance its growth potential. At the same time, the Group is striving to implement the highest standards of prevention to protect the health and well-being of its employees.

Further changes in economic conditions may have an impact on the Group's financial results until the Pandemic is under control globally, the extent of which cannot be estimated at the date of this report. The Group will continue to monitor the Pandemic and developments in the global economy to proactively address any impact on its financial position and results of operations.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW

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

During the six months ended 30 June 2022, the Group recorded a revenue of HK\$169,139,000, representing a decrease by 2% or HK\$4,110,000 as compared to the corresponding period last year. The decrease in revenue was mainly due to slight decrease in the income of the Group's water supply business and property investment and development business. The loss attributable to shareholders of the Company for the six months ended 30 June 2022 was HK\$43,500,000, representing an increase of HK\$18,358,000 as compared to the corresponding period last year. The loss attributable to shareholders of the Company for the period increased, mainly due to the loss of financial service business acquired in November 2021 and an increase in the operating costs, staff costs and administrative expenses, including an exchange loss on RMB denominated assets of the Group.

Cost of sales/services rendered

During the six months ended 30 June 2022, the Group recorded a cost of sales/services rendered in the amount of HK\$157,651,000, representing an increase of HK\$7,784,000 as compared to the corresponding period last year. The increase of cost of sales/services rendered was mainly attributable to the increase of cost of sales/services of the Group's businesses of water supply services.

Other income and gains

Other income and gains consist of interest income on bank deposits and other miscellaneous income.

During the six months ended 30 June 2022, the Group recorded other income and gains of HK\$4,693,000, representing an increase of HK\$3,602,000 as compared to the corresponding period last year. The increase in other income and gains was mainly attributable to the interest income on bank fixed deposits for the current period.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

General and administrative expenses

During the six months ended 30 June 2022, the Group recorded general and administrative expenses of HK\$51,679,000, representing an increase of 59% as compared to the corresponding period last year. The increase in the general and administrative expenses was mainly attributable to the increase in exchange loss on Renminbi and the expenses of the financial service business which was acquired in the second half of 2021.

Share of loss of a joint venture

During the six months ended 30 June 2022, the Group recorded share of loss of a joint venture of HK\$82,000, which is similar to the figure as last corresponding period.

Finance costs

During the six months ended 30 June 2022, the Group recorded finance costs of HK\$24,918,000, which is similar to the figure as last corresponding period.

Income tax expense

During the six months ended 30 June 2022, the Group recorded an income tax expense of HK\$2,870,000, representing a decrease of income tax expense of HK\$6,503,000 as compared to the corresponding period last year. It was mainly attributable to the tax expense which was partially offset by tax credit of Group's water supply and related business.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK\$19,788,000 from HK\$450,423,000 as at 31 December 2021 to HK\$430,635,000 as at 30 June 2022. The decrease was mainly due to the decrease in the Group's RMB-denominated property, plant and equipment resulting from the depreciation of RMB during the period.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Prepaid land lease premium

The Group's prepaid land lease premium decreased by HK\$1,170,000 from HK\$25,791,000 as at 31 December 2021 to HK\$24,621,000 as at 30 June 2022. The decrease was mainly due to the decrease in the Group's RMB-denominated prepaid land lease premium resulting from the depreciation of RMB during the period.

Investment properties

The Group's investment properties decreased by HK\$31,343,000, from HK\$709,387,000 as at 31 December 2021 to HK\$678,044,000 as at 30 June 2022. It was mainly attributable to the decrease in the Group's Renminbi-denominated investment properties resulting from the depreciation of RMB during the current period.

Right-of-use assets

The Group's right-of-use assets decreased by HK\$2,224,000 from HK\$4,761,000 as at 31 December 2021 to HK\$2,537,000 as at 30 June 2022. The decrease was mainly due to the depreciation charge for the current period.

Interest in a joint venture

The Group's interest in a joint venture decreased by HK\$11,928,000 from HK\$268,172,000 as at 31 December 2021 to HK\$256,244,000 as at 30 June 2022. It was mainly attributable to the decrease in the Group's Renminbi-denominated interest in a joint venture resulting from the depreciation of RMB and share of loss of the joint venture during the current period.

Intangible assets

The Group's intangible assets decreased by HK\$34,457,000 from HK\$260,324,000 as at 31 December 2021 to HK\$225,867,000 as at 30 June 2022. The decrease was mainly due to the decrease in the Group's RMB-denominated intangible assets resulting from the depreciation of RMB and the amortisation for the current period.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Inventories

The Group's inventories as at 30 June 2022 amounted to HK\$16,058,000, which is similar to the figure as at 31 December 2021.

Debtors

The Group's debtors decreased by HK\$10,962,000 or 19% from HK\$56,691,000 as at 31 December 2021 to HK\$45,729,000 as at 30 June 2022. The decrease in debtors was attributable to the decrease in revenue for water supply and related 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.

The Group's deposits, prepayments and other receivables increased by HK\$64,977,000 from HK\$16,571,000 as at 31 December 2021 to HK\$81,548,000 as at 30 June 2022. The increase was mainly due to the increase in other receivables and interest receivable on bank fixed deposits.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK\$170,532,000 from HK\$866,270,000 as at 31 December 2021 to HK\$695,738,000 as at 30 June 2022. The decrease in cash and bank balances and fixed deposits was mainly due to (a) the repayment of bank loan by water supply business and property investment and development business and (b) decrease in cash held on behalf of clients of financial service business during the current period. As at 30 June 2022, 82% (31 December 2021: 76%) of cash and bank balances was denominated in RMB.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Bank and other borrowings

The Group's bank and other borrowings decreased by HK\$78,559,000 from HK\$1,092,006,000 as at 31 December 2021 to HK\$1,013,447,000 as at 30 June 2022. The decrease was mainly attributable to the repayment of bank loan by water supply business and property investment and development business during the current period.

Pledged time deposit

The Group's pledged time deposit decreased by HK\$8,509,000 from HK\$192,441,000 as at 31 December 2021 to HK\$183,932,000 as at 30 June 2022. The pledged time deposit was denominated in RMB and was used to guarantee the Group's bank loans.

Trade payables

The Group's trade payables decreased by HK\$32,366,000 from HK\$272,454,000 as at 31 December 2021 to HK\$240,088,000 as at 30 June 2022. The decrease in trade payables was due to decrease in trade payable of the financial services business, which was partially offset by the increase of the provision of costs of sales.

Payable to merchants

The Group's payable to merchants as at 30 June 2022 amounted to HK\$3,015,000, which is similar to the figure as at 31 December 2021.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

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\$5,194,000 from HK\$122,269,000 as at 31 December 2021 to HK\$117,075,000 as at 30 June 2022. The decrease was mainly attributable to the decrease in accruals and construction fee payable of the water supply and related business.

Contract liabilities

The Group's contract liabilities decreased by HK\$2,376,000 from HK\$20,606,000 as at 31 December 2021 to HK\$18,230,000 as at 30 June 2022. 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 decreased by HK\$2,260,000 from HK\$4,913,000 as at 31 December 2021 to HK\$2,653,000 as at 30 June 2022. The decrease was in line with decrease in right-of-use assets.

Amount due to a related company

The Group's amount due to a related company as at 30 June 2022 amounted to HK\$47,000, which is similar to the figure as at 31 December 2021.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Tax liabilities

The Group's tax liabilities increased by HK\$2,564,000 from HK\$2,053,000 as at 31 December 2021 to HK\$4,617,000 as at 30 June 2022. The increase was mainly attributable to the Group's water supply business.

Liquidity and financial resources

As at 30 June 2022, the Group had net current assets of HK\$439,798,000. Current assets comprised inventories of HK\$16,058,000, debtors of HK\$45,729,000, deposits, prepayments and other receivables of HK\$81,548,000, fixed deposits of HK\$106,082,000, pledged time deposit of HK\$183,932,000 and cash and bank balances of HK\$589,656,000.

Current liabilities comprised bank and other borrowings of HK\$197,568,000, trade payables of HK\$240,088,000, payable to merchants of HK\$3,015,000, deposits received, sundry creditors and accruals of HK\$117,075,000, contract liabilities of HK\$18,230,000, lease liabilities of HK\$2,567,000, amount due to a related company of HK\$47,000 and tax liabilities of HK\$4,617,000.

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 2022 was 53% (31 December 2021: 53%).

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.

Management Discussion and Analysis (continued)

EMPLOYEES

At 30 June 2022, the total number of employees of the Group was 428 (31 December 2021: 427). 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

The Group had no significant investments, acquisitions and disposals during the six months ended 30 June 2022.

Management Discussion and Analysis (continued)

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 30 June 2022 were secured by:-

- i. charge over a time deposit amounting to RMB157,000,000 (equivalent to approximately HK\$183,932,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,781,000 (equivalent to approximately HK\$2,087,000);
- iii. charges over the investment properties with carrying amounts of RMB537,000,000 (equivalent to approximately HK\$629,096,000);
- iv. pledge of trade receivables with a carrying amount of RMB34,157,000 (equivalent to approximately HK\$40,016,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian ("Ms. Zhu"), an executive Director, and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

Management Discussion and Analysis (continued)

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no other future plan for material investments or capital assets during the six months ended 30 June 2022.

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 2022, 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.

Management Discussion and Analysis (continued)

CAPITAL COMMITMENT

As at 30 June 2022, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$462,000 (31 December 2021: approximately HK\$6,891,000) comprising acquisition of property, plant and equipment which 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 2022.

Management Discussion and Analysis (continued)

LITIGATION

Save as disclosed below, as at the date hereof, 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:

Reference is made to the Company's announcement dated 3 March 2020 (the "**Cessation Notice Announcement**") regarding the Cessation Notice issued by the Bureau on 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. Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement.

As disclosed in the Cessation Notice 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 made provision for 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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) are notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Interests in ordinary shares		Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued share capital
	Personal interests	Corporate Interests				
Executive Director						
Ms. Zhu Fenglian (note 1)	-	1,561,140,000	1,561,140,000	-	1,561,140,000	28.32%

Notes:

- Ms. Zhu Fenglian is deemed to be interested in the 1,561,140,000 shares attributable to Ms. Zhu and her controlled corporation, Affluent Vast Holdings Limited ("**Affluent Vast**"), Ever City Industrial Development Limited ("**Ever City**") and Eastcorp International Limited ("**Eastcorp**"). For more details on the deemed interest of Ms. Zhu, Affluent Vast and Ever City, please refer to Note 1 to the section headed "Persons who have an Interest or a Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholding".
- There were no debt securities nor debentures issued by the Group at any time during the period ended 30 June 2022.

Other Information (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Save as disclosed above, so far as the directors are aware, as at 30 June 2022, none of the directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) are notified to the Company and the Stock Exchange pursuant to Model Code.

Other Information (continued)

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any director or chief executive of the Company, as at 30 June 2022, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City (Note 1)	Beneficial owner and interest in controlled corporation	1,561,140,000	28.32%
Ms. Zhu Fenglian (Note 1)	Interest in controlled corporation	1,561,140,000	28.32%
Affluent Vast (Note 1)	Interest in controlled corporation	1,561,140,000	28.32%
Eastcorp (Note 1)	Beneficial owner	600,000,000	10.88%
Wang Yingqi (Note 2)	Beneficial owner and interest in controlled corporation	550,020,000	9.98%
GPE Guangzhou (Note 2)	Interest in controlled corporation	550,000,000	9.98%
GPE HK (Note 2)	Beneficial owner	550,000,000	9.98%

Other Information (continued)

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING (CONTINUED)

LONG POSITIONS IN THE SHARES OF THE COMPANY (continued)

Notes:

1. Ms. Zhu, Affluent Vast and Ever City are deemed to be interested in 1,561,140,000 shares of the Company, representing 28.32% of the total issued share capital of the Company, which comprises (a) 961,140,000 shares directly held by Ever City; and (b) 600,000,000 shares held by Eastcorp. Ever City is wholly and beneficially owned by Affluent Vast. Affluent Vast is wholly and beneficially owned by Ms. Zhu. Therefore, Ever City is deemed to be a controlled corporation of Affluent Vast and Ms. Zhu. Eastcorp is wholly and beneficially owned by Ever City. Therefore, Eastcorp is deemed to be a controlled corporation of Ever City, Affluent Vast and Ms. Zhu.
2. According to the disclosure of interest (“DI”) filings, (a) Global Pay Easy (Hongkong) Technology Limited (“GPE HK”) was interested in 550,000,000 shares of the Company, representing 9.98% of the total issued share capital of the Company; (b) GPE HK was wholly owned by Global Pay Easy Technology Company Limited (“GPE Guangzhou”), GPE Guangzhou was in turn 85% owned by Wang Yingqi (“Ms. Wang”) and Ms. Wang was personally interested in 20,000 shares of the Company.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 30 June 2022, no other persons had notified the Company of any interest or short position in the shares or underlying shares of equity derivatives of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or any direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company.

Save as disclosed under the sections headed “Directors’ and chief executives’ interests or short positions in shares, underlying shares and debentures” and “Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding” above, as at 30 June 2022, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

Other Information (continued)

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING (CONTINUED)

So far as the directors are aware, save as disclosed herein, no persons have long positions in underlying shares of equity derivatives of the Company.

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

SHARE OPTIONS

The GEM share option scheme adopted by the Company on 12 October 2001 (the “**Old Share Option Scheme**”) prior to the Company’s listing in October 2001 was terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. After its termination, no further share option can be granted under the Old Share Option Scheme. As at the date of this report, no option remained outstanding under the Old Share Option Scheme. No option was granted, exercised, cancelled or lapsed under the Old Share Option Scheme during both the current period and last period.

The Board adopted a new share option scheme (the “**New Share Option Scheme**”) at the Company’s extraordinary general meeting held on 12 August 2010. The purpose of the New Share Option Scheme is to enable the Company to grant options to eligible participants including employees, proposed employees, non-executive directors, suppliers and customers of the Group or any invested entities, shareholders of any members of the Group or any invested entities, and any other participants determined by the Directors as having contributed or may contribute by way of joint ventures, business alliances or other business arrangements to the development and growth of the Group (collectively, the “**Eligible Participants**”), an incentive or rewards for their contributions to the Group. A summary of the principal terms of the New Share Option Scheme can be founded on pages 9 to 19 of the Company’s circular dated 19 July 2010.

Other Information (continued)

SHARE OPTIONS (CONTINUED)

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 to 11 August 2020, after which period no further options were offered or granted but the provisions of the scheme were remained in full force and effect in all other respects with regard to options granted during the life of the scheme. Offers for grant of options shall be valid for acceptance within 21 days after the date of offer, when the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme (the "**Scheme Mandate Limit**") was 10% of the shares in issue as at the date of approval of the New Share Option Scheme. The maximum entitlement of each Eligible Participant in any 12-month period must not exceed 1% of the shares in issue, provided that the maximum entitlement for any grantee being a substantial shareholder or an independent non-executive director or their associates shall be capped at 0.1% of the shares in issue (or HK\$5 million in value based on the closing price of the shares underlying the options, whichever is higher). Any grant exceeding these individual limits shall be subject to shareholders' approval, with the relevant grantees and their associates abstaining from voting. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Other Information (continued)

SHARE OPTIONS (CONTINUED)

On 11 August 2020, the New Share Option Scheme lapsed and no option can be granted thereunder any further. At the time of lapse of the New Share Option scheme, no option had remained outstanding.

A summary of the movements of the share options granted under the Share Option Schemes during the period is as follows:–

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share option					Market value per share at date of grant of option	Market value per share on exercise of option
					Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Cancellation during the period	Outstanding at 30 June 2022		
Senior Management and staff of the Group	15 April 2020	Fully vested on 15 April 2020	15 April 2020 to 11 August 2020	HK\$0.16	-	-	-	-	-	HK\$0.155	-

Note:

1. The Company received a consideration of HK\$1.00 from each of the grantees of the Share Option Scheme.

Other Information (continued)

SHARE AWARD SCHEME

The Company has adopted a share award scheme (“**Share Award Scheme**”) as an incentive scheme to recognize the contributions by Eligible Participants and to retain them and attract suitable personnel for the continuing operation, growth and development of the Group. The Share Award Scheme was adopted by the Board on 15 January 2021 and shall lapse on 31 December 2035. Under the Share Award Scheme, Shares may be purchased and subscribed by the Trustee out of cash contributions made by the Company or its subsidiaries, awarded to Grantees as may be selected by the Administration Committee, with any Awarded Shares to be held on trust until they vest in the Grantee upon the satisfaction of any Vesting Dates and/or vesting conditions as may be decided by the Administration Committee in its absolute discretion. Further details of the Share Award Scheme are disclosed in the Company’s announcement dated 15 January 2021.

For the six months ended 30 June 2022, the Group purchased 270,000 (six months ended 30 June 2021: 17,610,000) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK\$34,000 (six months ended 30 June 2021: HK\$6,223,000), but no shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme.

CONNECTED TRANSACTIONS

As disclosed in Note 19 to the consolidated financial statements, as at and throughout the period ending 30 June 2022, the Group had certain banking facilities which were not only secured by land charges, and investment properties, pledge of trade receivables, pledge of equity interest in the Group’s subsidiaries and intra-group corporate guarantees, but also guaranteed by the following connected persons or associates of the Company (the “**Guarantee by CP**”), namely: New Century, Ms. Zhu Fenglian and her spouse, and the non-controlling shareholders of subsidiaries. Since the Guarantee by CP is conducted on normal commercial terms or better to the Company, no consideration is required to be paid by the Company for the Guarantee by CP and the Guarantee by CP is not secured by any assets of the Company or its subsidiaries, the Guarantee by CP is fully exempt under Rule 14A.90 from all disclosure, annual review, circular and shareholders’ approval requirements of the Listing Rules.

Other Information (continued)

CONNECTED TRANSACTIONS (CONTINUED)

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.

Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of the Target Companies were legally and beneficially owned by Ms. Zhu. Ms. Zhu, is an executive Director of the Company. Ever City (a controlled corporation of Ms. Zhu) is a substantial shareholder of the Company interested in, directly and indirectly through Eastcorp, 1,561,140,000 Shares, representing approximately 28.32% of the issued share capital of the Company. As Ms. Zhu is a connected person of the Company, 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 acquisition was completed on 3 November 2021. Further details regarding the acquisition were disclosed in the Company's announcement dated 25 May 2021 and 3 November 2021.

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.

Other Information (continued)

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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 C.2.1 (formerly 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.

Other Information (continued)

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 2022.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 the CG Code. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, internal control and risk management systems.

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

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

Other Information (continued)

AUDIT COMMITTEE (CONTINUED)

The interim financial report for the six months ended 30 June 2022 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 REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.uth.com.hk).

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

Hong Kong, 30 August 2022

As at the date of this report, 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.