



TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026



2019
Interim Report



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Highlights

- Revenue for the six months ended 30 June 2019 amounted to approximately HK\$116.72 million (six months ended 30 June 2018: approximately HK\$120.36 million), representing a decrease of HK\$3.64 million or 3% as compared to the corresponding period last year. Such decrease was mainly attributable to a slight decrease in revenue of the Group's water supply business.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2019 amounted to approximately HK\$6.16 million (six months ended 30 June 2018: approximately HK\$11.13 million), representing a decrease by approximately HK\$4.97 million as compared to the corresponding period last year. The Group's loss attributable to shareholders of the Company for the period decreased, mainly due to the decrease in operating costs and finance costs of the Group's water supply business.
- Basic and diluted loss per share for the six months ended 30 June 2019 amounted to HK0.24 cent and HK0.24 cent respectively (six months ended 30 June 2018: basic and diluted loss per share amounted to HK0.52 cent and HK0.52 cent as restated respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Interim Results

The Board of Directors (the “**Board**”) of Universal Technologies Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 together with comparative figures for the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	116,722	120,359
Cost of sales/services rendered		(92,707)	(78,729)
Gross profit		24,015	41,630
Other income and gains	4	2,381	7,438
General and administrative expenses		(28,338)	(32,408)
(Loss)/profit from operations		(1,942)	16,660
Finance costs		(9,468)	(17,402)
Loss before income tax	5	(11,410)	(742)
Income tax expense	7	(76)	(4,798)
Loss for the period		(11,486)	(5,540)

Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Attributable to:–			
Shareholders of the Company		(6,161)	(11,133)
Non-controlling interests		(5,325)	5,593
Loss for the period		(11,486)	(5,540)
Loss per share (in cents)			Restated
– Basic	8	(0.24)	(0.52)
– Diluted	8	(0.24)	(0.52)

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss for the period		(11,486)	(5,540)
Other comprehensive income/(loss): – Items that may be reclassified subsequently to profit or loss: – Exchange differences arising on translation of financial statements of overseas subsidiaries		295	(612)
Other comprehensive income/(loss) for the period, net of tax		295	(612)
Total comprehensive loss for the period		(11,191)	(6,152)
Total comprehensive loss attributable to: – Shareholders of the Company		(10,302)	(11,578)
Non-controlling interests		(889)	5,426
		(11,191)	(6,152)

Condensed Consolidated Statement of Financial Position

At 30 June 2019

		At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	9	484,829	493,213
Prepaid land lease premium	10	28,183	28,706
Investment properties	11	46,574	46,599
Right-of-use assets		3,725	–
Intangible assets		332,615	353,701
Goodwill		99,037	99,037
Deposit paid for acquisition of property, plant and equipment		13,111	13,224
Deferred tax assets		–	266
		1,008,074	1,034,746
CURRENT ASSETS			
Inventories		25,841	24,467
Debtors	12	18,840	24,195
Deposits, prepayments and other receivables	13	9,001	7,713
Tax recoverable		131	–
Prepaid land lease premium	10	657	557
Fixed deposits		615,029	122,135
Cash and bank balances		503,114	166,533
		1,172,613	345,600

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2019

	Note	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
DEDUCT:-			
CURRENT LIABILITIES			
Bank and other borrowings	18	19,336	6,687
Trade payables	14	12,324	10,606
Payable to merchants	15	3,010	3,011
Deposits received, sundry creditors and accruals	16	73,168	130,072
Contract liabilities		19,313	23,396
Lease liabilities		2,473	-
Amount due to a related company	17	46	46
Tax payable		3,732	5,522
		133,402	179,340
NET CURRENT ASSETS		1,039,211	166,260
TOTAL ASSETS LESS CURRENT LIABILITIES		2,047,285	1,201,006
DEDUCT:-			
NON-CURRENT LIABILITIES			
Bank and other borrowings	18	553,302	445,492
Lease liabilities		1,300	-
Deferred tax liabilities		56,786	60,451
		611,388	505,943
NET ASSETS		1,435,897	695,063

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2019

		At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
	Note		
REPRESENTING: – CAPITAL AND RESERVES			
Share capital	19	55,128	21,205
Reserves		1,183,161	459,443
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		1,238,289	480,648
NON-CONTROLLING INTERESTS		197,608	214,415
TOTAL EQUITY		1,435,897	695,063

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(23,486)	1,780
NET CASH USED IN INVESTING ACTIVITIES	(11,218)	(22,242)
NET CASH GENERATED FROM FINANCING ACTIVITIES	865,455	35,289
NET INCREASE IN CASH AND CASH EQUIVALENTS	830,751	14,827
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(1,276)	(3,837)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	288,668	311,136
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,118,143	322,126
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	503,114	245,487
Fixed deposits	615,029	76,639
	1,118,143	322,126

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2018 (audited)	21,205	513,344	481	1,093	10,754	14,296	3,997	11,814	(70,787)	506,197	215,364	721,561
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(12,176)	(12,176)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(445)	-	-	(11,133)	(11,578)	5,426	(6,152)
Transferred to statutory reserve	-	-	-	-	-	-	-	3,378	(3,378)	-	-	-
At 30 June 2018 (unaudited)	21,205	513,344	481	1,093	10,754	13,851	3,997	15,192	(85,298)	494,619	208,614	703,233
At 1 January 2019 (audited)	21,205	513,344	481	1,093	10,754	15,552	1,599	18,299	(101,679)	480,648	214,415	695,063
Rights issue	18,059	397,300	-	-	-	-	-	-	-	415,359	-	415,359
Placing of new shares	15,864	349,008	-	-	-	-	-	-	-	364,872	-	364,872
Shares issuing expenses	-	(12,288)	-	-	-	-	-	-	-	(12,288)	-	(12,288)
Cancellation of share options	-	-	-	-	-	-	(1,599)	-	1,599	-	-	-
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(15,918)	(15,918)
Total comprehensive loss for the period	-	-	-	-	-	(4,141)	-	-	(6,161)	(10,302)	(889)	(11,191)
Transferred to statutory reserve	-	-	-	-	-	-	-	3,907	(3,907)	-	-	-
At 30 June 2019 (unaudited)	55,128	1,247,364	481	1,093	10,754	11,411	-	22,206	(110,148)	1,238,289	197,608	1,435,897

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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 dollars (HK\$’000), unless otherwise stated.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA applicable to the annual period beginning on 1 January 2019.

- (1) The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 January 2019:-

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs (2015-2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The adoption of the new and revised HKFRSs, except as described below, did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 "Leases" replaces HKAS 17 and three related Interpretations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

- (1) The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 January 2019:–
(continued)

HKFRS 16 “Leases” (continued)

Under HKFRS 16, distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for, amongst others, interest, lease payments and the impact of lease modifications.

As allowed by HKFRS 16, the Group has elected the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases, and has applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application, 1 January 2019. The Group has opted the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. Upon the initial adoption of HKFRS 16, the Group recognised and measured the lease liabilities of HK\$4,966,000 at the present value of remaining lease payments discounted at the Group’s incremental borrowing rate as at 1 January 2019 and the corresponding right-of-use assets at the same amount, adjustment by any prepaid or accrued lease payments. Initial direct costs incurred are not included in measuring right-of-use assets at the date of initial application.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

- (1) The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 January 2019:-
(continued)

HKFRS 16 "Leases" (continued)

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the new accounting model to short-term leases and leases of low-value assets, not to perform a full review of existing leases and apply HKFRS 16 only to new contracts and to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:-

	HK\$'000
Operating lease commitments at 31 December 2018	5,261
Less: Future interest expense	(263)
Less: Short-term leases recognised on a straight-line basis as expense	(35)
Add: Payments in optional extension periods not recognised at 31 December 2018	3
	<hr/>
Lease liabilities as at 1 January 2019	4,966

The Group's weighted average incremental borrowing rates applied to the lease liabilities recognised at 1 January 2019 is 4.98%.

- (2) The Group had not applied the 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 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 2019

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 by service lines is as follows: –

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Water supply and related services income	113,996	132,749
Construction services of infrastructure under concession arrangement (note)	1,510	(13,679)
Revenue from other sources		
Rental and building management service income	1,216	1,289
	116,722	120,359

Note: The amount represents revenue recognised during the construction stage of the service concession period. During the six months ended 30 June 2018, there were changes of estimation of HK\$10,174,000 when the Group finalised the construction costs with sub-contractors.

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

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank deposits	1,696	7,112
Exchange gain	303	–
Government subsidiary	–	37
Sundry income	382	289
	2,381	7,438

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging/(crediting):–		
Cost of inventories sold	1,703	2,141
Staff costs (including directors' remuneration)		
– Salaries and other benefits	19,534	19,128
– Pension scheme contributions	2,784	1,851
	22,318	20,979
Depreciation of property, plant and equipment	21,991	20,287
Depreciation of right-of-use assets	1,241	–
Amortisation of intangible assets and prepaid land lease premium	23,340	16,637
Net exchange (gain)/loss	(303)	4,817
Minimum operating lease rentals	374	1,647
Loss allowances on debtors	225	749
Loss allowances on other receivables	3	–
Interest on bank loans	13,342	20,355
Less: interest capitalised included in property, plant and equipment and other intangible assets	(4,149)	(3,064)
	9,193	17,291
Interest on lease liabilities	111	–
Write down of inventories	–	23
Loss on disposal of property, plant and equipment	–	10
Rental income less outgoings	(835)	(568)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. SEGMENT REPORTING

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following two reportable segments.

(a) Water supply and related services

This segment engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province. The water supply business currently operates three water treatment plants, which source raw water from local river sources.

(b) Properties investment and development

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

"Others" refer to the supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and overseas. These "other" operating units have not been aggregated to form a reportable segment.

The Board 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. SEGMENT REPORTING (CONTINUED)

(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		Properties investment and development		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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	7,653	10,023	-	-	-	-	7,653	10,023
Over time	108,076	109,292	993	1,044	-	-	109,069	110,336
Reportable segment revenue	115,729	119,315	993	1,044	-	-	116,722	120,359
Reportable segment (loss)/profit	12,103	29,087	(1,761)	(1,446)	(13,980)	(18,130)	(3,638)	9,511
Interest income							1,696	7,112
Government subsidy							-	37
Finance costs							(9,468)	(17,402)
Loss before income tax							(11,410)	(742)
Income tax expense							(76)	(4,798)
Loss for the period							(11,486)	(5,540)
Attributable to:								
- Shareholders of the Company							(6,161)	(11,133)
- Non-controlling interests							(5,325)	5,593
							(11,486)	(5,540)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

	Six months ended 30 June					
	PRC		Hong Kong/overseas		Consolidated	
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment revenue	116,722	120,359	-	-	116,722	120,359

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

7. INCOME TAX EXPENSE

No provision has been made for Hong Kong profits tax as the Group did not have assessable profits subject to Hong Kong profits tax for the six months ended 30 June 2019 and 2018.

The Company's subsidiaries operating in the PRC and Australia are subject to the tax rate at 25% and 30% respectively (six months ended 30 June 2018: PRC at 25% and Australia at 30%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Current period	3,516	7,320
Under-provision in respect of prior period	2	58
Deferred tax:		
Current period	(3,442)	(2,580)
	76	4,798

8. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period is based on the following data: –

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to shareholders of the Company	(6,161)	(11,133)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited) (Restated)
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	2,595,061,304	2,124,679,317
Effect of diluted potential ordinary shares as a result of the share options granted	–	–
Weighted average number of shares in issue for the purpose of calculation of diluted loss per share	2,595,061,304	2,124,679,317

The weighted average number of shares for the six months ended 30 June 2018 for the purpose of the calculation of basic loss per share has been adjusted and restated after taking into account of the rights issue on the basis of two rights share for every one existing share held on the record date as more particularly described in the rights issue prospectus of the Company dated 14 May 2019, which was completed on 18 June 2019.

The diluted loss per share is equal to the basic loss per share for the six months ended 30 June 2019 as there was no dilutive potential ordinary shares in issue upon cancellation of share options during the six months ended 30 June 2019.

The computation of diluted loss per share for the six months ended 30 June 2018 did not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in loss per share for the period which is regarded as anti-dilutive.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group had additions to property, plant and equipment in the amount of HK\$9,675,000 (year ended 31 December 2018: HK\$50,914,000).

10. PREPAID LAND LEASE PREMIUM

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Outside Hong Kong, held under medium-term lease	28,840	29,263
Less: Current portion	(657)	(557)
Non-current portion	28,183	28,706
Representing: –		
Opening net book value	29,263	31,226
Transfer from investment properties	–	488
Disposals	–	(534)
Exchange adjustments	(3)	(1,071)
Amortisation of prepaid land lease premium	(420)	(846)
Closing net book value	28,840	29,263

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

11. INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2018 (Audited)	50,775
Increase in fair value recognised in the consolidated statement of profit or loss	231
Transfer to property, plant and equipment and prepaid land lease premium	(2,934)
Additions	1,104
Exchange adjustments	(2,577)
At 31 December 2018 and 1 January 2019 (Audited)	46,599
Exchange adjustments	(25)
At 30 June 2019 (Unaudited)	46,574

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

12. DEBTORS

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Trade debtors	20,727	26,076
Less: loss allowances – note (iii)	(1,887)	(1,881)
	18,840	24,195

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. DEBTORS (CONTINUED)

Notes: –

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
0-6 months	18,253	24,042
7-12 months	527	112
1-2 years	60	41
	18,840	24,195

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

	2019 (Unaudited) HK\$'000	2018 (Audited) HK\$'000
At 1 January	1,881	1,377
Loss allowances recognised	225	555
Bad debts written off during the period	(220)	–
Exchange adjustments	1	(51)
At 30 June/31 December	1,887	1,881

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Utilities and deposits	1,089	1,092
Prepayments	3,540	1,926
Interest receivable	260	5
Other receivables	4,150	4,728
	9,039	7,751
Less: loss allowances on other receivables – note (i)	(38)	(38)
	9,001	7,713

Note:

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

	2019 (Unaudited) HK\$'000	2018 (Audited) HK\$'000
At 1 January	38	45
Loss allowances recognised/(reversed)	3	(4)
Bad debts written off during the period	(4)	–
Exchange adjustments	1	(3)
At 30 June/31 December	38	38

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. TRADE PAYABLES

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
0-12 months	12,324	10,606

15. PAYABLE TO MERCHANTS

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
0 - 12 months	–	–
Over one year	3,010	3,011
	3,010	3,011

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Deposits received	1,004	791
Accruals	5,508	9,720
Sundry creditors	32,481	44,847
Construction fee payable	33,626	74,203
Other tax payables	549	511
	73,168	130,072

17. AMOUNT DUE TO A RELATED COMPANY

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

18. BANK AND OTHER BORROWINGS

	Note	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Bank loans, secured	(a)	571,736	450,294
Government loans, unsecured		902	1,885
		572,638	452,179

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. BANK AND OTHER BORROWINGS (CONTINUED)

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Due for payment:		
– Within one year	19,336	6,687
– Within two to five years	209,680	120,263
– Over five years	343,622	325,229
	572,638	452,179

Note: –

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Total banking facilities granted	910,226	910,720
Less: banking facilities utilised by the Group	(571,736)	(450,294)
Unutilised banking facilities	338,490	460,426

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. BANK AND OTHER BORROWINGS (CONTINUED)

Note: – (continued)

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

As at 30 June 2019, these banking facilities were secured by:–

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB3,967,000 (equivalent to approximately HK\$4,514,000);
- ii. pledge of trade receivables with a carrying amount of RMB16,431,000 (equivalent to approximately HK\$18,695,000);
- 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 Fenglian (“Ms. Zhu”) and her spouse; and
- vii. guarantee by the non-controlling shareholders of subsidiaries.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. BANK AND OTHER BORROWINGS (CONTINUED)

Note: – (continued)

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

As at 31 December 2018, these banking facilities were secured by:-

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,022,000 (equivalent to approximately HK\$4,579,000);
- ii. pledge of trade receivables with a carrying amount of RMB21,090,000 (equivalent to approximately HK\$24,009,000);
- iii. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- iv. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- v. guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

19. SHARE CAPITAL

	Number of shares	HK\$'000
Share capital		
Ordinary share of HK\$0.01 each		
Authorised:-		
At 1 January 2018, 31 December 2018 and 1 January 2019	5,000,000,000	50,000
Increase in authorised share capital – note a	15,000,000,000	150,000
At 30 June 2019	20,000,000,000	200,000
Issued and fully paid:-		
At 1 January 2018, 31 December 2018 and 1 January 2019	2,120,448,858	21,205
Placing of new shares – note b	1,586,400,000	15,864
Rights issue – note c	1,805,909,900	18,059
At 30 June 2019	5,512,758,758	55,128

Notes:-

- a. On 23 April 2019, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$200,000,000 by the creation of an additional 15,000,000,000 shares of HK\$0.01 each.

At 30 June 2019, the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

- b. On 19 June 2019, an aggregate of 1,586,400,000 new shares of HK\$0.01 each of the Company were issued under a specific mandate at a placing price of HK\$0.23 each.
- c. On 19 June 2019, an aggregate of 1,805,909,900 new shares of HK\$0.01 each were allotted and issued on the basis of two (2) rights share for every one (1) ordinary shares of the Company issued and held on the record date at a subscription price of HK\$0.23 per rights share (the "Rights Issue").

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. CAPITAL COMMITMENTS

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Property, plant and equipment	34,366	51,634
Other intangible assets	3,776	53,037
	38,142	104,671

21. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) Apart from the transactions as disclosed in notes 17 and 18 to the unaudited condensed consolidated financial statements, the Group had other material transactions with its related party during the period as follows:–

Particulars	Relationship	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rental income	Common shareholder	289	303
	Related party	–	281
Water testing services income	Related party	–	114
Water supply related installation and maintenance income	Related party	–	1,492

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

21. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees for key management personnel	779	223
Salaries, allowances and other benefits in kind	3,956	4,219
Pension scheme contributions	16	41
	4,751	4,483

22. CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities.

23. Event after reporting period

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

On 15 February 2019, the Company entered into an agreement with Billion Eminence Investment Limited (the "Vendor"), pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase from the Vendor, the entire issued share capital of the Target Company and the corresponding shareholders' loans for the total cash consideration of RMB576,000,000 (equivalent to approximately HK\$673,286,400), details of which were set out in the Company's announcement dated 15 February 2019 and the Company's circular dated 22 March 2019. The acquisition was approved by the independent shareholders of the Company on 23 April 2019 but has not yet completed as at the date of this interim report.

Independent Review Report



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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 condensed consolidated financial statements set out on pages 3 to 33 which comprises the condensed consolidated statement of financial position of Universal Technologies Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) as at 30 June 2019 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion 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 the 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 condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

PKF Hong Kong Limited

Certified Public Accountants

Tsui Kar Lam, Karen

Practising Certificate Number P06426

Hong Kong

30 August 2019

Business Review and Prospects

BUSINESS REVIEW

For the six months ended 30 June 2019, 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\$116,722,000, which is largely in line with the revenue of the corresponding period last year. The water volume sold by the water supply business amounted to 63,717,000 m³, which was also of a similar water volume as the corresponding period last year. Water supply 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\$22,728,000, representing a decrease of 17% as compared to the corresponding period last year.

For the six months ended 30 June 2019, as a result of the decrease in operating costs, administrative expenses and finance costs, a loss attributable to shareholders of the Company of approximately HK\$6,161,000 was incurred, representing a decrease of approximately HK\$4,972,000 as compared to the loss attributable to the shareholders of the Company of approximately HK\$11,133,000 for the corresponding period last year.

During the period under review, the property development and investment segment contributed stable income and positive cash flow to the Group, which recorded revenue of RMB859,000 (equivalent to approximately HK\$993,000), which is similar to the figure in the corresponding period last year.

Business Review and Prospects (continued)

BUSINESS REVIEW (CONTINUED)

The Company continues to explore suitable investment opportunities to achieve its diversification strategy. As disclosed in the Company's announcement dated 15 February 2019, the Company proposed to acquire certain PRC commercial properties (the "**Acquisition**") at a consideration of RMB576,000,000, which was intended to be financed by a two-for-one rights issue of up to 4,240,897,716 shares (the "**Rights Issue**") and a best-effort placing (the "**Placing**") of the shares that has not been taken up during the Rights Issue. As disclosed in the Company's announcement dated 18 June 2019, 1,805,909,900 shares were taken up by qualifying shareholders under the Rights Issue and 1,586,400,000 shares were successfully placed under the Placing, raising net proceeds in the aggregate amount of approximately HK\$767.99 million which was intended to be used as to approximately HK\$673.29 million for the settlement of the consideration for the Acquisition and as to approximately HK\$94.70 million for the fund investment and management business of the Group in Hong Kong and the PRC. The acquisition was approved by the independent shareholders of the Company on 23 April 2019, but has not yet been completed as at the date of this interim report. Up to the date of this interim report, the entire amount of the net proceeds of the Rights Issue and the Placing remained unutilised.

During this period, the Group is dedicated to high corporate governance and internal control standards, setting out key performance indicators to improve management effectiveness and efficiency. In addition, the Group strove to improve its corporate culture, system efficiency, branding and human resources planning with a view to enhancing competitiveness and strengthening core competencies while maintaining a high degree of social responsibility. As part of the Group's environmental, social and governance initiatives, the Group provided training and equal opportunities to staff for the cultivation of talents, skills and sense of belonging within the Group.

Business Review and Prospects (continued)

PROSPECTS

Against the backdrop of the China-U.S trade tension, uncertainties of the global economic outlook have intensified. In the second half of 2019, the Group will keep focusing on its property investment and development, while exploring suitable property projects in China and overseas. The Group will also strive to develop its fund investment and management businesses in Hong Kong and the PRC in order to diversify revenue source and ensure sustainable growth. The Group will also continue to identify suitable investment and diversification opportunities which may arise from time to time.

Financial Overview

REVENUE AND LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY FOR THE PERIOD

During the six months ended 30 June 2019, the Group recorded a revenue of HK\$116,722,000, representing a decrease by 3% or HK\$3,637,000 as compared to the corresponding period last year. The decrease in revenue was mainly attributable to the slight decrease in revenue of the Group's water supply business. Loss attributable to shareholders of the Company for the six months ended 30 June 2019 was HK\$6,161,000, representing a decrease in loss attributable to shareholders of the Company of HK\$4,972,000 as compared to the corresponding period last year. The loss attributable to shareholders of the Company for the period decreased, mainly due to the decrease in operating costs and finance costs of the Group's water supply business.

COST OF SALES/SERVICES RENDERED

During the six months ended 30 June 2019, the Group recorded a cost of sales/services rendered in the amount of HK\$92,707,000, representing an increase of HK\$13,978,000 as compared to the corresponding period last year. The increase of cost of sales/services rendered was mainly attributable to the increase in salary, raw material, manufacturing cost level and amortisation of intangible assets of water supply business for the current period.

Financial Overview (continued)

OTHER INCOME AND GAINS

During the six months ended 30 June 2019, the Group recorded other income and gains of HK\$2,381,000, representing a decrease of 68% as compared to the corresponding period last year. The decrease in other income and gains was mainly attributable to the decrease in bank interest income for the current period.

GENERAL AND ADMINISTRATIVE EXPENSES

During the six months ended 30 June 2019, the Group recorded general and administrative expenses of HK\$28,338,000, representing a decrease of 13% as compared to the corresponding period last year. The decrease in the general and administrative expenses was mainly due to the decrease in exchange loss and other expenses.

FINANCE COSTS

During the six months ended 30 June 2019, the Group recorded finance costs of HK\$9,468,000, representing a decrease of 46% as compared to the corresponding period last year. It was mainly due to the decrease in loan interest of the Group.

INCOME TAX EXPENSE

During the six months ended 30 June 2019, the Group recorded an income tax expense of HK\$76,000, representing a decrease of 98% as compared to the corresponding period last year. It was mainly due to the decrease in profit of water supply business for the current period.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment decreased by HK\$8,384,000 from HK\$493,213,000 as at 31 December 2018 to HK\$484,829,000 as at 30 June 2019. The decrease was due to the depreciation for the current period.

PREPAID LAND LEASE PREMIUM

The Group's prepaid land lease premium decreased by HK\$423,000 from HK\$29,263,000 as at 31 December 2018 to HK\$28,840,000 as at 30 June 2019. The decrease was mainly due to the amortisation for the current period.

Financial Overview (continued)

INVESTMENT PROPERTIES

The Group's investment properties as at 30 June 2019 amounted to HK\$46,574,000, which is similar to the figure as at 31 December 2018.

RIGHT-OF-USE ASSETS

The Group's right-of-use assets increased by HK\$3,725,000 from HK\$nil as at 31 December 2018 to HK\$3,725,000 as at 30 June 2019. The increase was mainly due to the adoption of new HKFRSs which has effected since 1 January 2019.

INTANGIBLE ASSETS

The Group's intangible assets decreased by HK\$21,086,000 from HK\$353,701,000 as at 31 December 2018 to HK\$332,615,000 as at 30 June 2019. The decrease was mainly due to the amortisation for the current period.

INVENTORIES

The Group's inventories increased by HK\$1,374,000 from HK\$24,467,000 as at 31 December 2018 to HK\$25,841,000 as at 30 June 2019. The increase was mainly due to the increase in purchase of material for water pipeline construction projects for water supply and related business for the current fiscal period.

DEBTORS

The Group's debtors decreased by HK\$5,355,000 or 22% from HK\$24,195,000 as at 31 December 2018 to HK\$18,840,000 as at 30 June 2019. The decrease in debtors was attributable to the shorter settlement period by customers of the Group's water supply and related business.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables increased by HK\$1,288,000 from HK\$7,713,000 as at 31 December 2018 to HK\$9,001,000 as at 30 June 2019. The increase was mainly attributable to increase in prepayment and bank interest receivables for the current period.

Financial Overview (continued)

CASH AND BANK BALANCES AND FIXED DEPOSITS

The Group's cash and bank balances and fixed deposits increased by HK\$829,475,000 from HK\$288,668,000 as at 31 December 2018 to HK\$1,118,143,000 as at 30 June 2019. The increase in cash and bank balances and fixed deposits was mainly due to the additional bank loans and the proceeds raised by the Company from the Placing and the Rights Issue in the current period. As at 30 June 2019, 21% (31 December 2018: 91%) of cash and bank balances was denominated in Renminbi.

BANK AND OTHER BORROWINGS

The Group's bank and other borrowings increased by HK\$120,459,000 from HK\$452,179,000 as at 31 December 2018 to HK\$572,638,000 as at 30 June 2019. The increase was mainly attributable to the additional bank loans obtained by the water supply business for the current fiscal period.

TRADE PAYABLES

The Group's trade payables increased by HK\$1,718,000 from HK\$10,606,000 as at 31 December 2018 to HK\$12,324,000 as at 30 June 2019. The increase of trade payables was due to increase in inventories level and the accrual of more raw water source fee for the current fiscal period.

PAYABLE TO MERCHANTS

The Group's payable to merchants as at 30 June 2019 amounted to HK\$3,010,000, which is similar to the figure as at 31 December 2018.

DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

The Group's deposits received, sundry creditors and accruals decreased by HK\$56,904,000 from HK\$130,072,000 as at 31 December 2018 to HK\$73,168,000 as at 30 June 2019. The decrease was mainly attributable to the settlement of construction contractors for the current period.

Financial Overview (continued)

CONTRACT LIABILITIES

The Group's contract liabilities decreased by HK\$4,083,000 from HK\$23,396,000 as at 31 December 2018 to HK\$19,313,000 as at 30 June 2019. 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 increased by HK\$3,773,000 from HK\$nil as at 31 December 2018 to HK\$3,773,000 as at 30 June 2019. The increase was mainly due to the adoption of new HKFRSs which has effected since 1 January 2019.

AMOUNT DUE TO A RELATED COMPANY

The Group's amount due to a related company as at 30 June 2019 amounted to HK\$46,000, which is similar to the figure as at 31 December 2018.

EVENT AFTER REPORTING PERIOD

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

On 15 February 2019, the Company entered into an agreement with Billion Eminence Investment Limited (the "**Vendor**"), pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase from the Vendor, the entire issued share capital of the Target Company and the corresponding shareholders' loans for the total cash consideration of RMB576,000,000 (equivalent to approximately HK\$673,286,400), details of which were set out in the Company's announcement dated 15 February 2019 and the Company's circular dated 22 March 2019. The acquisition was approved by the independent shareholders of the Company on 23 April 2019 but has not yet completed as at the date of this interim report.

Financial Overview (continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had net current assets of HK\$1,039,211,000. Current assets comprised inventories of HK\$25,841,000, debtors of HK\$18,840,000, deposits, prepayments and other receivables of HK\$9,001,000, tax recoverable of HK\$131,000, prepaid land lease premium of HK\$657,000, fixed deposits of HK\$615,029,000, and cash and bank balances of HK\$503,114,000.

Current liabilities comprised bank and other borrowings of HK\$19,336,000, trade payables of HK\$12,324,000, payable to merchants of HK\$3,010,000, deposits received, sundry creditors and accruals of HK\$73,168,000, contract liabilities of HK\$19,313,000, lease liabilities of HK\$2,473,000, amount due to a related company of HK\$46,000 and tax payable of HK\$3,732,000.

The gearing ratio (defined as a percentage of the total liabilities (excluding deferred tax liabilities) over the total assets (excluding deferred tax assets) of the Group at 30 June 2019 was 32% (31 December 2018: 45%).

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

Employees

At 30 June 2019, the total number of employees of the Group was 389 (31 December 2018: 387). The remuneration of the employees (including directors) were determined according to their performance and work experience. In addition to basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance. The Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

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

Significant Investments, Acquisitions and Disposals

On 15 February 2019, the Company (as purchaser), the Vendor and the Target Company entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the sale interests for the total cash consideration of RMB576,000,000 (equivalent to approximately HK\$673,286,400). The purpose of the Acquisition is to acquire certain commercial-use properties in Guangzhou, China. Simultaneously, the Company launched the Rights Issue and the Placing to raise funding to finance the Acquisition. The Rights Issue and the Placing were subsequently approved by the independent shareholders of the Company on 23 April 2019. On completion of the Rights Issue and the Placing which took place on 18 June 2019, 1,805,909,900 Rights Shares were allotted and issued and 1,586,400,000 Untaken Shares were allotted and issued to Placees procured by the Placing Agents under the Placing. The gross proceeds raised by the Company from the Placing and the Rights Issue amount to HK\$780,231,277 in aggregate, which is intended to be utilised partially for the consideration for the Acquisition.

The Acquisition constitutes a major and connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. The Acquisition was approved by the independent shareholders of the Company on 23 April 2019 but has not yet completed as at the date of this interim report.

Save as disclosed above, the Group did not have any other significant investments, acquisitions and disposals for the six months ended 30 June 2019.

Charges on Group's Assets

The Group's bank loans at 30 June 2019 were secured by:

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB3,967,000 (equivalent to approximately HK\$4,514,000);
- ii. pledge of trade receivables with a carrying amount of RMB16,431,000 (equivalent to approximately HK\$18,695,000);
- 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.

Details of Future Plans for Material Investments or Capital Assets

On 15 February 2019, the Company (as purchaser), the Vendor and the Target Company entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the sale interests for the total cash consideration of RMB576,000,000 (equivalent to approximately HK\$673,286,400). Simultaneously, the Company launched the Rights Issue and the Placing to finance the Consideration. The Rights Issue and the Placing were subsequently approved by the independent shareholders of the Company on 23 April 2019. On completion of the Rights Issue and the Placing which took place on 18 June 2019, 1,805,909,900 Rights Shares were allotted and issued and 1,586,400,000 Untaken Shares were allotted and issued to Placees procured by the Placing Agents under the Placing. The gross proceeds raised by the Company from the Placing and the Rights Issue amount to HK\$780,231,277 in aggregate, details of which were set out in the Company's announcement date 17 February 2019, 23 April 2019 and 18 June 2019 and circular dated 22 March 2019.

The Group intends to use the net proceeds of the Rights Issue and the Placing in the aggregate amount of approximately HK\$767.99 million for the following sequence: (i) approximately HK\$673.29 million for settlement of the Consideration; and (ii) the balance of between approximately HK\$94.70 million for the development of fund investment and management businesses of the Group in Hong Kong and the PRC.

Save as disclosed above, there was no other future plan for material investments or capital assets during the six months ended 30 June 2019.

Currency Risk

The Group's core businesses are mainly transacted and settled in Renminbi and the majority of assets and liabilities are denominated in Renminbi ("**RMB**") and Hong Kong dollar ("**HK\$**"). There are no significant assets and liabilities denominated in other currencies. For the six months ended 30 June 2019, 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.

Currency Risk (continued)

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 2019, the Group had a total capital commitment of approximately HK\$38,142,000 (31 December 2018: approximately HK\$104,671,000) in respect of (i) acquisition of property, plant and equipment of approximately HK\$34,366,000 (31 December 2018: approximately HK\$51,634,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK\$3,776,000 (31 December 2018: approximately HK\$53,037,000), both of which being in connection with for the expansion of water treatment capacity and pipeline network, as well as the maintenance capital expenditures in the normal course of business of Qingyuan Water Supply Development Company Limited and Qingyuan Qingxin District Taihe Water Company Limited.

Contingent Liabilities

The Directors consider that the Group had no contingent liabilities as at 30 June 2019.

Disclosure of Changes in Director's Information of Directors Pursuant To Rule 13.51B of The Listing Rules

Pursuant to Rule 13.51B of the Listing Rules the changes in the information of the Directors subsequent to the date of the 2018 Annual Report are as follows:

1. On 2 June 2019, Mr. Chau Cheuk Wah completed his Chief Executive Officer ("CEO") service contract with the Company and indicated his decision of not renewing his CEO service contract further. Mr. Chau was re-designated from an executive Director to a non-executive Director of the Company with effect from 3 June 2019. Mr. Chau is entitled to monthly director's remuneration of HK\$50,000 and discretionary bonus to be determined by the Board.

Disclosure of Changes in Director's Information of Directors Pursuant To Rule 13.51B of The Listing Rules (continued)

2. Mr. Chen Jinyang was appointed as the CEO of the Company with effect from 3 June 2019.
3. Ms. Zhu Fenglian has resigned as the director of Dongguan Hongshun Shiye Development Company Limited with effect from 21 August 2019.
4. On the recommendation by the Remuneration Committee and taking into consideration the position of Mr. Xuan Zhensheng ("**Mr. Xuan**") as a Non-Executive Director, the Board approved the increase in Mr. Xuan's monthly director's fee from HK\$25,000 to HK\$50,000 with effect from 3 June 2019, with all other benefits remaining unchanged.

Save as disclosed in this interim report, there are no other changes to the Directors' information that is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, 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:

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures (continued)

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 2019.

Save as disclosed above, so far as the directors are aware, as at 30 June 2019, 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.

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 2019, 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:

(A) 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%
Zhang Songming	Beneficial owner	952,620,000	17.28%
Luo Hui (Note 2)	Interest in controlled corporation	550,000,000	9.98%
GPE Guangzhou (Note 2)	Security interest	550,000,000	9.98%
GPE HK (Note 2)	Beneficial owner	550,000,000	9.98%
Xinxin Technology	Beneficial owner	471,000,000	8.54%

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)

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"), which was in turn 90% owned by Luo Hui.

(B) 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 long positions in underlying shares of equity derivatives of the Company.

(C) SHORT POSITIONS IN THE SHARES AND 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 Board adopted a new share option scheme ("**Share Option Scheme**") which is in compliance with the Listing Rules and obtained the approval of the shareholders in accordance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010.

The purpose of the Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme. Upon acceptance of the option, 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.

As at 30 June 2019, there was no outstanding option granted under the Share Option Scheme.

Share Options (continued)

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				Outstanding at 30 June 2019	Market value per share at date of grant of option	Market value per share on exercise of option
					Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Cancellation during the period			
Directors of the Group	25 November 2013	Fully vested on 25 November 2013	25 November 2013 to 11 August 2020	HK\$0.465	40,000,000	-	-	(40,000,000)	-	HK\$0.460	-

Note:

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

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 interim report.

Code on Corporate Governance Practices

The Company has applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Main Board CG Code**"). The Company has complied with all the code provisions.

The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the Main Board CG Code.

Directors' Securities Transactions

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

Having made specific enquiry of all directors, the directors have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the six months ended 30 June 2019.

Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Audit Committee

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

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

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

The interim financial report for the six months ended 30 June 2019 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 report 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 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 August 2019

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; two non-executive Directors namely Mr. Xuan Zhensheng and Mr. Chau Cheuk Wah; and three independent non-executive Directors namely Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George.