



Contents

	Page
Highlights	2
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Cash Flows	9
Condensed Consolidated Statement of Changes in Equity	10
Notes to the Condensed Consolidated Financial Statements	11
Independent Review Report	35
Management Discussion and Analysis	37
Other Information	51



Highlights

- Revenue for the six months ended 30 June 2020 amounted to approximately HK\$141.22 million (six months ended 30 June 2019: approximately HK\$116.72 million), representing an increase of HK\$24.5 million or 21% as compared to the corresponding period last year. Such increase was mainly due to (a) an increase in revenue of the Group's water supply business; and (b) the rental income contributed by Guangzhou properties.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2020 amounted to approximately HK\$9.16 million (six months ended 30 June 2019: approximately HK\$6.16 million), representing an increase by approximately HK\$3 million as compared to the corresponding period last year, mainly due to the increase in cost of sales of the Group's business of water supply services.
- Basic and diluted loss per share for the six months ended 30 June 2020 amounted to HK0.17 cent and HK0.17 cent, respectively (six months ended 30 June 2019: basic and diluted loss per share amounted to HK0.24 cent and HK0.24 cent, respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 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 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	141,215	116,722
Cost of sales/services rendered		(124,828)	(92,707)
Gross profit		16,387	24,015
Other income and gains	4	7,954	2,381
General and administrative expenses		(29,099)	(28,338)
Share of loss of a joint venture		(53)	–
Loss from operations		(4,811)	(1,942)
Finance costs		(15,921)	(9,468)
Loss before income tax	5	(20,732)	(11,410)
Income tax credit/(expense)	7	4,630	(76)
Loss for the period		(16,102)	(11,486)

Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Attributable to:-			
Shareholders of the Company		(9,157)	(6,161)
Non-controlling interests		(6,945)	(5,325)
Loss for the period		(16,102)	(11,486)
Loss per share (in cents)			
– Basic	8	(0.17)	(0.24)
– Diluted	8	(0.17)	(0.24)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the period		(16,102)	(11,486)
Other comprehensive (loss)/income: – Items that may be reclassified subsequently to profit or loss: – Exchange differences arising on translation of financial statements of overseas subsidiaries		(17,140)	295
Other comprehensive (loss)/income for the period, net of tax		(17,140)	295
Total comprehensive loss for the period		(33,242)	(11,191)
Total comprehensive loss attributable to: – Shareholders of the Company		(24,097)	(10,302)
Non-controlling interests		(9,145)	(889)
		(33,242)	(11,191)

Condensed Consolidated Statement of Financial Position

At 30 June 2020

		At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	9	444,133	471,050
Prepaid land lease premium	10	25,000	28,097
Investment properties	11	633,742	691,076
Right-of-use assets		1,266	2,484
Interest in a joint venture		240,032	–
Intangible assets		298,689	327,497
Goodwill		–	–
Deposit paid for acquisition of property, plant and equipment		12,399	12,641
Deferred tax assets		1,654	1,654
		1,656,915	1,534,499
CURRENT ASSETS			
Inventories		33,146	28,280
Debtors	12	26,115	28,335
Deposits, prepayments and other receivables	13	9,798	10,952
Fixed deposits		142,931	248,754
Cash and bank balances		245,695	484,707
		457,685	801,028
Non-current assets held-for-sale		43,741	–
		501,426	801,028

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2020

		At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
	Note		
DEDUCT:-			
CURRENT LIABILITIES			
Bank and other borrowings	18	35,814	36,662
Trade payables	14	64,638	32,886
Payable to merchants	15	3,011	3,011
Deposits received, sundry creditors and accruals	16	81,128	185,997
Contract liabilities		30,284	43,566
Lease liabilities		1,287	2,519
Amount due to a related company	17	44	45
Tax payable		4,609	5,200
		220,815	309,886
NET CURRENT ASSETS		280,611	491,142
TOTAL ASSETS LESS CURRENT LIABILITIES		1,937,526	2,025,641
DEDUCT:-			
NON-CURRENT LIABILITIES			
Bank and other borrowings	18	615,374	645,004
Lease liabilities		12	28
Deferred tax liabilities		41,832	52,876
		657,218	697,908
NET ASSETS		1,280,308	1,327,733

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2020

		At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
	Note		
REPRESENTING: – CAPITAL AND RESERVES			
Share capital	19	55,130	55,128
Reserves		1,050,264	1,074,257
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		1,105,394	1,129,385
NON-CONTROLLING INTERESTS		174,914	198,348
TOTAL EQUITY		1,280,308	1,327,733

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	16,784	(23,486)
NET CASH USED IN INVESTING ACTIVITIES	(305,125)	(11,218)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(50,175)	865,455
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(338,516)	830,751
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(6,319)	(1,276)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	733,461	288,668
CASH AND CASH EQUIVALENTS AT 30 JUNE	388,626	1,118,143
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	245,695	503,114
Fixed deposits	142,931	615,029
	388,626	1,118,143

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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 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
At 1 January 2020 (audited)	55,128	1,247,414	481	1,093	10,754	12,930	-	21,644	(220,059)	1,129,385	198,348	1,327,733
Share-based payments	-	-	-	-	-	-	3	-	-	3	-	3
Shares issued under share option scheme	2	39	-	-	-	-	(3)	-	-	38	-	38
Disposal of a subsidiary	-	-	-	-	-	65	-	-	-	65	(1,345)	(1,280)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(12,944)	(12,944)
Total comprehensive loss for the period	-	-	-	-	-	(14,940)	-	-	(9,157)	(24,097)	(9,145)	(33,242)
Transferred to statutory reserve	-	-	-	-	-	-	-	235	(235)	-	-	-
At 30 June 2020 (unaudited)	55,130	1,247,453	481	1,093	10,754	(1,945)	-	21,879	(229,451)	1,105,394	174,914	1,280,308

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room A & B2, 11/F, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong.

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

2. BASIS OF PREPARATION

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards ("**HKFRSs**") described below:–

- (1) The Group has initially adopted the following revised HKFRSs for the financial period beginning on or after 1 January 2020:–

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concession (early adopted)

The adoption of the revised HKFRSs did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

- (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.
- (3) The Group has initially adopted the following accounting policies for the financial period beginning on 1 January 2020:–

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION (CONTINUED)

(3) (Continued)

Investment in a joint venture (Continued)

The results and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated statement of profit or loss and the consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the joint venture and the consolidated statement of financial position includes the Group's share of the net assets of the joint venture, as reduced by any identified impairment losses. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

Non-current asset held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION (CONTINUED)

(3) (Continued)

Non-current asset held for sale (Continued)

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the non-current asset from being classified as held-for-sale if the delay of the completion of sale is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the non-current assets and disposal group.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the consolidated financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets and investment property. These assets, even if held for sale, would continue to be measured in accordance with the prevailing accounting policies.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers		
Water supply and related services income	123,521	113,996
Construction services of infrastructure under concession arrangement (note)	(1,135)	1,510
Revenue from other sources		
Rental and building management service income	18,829	1,216
	141,215	116,722

Note: The amount represents revenue recognised during the construction stage of the service concession period. During the six months ended 30 June 2020, there were changes of estimation of HK\$4,703,000 (six months ended 30 June 2019: HK\$Nil) when the Group finalised the construction costs with sub-contractors.

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

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank deposits	2,051	1,696
Exchange gain	–	303
Gain on disposal of a subsidiary (Note 20)	4,584	–
Sundry income	1,319	382
	7,954	2,381

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

5. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	2,001	1,703
Staff costs (including directors' remuneration)		
– Salaries and other benefits	20,131	19,534
– Pension scheme contributions	868	2,784
– Share-based payments	3	–
	21,002	22,318
Depreciation of property, plant and equipment	21,379	21,991
Depreciation of right-of-use assets	1,233	1,241
Amortisation of intangible assets and prepaid land lease premium	23,328	23,340
Net exchange loss/(gain)	3,380	(303)
Short-term lease expenses	306	374
(Reversal of impairment)/impairment loss on debtors	(870)	225
Impairment loss on other receivables	–	3
Interest on bank loans	18,406	13,342
Less: interest capitalised included in property, plant and equipment and other intangible assets	(2,643)	(4,149)
	15,763	9,193
Interest on lease liabilities	50	111
Rental income less outgoings	(15,166)	(835)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. SEGMENT REPORTING

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

The Group has presented the following two reportable segments.

(a) Water supply and related services

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

(b) Properties investment and development

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

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

The key management assesses the performance of the segments based on the results attributable to each reportable segment on the following basis :-

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Disaggregated by timing of revenue recognition								
Point in time	6,937	7,653	-	-	-	-	6,937	7,653
Over time	115,449	108,076	18,829	993	-	-	134,278	109,069
Reportable segment revenue	122,386	115,729	18,829	993	-	-	141,215	116,722
Reportable segment (loss)/profit	(11,341)	12,103	13,650	(1,761)	(9,118)	(13,980)	(6,809)	(3,638)
Interest income							2,051	1,696
Finance costs							(15,921)	(9,468)
Share of loss of a joint venture							(53)	-
Loss before income tax							(20,732)	(11,410)
Income tax credit/(expense)							4,630	(76)
Loss for the period							(16,102)	(11,486)
Attributable to:								
– Shareholders of the Company							(9,157)	(6,161)
– Non-controlling interests							(6,945)	(5,325)
							(16,102)	(11,486)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

	Six months ended 30 June					
	PRC		Hong Kong/overseas		Consolidated	
	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	141,215	116,722	-	-	141,215	116,722

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

7. INCOME TAX CREDIT/(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 2020 and 2019.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (six months ended 30 June 2019: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Current period	5,420	3,516
(Over)/under-provision in respect of prior period	(80)	2
	5,340	3,518
Deferred tax:		
Current period	(9,970)	(3,442)
	(4,630)	76

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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to shareholders of the Company	(9,157)	(6,161)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	5,512,842,265	2,595,061,304
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	5,512,842,265	2,595,061,304

The diluted loss per share is equal to the basic loss per share for the six months ended 30 June 2020 and 2019 as there was no dilutive potential ordinary shares in issue.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group had additions to property, plant and equipment in the amount of HK\$4,754,000 (year ended 31 December 2019: HK\$26,174,000).

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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Opening net book value	28,097	29,263
Disposal of a subsidiary (Note 20)	(2,366)	–
Exchange adjustments	(352)	(357)
Amortisation of prepaid land lease premium	(379)	(809)
Closing net book value	25,000	28,097

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

11. INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2019 (Audited)	46,599
Net increase in fair value recognised in the condensed consolidated statement of profit or loss	1,596
Acquisition during the year	635,985
Exchange adjustments	6,896
At 31 December 2019 and 1 January 2020 (Audited)	691,076
Disposal of a subsidiary (Note 20)	(392)
Reclassification to non-current assets held-for-sale	(43,741)
Exchange adjustments	(13,201)
At 30 June 2020 (Unaudited)	633,742

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

On 30 March 2020, Guangzhou Hengxin Yuxuan Industrial Development Limited (“**Hengxin Yuxuan**”), an indirect wholly-owned subsidiary of the Company and Guangzhou Yongyu Hexin Investment Co., Ltd. (the “**Purchaser**”) entered into a disposal agreement, pursuant to which Hengxin Yuxuan agreed to sell, and the Purchaser agreed to acquire, 95 car parking spaces for an aggregate consideration of RMB43.7 million (equivalent to approximately HK\$48.1 million). The completion of the disposal takes place when the consideration is paid by the Purchaser on or before 30 June 2020.

On 30 June 2020, Hengxin Yuxuan and the Purchaser entered into a supplemental agreement to extend the payment due date to 30 September 2020.

Further details of the disposal were disclosed in the Company’s announcements dated 30 March 2020 and 30 June 2020.

The carrying amount of the car parking spaces under the disposal as at 30 June 2020 was reclassified as non-current assets held-for-sale.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. DEBTORS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trade debtors	27,487	30,604
Less: loss allowances – note (iii)	(1,372)	(2,269)
	26,115	28,335

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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
0-6 months	25,666	28,069
7-12 months	254	225
1-2 years	195	41
	26,115	28,335

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. DEBTORS (CONTINUED)

Notes: – (Continued)

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

	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
At 1 January	2,269	1,881
Impairment loss (reversed)/recognised	(870)	414
Exchange adjustments	(27)	(26)
At 30 June/31 December	1,372	2,269

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Utilities and deposits	1,156	1,159
Prepayments	1,193	1,361
Interest receivable	22	4
Other receivables	7,481	8,483
	9,852	11,007
Less: loss allowances on other receivables – note	(54)	(55)
	9,798	10,952

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Note:

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

	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
At 1 January	55	38
Impairment loss recognised	–	18
Exchange adjustments	(1)	(1)
At 30 June/31 December	54	55

14. TRADE PAYABLES

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
0-12 months	64,638	32,886

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

15. PAYABLE TO MERCHANTS

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
0-12 months	–	–
Over one year	3,011	3,011
	3,011	3,011

16. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Deposits received	6,659	7,145
Accruals	4,013	13,290
Sundry creditors	32,267	120,878
Construction fee payable	34,484	43,086
Other tax payables	3,705	1,598
	81,128	185,997

As at 31 December 2019, sundry creditors include the consideration payable of HK\$63,599,000 for acquisition of assets through acquisition of subsidiaries. The amount was fully settled during the six months ended 30 June 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. AMOUNT DUE TO A RELATED COMPANY

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

18. BANK AND OTHER BORROWINGS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Bank loans, secured – note	650,870	680,782
Government loans, unsecured	318	884
	651,188	681,666

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Due for payment:		
– Within one year	35,814	36,662
– Within two to five years	278,784	245,385
– Over five years	336,590	399,619
	651,188	681,666

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

18. BANK AND OTHER BORROWINGS (CONTINUED)

Note: –

The Group had the following banking facilities: –

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Total banking facilities granted	877,020	894,080
Less: banking facilities utilised by the Group	(650,870)	(680,782)
Unutilised banking facilities	226,150	213,298

As at 30 June 2020, these banking facilities were secured by:–

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB3,329,000 (equivalent to approximately HK\$3,650,000);
- ii. pledge of trade receivables with a carrying amount of RMB16,695,000 (equivalent to approximately HK\$18,303,000);
- 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 2020

18. BANK AND OTHER BORROWINGS (CONTINUED)

Note: – (continued)

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

As at 31 December 2019, these banking facilities were secured by:–

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB3,912,000 (equivalent to approximately HK\$4,372,000);
- ii. pledge of trade receivables with a carrying amount of RMB24,228,000 (equivalent to approximately HK\$27,078,000);
- 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 2020

19. SHARE CAPITAL

	Number of shares	HK\$'000
Share capital		
Ordinary share of HK\$0.01 each		
Authorised:–		
At 1 January 2019	5,000,000,000	50,000
Increase in authorised share capital – note a	15,000,000,000	150,000
At 31 December 2019, 1 January 2020 and 30 June 2020	20,000,000,000	200,000
Issued and fully paid:–		
At 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 31 December 2019 and 1 January 2020	5,512,758,758	55,128
Shares issued under share option scheme – note d	241,242	2
At 30 June 2020	5,513,000,000	55,130

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 additional 15,000,000,000 shares of HK\$0.01 each.
- 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 completion of a non-underwritten two-for-one rights issue at the subscription price of HK\$0.23 per rights share (the “**Rights Issue**”).
- d. On 29 April 2020, 241,242 share options were exercised by the eligible option holders, resulting in the issue of 241,242 shares of HK\$0.01 each of the Company at a total consideration of approximately HK\$38,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

20. DISPOSAL OF A SUBSIDIARY

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

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

	HK\$'000
Net assets disposed of:-	
Property, plant and equipment	1,669
Prepaid land lease premium (Note 10)	2,366
Investment properties (Note 11)	392
Deposits, prepayments and other receivables	6
Cash and bank balances	118
Deposits received, sundry creditors and accruals	(1,142)
Deferred tax liabilities	(771)
	<hr/>
Net assets disposed of	2,638
Release of exchange reserve	65
Non-controlling interest	(1,345)
Gain on disposal of a subsidiary (Note 4)	4,584
	<hr/>
	5,942
	<hr/>
Satisfied by:	
Cash consideration	5,942
	<hr/>
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Kaipeng during the period was as follows:-	
Cash consideration	5,942
Cash and cash equivalents disposed of	(118)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of Kaipeng	5,824
	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

21. CAPITAL COMMITMENTS

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Property, plant and equipment	18,110	18,373
Other intangible assets	16	17
	18,126	18,390

22. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Transaction with related party of the Group

Apart from the transactions as disclosed in notes 17 and 18, the Group had other material transactions with its related party during the period as follows:–

Particulars	Relationship	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Rental income	Common shareholder	249	289

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

22. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees for key management personnel	1,058	779
Salaries, allowances and other benefits in kind	2,600	3,956
Pension scheme contributions	9	16
	3,667	4,751

23. CONTINGENT LIABILITIES

As at 30 June 2020, 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

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威菲路18號
萬國寶通中心26樓

**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 34, which comprise the condensed consolidated statement of financial position of Universal Technologies Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) as at 30 June 2020 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. 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 condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong

28 August 2020

Lam Kar Bo

Practising Certificate Number: P05453

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 June 2020, 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\$141,215,000, representing an increase of 21% or HK\$24,493,000 as compared with the revenue of approximately HK\$116,722,000 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\$122,386,000, representing an increase of 6% or HK\$6,657,000 as compared with the revenue of approximately HK\$115,729,000 for the corresponding period last year, which was primarily attributable to the increased demand in tap water supply due to urban development.

For the six months ended 30 June 2020, the property development and investment segment of the Group recorded revenue of HK\$18,829,000, representing an increase of 1,796% or HK\$17,836,000 as compared with the revenue of approximately HK\$993,000 for the corresponding period last year. The increase in rental income was primarily due to the rental income from commercial properties acquired in China in the second half of last year.

For the six months ended 30 June 2020, the loss attributable to shareholders of the Company of approximately HK\$9,157,000 was incurred, representing an increase of HK\$2,996,000 as compared with the loss attributable to the shareholders of the Company of approximately HK\$6,161,000 for the corresponding period last year. The increase in the Group's loss during the period was mainly due to the increase in cost of sales of the Group's business of water supply services.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Business Review (continued)

As disclosed in the Company's announcement dated 15 February 2019, the Company acquired certain PRC commercial properties (the "**Acquisition**") at a consideration of RMB576,000,000, which was financed by a two-for-one rights issue (the "**Rights Issue**") and a best-effort placing (the "**Placing**") of the shares that have not been taken up in 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, of which approximately HK\$637.73 million (equivalent to RMB576 million) has been utilized for the payment of the consideration payable upon completion of the Acquisition last year. Following the utilization of the remaining net proceeds of approximately HK\$130.26 million to fund the capital contribution of the a newly subscribed joint venture during the current period, the net proceeds from the Rights Issue and Placing have been fully utilized.

Further details of the Joint Venture was disclosed in the Company's announcement dated 14 January 2020. In essence, Shenzhen Huanye Universal Technologies Limited, an indirect wholly-owned subsidiary of the Company ("**Listco Subsidiary**") and Dongguan Zhaoyu Real Estate Co., Ltd. (the "**JV Partner**") (an independent third party) entered into the joint venture agreement (the "**JV Agreement**"), pursuant to which the Listco Subsidiary and the JV Partner (the "**JV Parties**") agreed to jointly establish the Joint Venture to participate in land auctions and property development in Guangdong-Hong Kong-Macao Greater Bay Area and first and second-tier cities in the PRC. JV Parties intended to subscribe into a JV Company as the vehicle of the JV Project, which would be owned as to 30% by Listco Subsidiary and 70% by the JV Partner, respectively. In accordance with the terms of JV Agreement, Listco Subsidiary acquired 30% equity of the JV Company at the consideration of RMB3,000,000 (the "**Initial Subscription**"), and the maximum contribution committed by Listco Subsidiary in the JV Company is capped at RMB219,000,000 (the "**Listco Subsidiary's Contribution Limit**"). On 30 June 2020, RMB219,000,000 was already contributed by Listco Subsidiary in the JV Company.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Business Review (continued)

The Board is of the view that the use of the remaining net proceeds in the Listco Subsidiary's Contribution Limit of the joint venture is in the best interests of the Company and is largely in line with the original purposes of the equity fundraising, namely, to expand the property development and investment portfolio of the Group and to join force with co-investors with the view to investing in non-controlling interests in bigger projects in China with synergy with the Group's principal business activities (which include property development and investment).

The Group endeavours to maintain good corporate governance standard and procedures, efficient management systems and resources planning, with an aim to strengthen its competitiveness and maximize shareholder value. As part of the Group's environmental, social and governance initiatives, the Group provides training and career development paths to its employees to develop their talent, skills and sense of belonging for the Group's sustainable growth.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Prospects

In 2020, the continual escalation of the Sino-US trade tension and the outbreak of COVID-19 have resulted in the slowdown in China's GDP growth, disruptions to global supply chain and consumption patterns. These factors, coupled with the significant fluctuation in oil prices and global financial markets, has resulted in uncertainties in the outlook of the global economy.

The Group will continue to focus on property investment and development in China and overseas, explore opportunities in potential projects in the property market and diversify its risks by developing its fund investment and management businesses in Hong Kong and the PRC. The Group will also identify suitable investment and diversification opportunities with the view to increasing its source of income and maintaining sustainable growth.

FINANCIAL OVERVIEW

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

During the six months ended 30 June 2020, the Group recorded a revenue of HK\$141,215,000, representing an increase by 21% or HK\$24,493,000 as compared to the corresponding period last year. The increase in revenue was mainly attributable to the water supply business and rental income from Guangzhou properties. The loss attributable to shareholders of the Company for the six months ended 30 June 2020 was HK\$9,157,000, representing an increase of HK\$2,996,000 as compared to the corresponding period last year. The loss attributable to shareholders of the Company for the period increased, mainly due to the increase in cost of sales of the Group's business of water supply services.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Cost of sales/services rendered

During the six months ended 30 June 2020, the Group recorded a cost of sales/services rendered in the amount of HK\$124,828,000, representing an increase of HK\$32,121,000 as compared to the corresponding period last year. The increase of cost of sales/services rendered was mainly attributable to the Group's water supply and related business.

Other income and gains

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

During the six months ended 30 June 2020, the Group recorded other income and gains of HK\$7,954,000, representing an increase of HK\$5,573,000 as compared to the corresponding period last year. The increase in other income and gains was mainly attributable to the gain on disposal of a subsidiary for the current period.

General and administrative expenses

During the six months ended 30 June 2020, the Group recorded general and administrative expenses of HK\$29,099,000, representing an increase of 3% as compared to the corresponding period last year. The increase in the general and administrative expenses was mainly due to the increase in exchange loss.

Share of loss of a joint venture

During the six months ended 30 June 2020, the Group recorded share of loss of a joint venture of HK\$53,000, representing an increase of HK\$53,000 as compared to the corresponding period last year. It was mainly attributable to the loss from a newly subscribed joint venture for the current period.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Finance costs

During the six months ended 30 June 2020, the Group recorded finance costs of HK\$15,921,000, representing an increase of 68% as compared to the corresponding period last year. It was mainly due to the increase in loan interest of the Group.

Income tax credit/(expense)

During the six months ended 30 June 2020, the Group recorded an income tax credit of HK\$4,630,000, representing a decrease of income tax expense of HK\$4,706,000 as compared to the corresponding period last year. It was mainly attributable to the Group's water supply and related business.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK\$26,917,000 from HK\$471,050,000 as at 31 December 2019 to HK\$444,133,000 as at 30 June 2020. 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\$3,097,000 from HK\$28,097,000 as at 31 December 2019 to HK\$25,000,000 as at 30 June 2020. The decrease was mainly due to the disposal of a subsidiary during the current period.

Investment properties

The Group's investment properties decreased by HK\$57,334,000 from HK\$691,076,000 as at 31 December 2019 to HK\$633,742,000 as at 30 June 2020. It was mainly attributable to the reclassification of certain investment properties to non-current assets held-for-sale during the current period.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Right-of-use assets

The Group's right-of-use assets decreased by HK\$1,218,000 from HK\$2,484,000 as at 31 December 2019 to HK\$1,266,000 as at 30 June 2020. The decrease was mainly due to the depreciation for the current period.

Interest in a joint venture

The Group's interest in a joint venture increased by HK\$240,032,000 from HK\$nil as at 31 December 2019 to HK\$240,032,000 as at 30 June 2020. In the current period, the Group subscribed 30% equity interest in Dongguan Weiqi Properties Investment Limited and made capital contributions of RMB219 million in aggregate. The Group recognised the loss of HK\$53,000 for the investment in the joint venture during the period between the date of subscription and the end of the current period.

Intangible assets

The Group's intangible assets decreased by HK\$28,808,000 from HK\$327,497,000 as at 31 December 2019 to HK\$298,689,000 as at 30 June 2020. The decrease was mainly due to the amortisation for the current period.

Inventories

The Group's inventories increased by HK\$4,866,000 from HK\$28,280,000 as at 31 December 2019 to HK\$33,146,000 as at 30 June 2020. 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\$2,220,000 or 8% from HK\$28,335,000 as at 31 December 2019 to HK\$26,115,000 as at 30 June 2020. The decrease in debtors was attributable to the shorter settlement period by customers of the Group's water supply and related business.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Deposits, prepayments and other receivables

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

The Group's deposits, prepayments and other receivables decreased by HK\$1,154,000 from HK\$10,952,000 as at 31 December 2019 to HK\$9,798,000 as at 30 June 2020. The decrease was mainly due to decrease in prepayment for the current period.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK\$344,835,000 from HK\$733,461,000 as at 31 December 2019 to HK\$388,626,000 as at 30 June 2020. The decrease in cash and bank balances and fixed deposits was mainly due to the repayment of bank loans and the subscription and capital contribution of 30% equity of a joint venture during the current period. As at 30 June 2020, 67% (31 December 2019: 89%) of cash and bank balances was denominated in Renminbi.

Non-current assets held-for-sale

The Group's non-current assets held-for-sale increased by HK\$43,741,000 from HK\$nil as at 31 December 2019 to HK\$43,741,000 as at 30 June 2020. It was mainly attributable to the signing of the disposal agreement in relation to the disposal of car parking spaces as disclosed in the Company's announcements dated 30 March 2020 and 30 June 2020. The disposal has yet to complete up to the end of the reporting period.

Bank and other borrowings

The Group's bank and other borrowings decreased by HK\$30,478,000 from HK\$681,666,000 as at 31 December 2019 to HK\$651,188,000 as at 30 June 2020. The decrease was mainly attributable to the repayment of bank loans by the water supply business for the current period.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Trade payables

The Group's trade payables increased by HK\$31,752,000 from HK\$32,886,000 as at 31 December 2019 to HK\$64,638,000 as at 30 June 2020. The increase of trade payables was due to increase in inventories level and the accrual of costs of raw water for the current period.

Payable to merchants

The Group's payable to merchants as at 30 June 2020 amounted to HK\$3,011,000, which is similar to the figure as at 31 December 2019.

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\$104,869,000 from HK\$185,997,000 as at 31 December 2019 to HK\$81,128,000 as at 30 June 2020. The decrease was mainly attributable to the settlement of consideration payables for the acquisition of Guangzhou properties for the current period.

Contract liabilities

The Group's contract liabilities decreased by HK\$13,282,000 from HK\$43,566,000 as at 31 December 2019 to HK\$30,284,000 as at 30 June 2020. 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\$1,248,000 from HK\$2,547,000 as at 31 December 2019 to HK\$1,299,000 as at 30 June 2020. The decrease was mainly due to the lease payment for the current period.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Amount due to a related company

The Group's amount due to a related company as at 30 June 2020 amounted to HK\$44,000, which is similar to the figure as at 31 December 2019.

Liquidity and financial resources

As at 30 June 2020, the Group had net current assets of HK\$280,611,000. Current assets comprised inventories of HK\$33,146,000, debtors of HK\$26,115,000, deposits, prepayments and other receivables of HK\$9,798,000, fixed deposits of HK\$142,931,000, and cash and bank balances of HK\$245,695,000.

Current liabilities comprised bank and other borrowings of HK\$35,814,000, trade payables of HK\$64,638,000, payable to merchants of HK\$3,011,000, deposits received, sundry creditors and accruals of HK\$81,128,000, contract liabilities of HK\$30,284,000, lease liabilities of HK\$1,287,000, amount due to a related company of HK\$44,000 and tax payable of HK\$4,609,000.

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 2020 was 39% (31 December 2019: 41%).

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

Employees

At 30 June 2020, the total number of employees of the Group was 398 (31 December 2019: 397). 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.

Management Discussion and Analysis (continued)

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

(i) Discloseable transaction regarding the formation of a joint venture

On 14 January 2020, Listco Subsidiary and the JV Partner (an independent third party) entered into the JV Agreement, pursuant to which the JV Parties agreed to jointly establish the joint venture to participate in land auctions and property development in Guangdong-Hong Kong-Macao Greater Bay Area and first and second-tier cities in the PRC. The JV Parties intended to subscribe into a new project company (the “**JV Company**”) to become the vehicle of the Joint Venture, which shall be owned as to 30% by Listco Subsidiary and 70% by the JV Partner. Under the terms of the JV Agreement, the maximum contribution committed by Listco Subsidiary in the JV Company is capped at RMB219,000,000 (equivalent to approximately HK\$245,241,000). On 30 June 2020, RMB219,000,000 was already contributed by Listco Subsidiary in the JV Company. The transactions contemplated by the JV Agreement constitute a discloseable transaction for the Company. Further details regarding the joint venture are set out in the Company’s announcement dated 14 January 2020.

(ii) Discloseable transaction regarding the disposal of car parking spaces

On 30 March 2020, Guangzhou Hengxin Yuxuan Industrial Development Limited (“**Hengxin Yuxuan**”), an indirect wholly-owned subsidiary of the Company and Guangzhou Yongyu Hixin Investment Co., Ltd. (the “**Purchaser**”) entered into the Disposal Agreement, pursuant to which Hengxin Yuxuan agreed to sell, and the Purchaser agreed to acquire, the Car Parking Spaces for the aggregate consideration of RMB43.7 million (equivalent to approximately HK\$48.1 million). On 30 June 2020, Hengxin Yuxuan and the Purchaser entered into a supplemental agreement to extend the Payment Deadline for three months, i.e. until 30 September 2020. The Disposal constitutes a discloseable transaction for the Company and has yet to complete as at the date hereof. Details of the Disposal were set out in the Company’s announcement dated 30 March 2020 and 30 June 2020.

Save as disclosed above, the Group did not have any other significant investments, acquisitions and disposals for the six months ended 30 June 2020.

Management Discussion and Analysis (continued)

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 30 June 2020 were secured by:

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB3,329,000 (equivalent to approximately HK\$3,650,000);
- ii. pledge of trade receivables with a carrying amount of RMB16,695,000 (equivalent to approximately HK\$18,303,000);
- 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.

Management Discussion and Analysis (continued)

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 15 February 2019, the Company (as purchaser), Billion Eminence Investment Limited (the “**Vendor**”) and Chevalier Earth Group Limited (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. Simultaneously, the Company launched the Rights Issue and the Placing to finance the consideration. The gross proceeds raised by the Company from the Placing and the Rights Issue amount to HK\$780,231,277 in aggregate. Details of the Acquisition, Rights Issue and the Placing were disclosed in the Company’s announcements dated 15 February 2019, 23 April 2019 and 18 June 2019 and the Company’s circular dated 22 March 2019.

The Group originally intended 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 (equivalent to RMB 576,000,000) for settlement of the consideration; and (ii) the balance of approximately HK\$94.70 million for the development of fund investment and management businesses of the Group in Hong Kong and the PRC. Up to 30 June 2020, approximately HK\$637.73 million (equivalent to RMB576,000,000) was already utilized for settlement of the consideration payable on completion of the Acquisition. The remaining net proceeds of the Rights Issue and the Placing in the approximate amount of HK\$130.26 million was applied to finance the Listco Subsidiary’s Contribution Limit of the joint venture. After funding for the said purposes, the net proceeds from the Rights Issue and the Placing have been fully utilized. The Board is of the view that the use of the remaining net Proceeds in the Listco Subsidiary’s Contribution Limit is in the best interests of the Company and is largely in line with the original purposes of the equity fundraising, namely, to expand the property development and investment portfolio of the Group and to join force with co-investors with the view to investing in non-controlling interests in bigger projects in China with synergy with the Group’s principal business activities (which includes property development and investment).

Management Discussion and Analysis (continued)

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS (CONTINUED)

On 14 January 2020, Listco Subsidiary and the JV Partner entered into the JV Agreement, pursuant to which the JV Parties agreed to jointly establish the joint venture to participate in land auctions and property development in Guangdong-Hong Kong-Macao Greater Bay Area and first and second-tier cities in the PRC. The JV Parties intended to subscribe into a JV Company to become the vehicle of the joint venture, which shall be owned as to 30% by Listco Subsidiary and 70% by the JV Partner. Under the terms of the JV Agreement, the maximum contribution committed by Listco Subsidiary in the JV Company is capped at RMB219,000,000 (equivalent to HK\$245,241,000). On 30 June 2020, RMB219,000,000 was already contributed by Listco Subsidiary in the JV Company.

Save as disclosed above, there was no other future plan for material investments or capital assets during the six months ended 30 June 2020.

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 2020, 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 2020, the Group had a total capital commitment of approximately HK\$18,126,000 (31 December 2019: approximately HK\$18,390,000) in respect of (i) acquisition of property, plant and equipment of approximately HK\$18,110,000 (31 December 2019: approximately HK\$18,373,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK\$16,000 (31 December 2019: approximately HK\$17,000), both of 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 2020.

Other Information

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 during the reporting period are as follows:

1. Mr. Chau Cheuk Wah has retired as a non-executive director of the Company at the conclusion of the Annual General Meeting on 29 May 2020.

Other Information (continued)

DISCLOSURE OF CHANGES IN DIRECTOR'S INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B OF THE LISTING RULES (CONTINUED)

2. Mr. Xuan Zhensheng has resigned as a director and a member of Audit Committee of Guangdong Golden Dragon Development Inc. (“**GD**”, the shares of which are listed on the Shenzhen Stock Exchange with stock code: 000712) with effect from 8 June 2020.
3. Ms. Zhu Fenglian has resigned as the director, the chairlady and the legal representative of GD with effect from 3 August 2020.

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 2020, 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:

Other Information (continued)

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 2020.

Save as disclosed above, so far as the directors are aware, as at 30 June 2020, 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 2020, 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 2020, 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 2020, 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 beginning and the end of the reporting period up to 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 reporting period and the comparable 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 and had remained 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. 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)

The Scheme Mandate Limit was last refreshed at the annual general meeting of the Company held on 30 June 2015, authorising the Board to grant up to 207,044,885 options. Before 1 January 2020, no option has been granted under the New Share Option Scheme. As disclosed in the Company's announcement dated 15 April 2020, 241,242 options (the "**2020 Options**") were granted to eligible employees of the Group (not being connected persons of the Company) at the exercise price of HK\$0.16 per share on 15 April 2020 (the "**Date of Grant**") under the New Share Option Scheme, and all the 2020 Options vested and were duly exercised by grantees also during the current period such that no granted option is outstanding at the current period end of 30 June 2020. On 11 August 2020, the New Share Option Scheme lapsed and no option can be granted thereunder any further.

The closing price of the Company's shares on the day (i.e. on 14 April 2020) immediately before the Date of Grant was HK\$0.150. The fair value of the 2020 Options amounted to HK\$3,000, all of which being vested, exercised and recognized in the Company's financial statements as share-based payment expenses in the current period. The fair value of the 2020 Options is measured on the Date of Grant of 15 April 2020 based on binomial option pricing model using the following key inputs and assumptions: (a) an expected volatility of 46.84% based on historical annualized volatility which is not less than one year; (b) no annual dividends being made based on historical dividend pattern in the most recent five years; and (c) a risk-free interest rate of 0.61% based on the yields of Hong Kong Exchange Fund Notes. For the purpose of the calculation of fair value, no adjustment was made for options expected to be forfeited due to the expected insignificant staff turnover and the lack of historical data.

While the binomial option pricing model is regarded as a generally accepted methodology to calculate the fair value of options, it requires the input of subjective assumptions (including share price volatility) and any changes in subjective input assumptions could materially affect the fair value estimate. Therefore, the Directors are of the view that the model does have limitations and does not necessarily provide a reliable single measurement of the fair value of the share options.

Other Information (continued)

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					Market value per share at date of grant of option	Market value per share on exercise of option
					Outstanding at 1 January 2020	Granted during the period	Exercised during the period	Cancellation during the period	Outstanding at 30 June 2020		
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	-	241,242	(241,242)	-	-	HK\$0.155	HK\$0.13

Note:

1. 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.

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

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

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 2020.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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.

Other Information (continued)

AUDIT COMMITTEE (CONTINUED)

The interim financial report for the six months ended 30 June 2020 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 2020 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, 28 August 2020

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.