



TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026



2023

INTERIM REPORT

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Highlights

- Revenue for the six months ended 30 June 2023 amounted to approximately HK\$153.09 million (six months ended 30 June 2022: approximately HK\$169.14 million), representing a decrease of approximately HK\$16.05 million or 9% as compared to the corresponding period last year. Such decrease was mainly due to the decreases in the income of the Group's water supply business, property investment and development business and financial services business.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2023 amounted to approximately HK\$41.59 million (six months ended 30 June 2022: approximately HK\$43.50 million), representing a decrease of approximately HK\$1.91 million as compared to the corresponding period last year, mainly due to the decreases in the operating costs, staff costs and administrative expenses (including exchange loss), but partially offset by an increase in income tax expense.
- Basic and diluted loss per share for the six months ended 30 June 2023 amounted to HK0.75 cent and HK0.75 cent, respectively (six months ended 30 June 2022: basic and diluted loss per share amounted to HK0.79 cent and HK0.79 cent, respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 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 2023

	Note	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	3	153,091	169,139
Cost of sales/services rendered		(142,427)	(157,651)
Gross profit		10,664	11,488
Other income and gains	4	4,689	4,693
General and administrative expenses		(41,208)	(51,679)
Share of loss of a joint venture		(54)	(82)
Loss from operations		(25,909)	(35,580)
Finance costs		(25,550)	(24,918)
Loss before income tax	5	(51,459)	(60,498)
Income tax expense	7	(10,934)	(2,870)
Loss for the period		(62,393)	(63,368)

Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Attributable to:-			
Shareholders of the Company		(41,592)	(43,500)
Non-controlling interests		(20,801)	(19,868)
		(62,393)	(63,368)
Loss per share (in cents)			
– Basic	8	(0.75)	(0.79)
– Diluted	8	(0.75)	(0.79)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(62,393)	(63,368)
Other comprehensive loss: – Item that may be reclassified subsequently to profit or loss: – Exchange differences arising on translation of financial statements of overseas subsidiaries	(33,199)	(36,466)
Other comprehensive loss for the period, net of income tax	(33,199)	(36,466)
Total comprehensive loss for the period	(95,592)	(99,834)
Total comprehensive loss attributable to: – Shareholders of the Company	(72,703)	(75,375)
Non-controlling interests	(22,889)	(24,459)
	(95,592)	(99,834)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

		At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	364,083	398,381
Prepaid land lease premium	11	22,568	23,686
Investment properties	12	625,128	656,381
Right-of-use assets		5,263	348
Interest in a joint venture		233,486	244,955
Intangible assets		161,739	189,370
Goodwill		11,328	11,328
Statutory deposits for financial service business		400	400
Deposits paid for acquisition of investment properties		362,242	198,100
Deferred tax assets		10,817	11,358
		1,797,054	1,734,307
CURRENT ASSETS			
Inventories		15,379	14,783
Debtors	13	44,796	42,659
Deposits, prepayments and other receivables	14	18,044	16,502
Amount due from a related company	19	282	–
Fixed deposits		133,859	137,706
Pledged time deposit	15(a)	142,304	149,422
Cash and bank balances	15(b)	236,926	426,788
		591,590	787,860

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2023

		At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
	Note		
DEDUCT:-			
CURRENT LIABILITIES			
Bank and other borrowings	20	228,534	201,205
Trade payables	16	304,164	266,707
Payable to merchants	17	3,004	3,010
Deposits received, sundry creditors and accruals	18	136,919	146,301
Contract liabilities		17,301	15,873
Lease liabilities		2,057	338
Amount due to a related company	19	-	45
Tax liabilities		9,245	6,366
		701,224	639,845
NET CURRENT (LIABILITIES)/ASSETS		(109,634)	148,015
TOTAL ASSETS LESS CURRENT LIABILITIES		1,687,420	1,882,322
DEDUCT:-			
NON-CURRENT LIABILITIES			
Bank and other borrowings	20	648,292	748,747
Lease liabilities		3,202	38
Deferred tax liabilities		48,456	48,382
		699,950	797,167
NET ASSETS		987,470	1,085,155



Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2023

		At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
	Note		
REPRESENTING: – CAPITAL AND RESERVES			
Share capital	21	55,130	55,130
Reserves		830,165	902,963
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		885,295	958,093
NON-CONTROLLING INTERESTS		102,175	127,062
TOTAL EQUITY		987,470	1,085,155

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	62,807	4,784
NET CASH USED IN INVESTING ACTIVITIES	(186,143)	(19,443)
NET CASH USED IN FINANCING ACTIVITIES	(58,155)	(55,172)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(181,491)	(69,831)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(12,653)	(30,945)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	561,850	793,950
CASH AND CASH EQUIVALENTS AT 30 JUNE	367,706	693,174
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	233,847	587,092
Fixed deposits	133,859	106,082
	367,706	693,174

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to shareholders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Shares held under share award scheme HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022 (audited)	55,130	1,247,453	481	1,093	10,754	88,007	(6,223)	27,235	(301,089)	1,122,841	196,315	1,319,156
Purchases of shares for share award scheme (note)	-	-	-	-	-	-	(34)	-	-	(34)	-	(34)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,553)	(3,553)
Total comprehensive loss for the period	-	-	-	-	-	(31,875)	-	-	(43,500)	(75,375)	(24,459)	(99,834)
Transferred to statutory reserve	-	-	-	-	-	-	-	1,694	(1,694)	-	-	-
At 30 June 2022 (unaudited)	55,130	1,247,453	481	1,093	10,754	56,132	(6,257)	28,929	(346,283)	1,047,432	168,303	1,215,735
At 1 January 2023 (audited)	55,130	1,247,453	481	1,093	10,754	27,413	(6,309)	27,694	(405,616)	958,093	127,062	1,085,155
Purchases of shares for share award scheme (note)	-	-	-	-	-	-	(95)	-	-	(95)	-	(95)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,998)	(1,998)
Total comprehensive loss for the period	-	-	-	-	-	(31,111)	-	-	(41,592)	(72,703)	(22,889)	(95,592)
At 30 June 2023 (unaudited)	55,130	1,247,453	481	1,093	10,754	(3,698)	(6,404)	27,694	(447,208)	885,295	102,175	987,470

Note: During the six months ended 30 June 2023, 720,000 (six months ended 30 June 2022: 270,000) shares were purchased from the open market at the aggregate consideration of HK\$95,000 (six months ended 30 June 2022: HK\$34,000) pursuant to the share award scheme adopted by the Company on 15 January 2021.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

- (a) 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 2023

2. BASIS OF PREPARATION (CONTINUED)

(a) The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") described below:-

(1) In the current interim period, the Group has adopted the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules (amendments)
Amendments to HKFRS 17	Insurance Contracts

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

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

2. BASIS OF PREPARATION (CONTINUED)

- (b) When preparing the interim results, the Group's ability to continue as a going concern has been assessed. As at 30 June 2023, the Group had net current liabilities of HK\$109,634,000. The interim results have been prepared on a going concern basis due to the reasons that (i) as at 30 June 2023, the Group had unutilised banking facilities of HK\$389,943,000; (ii) given the Group maintained strong business relationship with its bankers and based on past experiences, the directors expect that the Group is able to renew all the banking facilities when they expire; and (iii) the Group, from time to time, reviews the portfolio of investment properties and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

After taking into consideration of the above factors and funds expected to be generated internally from operations based on the directors' estimation on the future cash flows of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the interim results to be prepared on a going concern basis because there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. REVENUE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of water supply and related services		
Water supply and related services income	135,320	147,481
Construction services of infrastructure under concession arrangement	2,989	135
Provision of financial services		
Interest income from securities margin financing	176	268
Service fee income	7	685
Commission and brokerage income	4	139
Advisory income	–	2,670
Revenue from other sources		
Rental and building management service income	14,595	17,761
	153,091	169,139

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

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	4,091	4,269
Imputed interest income	14	–
Sundry income	584	424
	4,689	4,693

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	2,559	4,346
Staff costs (including directors' remuneration)		
– Salaries and other benefits	24,689	27,518
– Pension scheme contributions	3,674	3,912
	28,363	31,430
Depreciation of property, plant and equipment	18,928	21,655
Depreciation of right-of-use assets	1,310	2,191
Amortisation of intangible assets and prepaid land lease premium	23,975	24,217
Net exchange loss	6,524	11,639
Short-term lease expenses	4,288	3,610
Low value lease expenses	3	7
Interest on bank loans	25,310	25,618
Less: interest capitalised included in property, plant and equipment and other intangible assets	–	(896)
	25,310	24,722
Interest on lease liabilities	6	87
Rental income less outgoings	(13,970)	(15,142)



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. SEGMENT REPORTING

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

The Group has presented the following reportable segments.

(a) Water supply and related services

This segment is engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province, the People's Republic of China ("PRC").

(b) Property investment and development

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

(c) Financial services

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. SEGMENT REPORTING (CONTINUED)

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

(a) Segments results

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

	Six months ended 30 June									
	Reportable Segments									
	Water supply and related services		Property investment and development		Financial services		Others		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	
Disaggregated by timing of revenue recognition										
Point in time	119,447	120,816	-	-	11	824	-	-	119,458	121,640
Over time	18,862	26,800	14,595	17,761	176	2,938	-	-	33,633	47,499
Reportable segment revenue	138,309	147,616	14,595	17,761	187	3,762	-	-	153,091	169,139
Reportable segment (loss)/ profit	(20,296)	(11,250)	10,773	8,348	(3,867)	(3,243)	(16,570)	(33,622)	(29,960)	(39,767)
Interest income									4,105	4,269
Finance costs									(25,550)	(24,918)
Share of loss of a joint venture									(54)	(82)
Loss before income tax									(51,459)	(60,498)
Income tax expense									(10,934)	(2,870)
Loss for the period									(62,393)	(63,368)
Attributable to:										
– Shareholders of the Company									(41,592)	(43,500)
– Non-controlling interests									(20,801)	(19,868)
									(62,393)	(63,368)



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

	Six months ended 30 June					
	PRC		Hong Kong/overseas		Consolidated	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Reportable segment revenue	152,904	165,377	187	3,762	153,091	169,139

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

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and Australia corporate income tax have been provided as the Company's subsidiaries operating in Hong Kong and Australia have no estimated assessable profits for the six months ended 30 June 2023 and 2022.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (six months ended 30 June 2022: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax		
Current period	9,158	7,407
Deferred tax:		
Current period	1,776	(4,537)
	10,934	2,870

8. LOSS PER SHARE

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

–

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to shareholders of the Company	(41,592)	(43,500)



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic/diluted loss per share	5,513,000,000	5,513,000,000

The diluted loss per share is equal to the basic loss per share for the six months ended 30 June 2023 and 2022 as there was no dilutive potential ordinary shares in issue.

9. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group had additions to property, plant and equipment in the amount of HK\$3,261,000 (year ended 31 December 2022: HK\$39,070,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. 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 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Opening net book value	23,686	25,791
Exchange adjustments	(752)	(1,350)
Amortisation of prepaid land lease premium	(366)	(755)
Closing net book value	22,568	23,686

12. INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2022 (Audited)	709,387
Net increase in fair value recognised in the consolidated statement of profit or loss	1,260
Exchange adjustments	(54,266)
At 31 December 2022 (Audited) and 1 January 2023	656,381
Exchange adjustments	(31,253)
At 30 June 2023 (Unaudited)	625,128

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. DEBTORS

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Trade debtors arising from water supply and related services and rental receivables	43,941	39,755
Less: credit loss allowances – note (iii)	(2,494)	(2,577)
	41,447	37,178
Trade receivables arising from the ordinary course of business of dealing in securities		
Cash clients	75	80
Margin clients, secured	3,316	5,443
	3,391	5,523
Less: credit loss allowances – note (iii)	(42)	(42)
	3,349	5,481
	44,796	42,659

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. DEBTORS (CONTINUED)

Notes: –

- (i) The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically.

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

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

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
0-6 months	38,831	37,062
6-12 months	2,598	70
1-2 years	18	46
	41,447	37,178

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

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

	2023 (Unaudited) HK\$'000	2022 (Audited) HK\$'000
At 1 January	2,619	2,815
Reversal of impairment loss recognised	–	(48)
Exchange adjustments	(83)	(148)
At 30 June/31 December	2,536	2,619

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Utilities and deposits	882	1,289
Prepayments	1,766	1,867
Interest receivable	2,505	2,008
Other receivables	13,436	11,909
	18,589	17,073
Less: loss allowances on other receivables – note	(545)	(571)
	18,044	16,502

Note:

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

	2023 (Unaudited) HK\$'000	2022 (Audited) HK\$'000
At 1 January	571	110
Impairment loss recognised	–	484
Exchange adjustments	(26)	(23)
At 30 June/31 December	545	571

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

(a) Pledged time deposits

Pledged bank deposit of RMB132,000,000 (equivalent to HK\$142,304,000) (At 31 December 2022: RMB132,000,000 (equivalent to HK\$149,422,000)) carries fixed interest rate of 2.25% (At 31 December 2022: 2.25%) per annum and is pledged to banks to secure bank loans granted to the Group.

(b) Cash and bank balances

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Cash and bank balances:		
General accounts and cash	233,847	424,144
Client accounts	3,079	2,644
At 30 June 2023/31 December 2022	236,926	426,788

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. TRADE PAYABLES

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Trade payables arising from water supply and related services	301,103	264,069
Trade payables arising from the ordinary course of business of dealing in securities		
Cash clients	2,792	2,396
Margin clients, secured	269	242
	304,164	266,707

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

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
0-12 months	75,578	144,902
Over one year	225,525	119,167
	301,103	264,069

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. PAYABLE TO MERCHANTS

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

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Over one year	3,004	3,010

18. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Deposits received	5,938	6,227
Accruals	18,926	23,506
Sundry creditors	80,214	78,040
Construction fee payable	14,089	19,826
Other tax payables	17,752	18,702
	136,919	146,301



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. AMOUNT DUE FROM/(TO) A RELATED COMPANY

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

20. BANK AND OTHER BORROWINGS

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Bank loans, secured – note (a)	876,826	949,952
	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Due for payment:		
– Within one year	228,534	201,205
– Within a period of more than one but not exceeding five years	476,453	571,816
– Over five years	171,839	176,931
	876,826	949,952

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

20. BANK AND OTHER BORROWINGS (CONTINUED)

Note: –

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

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Total banking facilities granted	1,266,769	1,330,100
Less: banking facilities utilised by the Group	(876,826)	(949,952)
Unutilised banking facilities	389,943	380,148

(b) As at 30 June 2023, these banking facilities were secured by:-

- i. charge over a time deposit amounting to RMB132,000,000 (equivalent to approximately HK\$142,304,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,385,000 (equivalent to approximately HK\$1,493,000);
- iii. charges over the investment properties with carrying amounts of RMB536,900,000 (equivalent to approximately HK\$578,832,000);
- iv. pledge of trade receivables with a carrying amount of RMB38,254,000 (equivalent to approximately HK\$41,241,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

20. BANK AND OTHER BORROWINGS (CONTINUED)

Note: – (continued)

(b) As at 30 June 2023, these banking facilities were secured by:– (continued)

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

As at 31 December 2022, these banking facilities were secured by:–

- i. charge over a time deposit amounting to RMB132,000,000 (equivalent to approximately HK\$149,422,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,583,000 (equivalent to approximately HK\$1,792,000);
- iii. charges over the investment properties with carrying amounts of RMB536,900,000 (equivalent to approximately HK\$607,771,000);
- iv. pledge of trade receivables with a carrying amount of RMB32,466,000 (equivalent to approximately HK\$36,751,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by New Century, Ms. Zhu and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

21. SHARE CAPITAL

	Number of shares	HK\$'000
Share capital		
Ordinary share of HK\$0.01 each		
Authorised:-		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	20,000,000,000	200,000
Issued and fully paid:-		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	5,513,000,000	55,130

22. CAPITAL COMMITMENTS

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

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Property, plant and equipment	16,920	15,165



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

23. RELATED PARTY TRANSACTIONS

(a) Transaction with related party of the Group

Apart from the transactions and balance disclosed in notes 19 and 20, the Group had other transactions with its related party during the period as follows:-

Particulars	Relationship	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Rental income	Common shareholder	279	296

(b) Key management compensation

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Fees for key management personnel	810	810
Salaries, allowances and other benefits in kind	2,408	2,739
Pension scheme contributions	33	35
	3,251	3,584

24. CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities.



Independent Review Report



大信梁學濂(香港)會計師事務所有限公司

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 3 to 32, which comprises the condensed consolidated statement of financial position of Universal Technologies Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) as of 30 June 2023 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of 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 the condensed consolidated financial statements 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

29 August 2023

Lam Kar Bo

Practising Certificate Number: P05453



Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 June 2023, the Group was principally engaged in the business of water supply and related services, property investment and development and financial services. Revenue from the principal business amounted to approximately HK\$153,091,000, representing a decrease of 9% or approximately HK\$16,048,000 as compared to 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\$138,309,000, representing a decrease of 6% or approximately HK\$9,307,000 as compared with approximately HK\$147,616,000 for the corresponding period last year, mainly due to the decline in the exchange rate of RMB against Hong Kong dollar, resulting in a relative decrease in the translation of RMB revenue into Hong Kong dollar and lower water consumption by commercial customers.

The property investment and development business of the Group mainly comprises the rental operation of the Group's commercial properties in Guangzhou. For the six months ended 30 June 2023, the property investment and development segment of the Group recorded revenue of approximately HK\$14,595,000, representing a decrease of approximately HK\$3,166,000 as compared with approximately HK\$17,761,000 for the corresponding period last year. The decrease in rental income was due to higher vacancy rates and lower rental prices of the shopping mall as a matter of delayed effect of COVID-19.

The financial services business of the Group mainly comprises the provision of corporate finance advisory, asset management, margin financing and stockbroking services. For the six months ended 30 June 2023, the financial services segment of the Group recorded revenue of approximately HK\$187,000, representing a decrease of approximately HK\$3,575,000 as compared with approximately HK\$3,762,000 for the corresponding period last year. This was due to the fact that income from corporate finance and placing commissions was generated in the same period last year, whereas no similar income was generated in the current period due to the poor performance of the Hong Kong stock market.



Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Business Review (continued)

For the six months ended 30 June 2023, the net loss attributable to shareholders of the Company amounted to approximately HK\$41,592,000, representing a decrease of approximately HK\$1,908,000 as compared with approximately HK\$43,500,000 for the corresponding period last year. The decrease was mainly due to the decreases in operating costs, staff costs and administrative expenses (including exchange loss), but partially offset by an increase in income tax expense.

Prospects

Looking ahead to the second half of 2023, the global economy is expected to continue to recover, but the world economy will continue to face a high interest rate environment and international geopolitical risks and trade conflicts will remain. Under the uncertain global economic environment, in order to cope with the ever-changing external environment, the Group endeavours to improve the Group's business operations and financial position by regularly reviewing its existing business and regularly evaluating its business strategies, and by continuing to strictly comply with its cost control policies. It is expected that the water supply business and the property investment and development business will continue to provide a stable income for the Group. In the meantime, the Group will strive to explore promising property projects in the PRC and overseas and identify potential and new businesses and investment opportunities to enhance its market competitiveness, spread its risks and expand its revenue sources, so as to diversify the Group's business, strengthen its core business and achieve sustainable growth.



Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Prospects (continued)

The Group will continue to adopt a prudent approach to focus on property investment and development in the PRC and overseas, and will continue to explore potential investment and development opportunities in the property market to increase recurrent income and for the purpose of capital appreciation. As disclosed in the announcement dated 23 December 2022, the Company entered into a non-legally binding memorandum of understanding with Mr. Zeng Xiangyang, Mr. Tan Mian and Guangzhou Shunpeng Real Estate Co., Ltd. for the investment of property projects in the PRC. As disclosed in the announcement of the Company dated 5 June 2023, the Company entered into a non-legally binding memorandum of understanding with Dongguan Zhaoyu Real Estate Co., Ltd. and Qingyuan Xuhong Industrial Co., Ltd. for the investment of property projects in the PRC. The Company is currently in the process of negotiating with the business counterparties, and no legally binding agreement has been concluded yet. Further announcement(s) will be made as and when any disclosure obligation is triggered by material development of these proposed acquisitions. In the meantime, the Group will continue to explore other suitable investment and diversification development opportunities to increase its revenue stream, maintain sustainable growth and protect the interests of its shareholders.

In addition to business development, the Group is dedicated to enhancing its corporate culture, level of corporate governance, system efficiency, human resources planning, internal control standards and key performance indicators setting, with the aim of improving the Company's sustainability and long-term shareholder return. The Group also recognizes the importance of corporate responsibility and environment, society and governance (ESG). As part of its ESG initiatives, the Group also places emphasis on talent training. We provide training and career paths for our staff to develop their potentials and skills, and provide incentive programs to motivate and retain talents and cultivate a sense of belonging in order to achieve sustainable development of the Group.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW

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

During the six months ended 30 June 2023, the Group recorded a revenue of HK\$153,091,000, representing a decrease of 9% or approximately HK\$16,048,000 as compared to the corresponding period last year. The decrease in revenue was mainly due to the decreases in the income of the Group's water supply business, rental income from commercial properties in China and advisory and service fee income from financial services business. The loss attributable to shareholders of the Company for the six months ended 30 June 2023 was approximately HK\$41,592,000, representing a decrease of approximately HK\$1,908,000 as compared to the corresponding period last year. The decrease in loss was mainly due to the decreases in the operating costs, staff costs and administrative expenses (including exchange loss), but partially offset by an increase in income tax expense.

Cost of sales/services rendered

During the six months ended 30 June 2023, the Group recorded a cost of sales/services rendered in the amount of approximately HK\$142,427,000, representing a decrease of approximately HK\$15,224,000 as compared to the corresponding period last year. The decrease in cost of sales/services rendered was mainly attributable to the decrease of cost of sales/services of the Group's businesses of water supply services.

Other income and gains

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

During the six months ended 30 June 2023, the Group recorded other income and gains of approximately HK\$4,689,000, which is similar to the figure for the last corresponding period.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

General and administrative expenses

During the six months ended 30 June 2023, the Group recorded general and administrative expenses of approximately HK\$41,208,000, representing a decrease of approximately 20% as compared to the corresponding period last year. The decrease in the general and administrative expenses was mainly attributable to the decreases in the operating costs, staff costs and administrative expenses, including a decrease in the exchange loss on RMB-denominated assets of the Group.

Share of loss of a joint venture

During the six months ended 30 June 2023, the Group recorded share of loss of a joint venture of approximately HK\$54,000, representing a decrease of approximately 34% as compared to the corresponding period last year. It was mainly attributable to the loss from a joint venture during the current period.

Finance costs

During the six months ended 30 June 2023, the Group recorded finance costs of approximately HK\$25,550,000, representing an increase of finance cost of approximately HK\$632,000 as compared to the corresponding period last year. It was mainly attributable to the increase in interest expenses of the Group's water supply business and property investment and development business.

Income tax expense

During the six months ended 30 June 2023, the Group recorded an income tax expense of approximately HK\$10,934,000, representing an increase of approximately HK\$8,064,000 as compared to the corresponding period last year. It was mainly attributable to the increase in taxable income of the Group's water supply and related business.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Property, plant and equipment

The Group's property, plant and equipment decreased by approximately HK\$34,298,000 from approximately HK\$398,381,000 as at 31 December 2022 to approximately HK\$364,083,000 as at 30 June 2023. The decrease was mainly attributable to: (1) the depreciation charge; and (2) the decrease in the Group's RMB-denominated property, plant and equipment resulted from the depreciation of RMB against HK\$ during the current period.

Prepaid land lease premium

The Group's prepaid land lease premium decreased by approximately HK\$1,118,000 from approximately HK\$23,686,000 as at 31 December 2022 to approximately HK\$22,568,000 as at 30 June 2023. The decrease was mainly attributable to: (1) the amortisation charge; and (2) the decrease in the Group's RMB-denominated prepaid land lease premium resulted from the depreciation of RMB against HK\$ during the current period.

Investment properties

The Group's investment properties decreased by approximately HK\$31,253,000, from approximately HK\$656,381,000 as at 31 December 2022 to approximately HK\$625,128,000 as at 30 June 2023. It was mainly attributable to the decrease in the Group's RMB-denominated investment properties resulted from the depreciation of RMB during the current period.

Right-of-use assets

The Group's right-of-use assets increased by approximately HK\$4,915,000 from approximately HK\$348,000 as at 31 December 2022 to approximately HK\$5,263,000 as at 30 June 2023. The increase was mainly due to the renewal of the lease agreement of the Group's head office in Hong Kong during the current period.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Interest in a joint venture

The Group's interest in a joint venture decreased by approximately HK\$11,469,000 from approximately HK\$244,955,000 as at 31 December 2022 to approximately HK\$233,486,000 as at 30 June 2023. It was mainly attributable to (1) the sharing of loss from a joint venture; and (2) the decrease in the Group's RMB-denominated interest in a joint venture resulted from the depreciation of RMB against HK\$ during the current period.

Intangible assets

The Group's intangible assets decreased by approximately HK\$27,631,000 from approximately HK\$189,370,000 as at 31 December 2022 to approximately HK\$161,739,000 as at 30 June 2023. The decrease was mainly due to the depreciation of RMB and the amortisation for the current period.

Deposits paid for acquisition of investment properties

The Group's deposits paid for acquisition of investment properties increased by approximately HK\$164,142,000 from approximately HK\$198,100,000 as at 31 December 2022 to approximately HK\$362,242,000 as at 30 June 2023. The increase was attributable to the payment of refundable earnest money for the possible acquisition of property interests in the PRC as more particularly set out in the section headed "Significant investments, acquisitions and disposals" of this interim report.

Inventories

The Group's inventories increased by approximately HK\$596,000 from approximately HK\$14,783,000 as at 31 December 2022 to approximately HK\$15,379,000 as at 30 June 2023. 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 period.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Debtors

The Group's debtors increased by approximately HK\$2,137,000 or 5% from approximately HK\$42,659,000 as at 31 December 2022 to approximately HK\$44,796,000 as at 30 June 2023. The increase in debtors was attributable to the longer settlement period by customers of the Group's water supply and related business for the current period.

Deposits, prepayments and other receivables

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

The Group's deposits, prepayments and other receivables increased by approximately HK\$1,542,000 from approximately HK\$16,502,000 as at 31 December 2022 to approximately HK\$18,044,000 as at 30 June 2023. The increase was mainly due to the increase in other receivables and interest receivable on bank fixed deposits.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by approximately HK\$193,709,000 from approximately HK\$564,494,000 as at 31 December 2022 to approximately HK\$370,785,000 as at 30 June 2023. The decrease in cash and bank balances and fixed deposits was mainly due to (a) the repayment of bank loan by the water supply business and the property investment and development business; and (b) the payment of deposits for acquisition of investment properties during the current period. As at 30 June 2023, 66% (31 December 2022: 75%) of the cash and bank balances was denominated in RMB.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Pledged time deposit

The Group's pledged time deposit decreased by approximately HK\$7,118,000 from approximately HK\$149,422,000 as at 31 December 2022 to approximately HK\$142,304,000 as at 30 June 2023. The pledged time deposit was denominated in RMB and was used to guarantee the Group's bank loans. The decrease in pledged time deposit was attributable to the decrease in the Group's RMB-denominated pledged time deposit resulted from the depreciation of RMB during the current period.

Bank and other borrowings

The Group's bank and other borrowings decreased by approximately HK\$73,126,000 from approximately HK\$949,952,000 as at 31 December 2022 to approximately HK\$876,826,000 as at 30 June 2023. The decrease was mainly attributable to the repayment of bank loan by the water supply business and the property investment and development business during the current period.

Trade payables

The Group's trade payables increased by approximately HK\$37,457,000 from approximately HK\$266,707,000 as at 31 December 2022 to approximately HK\$304,164,000 as at 30 June 2023. The increase in trade payables was due to the accrual of costs of water source for the current period.

Payable to merchants

The Group's payable to merchants as at 30 June 2023 amounted to approximately HK\$3,004,000, which is similar to the figure as at 31 December 2022.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Deposits received, sundry creditors and accruals

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

The Group's deposits received, sundry creditors and accruals decreased by approximately HK\$9,382,000 from approximately HK\$146,301,000 as at 31 December 2022 to approximately HK\$136,919,000 as at 30 June 2023. The decrease was mainly attributable to the decrease in provision for maintenance costs and construction fees payable for the Group's water supply business during the current period.

Contract liabilities

The Group's contract liabilities increased by approximately HK\$1,428,000 from approximately HK\$15,873,000 as at 31 December 2022 to approximately HK\$17,301,000 as at 30 June 2023. The increase was mainly due to the increase 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 approximately HK\$4,883,000 from approximately HK\$376,000 as at 31 December 2022 to approximately HK\$5,259,000 as at 30 June 2023. Such increase was in line with the increase in right-of-use assets.

Amount due from/(to) a related company

The Group recorded an amount of HK\$282,000 due from a related company as at 30 June 2023, in contrast to an amount of HK\$45,000 due to a related company as at 31 December 2022, representing a net change of HK\$327,000. The change was attributable to rental receivable from a related company for the current period.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Tax liabilities

The Group's tax liabilities increased by approximately HK\$2,879,000 from approximately HK\$6,366,000 as at 31 December 2022 to approximately HK\$9,245,000 as at 30 June 2023. Such increase was in line with the increase in income tax expense during the current period.

Liquidity and financial resources

As at 30 June 2023, the Group had net current liabilities of approximately HK\$109,634,000. Current assets comprised inventories of approximately HK\$15,379,000, debtors of approximately HK\$44,796,000, deposits, prepayments and other receivables of approximately HK\$18,044,000, amount due from a related company of approximately HK\$282,000, fixed deposits of approximately HK\$133,859,000, pledged time deposit of approximately HK\$142,304,000 and cash and bank balances of HK\$236,926,000.

Current liabilities comprised bank and other borrowings of approximately HK\$228,534,000, trade payables of approximately HK\$304,164,000, payable to merchants of approximately HK\$3,004,000, deposits received, sundry creditors and accruals of approximately HK\$136,919,000, contract liabilities of approximately HK\$17,301,000, lease liabilities of approximately HK\$2,057,000 and tax liabilities of HK\$9,245,000.

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 as at 30 June 2023 was 57% (31 December 2022: 55%).

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



Management Discussion and Analysis (continued)

EMPLOYEES

As at 30 June 2023, the total number of employees of the Group was 415 (31 December 2022: 405). The remuneration of the employees (including directors) was determined according to their performance and work experience. In addition to basic salaries, discretionary bonuses or share awards may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

(i) **Discloseable Transaction Relating to the Payment of Earnest Money for the Possible Acquisition of the Majority Equity Interest in a Commercial Investment Property in the PRC**

On 23 December 2022, the Company entered into the non-legally binding memorandum of understanding (the "**1st MOU**") with Mr. Zeng Xiangyang and Mr. Tan Mian (the "**1st MOU Vendors**") and Guangzhou Shunpeng Real Estate Co., Ltd. ("the "**1st Target Company**"), pursuant to which the Company (or its nominated subsidiary) proposed to acquire the entire equity interest in the 1st Target Company (or a newly established holding company for certain effective interest in target properties situated in Fenggang Town, Dongguan City, Guangdong Province, the PRC) for the indicative consideration (subject to contract) of not less than RMB700 million (HK\$791 million), which may be settled by cash, promissory notes, equity, convertible securities or a combination of them. Under the terms of the 1st MOU, the Company has paid to the 1st MOU Vendors (or as they may jointly instruct) a refundable earnest money of RMB175 million (HK\$197.75 million). As the applicable percentage ratios (as defined under the Listing Rules) in respect of the payment of the earnest money is more than 5% but less than 25%, the payment of the earnest money constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Details of the 1st MOU were set out in the Company's announcement dated 23 December 2022.



Management Discussion and Analysis (continued)

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS (CONTINUED)

(ii) Discloseable Transaction Relating to the Payment of Earnest Money for the Possible Acquisition of Certain Property Interest in the PRC

On 5 June 2023, the Company entered into the non-legally binding memorandum of understanding (the “**2nd MOU**”) with Dongguan Zhaoyu Real Estate Co., Ltd. (the “**2nd MOU Vendor**”) and Qingyuan Xuhong Industrial Co., Ltd. (“**2nd Target Company**”), pursuant to which the Company (or a subsidiary nominated by it) proposed to acquire a controlling stake in the equity interest (and corresponding shareholder’s loan, if any) in the 2nd Target Company (or a newly established holding company for the target properties situated at Qingyuan City, Guangdong Province, the PRC) for the indicative consideration (subject to contract) of not less than RMB300 million (HK\$334.34 million), which is intended to be settled by cash, promissory notes, equity, convertible securities or a combination of them. Under the terms of the 2nd MOU, the Company has paid to the 2nd MOU Vendor (or as it may instruct) a refundable earnest money of RMB150 million (HK\$167.17 million). As the applicable percentage ratios (as defined under the Listing Rules) in respect of the payment of the earnest money is more than 5% but less than 25%, the payment of the earnest money constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Details of the 2nd MOU were set out in the Company’s announcement dated 5 June 2023.

Save as disclosed above, the Group had no significant investments, acquisitions and disposals during the six months ended 30 June 2023.



Management Discussion and Analysis (continued)

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As disclosed in Note 22 to the condensed consolidated financial statements, the Group had capital expenditure contracted but not provided for in respect of property, plant and equipment in the amount of approximately HK\$16,920,000 as at 30 June 2023. 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.

Save for the said capital commitments and the possible acquisitions as contemplated under the 1st and 2nd MOU as detailed above, there was no other future plan for material investments or capital assets during the six months ended 30 June 2023. If the Group launches any massive scale of expansion, development, investment or acquisition, additional debt or equity financing may be required. The Company will only consider raising additional debt or equity to finance its expansion, development, investment or acquisition if it is in the best interests of the Company and its shareholders to do so. When negotiating the terms of the possible acquisitions under the 1st and 2nd MOU, the Company would consider settling the acquisition consideration partly or fully by debt or equity. Up to the date of this report, no legally binding agreement has been entered into in respect of the 1st or 2nd MOU. Further announcement(s) will be made as and when any disclosure obligation is triggered by material development of these acquisitions.



Management Discussion and Analysis (continued)

CHARGES ON GROUP'S ASSETS

The Group's bank loans as at 30 June 2023 were secured by:–

- i. charge over a time deposit amounting to RMB 132,000,000 (equivalent to approximately HK\$142,304,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,385,000 (equivalent to approximately HK\$1,493,000);
- iii. charges over the investment properties with carrying amounts of RMB536,900,000 (equivalent to approximately HK\$578,832,000);
- iv. pledge of trade receivables with a carrying amount of RMB38,254,000 (equivalent to approximately HK\$41,241,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by New Century, Ms. Zhu and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.



Management Discussion and Analysis (continued)

CURRENCY RISK

The Group's core businesses are mainly transacted and settled in Renminbi and the majority of assets and liabilities are denominated in Renminbi ("RMB") and Hong Kong dollars ("HK\$"). There are no significant assets and liabilities denominated in other currencies. For the six months ended 30 June 2023, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK\$ or RMB may have an impact on the operating results of the Group.

The exchange rate of RMB to HK\$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

CAPITAL COMMITMENT

As at 30 June 2023, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$16,920,000 (31 December 2022: approximately HK\$15,165,000) comprising acquisition of property, plant and equipment which is 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 2023.



Management Discussion and Analysis (continued)

DISCLOSURE OF CHANGES IN DIRECTOR'S INFORMATION 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 six months ended 30 June 2023 are as follows:

1. Mr. Chen Jinyang was appointed as (i) the chairman of the nomination committee (“the **“Nomination Committee”**”) and a member of the remuneration committee (the **“Remuneration Committee”**) of the Company with effect from 23 May 2023; (ii) a director of Hooray Securities Limited (**“HSL”**) and Hooray Capital Limited (**“HCL”**), both being wholly-owned subsidiaries of the Company, with effect from 30 June 2023; and (iii) a director of Heng Hui Property Investment Limited, a wholly-owned subsidiary of the Company, with effect from 1 April 2023. Mr. Chen ceased to be (i) the legal representative, the chairman and a director of Qinghui Properties Limited (**“Qinghui”**), a 49%-owned subsidiary of the Company, with effect from 19 May 2023; and (ii) the legal representative, the chairman and a director of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Company, with effect from 6 July 2023.
2. Ms. Zhu Fenglian ceased to be (i) a director of Zhongshan Securities Co., Ltd., with effect from 11 Feb 2023; (ii) a director and the general manager of Qinghui, a 49%-owned subsidiary of the Company, with effect from 19 May 2023; (iii) a director and the manager of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Company, with effect from 6 July 2023; (iv) a director of Qingyuan Water Supply Development Company Limited, a 49%-owned subsidiary of the Company, with effect from 2 June 2023; and (v) the legal representative, an executive director and the manager of Qingyuan Jinhong Industrial Company Limited, a 49%-owned subsidiary of the Company, with effect from 9 June 2023.
3. Ms. Zhang Haimei ceased to be (i) a director of HSL and HCL with effect from 30 June 2023; (ii) a deputy general manager and a financial controller 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 26 April 2023; and (iii) a supervisor of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Company, with effect from 6 July 2023. She was appointed as a general manager of GD with effect from 26 April 2023.



Management Discussion and Analysis (continued)

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

4. Dr. Cheung Wai Bun, Charles, *J.P.* retired as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee and a member of the audit committee of the Company (the “**Audit Committee**”) and the Nomination Committee at the conclusion of the AGM on 30 June 2023.
5. Mr. Yeung Kin Chung Clifton, *M.H.* was elected by the Shareholders as an independent non-executive Director, taking effect at the conclusion of the AGM on 30 June 2023. Mr. Yeung was appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee, in each case taking effect simultaneously with the appointment of Mr. Yeung as a Director.
6. Mr. David Tsoi resigned as an independent non-executive director, the chairman of the audit committee and nomination committee and a member of the remuneration committee of Guoen Holdings Limited (stock code: 8121) with effect from 8 August 2023.
7. Mr. Chao Po Shu George ceased to be the chairman of the Nomination Committee of the Company with effect from 23 May 2023.



Management Discussion and Analysis (continued)

LITIGATION

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

Reference is made to the Company's announcement dated 3 March 2020 (the "**Cessation Notice Announcement**") regarding the Cessation Notice issued by the Bureau on the cessation of water intake of Qixinggang Water Plant operated by WSD Company (a subsidiary of the Group) and the commencement of full water intake from the Government-designated Water Plant. Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement.

As disclosed in the Cessation Notice Announcement, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government-designated Water Plant. Since October 2020, WSD Company received three writs of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" for various time periods for the sums of approximately RMB96.5 million, RMB94.6 million and RMB100.0 million, respectively. After seeking advice from its PRC legal advisers, WSD Company was of the view that the dispute originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore was without legal basis. However, the Group has made provision on the basis of our own estimation of the cost of water supply in its consolidated financial statements, pending the resolution of the relevant disputes and litigations.

In January 2023, the Court awarded the first instance civil judgment (the "**First Instance Judgment**") in favour of the Government-designated Water Plant in respect of one out of the three civil actions, but ruled that the claimed sum for this action should be reduced from RMB96.5 million to RMB72.0 million, of which RMB36.5 million was already paid and provisions for the remaining sum have been made in the Group's consolidated financial statements in the relevant periods. The Group is currently seeking advice from its PRC legal advisers with the view to exploring the making of an appeal application against the First Instance Judgment. Further announcement(s) will be made by the Company if there is any material development of this matter or the related disputes/litigations which warrant disclosure.



Other Information

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

As at 30 June 2023, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “SFO”) which (i) are notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) are notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

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

Notes:

- Ms. Zhu 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 the details of 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 2023.



Other Information (continued)

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

Save as disclosed above, so far as the directors are aware, as at 30 June 2023, 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 2023, 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 (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%
Ms. Wang (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 2023, 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 2023, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at a 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 OPTION SCHEMES

The GEM share option scheme adopted by the Company on 12 October 2001 (the “**GEM 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 GEM Share Option Scheme. As at the date of this report, no option remained outstanding under the GEM Share Option Scheme. Therefore, no option was exercised, cancelled or lapsed under the GEM Share Option Scheme at the beginning and the end of the interim period under review.

The Board adopted a share option scheme (the “**2010 Share Option Scheme**”) at the Company’s extraordinary general meeting held on 12 August 2010. A summary of the principal terms of the 2010 Share Option Scheme can be found on pages 9 to 19 of the Company’s circular dated 19 July 2010. On 11 August 2020, the 2010 Share Option Scheme lapsed and no option can be granted thereunder any further. At the time of lapse of the 2010 Share Option scheme, no option had remained outstanding. Therefore, no option was exercised, cancelled or lapsed under the 2010 Share Option Scheme at the beginning and the end of the interim period under review.



Other Information (continued)

SHARE AWARD SCHEME

The Company adopted a share award scheme (the “**Share Award Scheme**”) on 15 January 2021 (the “**Adoption Date**”). The major terms of the Share Award Scheme disclosed in accordance with the Listing Rules are as follows:

1. Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are to (a) recognize the contributions by certain employees (whether full-time or part-time), directors, officers, consultants, agents or advisers of the Group, but excluding the Excluded Participants, who are selected by the Administration Committee to be eligible for participation in the Scheme (the “**Eligible Participants**”) and to give incentives thereto in order to retain them for the continuing operation, growth and development of the Group; (b) attract suitable personnel for further development of the Group; (c) to provide the Eligible Participants with an opportunity to acquire interest in the Company; and (d) align the interests of the grantees (the “**Grantees**”) of share award selected by the committee established by the Board to administer the Share Award Scheme (the “**Administration Committee**”) with the long-term performance of the Company through the ownership of Shares.

2. (a) Participants and operation of the Share Award Scheme and (b) Vesting of awards and vesting period

Pursuant to the Share Award Scheme, the Administration Committee shall from time to time, subject always to the rules of the Share Award Scheme, at its absolute discretion select any employee(s) (whether full-time or part-time), directors, officers, consultants, agents or advisers of the Group, (excluding any Excluded Participant) for participation in the Scheme as an Eligible Participant and determine the number of shares awarded under the Share Award Scheme (the “**Awarded Shares**”) to be granted to each of the Grantees and impose vesting conditions (including the vesting periods) on any award of shares granted by the Administration Committee under the Share Award Scheme to a Grantee (“**Award**”) or Grantee. The following categories of persons (the “**Excluded Participants**”) are excluded from the eligibility to participate in the Scheme, namely: (a) persons who are residents in places where the grant, acceptance or vesting of an Award pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where, in the view of the Administration Committee or the trustee of the Share Award Scheme (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual; and (b) Directors, the Group’s directors and employees who are in possession of inside information of the Company, and their respective close associates.



Other Information (continued)

SHARE AWARD SCHEME (CONTINUED)

2. (a) Participants and operation of the Share Award Scheme and (b) Vesting of awards and vesting period (continued)

Astrum Capital Management Limited was appointed as a trustee of the Share Award Scheme. Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions, the Awarded Shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the Awarded Shares to such selected participant.

3. Total number of shares available for awards

No further award of Awarded Shares may be made which will result in the aggregate number of the Shares awarded under the Scheme exceeding ten percent (10%) of the issued share capital of the Company as at the Adoption Date (the “**Scheme Limit**”). For the purpose of determining whether the Scheme Limit (or its refreshment) is exceeded, Shares awarded but cancelled or lapsed shall not be counted. The Scheme Limit may be refreshed from time to time by a resolution of the Board (the “**Refreshment Approval**”), but the aggregate number of the Shares awarded under the Scheme following the Refreshment Approval shall not exceed ten percent (10%) of the issued share capital of the Company as at the date of the Refreshment Approval. For the purpose of determining whether the Scheme Limit so refreshed is exceeded, Shares awarded prior to the Refreshment Approval (including those cancelled, lapsed and/or not yet vested) shall not be counted.

4. Maximum entitlement of each participant

No Shares shall be purchased or subscribed pursuant to the Scheme, nor any amounts paid to the trustee of the Share Award Scheme for the purpose of making such a purchase or subscription, if the number of Shares held and administered under the Scheme as a result of such purchase or subscription shall exceed ten percent (10%) of issued share capital of the Company as at the date of such purchase or subscription of Shares.



Other Information (continued)

SHARE AWARD SCHEME (CONTINUED)

4. Maximum entitlement of each participant (continued)

Unless specifically approved by a prior resolution of the Board, the maximum number of Shares which may be awarded to any Grantee in any twelve (12)-month period shall not in aggregate exceed one percent (1%) of the issued share capital of the Company as at the Adoption Date or the latest date of the Refreshment Approval, as the case may be.

5. Remaining life of the Share Award Scheme

The Share Award Scheme shall be valid and effective during the period commencing on the Adoption Date and ending on 31 December 2035, provided that no further Awards shall be granted after 31 January 2032 and no vesting date can be fixed beyond 31 December 2035 for Awards. As at the date hereof, the Share Award Scheme has a remaining life of 12 years and three months.

For further details, please refer to the Company's announcement dated 15 January 2021.

As of 30 June 2023 and the date of the 2023 Interim report, the total number of shares available for grant under the scheme mandate and available for issue under the Share Award Scheme were 551,300,000 shares, representing 10.0% of the issued share capital of the Company. No service provider sub-limit was set under the Share Award Scheme. No consideration is payable by the eligible person on application or acceptance of an award under the Share Award Scheme.

Under the rules of the Share Award Scheme, share awards may be subject to vesting periods and/or vesting conditions as may be decided by the Administration Committee in its absolute discretion. Since the adoption of the Share Award Scheme on 15 January 2021, no share awards have been granted or agreed to be granted to any eligible participant under the Share Award Scheme. Accordingly, there has not been any awarded but unvested Shares since the adoption of the Share Award Scheme.



Other Information (continued)

SHARE AWARD SCHEME (CONTINUED)

For the six months ended 30 June 2023, the Group purchased 720,000 (six months ended 30 June 2022: 270,000) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK\$95,000 (six months ended 30 June 2022: HK\$34,000), but no shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme.

CONNECTED TRANSACTIONS

As disclosed in Note 20 to the condensed consolidated financial statements, as at and throughout the period ending 30 June 2023, the Group had certain banking facilities which were not only secured by land charges, and investment properties, pledge of trade receivables, pledge of equity interest in the Group's subsidiaries and intra-group corporate guarantees, but also guaranteed by the following connected persons or associates of the Company (the "**Guarantee by CP**"), namely: New Century, Ms. Zhu and her spouse, and the non-controlling shareholders of subsidiaries. Since the Guarantee by CP is conducted on normal commercial terms or better to the Company, no consideration is required to be paid by the Company for the Guarantee by CP and the Guarantee by CP is not secured by any assets of the Company or its subsidiaries, the Guarantee by CP is fully exempt under Rule 14A.90 from all disclosure, annual review, circular and shareholders' approval requirements of the Listing Rules.



Other Information (continued)

NO COMPETITION OR 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 OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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



Other Information (continued)

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE CODE

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

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

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



Other Information (continued)

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all directors, the directors have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the six months ended 30 June 2023.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

AUDIT COMMITTEE

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

The Audit Committee currently comprises three Independent Non-Executive Directors, namely, Mr. Yeung Kin Chung Clifton, *M.H.*, 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, and discussed with the Board and the management on the 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 2023 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 report has been reviewed by the Audit Committee.

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

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

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

Hong Kong, 29 August 2023

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 Mr. Yeung Kin Chung Clifton, M.H., Mr. David Tsoi and Mr. Chao Pao Shu George.