



TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026



INTERIM REPORT **2024**

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Highlights

- Revenue for the six months ended 30 June 2024 amounted to approximately HK\$147.05 million (six months ended 30 June 2023: approximately HK\$153.09 million), representing a decrease of approximately HK\$6.04 million or 4% as compared to the corresponding period last year. Such decrease was mainly due to the decrease in the income of the Group's property investment and development business.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2024 amounted to approximately HK\$40.6 million (six months ended 30 June 2023: approximately HK\$41.59 million), representing a decrease of approximately HK\$0.99 million as compared to the corresponding period last year, mainly due to the decreases in the operating costs, staff costs, administrative expenses (including an exchange loss on Renminbi denominated assets of the Group) and finance costs.
- Basic and diluted loss per share for the six months ended 30 June 2024 amounted to HK0.74 cent and HK0.74 cent, respectively (six months ended 30 June 2023: basic and diluted loss per share amounted to HK0.75 cent and HK0.75 cent, respectively).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024 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 2024

	Note	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	3	147,049	153,091
Cost of sales/services rendered		(134,735)	(142,427)
Gross profit		12,314	10,664
Other income and gains/(losses)	4	1,465	(1,835)
General and administrative expenses		(33,776)	(34,684)
Share of loss of a joint venture		–	(54)
Loss from operations		(19,997)	(25,909)
Finance costs		(21,118)	(25,550)
Loss before income tax	5	(41,115)	(51,459)
Income tax expense	7	(20,439)	(10,934)
Loss for the period		(61,554)	(62,393)

Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Attributable to:-			
Shareholders of the Company		(40,595)	(41,592)
Non-controlling interests		(20,959)	(20,801)
		(61,554)	(62,393)
Loss per share (in cents)			
– Basic	8	(0.74)	(0.75)
– Diluted	8	(0.74)	(0.75)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(61,554)	(62,393)
Other comprehensive loss: – Item that may be reclassified subsequently to profit or loss: – Exchange differences arising on translation of financial statements of overseas subsidiaries	(7,680)	(33,199)
Other comprehensive loss for the period, net of income tax	(7,680)	(33,199)
Total comprehensive loss for the period	(69,234)	(95,592)
Total comprehensive loss attributable to: – Shareholders of the Company	(54,549)	(72,703)
Non-controlling interests	(14,685)	(22,889)
	(69,234)	(95,592)

Condensed Consolidated Statement of Financial Position

At 30 June 2024

		At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	10	313,002	331,859
Prepaid land lease premium	11	21,735	22,450
Investment properties	12	588,708	603,127
Right-of-use assets		4,545	6,254
Interest in a joint venture		226,546	232,095
Intangible assets		101,286	122,340
Goodwill		–	–
Statutory deposits for financial service business		400	400
Deposits paid for acquisition of investment properties		155,656	159,586
Deposit paid for acquisition of a subsidiary		25,947	26,602
Deferred tax assets		12,077	12,373
		1,449,902	1,517,086
CURRENT ASSETS			
Properties under development		15,133	13,549
Inventories		4,864	5,627
Debtors	13	33,943	34,472
Deposits, prepayments and other receivables	14	98,065	100,962
Fixed deposits		101,615	123,632
Pledged time deposits	15(a)	137,649	141,020
Cash and bank balances	15(b)	115,863	106,034
		507,132	525,296

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2024

		At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
	Note		
DEDUCT:-			
CURRENT LIABILITIES			
Bank and other borrowings	20	245,067	255,975
Trade payables	16	389,359	350,443
Payable to merchants	17	3,003	3,006
Deposits received, sundry creditors and accruals	18	147,774	154,217
Contract liabilities		14,620	14,101
Lease liabilities		3,500	3,432
Amount due to a related company	19	-	44
Tax liabilities		5,815	3,879
		809,138	785,097
NET CURRENT LIABILITIES		(302,006)	(259,801)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,147,896	1,257,285
DEDUCT:-			
NON-CURRENT LIABILITIES			
Bank and other borrowings	20	572,008	610,823
Lease liabilities		1,188	2,955
Deferred tax liabilities		30,838	29,994
		604,034	643,772
NET ASSETS		543,862	613,513

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2024

		At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
	Note		
REPRESENTING: – CAPITAL AND RESERVES			
Share capital	21	55,130	55,130
Reserves		689,128	744,094
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		744,258	799,224
NON-CONTROLLING INTERESTS		(200,396)	(185,711)
TOTAL EQUITY		543,862	613,513

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	51,420	62,807
NET CASH USED IN INVESTING ACTIVITIES	(10,510)	(186,143)
NET CASH USED IN FINANCING ACTIVITIES	(51,227)	(58,155)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,317)	(181,491)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(2,269)	(12,653)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	226,402	561,850
CASH AND CASH EQUIVALENTS AT 30 JUNE	213,816	367,706
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	112,201	233,847
Fixed deposits	101,615	133,859
	213,816	367,706

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	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 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
At 1 January 2024 (audited)	55,130	1,247,453	481	1,093	10,754	6,375	(6,804)	27,699	(542,957)	799,224	(185,711)	613,513
Purchases of shares for share award scheme (note)	-	-	-	-	-	-	(417)	-	-	(417)	-	(417)
Total comprehensive loss for the period	-	-	-	-	-	(13,954)	-	-	(40,595)	(54,549)	(14,685)	(69,234)
At 30 June 2024 (unaudited)	55,130	1,247,453	481	1,093	10,754	(7,579)	(7,221)	27,699	(583,552)	744,258	(200,396)	543,862

Note: During the six months ended 30 June 2024, 3,780,000 (six months ended 30 June 2023: 720,000) shares were purchased from the open market at the aggregate consideration of HK\$417,000 (six months ended 30 June 2023: HK\$95,000) 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 2024

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 D2 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 2024

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 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, 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 2024 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2024

2. BASIS OF PREPARATION (CONTINUED)

- (b) When preparing the interim results, the Group's ability to continue as a going concern has been assessed. During the six months ended 30 June 2024, the Group incurred a net loss of HK\$61,554,000 and as of that date, the Group had net current liabilities of HK\$302,006,000. The interim results have been prepared on a going concern basis due to the reasons that (i) as at 30 June 2024, the Group had unutilised banking facilities of HK\$439,277,000; (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 2024

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of water supply and related services		
Water supply and related services income	132,560	135,320
Construction services of infrastructure under concession arrangement	2,454	2,989
Provision of financial services		
Interest income from securities margin financing	1	176
Service fee income	6	7
Commission and brokerage income	5	4
Placement income	22	–
Revenue from other sources		
Rental and building management service income	12,001	14,595
	147,049	153,091

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/(LOSSES)

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank deposits	3,526	4,091
Interest on loans receivable	2,370	–
Imputed interest income	–	14
Exchange loss, net	(4,738)	(6,524)
Sundry income	307	584
	1,465	(1,835)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

5. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	5,655	2,559
Staff costs (including directors' remuneration)		
– Salaries and other benefits	22,379	24,689
– Pension scheme contributions	2,468	3,674
	24,847	28,363
Depreciation of property, plant and equipment	18,033	18,928
Depreciation of right-of-use assets	1,702	1,310
Impairment/(reversal of impairment) loss on debtors	12	(1)
Amortisation of intangible assets and prepaid land lease premium	16,382	23,975
Short-term lease expenses	4,306	4,288
Low value lease expenses	–	3
Interest on bank loans	20,882	25,310
Interest on lease liabilities	49	6
Rental income less outgoings	(6,937)	(7,571)



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 2024

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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Disaggregated by timing of revenue recognition										
Point in time	111,105	119,447	–	–	33	11	–	–	111,138	119,458
Over time	23,909	18,862	12,001	14,595	1	176	–	–	35,911	33,633
Reportable segment revenue	135,014	138,309	12,001	14,595	34	187	–	–	147,049	153,091
Reportable segment (loss)/ profit	(12,807)	(20,296)	7,482	10,773	(2,644)	(3,867)	(15,554)	(16,570)	(23,523)	(29,960)
Interest income									3,526	4,105
Finance costs									(21,118)	(25,550)
Share of loss of a joint venture									–	(54)
Loss before income tax									(41,115)	(51,459)
Income tax expense									(20,439)	(10,934)
Loss for the period									(61,554)	(62,393)
Attributable to:										
– Shareholders of the Company									(40,595)	(41,592)
– Non-controlling interests									(20,959)	(20,801)
									(61,554)	(62,393)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

	Six months ended 30 June					
	PRC		Hong Kong/overseas		Consolidated	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Reportable segment revenue	147,015	152,904	34	187	147,049	153,091

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 2024 and 2023.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (six months ended 30 June 2023: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax		
Current period	5,826	9,158
Under-provision in respect of previous years	12,934	–
	18,760	9,158
Deferred tax:		
Current period	1,679	1,776
	20,439	10,934

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to shareholders of the Company	(40,595)	(41,592)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

8. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2024	2023
	(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 2024 and 2023 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 2024 (six months ended 30 June 2023: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group had additions to property, plant and equipment in the amount of HK\$8,230,000 (year ended 31 December 2023: HK\$13,969,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Opening net book value	22,450	23,686
Exchange adjustments	(350)	(520)
Amortisation of prepaid land lease premium	(365)	(716)
Closing net book value	21,735	22,450

12. INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2023 (Audited)	656,381
Net decrease in fair value recognised in the consolidated statement of profit or loss	(32,590)
Exchange adjustments	(20,664)
At 31 December 2023 (Audited) and 1 January 2024	603,127
Exchange adjustments	(14,419)
At 30 June 2024 (Unaudited)	588,708

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 2024

13. DEBTORS

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Trade debtors arising from water supply and related services and rental receivables	36,441	36,988
Less: credit loss allowances – note (iii)	(2,532)	(2,562)
	33,909	34,426
Trade receivables arising from the ordinary course of business of dealing in securities		
HKSCC	–	12
Cash clients	76	76
	76	88
Less: credit loss allowances – note (iii)	(42)	(42)
	34	46
	33,943	34,472

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 rental receivables, based on invoice date and net of loss allowance on debtors, is set out below: –

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
0-6 months	31,870	34,155
6-12 months	948	102
1-2 years	1,091	169
	33,909	34,426

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: –

	2024 (Unaudited) HK\$'000	2023 (Audited) HK\$'000
At 1 January	2,604	2,619
Impairment loss recognised	12	41
Exchange adjustments	(42)	(56)
At 30 June/31 December	2,574	2,604

- (iv) At 30 June 2024, the receivables with a carrying amount of RMB31,421,000 (equivalent to approximately HK\$33,611,000) (At 31 December 2023: RMB31,272,000 (equivalent to approximately HK\$34,271,000)) were pledged to secure bank loans granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Utilities and deposits	1,227	1,084
Prepayments	1,392	1,503
Interest receivable	5,573	2,403
Loans receivable – note 14(a)	79,693	81,645
Other receivables	13,259	17,422
	101,144	104,057
Less: loss allowances on other receivables – note 14(b)	(3,079)	(3,095)
	98,065	100,962

Notes:-

- (a) The amount represented loans granted by the Group to three independent third parties which are companies incorporated in the PRC. The loan amounts are respectively RMB29,500,000, RMB22,000,000 and RMB23,000,000 are unsecured and bear interest at the rate of 5.9% per annum. The maturity dates of the outstanding loans principal and accrued interest are 11 July 2024, 30 September 2024 and 30 September 2024, respectively.
- (b) The movement in the loss allowances on other receivables during the period/year is as follows: –

	2024 (Unaudited) HK\$'000	2023 (Audited) HK\$'000
At 1 January	3,095	571
Impairment loss recognised	–	2,542
Exchange adjustments	(16)	(18)
At 30 June/31 December	3,079	3,095

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

(a) Pledged time deposits

Pledged bank deposits of RMB128,680,000 (equivalent to approximately HK\$137,649,000) (At 31 December 2023: RMB128,680,000 (equivalent to approximately HK\$141,020,000)) carry fixed interest rate of 2% (At 31 December 2023: 2.25%) per annum and are pledged to banks to secure bank loans granted to the Group.

(b) Cash and bank balances

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Cash and bank balances:		
General accounts and cash	112,201	102,770
Client accounts	3,662	3,264
At 30 June 2024/31 December 2023	115,863	106,034

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 2024

16. TRADE PAYABLES

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Trade payables arising from water supply and related services	385,713	347,183
Trade payables arising from the ordinary course of business of dealing in securities		
Cash clients	2,745	2,873
Margin clients, secured	901	387
	389,359	350,443

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

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
0-12 months	111,075	117,280
Over one year	274,638	229,903
	385,713	347,183

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 2024

17. PAYABLE TO MERCHANTS

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

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Over one year	3,003	3,006

18. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Deposits received	5,919	5,881
Accruals	24,164	25,811
Sundry creditors	67,650	67,516
Construction fee payable	27,776	33,268
Other tax payables	22,265	21,741
	147,774	154,217

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

19. AMOUNT DUE TO A RELATED COMPANY

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

20. BANK AND OTHER BORROWINGS

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Bank loans, secured – note (a)	817,075	866,798

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Due for payment:		
– Within one year	245,067	255,975
– Within a period of more than one but not exceeding five years	432,530	454,164
– Over five years	139,478	156,659
	817,075	866,798

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

20. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: –

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

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Total banking facilities granted	1,256,352	1,287,124
Less: banking facilities utilised by the Group	(817,075)	(866,798)
Unutilised banking facilities	439,277	420,326

(b) As at 30 June 2024, these banking facilities were secured by:-

- i. charge over a time deposit amounting to RMB128,680,000 (equivalent to approximately HK\$137,649,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB989,000 (equivalent to approximately HK\$1,058,000);
- iii. charges over the investment properties with carrying amounts of RMB508,300,000 (equivalent to approximately HK\$543,729,000);
- iv. pledge of trade receivables with a carrying amount of RMB31,421,000 (equivalent to approximately HK\$33,611,000);
- 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 2024

20. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: – (continued)

(b) As at 30 June 2024, 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 2023, these banking facilities were secured by:–

- i. charge over a time deposit amounting to RMB128,680,000 (equivalent to approximately HK\$141,020,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,187,000 (equivalent to approximately HK\$1,301,000);
- iii. charges over the investment properties with carrying amounts of RMB508,300,000 (equivalent to approximately HK\$557,046,000);
- iv. pledge of trade receivables with a carrying amount of RMB31,272,000 (equivalent to approximately HK\$34,271,000);
- 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 2024

21. SHARE CAPITAL

	Number of shares	HK\$'000
Share capital		
Ordinary share of HK\$0.01 each		
Authorised:-		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	20,000,000,000	200,000
Issued and fully paid:-		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	5,513,000,000	55,130

22. CAPITAL COMMITMENTS

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

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Property, plant and equipment	19,228	14,968

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Rental income	Common shareholder	276	279

(b) Key management compensation

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Fees for key management personnel	808	810
Salaries, allowances and other benefits in kind	2,412	2,408
Pension scheme contributions	31	33
	3,251	3,251

24. CONTINGENT LIABILITIES

As at 30 June 2024, 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 2024 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.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to Note 2(b) to the condensed consolidated financial statements which indicates that the Group incurred a net loss of HK\$61,554,000 during the six months ended 30 June 2024 and as at that date, the Group had net current liabilities of HK\$302,006,000. These conditions, along with other matters as set forth in Note 2(b) to the condensed consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt about the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

CONCLUSION

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

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong

28 August 2024

Tan Yik Chung Wilson

Practising Certificate Number: P05103



Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 June 2024, the Group was primarily 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\$147,049,000, representing a decrease of 4% or approximately HK\$6,042,000 as compared to the revenue of approximately HK\$153,091,000 for the corresponding period last year. Water supply and related business (including water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) recorded a revenue of approximately HK\$135,014,000, representing a decrease of 2.4% or approximately HK\$3,295,000 as compared with approximately HK\$138,309,000 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.

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 2024, the property investment and development segment of the Group recorded revenue of approximately HK\$12,001,000, representing a decrease of approximately HK\$2,594,000 as compared with approximately HK\$14,595,000 for the corresponding period last year. The decrease in rental income was due to a slowdown in market recovery and weakened consumer sentiment, resulting in reduced foot traffic and higher vacancy rate in shopping malls in the first half of 2024.

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 2024, the financial services segment of the Group recorded revenue of approximately HK\$34,000, representing a decrease of 82% as compared with approximately HK\$187,000 for the corresponding period last year. This decline is due to poor performance in the Hong Kong stock market during the current period, which affected investor confidence.



Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Business Review (continued)

For the six months ended 30 June 2024, the Group recorded a net loss attributable to shareholders of the Company of approximately HK\$40,595,000, representing a decrease of approximately HK\$997,000 as compared with the net loss attributable to shareholders of approximately HK\$41,592,000 for the corresponding period last year. The decrease in loss was mainly due to the decreases in the operating costs, staff costs, administrative expenses (including an exchange loss on Renminbi denominated assets of the Group) and finance costs.

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 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 has yet to conclude the commercial negotiation and binding documentation, as the restructuring of the target assets was still ongoing. 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.



Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Prospects

Looking ahead, global economic growth is expected to slow down in the second half of 2024, with inflation easing. In the face of uncertainties such as the U.S. presidential election and expected interest rate cuts, the Group will closely monitor the situation, maintain a cautious approach, and regularly review its existing businesses as well as evaluate its business strategies. We will strengthen risk management and strictly adhere to cost control policies to improve the Group's operational and financial position. At the same time, we expected that the water supply and property investment and development businesses will continue to provide stable income sources for the Group. The Group will strive to explore promising property projects in the PRC and overseas to diversify risks, enhance market competitiveness, and strengthen its core business. Additionally, we will also seek new business and investment opportunities to achieve business diversification, create new revenue streams, and promote sustainable growth.

In addition to business development, the Group understands its responsibilities and commitments in terms of environment, society, and governance (ESG). Therefore, the Group is dedicated to maintaining high standards and procedures for corporate governance, effective management systems, and resource allocation, with the aim of enhancing competitiveness and delivering long-term shareholder return. As part of its ESG initiatives, the Group firmly believes that the knowledge and experience of its employees are crucial elements for long-term sustainability. The Group places emphasis on talent training, strives to enhance employees' capabilities, and provides training to develop their potential and skills while fostering a sense of belonging. We also offer incentive programs to motivate and retain talent, thereby achieving the Group's sustainable development.



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 2024, the Group recorded a revenue of approximately HK\$147,049,000, representing a decrease of 4% or approximately HK\$6,042,000 as compared to the corresponding period last year. The decrease in revenue was mainly due to the decreases in rental income from commercial properties in China. The net loss attributable to shareholders of the Company for the six months ended 30 June 2024 was approximately HK\$40,595,000, representing a decrease of approximately HK\$997,000 as compared to the corresponding period last year. The decrease in loss was mainly due to the decreases in the operating costs, staff costs, administrative expenses (including an exchange loss on Renminbi denominated assets of the Group) and finance costs.


Cost of sales/services rendered

During the six months ended 30 June 2024, the Group recorded a cost of sales/services rendered in the amount of approximately HK\$134,735,000, representing a decrease of approximately HK\$7,692,000 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 rendered of the Group's businesses of water supply and related services.

Other income and gains/(losses)

Other income and gains/(losses) consist of interest on bank deposits and other miscellaneous income.

During the six months ended 30 June 2024, the Group recorded other income and gains of approximately HK\$1,465,000, representing an increase of approximately HK\$3,300,000 as compared with the corresponding period last year. The increase was mainly due to an increase in loan interest income from independent third parties.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

General and administrative expenses

During the six months ended 30 June 2024, the Group recorded general and administrative expenses of approximately HK\$33,776,000, representing a decrease of approximately HK\$908,000 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 and staff costs.

Share of loss of a joint venture

During the six months ended 30 June 2024, the Group recorded no share of loss from a joint venture, representing a decrease of approximately HK\$54,000 as compared to the corresponding period last year. This was mainly due to the joint venture not incurring any losses during the current period.

Finance costs

During the six months ended 30 June 2024, the Group recorded finance costs of approximately HK\$21,118,000, representing a decrease of finance costs of approximately HK\$4,432,000 as compared to the corresponding period last year. It was mainly due to the partial repayment of bank loans by the Group during the current period.

Income tax expense

During the six months ended 30 June 2024, the Group recorded an income tax expense of approximately HK\$20,439,000, representing an increase of approximately HK\$9,505,000 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 services business.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Property, plant and equipment

The Group's property, plant and equipment decreased by approximately HK\$18,857,000 from approximately HK\$331,859,000 as at 31 December 2023 to approximately HK\$313,002,000 as at 30 June 2024. 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\$715,000 from approximately HK\$22,450,000 as at 31 December 2023 to approximately HK\$21,735,000 as at 30 June 2024. 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\$14,419,000, from approximately HK\$603,127,000 as at 31 December 2023 to approximately HK\$588,708,000 as at 30 June 2024. 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 decreased by approximately HK\$1,709,000 from approximately HK\$6,254,000 as at 31 December 2023 to approximately HK\$4,545,000 as at 30 June 2024. The decrease was mainly due to the depreciation charge for 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\$5,549,000 from approximately HK\$232,095,000 as at 31 December 2023 to approximately HK\$226,546,000 as at 30 June 2024. It was mainly attributable to 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\$21,054,000 from approximately HK\$122,340,000 as at 31 December 2023 to approximately HK\$101,286,000 as at 30 June 2024. The decrease was mainly due to: (1) the decrease in the Group's RMB-denominated intangible assets resulting from the depreciation of RMB, and (2) the amortisation for the current period.

Deposit paid for acquisition of a subsidiary

The Group's deposit paid for acquisition of a subsidiary decreased by approximately HK\$665,000 from approximately HK\$26,602,000 as at 31 December 2023 to approximately HK\$25,947,000 as at 30 June 2024. The decrease was mainly due to the decrease in the Group's RMB-denominated deposit paid for acquisition of a subsidiary resulted from the depreciation of RMB against HK\$ during the current period.

Deposits paid for acquisition of investment properties

The Group's deposits paid for acquisition of investment properties decreased by approximately HK\$3,930,000 from approximately HK\$159,586,000 as at 31 December 2023 to approximately HK\$155,656,000 as at 30 June 2024. The decrease was mainly due to the decrease in the Group's RMB-denominated deposits paid for acquisition of investment properties resulting from the depreciation of RMB.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Inventories

The Group's inventories decreased by approximately HK\$763,000 from approximately HK\$5,627,000 as at 31 December 2023 to approximately HK\$4,864,000 as at 30 June 2024. The decrease was mainly due to the decrease in the Group's RMB-denominated inventories resulting from the depreciation of RMB.

Properties under development

The Group's properties under development increased by approximately HK\$1,584,000 from approximately HK\$13,549,000 as at 31 December 2023 to approximately HK\$15,133,000 as at 30 June 2024. The increase was attributable to the properties under development located overseas.

Debtors

The Group's debtors as at 30 June 2024 amounted to approximately HK\$33,943,000, which is similar to the figure as at 31 December 2023.

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, loan receivables and other receivables from independent third parties. Loan receivables are unsecured and interest-bearing at 5.9% per annum, and the remaining other receivables are unsecured and interest free.

The Group's deposits, prepayments and other receivables decreased by approximately HK\$2,897,000 from approximately HK\$100,962,000 as at 31 December 2023 to approximately HK\$98,065,000 as at 30 June 2024. The decrease was mainly due to the decrease in the Group's RMB-denominated other receivables from independent third parties resulting from the depreciation of RMB.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by approximately HK\$12,188,000 from approximately HK\$229,666,000 as at 31 December 2023 to approximately HK\$217,478,000 as at 30 June 2024. The decrease in cash and bank balances and fixed deposits was mainly due to partial repayment of bank loans during the current period. As at 30 June 2024, 74% (31 December 2023: 68%) of the cash and bank balances was denominated in RMB.

Pledged time deposits

The Group's pledged time deposits decreased by approximately HK\$3,371,000 from approximately HK\$141,020,000 as at 31 December 2023 to approximately HK\$137,649,000 as at 30 June 2024. The decrease was mainly due to the decrease in the Group's RMB-denominated pledged time deposits resulting from the depreciation of RMB.

Bank and other borrowings

The Group's bank and other borrowings decreased by approximately HK\$49,723,000 from approximately HK\$866,798,000 as at 31 December 2023 to approximately HK\$817,075,000 as at 30 June 2024. The decrease was mainly attributable to the partial repayment of bank loans during the current period.

Trade payables

The Group's trade payables increased by approximately HK\$38,916,000 from approximately HK\$350,443,000 as at 31 December 2023 to approximately HK\$389,359,000 as at 30 June 2024. The increase in trade payables was due to increase in provision of costs of water supply.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Payable to merchants

The Group's payable to merchants as at 30 June 2024 amounted to approximately HK\$3,003,000, which is similar to the figure as at 31 December 2023.

Deposits received, sundry creditors and accruals

Deposits received, sundry creditors and accruals consist of rental and other deposits received, accruals, construction fee payable and other tax payables.

The Group's deposits received, sundry creditors and accruals decreased by approximately HK\$6,443,000 from approximately HK\$154,217,000 as at 31 December 2023 to approximately HK\$147,774,000 as at 30 June 2024. The decrease was mainly attributable to the decrease in provision for maintenance costs and construction fee payable for the Group's water supply business during the current period.

Contract liabilities

The Group's contract liabilities as at 30 June 2024 amounted to approximately HK\$14,620,000, which is similar to the figure as at 31 December 2023.

Lease liabilities

The Group's lease liabilities decreased by approximately HK\$1,699,000 from approximately HK\$6,387,000 as at 31 December 2023 to approximately HK\$4,688,000 as at 30 June 2024. The decrease was in line with decrease in right-of-use assets.

Amount due to a related company

The Group's amount due to a related company decreased by approximately HK\$44,000 from approximately HK\$44,000 as at 31 December 2023 to HK\$nil as at 30 June 2024. The decrease was due to the repayment to the related company during the current period.



Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW (CONTINUED)

Tax liabilities

The Group's tax liabilities increased by approximately HK\$1,936,000 from approximately HK\$3,879,000 as at 31 December 2023 to approximately HK\$5,815,000 as at 30 June 2024. Such increase was in line with the increase in income tax expense during the current period.


Liquidity and financial resources

As at 30 June 2024, the Group had net current liabilities of approximately HK\$302,006,000. Current assets comprised properties under development of approximately HK\$15,133,000, inventories of approximately HK\$4,864,000, debtors of approximately HK\$33,943,000, deposits, prepayments and other receivables of approximately HK\$98,065,000, fixed deposits of approximately HK\$101,615,000, pledged time deposits of approximately HK\$137,649,000 and cash and bank balances of approximately HK\$115,863,000.

Current liabilities comprised bank and other borrowings of approximately HK\$245,067,000, trade payables of approximately HK\$389,359,000, payable to merchants of approximately HK\$3,003,000, deposits received, sundry creditors and accruals of approximately HK\$147,774,000, contract liabilities of approximately HK\$14,620,000, lease liabilities of approximately HK\$3,500,000 and tax liabilities of HK\$5,815,000.

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 2024 was 71% (31 December 2023: 69%).

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 2024, the total number of employees of the Group was 413 (31 December 2023: 412). 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

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 “**MOU**”) with Dongguan Zhaoyu Real Estate Co., Ltd. (the “**Vendor**”) and Qingyuan Xuhong Industrial Co., Ltd. (“**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 Target Company (or a newly established holding company for the target properties situated at Guangdong Qingyuan High-tech Industrial Development Zone, 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 MOU, the Company has paid to the Vendor (or as it may instruct) a refundable earnest money of RMB150 million (HK\$167.17 million). Details of the MOU were set out in the Company's announcement dated 5 June 2023. The Company has yet to conclude the commercial negotiation and binding documentation, as the restructuring of the target assets was still ongoing.

Save as disclosed above, the Group had no significant investments, acquisitions and disposals during the six months ended 30 June 2024.



Management Discussion and Analysis (continued)

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had capital expenditure contracted but not provided for in respect of property, plant and equipment in the amount of approximately HK\$19,228,000 as at 30 June 2024.

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 MOU as detailed above, there was no other future plan for material investments or capital assets for the six months ended 30 June 2024. 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 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 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 2024 were secured by:–

- i. charge over a time deposit amounting to RMB128,680,000 (equivalent to approximately HK\$137,649,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB989,000 (equivalent to approximately HK\$1,058,000);
- iii. charges over the investment properties with carrying amounts of RMB508,300,000 (equivalent to approximately HK\$543,729,000);
- iv. pledge of trade receivables with a carrying amount of RMB31,421,000 (equivalent to approximately HK\$33,611,000);
- 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 ("RMB") and the majority of assets and liabilities are denominated in RMB and Hong Kong dollars ("HK\$"). There are no significant assets and liabilities denominated in other currencies. For the six months ended 30 June 2024, 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 2024, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$19,228,000 (31 December 2023: approximately HK\$14,968,000) 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 2024.



Management Discussion and Analysis (continued)

DISCLOSURE OF CHANGES IN DIRECTORS' 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 2024 are as follows:

1. Mr. Xuan Zhensheng, was previously a non-executive Director of the Company, (i) was re-designated as an executive Director of the Company with effect from 28 June 2024; (ii) was appointed as a director of Chevalier Earth Group Limited (a direct wholly-owned subsidiary of the Company) with effect from 28 June 2024; and (iii) was appointed as a non-independent director and general manager of Guangdong Golden Dragon Development Inc. ("**GD**", whose shares are listed on the Shenzhen Stock Exchange with stock code: 000712), taking effect from 24 June 2024;
2. Ms. Zhang Haimei ceased to be (i) a director of Chevalier Earth Group Limited with effect from 28 June 2024; (ii) retired as an executive Director taking effect at the conclusion of the annual general meeting of the Company (the "**AGM**") on 28 June 2024; and (iii) ceased to be a general manager and a director of GD with effect from 24 June 2024; and
3. Mr. Chen Lang was elected by the Shareholders as a non-executive Director, taking effect at the conclusion of the AGM on 28 June 2024.

LITIGATION

The followings are the 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, and the previous financial reports of the Company. Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement and the previous financial reports of the Company.



Management Discussion and Analysis (continued)

LITIGATION (CONTINUED)

As disclosed in the Cessation Notice Announcement and the previous financial reports of the Company, 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 various 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. At the relevant time, 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 (the “**Group’s View**”). 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.

Subsequent to the period under review, in August and September 2024, the Group received civil judgments from the Intermediate People’s Court of Qingyuan, Guangdong Province, notifying the Group that the Group’s View was disagreed by the Court and ordering the WSD Company to pay water charges of RMB35,526,147 and RMB40,561,779 (plus overdue interest accruing at the rate of 1-year term loan market quoted interest rate) and litigation and related charges, to the Government-designated Water Plant. Up to the date of this report, the amounts of water charges stated in the civil judgments were already settled as to RMB72,204,117. Regarding the cases for which final civil judgments were rendered by the Court, the Company will continue to seek legal advice including without limitation as regards the reasonableness of water unit charges, interest rate and accruing period. Regarding the cases for which final civil judgments were yet to be rendered, the Group will continue to seek legal advice to uphold its position, and/ or take other actions as may be appropriate in the circumstances.

Other Information

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

As at 30 June 2024, 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 C3 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 six months ended 30 June 2024.



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 2024, 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 2024, 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 2024, 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 2024, 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 2024 and the date of the 2024 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. In addition, no option was exercised, cancelled or lapsed under the Share Award Scheme at the beginning and the end of the interim period under review.



Other Information (continued)

SHARE AWARD SCHEME (CONTINUED)

For the six months ended 30 June 2024, the Group purchased 3,780,000 (six months ended 30 June 2023: 720,000) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK\$417,000 (six months ended 30 June 2023: HK\$95,000), 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 2024, 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.

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.



Other Information (continued)

CORPORATE GOVERNANCE CODE

The Company has applied the principles and provisions as set out in the Corporate Governance Code as set out in Part 2 of Appendix C1 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.

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 C3 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 2024.



Other Information (continued)

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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.

The interim financial report for the six months ended 30 June 2024 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.



Other Information (continued)

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, 28 August 2024

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 Mr. Xuan Zhensheng; one non-executive Director namely Mr. Chen Lang; and three independent non-executive Directors namely Mr. Yeung Kin Chung Clifton, M.H., Mr. David Tsoi and Mr. Chao Pao Shu George.