TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

Interim Report 2016

Contents

Highlights

— Revenue for the six months ended 30 June 2016 amounted to approximately HK$233.65 million (six months ended 30 June 2015: HK$142.03 million), representing an increase of 65% as compared to the corresponding period last year. Increase in revenue was mainly due to the contribution in revenue from the newly-acquired water supply business which more than offsets the reduction in revenue of the Group's payment solutions business.

— Net loss attributable to shareholders of the Company for the six months ended 30 June 2016 amounted to approximately HK$22.41 million (six months ended 30 June 2015: HK$17.60 million), representing an increase by HK$4.81 million or 27% as compared to the corresponding period last year. Loss for the period of the Group was mainly due to (i) the slowdown in China's economic growth and the intensified competition for the payment solutions industry in China, resulting in a reduction in revenue and an increase in losses of the Group's payment solutions business; and (ii) the currency exchange loss on Renminbi denominated assets of the Group arising from the devaluation of Renminbi.

— Basic and diluted loss per share for the six months ended 30 June 2016 amounted to HK$1.06 cents and HK$1.06 cents respectively (six months ended 30 June 2015: HK$0.85 cent and HK$0.85 cent respectively).

— The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Interim Results

The Board of Directors (the "**Board**") of Universal Technologies Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 together with comparative figures for the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	NOTE	Six months ended 30 June **2016** **(Unaudited)** **HK$'000**	2015 (Unaudited) HK$'000
Revenue	4	**233,651**	142,029
Cost of sales/services rendered		**(100,287)**	(13)
Gross profit		**133,364**	142,016
Other revenue	4	**7,433**	3,372
Other income		**12,386**	185
General and administrative expenses		**(156,963)**	(162,743)
Loss from operations		**(3,780)**	(17,170)
Gain on bargain purchase		**166**	–
Impairment loss on debtors	12	**(37)**	(183)
Impairment loss on other receivables	13	**(581)**	–
Intangible assets written off		**(1,402)**	–
Finance costs		**(11,557)**	(678)
Share of results of an associate		**(33)**	–
Loss before income tax	5	**(17,224)**	(18,031)
Income tax expense	7	**(6,962)**	(1,720)
Loss for the period		**(24,186)**	(19,751)
Loss attributable to:			
Shareholders of the Company		**(22,406)**	(17,598)
Non-controlling interests		**(1,780)**	(2,153)
Loss for the period		**(24,186)**	(19,751)
Loss per share *(in cents)*			
Basic	8	**(1.06)**	(0.85)
Diluted	8	**(1.06)**	(0.85)

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(24,186)**	(19,751)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China (the "**PRC**")	**(5,198)**	464
Exchange differences arising on translation of financial statements of an associate established in the PRC	**(640)**	–
Other comprehensive (loss)/income for the period, net of tax	**(5,838)**	464
Total comprehensive loss for the period	**(30,024)**	(19,287)
Total comprehensive loss attributable to:		
Shareholders of the Company	**(25,544)**	(17,307)
Non-controlling interests	**(4,480)**	(1,980)
	(30,024)	(19,287)

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTE	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	9	**492,372**	468,843
Prepaid land lease premium	10	**28,559**	29,364
Investment properties	11	**97,314**	53,847
Intangible assets		**392,351**	356,297
Goodwill		**167,387**	167,387
Interest in an associate		**28,869**	29,542
Deferred tax assets		**197**	202
Deposit paid for acquisition of property, plant and equipment		**36,962**	37,588
Prepayments and other receivables	13	**38,255**	227
		1,282,266	1,143,297
Current assets			
Inventories		**3,314**	3,011
Debtors	12	**99,152**	91,559
Deposits, prepayments and other receivables	13	**204,190**	212,642
Financial assets at fair value through profit or loss	14	**2,018**	1,647
Prepaid land lease premium	10	**278**	285
Fixed deposits		**47,132**	63,218
Pledged time deposit		**274,912**	281,021
Cash and bank balances		**703,731**	637,771
		1,334,727	1,291,154

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTE	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
DEDUCT:			
Current liabilities			
Bank and other borrowings	19	**390,987**	413,873
Trade payables	15	**1,899**	1,888
Payable to merchants	16	**510,044**	412,844
Deposits received, sundry creditors and accruals	17	**285,059**	271,034
Amounts due to related companies	18	**73,908**	123,796
Tax payable		**10,613**	12,959
		1,272,510	1,236,394
NET CURRENT ASSETS		**62,217**	54,760
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,344,483**	1,198,057
DEDUCT:			
Non-current liabilities			
Bank and other borrowings	19	**424,095**	247,982
Deferred tax liabilities		**65,055**	65,034
		489,150	313,016
NET ASSETS		**855,333**	885,041

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTE	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
REPRESENTING:			
Capital and reserves			
Share capital	20	**21,205**	21,205
Reserves		**470,770**	496,314
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**491,975**	517,519
NON-CONTROLLING INTERESTS		**363,358**	367,522
TOTAL EQUITY		**855,333**	885,041

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**23,583**	(88,818)
NET CASH USED IN INVESTING ACTIVITIES	**(138,865)**	(27,953)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**170,257**	67,894
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**54,975**	(48,877)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(5,101)**	264
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**700,989**	850,310
CASH AND CASH EQUIVALENTS AT 30 JUNE	**750,863**	801,697
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**703,731**	476,812
Fixed deposits	**47,132**	324,885
	750,863	801,697

Condensed Consolidated Statement of Changes In Equity (Unaudited)

For the six months ended 30 June 2016

	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	Share options reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	20,705	490,194	481	1,093	10,754	7,937	4,796	25,947	(58,040)	50,810	554,677	201,581	756,258
Shares issued under share option scheme	100	4,950	–	–	–	–	(400)	–	–	–	4,650	–	4,650
Total comprehensive income/(loss) for the period	–	–	–	–	–	291	–	–	–	(17,598)	(17,307)	(1,980)	(19,287)
Transferred to statutory reserve	–	–	–	–	–	–	–	760	–	(760)	–	–	–
At 30 June 2015	20,805	495,144	481	1,093	10,754	8,228	4,396	26,707	(58,040)	32,452	542,020	199,601	741,621
At 1 January 2016	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**3,107**	**4,396**	**30,244**	**(57,878)**	**(9,227)**	**517,519**	**367,522**	**885,041**
Acquisitions of subsidiaries (note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**316**	**316**
Transferred to accumulated losses	**-**	**-**	**-**	**-**	**-**	**-**	**(399)**	**-**	**-**	**399**	**-**	**-**	**-**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(3,138)**	**-**	**-**	**-**	**(22,406)**	**(25,544)**	**(4,480)**	**(30,024)**
Transferred to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,848**	**-**	**(11,848)**	**-**	**-**	**-**
At 30 June 2016	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**(31)**	**3,997**	**42,092**	**(57,878)**	**(43,082)**	**491,975**	**363,358**	**855,333**

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 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, provision of payment solutions and related services, timber trading and furniture manufacturing, system integration and technical platform services, property investment and building management and water supply and related services.

2. BASIS OF PREPARATION

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

The interim financial report is unaudited, but has been reviewed by the Group's audit committee. It has also been reviewed by PKF, 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.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has initially applied certain new standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (the "**new HKFRSs**") issued by the HKICPA which are relevant to the Group and effective for the annual period beginning on 1 January 2016. The adoption of the new HKFRSs has no material impact on the Group's accounting policies, presentation of the Group's unaudited condensed consolidated financial statements and amounts reported for the current and prior periods.

4. REVENUE AND OTHER REVENUE

Revenue for the period represents revenue recognised from the provision of payment handling income net of tax, the net invoiced value of goods sold, rental and building management service income and water supply and related services income. An analysis of the Group's revenue and other revenue is set out below:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Payment solutions and related services income	**86,997**	141,953
Rental and building management service income	**968**	76
Water supply and related services income	**145,686**	–
Revenue	**233,651**	142,029
Interest on bank deposits	**7,380**	3,240
Other interest income	**–**	6
Government subsidy	**–**	126
Consultancy service income	**51**	–
Dividend income	**2**	–
Other revenue	**7,433**	3,372
Total revenue	**241,084**	145,401

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Cost of sales	**97,540**	13
Staff costs (including directors' remuneration)		
— Salaries and other benefits	**71,851**	58,407
— Pension scheme contributions	**12,472**	9,587
	84,323	67,994
Depreciation	**20,214**	10,194
Amortisation of intangible assets and prepaid land lease premium	**8,775**	252
Exchange loss	**6,349**	100
Loss/(gain) on change in fair value of financial assets at fair value through profit or loss	**115**	(109)
Minimum operating lease rentals	**12,173**	11,005
Impairment loss on debtors	**37**	183
Impairment loss on other receivables	**581**	–
Intangible assets written off	**1,402**	–
Interest on bank loans	**11,397**	409
Write down of inventories	**271**	–
Loss on disposal of property, plant and equipment	**333**	228
Loss on disposal of financial assets at fair value through profit or loss	**400**	–
Gain on early extinguishment of bank loans	**(11,657)**	–
Rental income less outgoings	**(790)**	(76)

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 five reportable segments.

(a) Payment solutions

This segment primarily derives its revenue from the provision of payment solutions and ongoing technical support services to customers in the PRC, Hong Kong and overseas. Currently the Group's activities in this regard are carried out in the PRC, Hong Kong and overseas.

(b) Timber trading and furniture manufacturing

This segment is engaged in trading of timber and manufacturing of furniture to customers. Currently the Group is developing timber trading in the PRC.

(c) System integration and technical platform services

This segment is engaged in provision of system integration and technical platform services to customers in the PRC. Currently the Group's activities in this regard are carried out in the PRC.

(d) Properties investment (formerly known as "Industry park")

This segment is engaged in development and management of e-commerce, financial and resources industry parks where enterprise clusters of the same industry chain are integrated. The services for enterprise in industry parks include property leasing, property sales, building management, facilities maintenance, processing efficiency improvement and management related consulting, supporting and outsourcing. Currently the Group's activities in this regard are carried out in the PRC and Hong Kong.

6. SEGMENT REPORTING (CONTINUED)

(e) Water supply and related services

This segment is engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province. The water supply business currently operates three water treatment plants, which source raw water from local river sources. All the water treatment plants have obtained licenses and approvals from the local government to source raw water from the local river sources.

Others include supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and the PRC. These operating segments have not been aggregated to form a reporting segment.

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

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

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate.

6. SEGMENT REPORTING (CONTINUED)

(a) Segments results

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

	Six months ended 30 June													
	Reportable Segments													
	Payment solutions		Timber trading and furniture manufacturing		System integrating and technical platform service		Water supply and related services		Properties investment (formerly known as "Industry park")		Others		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Reportable segment revenue														
Revenue from external customers	**86,997**	141,953	**-**	-	**-**	-	**145,860**	-	**794**	76	**-**	-	**233,651**	142,029
Other revenue	**2,886**	2,508	**-**	-	**-**	1	**420**	-	**118**	76	**4,009**	787	**7,433**	3,372
Total revenue	**89,883**	144,461	**-**	-	**-**	1	**146,280**	-	**912**	152	**4,009**	787	**241,084**	145,401
Reportable segment (loss)/profit	**(37,706)**	(4,771)	**-**	-	**(248)**	(324)	**45,104**	-	**(936)**	(236)	**(17,427)**	(15,085)	**(11,213)**	(20,416)
Interest income													**7,380**	3,246
Dividend income													**2**	-
Consultancy service income													**51**	-
Loss from operations													**(3,780)**	(17,170)
Gain on bargain purchase													**166**	-
Impairment loss on debtors	**(37)**	(183)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(37)**	(183)
Impairment loss on other receivables	**(29)**	-	**-**	-	**-**	-	**-**	-	**(552)**	-	**-**	-	**(581)**	-
Intangible assets written off	**-**	-	**-**	-	**-**	-	**(1,402)**	-	**-**	-	**-**	-	**(1,402)**	-
Finance costs													**(11,557)**	(678)
Share of results of an associate													**(33)**	-
Loss before income tax													**(17,224)**	(18,031)
Income tax expense													**(6,962)**	(1,720)
Loss for the period													**(24,186)**	(19,751)
Attributable to:														
— Shareholders of the Company													**(22,406)**	(17,598)
— Non-controlling interests													**(1,780)**	(2,153)
													(24,186)	(19,751)

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

	Six months ended 30 June					
	The PRC		Hong Kong/overseas		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Revenue from external customers	**233,284**	142,010	**367**	19	**233,651**	142,029
Other revenue	**3,430**	2,579	**4,003**	793	**7,433**	3,372
Total revenue	**236,714**	144,589	**4,370**	812	**241,084**	145,401

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

7. INCOME TAX EXPENSE

No provision has been made for Hong Kong profits tax as the Group did not have assessable profits subject to Hong Kong profits tax for the six months ended 30 June 2016 and 2015.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (six months ended 30 June 2015: 25%).

During the period, pursuant to relevant laws and regulations in the PRC and with approval from tax authorities in charge, one of the Groups' subsidiaries qualified as a High and New Technology Enterprise and was entitled to the preferential tax rate of 15% for three years from 2016 to 2018 (six months ended 30 June 2015: a subsidiary in the PRC is entitled to preferential tax treatments. The subsidiary is entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate).

The income tax expense is made up as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax:		
Current period	**6,031**	1,720
Deferred tax:		
Current period	**931**	–
	6,962	1,720

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(22,406)**	(17,598)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	**2,120,448,858**	2,071,332,836
Effect of dilutive potential ordinary shares:		
Share options — note	**–**	–
Weighted average number of shares in issue for the purpose of calculation of diluted loss per share	**2,120,448,858**	2,071,332,836

Note: The computation of diluted loss per share for the six months ended 30 June 2016 and 30 June 2015 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in loss per share for the period which is regarded as anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group had additions to property, plant and equipment in the amount of approximately HK$56,874,000 (year ended 31 December 2015: HK$22,151,000).

10. PREPAID LAND LEASE PREMIUM

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

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Outside Hong Kong, held under medium-term lease	**28,837**	29,649
Less: Current portion	**(278)**	(285)
Non-current portion	**28,559**	29,364
Representing:		
Opening net book value	**29,649**	9,706
Acquisition of subsidiaries — note 21(c)	**–**	20,797
Exchange adjustments	**(407)**	(552)
Amortisation of prepaid land lease premium	**(405)**	(302)
Closing net book value	**28,837**	29,649

11. INVESTMENT PROPERTIES

	HK$'000
At 1.1.2015 (Audited)	32,539
Increase in fair value recognised in the consolidated statement of profit or loss	1,206
Acquisitions of subsidiaries — note 21(c)	21,932
Exchange adjustments	(1,830)
At 31.12.2015 and 1.1.2016 (Audited)	53,847
Additions	44,634
Exchange adjustments	(1,167)
At 30.6.2016 (Unaudited)	**97,314**

The investment properties are situated in Hong Kong and the PRC and are held under medium-term lease.

12. DEBTORS

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Trade debtors	**101,619**	94,118
Less: impairment loss — note (iv)	**(2,467)**	(2,559)
	99,152	91,559

Notes:

(i) Apart from payment solutions business, the credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically. For payment solutions business, as the Group is playing the role as an agent on behalf of the merchants for collection of payments, there is no significant credit risk.

(ii) An aging analysis of debtors is set out below:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
0–6 months	**98,780**	90,900
7–12 months	**199**	350
1–2 years	**173**	309
	99,152	91,559

12. DEBTORS (CONTINUED)

Notes: (continued)

(iii) The aging analysis of debtors that neither individually or collectively considered to be impaired is as follows:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Neither past due nor impaired	**98,795**	91,250
Past due but not impaired	**357**	309
	99,152	91,559

Debtors that were neither past due nor impaired relate to service providers of payment solutions business for whom there were no recent history of default.

(iv) The movement in the impairment loss on debtors during the period/year is as follows:

	2016 (Unaudited) HK$'000	2015 (Audited) HK$'000
At 1 January	**2,559**	2,510
Impairment loss recognised	**37**	58
Exchange adjustments	**(129)**	(9)
At 30 June/31 December	**2,467**	2,559

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Utilities and deposits	**4,899**	4,398
Prepayments	**56,224**	4,394
Secured loans receivables — note (i)	**54,291**	55,495
Unsecured loans receivables — note (ii)	**111,507**	112,744
Interest receivable	**1,969**	119
Amounts due from former subsidiaries — note (iii)	**6,315**	14,590
Amount due from non-controlling shareholder of a subsidiary	**–**	13,419
Amount due from an associate — note (iii)	**64**	–
Other receivables	**8,932**	8,911
	244,201	214,070
Less: impairment loss on other receivables — note (iv)	**(1,756)**	(1,201)
	242,445	212,869
Less: non-current portion — note (v)	**(38,255)**	(227)
Current portion	**204,190**	212,642

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) The secured loans receivables are interest-bearing at 2% (31 December 2015: 2%) per month and repayable within one year.

(ii) All unsecured loans receivables were interest-free. Except for an amount of HK$Nil (31 December 2015: HK$227,000) which was repayable after one year, the remaining balance was repayable within one year.

(iii) The amounts are interest-free, unsecured and repayable on demand.

(iv) The movement in the impairment loss on other receivables during the period/year is as follows:

	2016 (Unaudited) HK$'000	2015 (Audited) HK$'000
At 1 January	**1,201**	1,938
Impairment loss recognised	**581**	–
Written off	**–**	(693)
Exchange adjustments	**(26)**	(44)
At 30 June/31 December	**1,756**	1,201

(v) Prepayments of HK$38,255,000 (31 December 2015: HK$Nil) relate to purchase deposits of tailored-made software for the Group.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

For financial instruments carried at fair value, the financial instruments should be measured by the three level hierarchy as defined in HKFRS 13. The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2: fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3: fair value measured using significant unobservable inputs

At 30 June 2016, the only financial instruments of the Group carried at fair value were financial assets at fair value through profit or loss of HK$2,018,000 (31 December 2015: HK$1,647,000) listed on the Shanghai Stock Exchange. These instruments fall into Level 1 of the fair value hierarchy described above.

During the current period and the year ended 31 December 2015, there was no transfer between financial level instruments in Level 1 and Level 2.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2016 and 31 December 2015.

15. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
0–12 months	**1,854**	1,888
Over one year	**45**	–
	1,899	1,888

16. PAYABLE TO MERCHANTS

An aging analysis of payable to merchants is set out below:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
0–12 months	**507,030**	409,827
Over one year	**3,014**	3,017
	510,044	412,844

17. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Deposits received and receipts in advance	**13,690**	18,977
Accruals	**17,721**	27,404
Sundry creditors	**115,416**	67,951
Construction fee payable	**115,809**	114,932
Dividend payable to non-controlling shareholder of a subsidiary	**–**	18,258
Other tax payables	**22,423**	23,512
	285,059	271,034

18. AMOUNTS DUE TO RELATED COMPANIES

The amounts are interest-free, unsecured and repayable within one year.

19. BANK AND OTHER BORROWINGS

	NOTES	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Bank loans, secured	(a)	**770,256**	597,096
Bank loan, unsecured	(b)	**40,873**	59,685
Government loans, unsecured	(c)	**3,953**	5,074
		815,082	661,855

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Due for payment:		
Bank loans		
— Within one year	**390,987**	413,873
— Within two to five years	**131,138**	126,351
— Over five years	**292,957**	121,631
	815,082	661,855

19. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) Details of secured bank loans are as follows:

Secured bank loan of HK$4,000,000 was interest-bearing at 3% plus Hong Kong Interbank Offered Rate ("**HIBOR**") per annum, repayable within one year.

Secured bank loans of HK$7,573,000 and HK$10,673,000, were interest-bearing at 2.6% and 2.3% plus 1 month HIBOR per annum respectively, repayable within one year.

Secured bank loan of HK$274,923,000 was interest-bearing at 3.1% per annum, repayable within one year, denominated in Renminbi.

Secured bank loans of HK$49,048,000, HK$37,370,000, HK$115,612,000 and HK$93,424,000 were interest-bearing at 4.156%, 3.806%, 4.288% and 4.288% respectively per annum, repayable after one year, denominated in Renminbi.

Secured bank loan of HK$177,633,000 was interest-bearing at 6.765% per annum, repayable after one year, denominated in Renminbi.

(b) Unsecured bank loan of HK$40,873,000 was interest-bearing at 5.655% per annum, repayable within one year and denominated in Renminbi.

(c) Details of unsecured government loans are as follows:

Unsecured government loan of HK$1,134,000 was interest-bearing at 3.3% per annum, repayable within one year and denominated in Renminbi.

Unsecured government loan of HK$2,395,000 was interest-bearing at 3.3% per annum, repayable after one year to five years and denominated in Renminbi.

Unsecured government loan of HK$424,000 was interest-bearing at 3.3% per annum, repayable after five years and denominated in Renminbi.

19. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(d) The Group had the following banking facilities:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Total banking facilities granted	**1,289,814**	829,323
Less: banking facilities utilised by the Group	**(811,129)**	(656,781)
Unutilised banking facilities	**478,685**	172,542

As at 30 June 2016, these banking facilities were secured by:

i. charges over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK$274,912,000) (31 December 2015: RMB235,420,000 (equivalent to approximately HK$281,021,000));

ii. charges over property, plant and equipment with aggregate carrying amount of RMB Nil (31 December 2015: RMB35,904,000 (equivalent to approximately HK$42,858,000)).

iii. charges over investment properties with aggregate carrying amounts of HK$44,634,000 (31 December 2015: HK$Nil);

iv. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,299,000 (equivalent to approximately HK$5,021,000) (31 December 2015: RMB4,355,000 (equivalent to approximately HK$5,198,000));

v. charge over properties located in Hong Kong held by Astor International Industrial Limited, a company owned by a key management personnel of a subsidiary;

19. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(d) As at 30 June 2016, these banking facilities were secured by: (continued)

vi. pledge of trade receivables under service concession arrangement with a carrying amount of RMB14,586,000 (equivalent to approximately HK$17,033,000) (31 December 2015: RMB18,278,000 (equivalent to approximately HK$21,818,000));

vii. pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited, which is a subsidiary of the Group;

viii. pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited, which is a subsidiary of the Group;

ix. guarantee by Universal ECPAY Limited, which is a subsidiary of the Group;

x. guarantee by Xinghongcheng Enterprise Management Company Limited and Qingyuan Qingxin Huike Properties Company Limited, both being subsidiaries of the Group;

xi. guarantee by Amber Environmental Technologies Limited, a company owned by a key management personnel of a subsidiary;

xii. guarantee by Mr. Lau Sik Suen, a key management personnel of a subsidiary;

xiii. guarantee by Dongguan New Century Science and Education Development Limited, Mr. Yang Zhimao and Mr. Zhu Fenglian; and

xiv. guarantee by the non-controlling shareholder of a subsidiary.

20. SHARE CAPITAL

	Number of shares	HK$'000
Share capital		
Ordinary share of HK$0.01 each		
Authorised:		
At 31 December 2015,		
1 January 2016 and 30 June 2016	5,000,000,000	50,000
Issued and fully paid:		
At 31 December 2015,		
1 January 2016 and 30 June 2016	2,120,448,858	21,205

As at 30 June 2016, the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

21. ACQUISITIONS OF SUBSIDIARIES

(a) On 14 February 2016, IPS E-Commerce Hong Kong Limited, a non-wholly owned subsidiary with 34.43% effective interest held by the Group, acquired 100% equity interests in H and R International Investment Limited ("**H and R**"), a company incorporated in Hong Kong, at a cash consideration of HK$2. The Group holds 34.43% effective interest in H and R indirectly.

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition was as follows:

	HK$'000
Deposits paid for acquisition of property, plant and equipment	7,670
Other receivables	1,899
Cash and bank balances	103
Sundry creditors and accruals	(9,200)
	472
Non-controlling interests	(310)
Net assets	162
Gain on bargain purchase arising on acquisition	
Consideration for acquisition	–
Less: Fair value of identifiable net assets acquired	(162)
	(162)
Net cash inflow arising on acquisition	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	103
	103

21. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) (continued)

The Group recognised a gain on bargain purchase of HK$162,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly acquired business did not contribute any revenue to the Group but resulted in a loss of HK$65,000 to the Group for the period between the date of acquisition and the end of reporting period.

Had the acquisition been completed on 1 January 2016, the Group's revenue and loss for the period would have been HK$233,651,000 and HK$24,186,000 respectively. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2016 nor is intended to be a projection of future results.

(b) On 14 February 2016, IPS E-Commerce Hong Kong Limited, a non-wholly owned subsidiary with 34.43% effective interest held by the Group, acquired 100% equity interests in Speed International Technology Company Limited ("**Speed**"), a company incorporated in Hong Kong, at a cash consideration of HK$2. The Group holds 34.43% effective interest in Speed indirectly.

21. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) (continued)

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition was as follows:

	HK$'000
Deposits paid for acquisition of property, plant and equipment	8,207
Other receivables	5
Sundry creditors and accruals	(8,202)
	10
Non-controlling interests	(6)
Net assets	4
Gain on bargain purchase arising on acquisition	
Consideration for acquisition	–
Less: Fair value of identifiable net assets acquired	(4)
	(4)
Net cash outflow on acquisition	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	–
	–

21. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) (continued)

The Group recognised a gain on bargain purchase of HK$4,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly-acquired business did not contribute any revenue to the Group but resulted in a loss of HK$50,000 to the Group for the period between the date of acquisition and the end of reporting period.

Had the acquisition been completed on 1 January 2016, the Group's revenue and loss for the period would have been HK$233,651,000 and HK$24,186,000 respectively. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2016 nor is intended to be a projection of future results.

(c) On 23 December 2015, the Group completed its acquisition of 49% equity interests in Qinghui Properties Limited and its subsidiaries (the "**Qinghui Group**"), companies established in the PRC, at a cash consideration of RMB224,420,000 (equivalent to HK$268,519,000).

21. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(c) (continued)

The fair value of the identifiable assets and liabilities of the Qinghui Group acquired as at the date of acquisition was as follows:

	HK$'000
Property, plant and equipment	431,565
Prepaid land lease premium — Note 10	20,797
Investment properties — Note 11	21,932
Intangible assets	352,996
Deposits paid for acquisition of property, plant and equipment	14,123
Inventories	2,358
Debtors	18,720
Deposits, prepayments and other receivables	6,773
Amount due from a related company	67
Cash and bank balances	149,145
Trade payables	(1,907)
Deposits received, sundry creditors and accruals	(131,867)
Amounts due to related companies	(126,801)
Bank and other borrowings — current portion	(73,339)
Tax payable	(6,234)
Bank and other borrowings — non-current portion	(248,564)
Deferred tax liability	(63,553)
	366,211
Non-controlling interests	(187,982)
Net assets	178,229
Goodwill arising on acquisition	
Consideration for acquisition	268,519
Less: Fair value of identifiable net assets acquired	(178,229)
	90,290
Net cash outflow arising on acquisition	
Cash consideration paid	(268,519)
Less: Cash and cash equivalents acquired	149,145
	(119,374)

21. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

Acquisition-related costs amounting to HK$7,000,000 have been recognised as an expense in year 2015, within the "general and administrative expenses" line item in the consolidated statement of profit or loss.

The Group recognised a goodwill of HK$90,290,000 arising from acquisition of the Qinghui Group because the purchase consideration exceeded the fair value of net assets acquired.

The business contributed a revenue of HK$5,351,000 to the Group and contributed a profit of HK$1,203,000 to the Group for the period between the date of acquisition and 31 December 2015.

Had the acquisition been completed on 1 January 2015, the Group's revenue for the year 2015 would have been HK$588,710,000, and the profit for the year 2015 would have been HK$4,273,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2015 nor is intended to be a projection of future results.

22. DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Disposal of equity interest of Universal Unipass Limited

On 27 January 2015, the Group disposed of its entire equity interest in Universal Unipass Limited at a consideration of approximately RMB991,000 (equivalent to approximately HK$1,246,000).

The net assets of Universal Unipass Limited as at the date of disposal were approximately RMB991,000 (equivalent to approximately HK$1,246,000).

22. DISPOSAL OF INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) Disposal of interests in subsidiaries without loss of control

On 23 December 2015, the Group disposed of 9.99% equity interests in subsidiaries at a consideration of RMB11,383,000 (equivalent to HK$14,147,000). The carrying amount of the non-controlling interests in this subsidiary on the date of disposal was HK$13,707,000. The Group recognised an increase in non-controlling interests of HK$13,707,000 and in equity attributable to shareholders of the Company of HK$162,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Company during the year 2015 is summarised as follows:

	HK$'000
Consideration received from non-controlling interests	14,147
Carrying amount of non-controlling interests disposed of	(13,707)
Income tax effect	(278)
Changes recognised on disposal within equity	162

23. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for is as follows:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Property, plant and equipment	**109,845**	138,590
Intangible assets	**35,286**	111,022
	145,131	249,612

24. CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities.

Independent Review Report

大信梁學濂（香港）會計師事務所

Accountants &
business advisers

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

香港
銅鑼灣
威菲路道18號
萬國寶通中心26樓

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 40 which comprises the condensed consolidated statement of financial position of Universal Technologies Holdings Limited as at 30 June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing 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 directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report (continued)

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

PKF
Certified Public Accountants
Hong Kong
26 August 2016

Business Review and Prospects

BUSINESS REVIEW

For the six-month period ended 30 June 2016, as the economies in the world continued to diversity, emerging markets encountered economic difficulties in general while trading of bulk commodities remained sluggish. Coupled with the Brexit which led to fluctuations in financial markets and thus higher financial risks, operating environments became more complex and challenging. During the period, although the newly-acquired water supply business generated additional revenue and profit, the Group still recorded net loss of approximately HK$22.41 million, which represents a year-on-year increase of 27% and is mainly attributable to the significant drop in revenue from the Group's payment solutions business due to slackened economic growth and intensified competition of payment solution industry in China.

With regard to the payment solutions business for the period, the payment industry saw a series of new development amid uncertain operating environments and regulating policies:

1. The payment industry is transforming into a consumer finance market. Along with the rapid development of the internet, the influence of mobile and internet payment extended to various industries, namely travelling, food and beverage, accommodation and tourism. The trend of online shopping originally driven by e-commerce platforms began to evolve into a mobile consuming model.

2. The renewal of existing payment licenses will bring dramatic changes to the payment industry. As the first tranche of payment licenses expired, all players in the industry proceeded with renewal procedures of their respective licenses half a year in advance as required by the regulating policies. Such procedures involved inspections by both the relevant enterprises and regulatory authorities. During the course of the inspection and renewal process, we are given to understand that the payment industry is subject to more stringent renewal processes and regulations.

Business Review and Prospects (continued)

BUSINESS REVIEW (continued)

3. On 11 August 2016, the People's Bank of China published the results of renewal of the first batch of payment business licenses. The payment license held by our non-wholly owned payment subsidiary, Universal ECPAY Limited (迅付信息科技有限公司) ("**Universal ECPAY**"), was renewed for five years until 2 May 2021. However, the scope of bank card acceptance business permitted under the renewed license business was restricted from nationwide (before the renewal) to four specified provinces and one specified city (after the renewal). We are conducting an internal assessment on the medium to long term impact of this incident on the business model and prospect of our payment business.

4. Stringent policies have been effectively implemented during the year. Profit-making simply through payment channels was subject to banks and policies, and was now outmoded.

5. The integration of payment industry and traditional enterprises made further headway, in particular those with physical presence.

Against the regulatory tightening and the rapid market changes, the Group's payment business encountered challenges in several aspects. Firstly, the tightened policies may downscale the scope of our payment business. Secondly, the substantial decrease in the revenue from our payment business may have been resulted from the accelerated depression of the online financial sector. Thirdly, in the course of integration of payment business and traditional enterprises, the payment industry faced direct competitions from banks as well as the pressure and challenges from traditional financial institutions. Although the operating team dedicated more efforts into team building so as to consolidate the existing business and develop new business lines, the actual result and financial performance were unsatisfactory. To conclude, the more stringent regulatory requirements and measures implemented under the reform of third-party payment led to higher operating cost of third-party payment service providers and intensified competitions in the market, in turn resulting in the slowdown of growth of the industry due to the accompanied market adjustment in short run.

Business Review and Prospects (continued)

BUSINESS REVIEW (continued)

As for the water supply business, the Group was principally engaged in the water supply business and the provision of related services. During the period under review, the Group enhanced its management and allocation of resources to tighten the cost control, laying a solid foundation for the sustainable development of our water supply business and to better prepare for future development. The segmental profit for our water supply business was attributable to the subsisting high temperature, expanded coverage of our water supply services and strong market demand for water, all of which contributed to a record-high sales volume of water during the period. Another source of profit was the provision of value-added services ancillary to the water supply business, mainly driven by customers' demand for tailor-made solutions. In addition, as the Company completed a comprehensive technology upgrade of the equipment during the period, high production capacity and effective cost control were attained.

In respect of property investment and property management business, investment properties continued to contribute steady rental income to the Group during the period. As for the timber trading and furniture manufacturing business, the system integration and technical platform services business, the Company's management reviewed the existing model, operation and development direction of its business to capitalize on any opportunities, with an aim to create better return for shareholders through adoption of appropriate measures and strategies.

The success of our business relies heavily on management. In light of the uncertainties associated with the external economic environment, the Group is facing various challenges such as higher difficulties in identifying risks of new businesses and intensified competition in terms of attracting quality clients in the payment industry. In this regard, priority is given to cautions internal management and control and effective risk management. The Group also continued to optimise the services of our payment and water supply businesses to seize opportunities of business development. On the other hand, with respect to the pool of talent, the Group considers nurturing of talent as the capital for entrepreneurship, competition and development of the enterprise. The Group provides its staff with excellent career prospects, abundant promotion opportunities, efficient incentive mechanism and people-oriented corporate culture. We are confident that the Group will be able to attain all-rounded enhancement by continuously optimising and strengthening internal management and control, in turn laying a concrete foundation for as a sustainable enterprise.

Business Review and Prospects (continued)

PROSPECTS

The global economic development remains very uncertain in the second half of 2016. We expect the global capital market will continue to fluctuate as a result of the world order resulting from Brexit. That having said, we believe opportunities will also emerge from changes. By taking a more prudent approach in our business development and asset deployment, we will seek for investment opportunities with strong growth potential, with the view to enhancing our corporate values and delivering maximum benefits to the shareholders.

In the second half of 2016, we expect our payment solutions business will face more challenges. In anticipation of rising downward pressure, rapid growth of high-tech industries and further penetration of the "Internet Plus" concept, regulated arbitrage opportunities would be limited and unprecedented attention shall be paid to the financial consumer protection. The internet finance industry will adjust in accordance with the new regulations and further develop, and serving the offline economy has become the core strategy of sustainable development for internet financial enterprise. Third party payment enterprises are faced with reconstruction of its business model due to rapid growth of mobile payment and the trend of non-cash payment. As always, the Group's payment business will continue to work hard for its internal work in the second half of 2016 so as to further enhance its strength and efficiency through system optimization and operational improvement. Large-scale chain enterprises, being our long-term strategic focus in recent years, as well as wholesale and retail industry, both adhere to high quality customer-oriented approach. We will continue to recruit talented candidates to join our Group, stick to our policy on exploration and development of new business scope as well as focus on the construction of service platform and application of financial value-added business. Needless to say, effectiveness of our internal works only increases if the synergy arises from right timing and external circumstance. In recent years, we understand that many competitors managed to enhance their development vitality by entering into the collaboration as well as joint venture or control transfer with external business partners. Therefore, we will strategically examine our situations and formulate appropriate directions for our long-term business development while pulling our weight. In the second half of 2016, we will explore the possibility on rapid redevelopment of the Group as a whole by implementing a series of strategic reforms.

Business Review and Prospects (continued)

PROSPECTS (continued)

Following completion of the Group's acquisition of our water supply business, it has become one of our source of revenue and income. The Company will continue to strengthen self-improvement in the course of stable development, and focus on equipment maintenance in the second half of 2016. Furthermore, internal management, personnel training, goal setting management, standardisation and institutionalisation of business process shall be improved and enhanced in an efficient and timely manner to better prepare for expansion and further development of the water supply and related business. By performing internal audit and supervisory function, we can balance the risk, cost and value in our operation as well as establish a solid foundation for development of the healthy and stable corporation.

We believe that preparation is the key to success. Looking forward, in addition to business enhancement, the Group will continue to put more effort into identifying strategies in line with its diversified development policies and seeking suitable investment opportunities so as to maintain its stable source of income. Meanwhile, the Group will actively transform its existing business model in order to mitigate the impact of fluctuations in the business cycle. Transformation is a gradual process and may not be able to give rise to short-term benefits. However, we believe it will establish a solid foundation for stable and sustainable growth of the Group for its long-term development.

Financial Overview

REVENUE AND PROFIT

During the current period, the Group recorded a revenue of HK$233,651,000, representing an increase of 65% as compared to the corresponding period last year. Loss attributable to shareholders of the Company for the six months ended 30 June 2016 was HK$22,406,000, representing an increase in loss attributable to shareholders of the Company of 27% as compared to the corresponding period last year. Increase in revenue was mainly due to the contribution in revenue from the newly-acquired water supply business which more than offsets the reduction in revenue of the Group's payment solutions business. The decline in revenue of our payment business was mainly attributable to (i) the slowdown in China's economic growth and the intensified competition for the payment solutions industry in China, resulting in a reduction in revenue and an increase in losses of the Group's payment solutions business and (ii) the currency exchange loss on Renminbi denominated assets of the Group as a result of the depreciation of Renminbi.

COST OF SALES/SERVICES RENDERED

During the current period, the Group recorded a cost of sales/services rendered, in the amount of HK$100,287,000, increased by HK$100,274,000 as compared to the corresponding period last year. The increase of cost of sales/services rendered was mainly attributable to the water supply group business.

OTHER REVENUE

During the current period, the Group recorded other revenue of HK$7,433,000, representing an increase of 120% as compared to the corresponding period last year. It was mainly due to an increase in bank interest income.

OTHER INCOME

During the current period, the Group recorded other income of HK$12,386,000, representing an increase of 6,595% as compared with corresponding period last year. It was mainly attributable to gain on early extinguishment of bank loans.

Financial Overview (continued)

GENERAL AND ADMINISTRATIVE EXPENSES

During the current period, the Group recorded general and administrative expenses of HK$156,963,000, representing a decrease of 4% as compared to the corresponding period last year. During the current period, general and administrative expenses decreased in terms of legal and professional fee and other administrative expenses, but such decrease was partly offset by the increase in staff costs, depreciation and exchange loss.

INTANGIBLE ASSETS WRITTEN OFF

During the current period, the Group recorded intangible assets written off of HK$1,402,000, representing an increase of 100% as compared with corresponding period last year. It was mainly attributable to the water supply group business.

FINANCE COSTS

During the current period, the Group recorded finance costs of HK$11,557,000, representing an increase of 1,605% as compared to the corresponding period last year. It was mainly due to bank loan interest incurred in relation to cross-border guarantee arrangement for cross-border RMB settlement on the acquisition of water supply group business in 2015.

INCOME TAX EXPENSE

During the current period, the Group recorded an income tax expense of HK$6,962,000, representing an increase of 305% as compared to the corresponding period last year. It was mainly due to the profit arise from the newly-acquired water supply group business.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment increased by HK$23,529,000 from HK$468,843,000 as at 31 December 2015 to HK$492,372,000 as at 30 June 2016. The increase was due to the addition of the newly-acquired water supply group to the Group.

Financial Overview (continued)

PREPAID LAND LEASE PREMIUM

The Group's prepaid land lease premium decreased by HK$812,000 from HK$29,649,000 as at 31 December 2015 to HK$28,837,000 as at 30 June 2016. The decrease was due to the amortisation charge during the current period.

INTANGIBLE ASSETS

The Group's intangible assets increased by HK$36,054,000 from HK$356,297,000 as at 31 December 2015 to HK$392,351,000 as at 30 June 2016. The increase was mainly attributable to the addition of the newly-acquired water supply group to the Group. The intangible assets of water supply group represent the right to operate water supply plants in the PRC under service concession arrangement.

INVESTMENT PROPERTIES

The Group's investment properties increased by HK$43,467,000 or 81% from HK$53,847,000 as at 31 December 2015 to HK$97,314,000 as at 30 June 2016. It was mainly attributable to the addition of new investment properties during the current period.

DEBTORS

The Group's debtors increased by HK$7,593,000 or 8% from HK$91,559,000 as at 31 December 2015 to HK$99,152,000 as at 30 June 2016. The increase was primarily attributable to the addition of the newly-acquired water supply group to the Group.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables increased by HK$29,576,000 from HK$212,869,000 as at 31 December 2015 to HK$242,445,000 as at 30 June 2016. The increase in deposits, prepayments and other receivables was due to increase in prepayments, which was partially offset by the decrease in unsecured loan receivables, amount due from non-controlling shareholder of a subsidiary and amounts due from former subsidiaries.

Financial Overview (continued)

CASH AND BANK BALANCES AND FIXED DEPOSITS

The Group's cash and bank balances and fixed deposits increased by HK$49,874,000 from HK$700,989,000 as at 31 December 2015 to HK$750,863,000 as at 30 June 2016. The increase in cash and bank balances and fixed deposits was mainly due to the new bank loans obtained by water supply group business in current period. As at 30 June 2016, 96% (31 December 2015: 95%) of cash and bank balances was denominated in Renminbi.

PLEDGED TIME DEPOSIT

The Group's pledged time deposit decreased by HK$6,109,000 from HK$281,021,000 as at 31 December 2015 to HK$274,912,000 as at 30 June 2016. The pledged time deposit was denominated in Renminbi, and the decrease was due to the devaluation of Renminbi by 2.2%.

BANK AND OTHER BORROWINGS

The Group's bank and other borrowings increased by HK$153,227,000 from HK$661,855,000 as at 31 December 2015 to HK$815,082,000 as at 30 June 2016. The increase was mainly attributable to new loans granted by the bank to the water supply group business for working capital and further development during the current period.

PAYABLE TO MERCHANTS

The Group's payable to merchants increased by HK$97,200,000 or 24% from HK$412,844,000 as at 31 December 2015 to HK$510,044,000 as at 30 June 2016. It was mainly attributable to the payables which were pending settlement with merchants of payment solutions business at the period end. The Group was playing the role as an agent on behalf of the merchants for collection of transaction money from debtors and then paid such transaction money to the merchants after deducting services fee. The Group mainly booked the services fee which is determined based on an agreed percentage of the transaction moneys involved as revenue.

Financial Overview (continued)

DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

The Group's deposits received, sundry creditors and accruals increased by HK$14,025,000 from HK$271,034,000 as at 31 December 2015 to HK$285,059,000 as at 30 June 2016. The increase was mainly attributable to increase in sundry creditors, which was partially offset by the decrease in accruals and dividend payable to non-controlling shareholder of a subsidiary.

AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies decreased by HK$49,888,000, or 40% from HK$123,796,000 as at 31 December 2015 to HK$73,908,000 as at 30 June 2016. The amounts represent advances from related companies. The advances are unsecured, interest-free and repayable on demand.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had net current assets of HK$62,217,000. Current assets comprised inventories of HK$3,314,000, debtors of HK$99,152,000, deposits, prepayments and other receivables of HK$204,190,000, financial assets at fair value through profit or loss of HK$2,018,000, prepaid land lease premium of HK$278,000, fixed deposits of HK$47,132,000, pledged time deposit of HK$274,912,000 and cash and bank balances of HK$703,731,000.

Current liabilities comprised bank and other borrowings of HK$390,987,000, trade payables of HK$1,899,000, payable to merchants of HK$510,044,000, deposits received, sundry creditors and accruals of HK$285,059,000, amounts due to related companies of HK$73,908,000 and tax payable of HK$10,613,000.

The gearing ratio (defined as a percentage of total liabilities less deferred tax liability over total assets less deferred tax assets) of the Group at 30 June 2016 was 65% (31 December 2015: 61%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development. In the long term, the Board believes that the Group will continue to fund its foreseeable expenditures through cash flow from operations. However, for a more massive scale of expansion and development, debt or equity financing may be required.

Review of Contractual Arrangements

Reference is made to the Company's announcement dated 9 September 2005 (the "**Reorganization Announcement**") and 18 August 2015 (the "**Update Announcement**").

The Company (through its subsidiary, International Payment Solutions (China) Limited, "**IPS-WFOE**") entered into a series of structured contracts (the "**Structured Contracts**") in 2005 to acquire an effective control over the entire interest in Universal eCommerce China Limited ("**Opco**"). The Structured Contracts include: (1) the exclusive purchase right contract, (2) the pledge contract, and (3) seven operative contracts including the cooperative framework contract, the company trademark license contract, the IPS-WFOE trademark license contract, the software license contract, the domain name license contract, the assets leasing contract and the technical consultancy services contract. The Structured Contracts (in particular, the exclusive purchase right contract) also enable the Company (or its nominee) to acquire the entire equity interest in Opco as and when the foreign investment restriction is lifted. Details of the Structured Contracts are more particularly set out in the Reorganization Announcement and the Update Announcement.

At the time of the entering into of the Structured Contracts, (i) operators of value-added telecommunication services in the PRC must obtain a valid Internet Content Provider (ICP) license issued by the Ministry of Information Industry in the PRC or its provincial-level bureau (MII); (ii) the Administrative Provisions on Foreign-invested Telecommunication Enterprises (外商投資電信企業管理規定) only allowed foreign investors to own up to 50% equity interest in businesses providing value-added telecommunication services in the PRC; and (iii) the Group's own PRC subsidiaries were not entitled to apply for such ICP license. Therefore, the Company (being a foreign investor) entered into the Structured Contracts so as to acquire an effective control over the entire interest in Opco (which was engaged in value-added telecommunication services) and to recognize and receive all the economic benefits of the businesses and operations of Opco (including the revenues generated from the operation of its businesses and all dividends and distributions accrued thereon).

Review of Contractual Arrangements (continued)

No Structured Contract has been unwound as at the date of this report. The Company does not intend to unwind any Structured Contract unless and until the foreign investment restriction relating to ownership of the equity interest in Opco is lifted. When the foreign investment restriction is lifted, the Company intends to exercise its exclusive purchase right under the exclusive purchase right agreement to acquire the entire equity interest in Opco, so that the Company can control Opco and its subsidiaries through direct shareholding relationship rather than Structured Contracts.

Employees

At 30 June 2016, the total number of employees of the Group was 1,009 (31 December 2015: 1,004), which is approximately the same as last fiscal year. The dedication and contribution of the Group's staff during the six months ended 30 June 2016 are greatly appreciated and recognised.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance.

In addition, the Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the pension scheme in the PRC.

Significant Investments, Acquisitions and Disposals

There was no significant acquisition and disposal of subsidiaries of the Group during the period ended 30 June 2016.

Charges on Group's Assets

The Group's bank loans at 30 June 2016 were secured by:

(i) charge over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK$274,912,000) (31 December 2015: RMB235,420,000 (equivalent to approximately HK$281,021,000));

(ii) charges over property, plant and equipment with aggregate carrying amounts of RMB Nil (31 December 2015: RMB35,904,000 (equivalent to approximately HK$42,858,000));

(iii) charges over investment properties with aggregate carrying amounts of HK$44,634,000 (31 December 2015: HK$Nil);

(iv) charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,299,000 (equivalent to approximately HK$5,021,000) (31 December 2015: RMB4,355,000 (equivalent approximately HK$5,198,000));

(v) pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;

(vi) pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

(vii) pledge of trade receivables under service concession arrangement with a carrying amount of RMB14,586,000 (equivalent to approximately HK$17,033,000) (31 December 2015: RMB18,278,000 (equivalent to approximately HK$21,818,000));

(viii) guarantee by Universal ECPAY Limited, which is a subsidiary of the Group; and

(ix) guarantee by Xinhongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being the subsidiaries of the Company.

Details of Future Plans for Material Investments or Capital Assets

On 21 November 2006, Qingyuan Qingxin District Taihe Water Company Limited ("**Taihe Water**", a subsidiary of newly-acquired Qinghui Group) entered into service concession arrangement with the local government of Qingyuan City, Guangdong Province, whereby Taihe Water was contracted to construct the water supply plants and to operate and maintain the water supply plants under a build-operate-transfer basis.

As at 30 June 2016, there is new water treatment plant (Taihe Plant #2 Phrase 2) under construction, which is located next to the existing plant (Taihe Plant #2 Phrase 1). Coupled with the expansion of water supply coverage area by the way of expanding of pipeline coverage in local regions in Qingyuan, it is planned daily production capacity of approximately 100,000 tonnes. The new plant would share the existing infrastructures of the existing plant. The construction is expected to complete and ready for production in the second half of year 2016.

Save as disclosed above, there was no other future plan for material investments or capital assets during the period ended 30 June 2016.

Currency Risk

The Group mainly operates in the Mainland China and most of the Group's transactions, assets and liabilities are denominated in RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$. Fluctuation of RMB against HK$ is expected to be moderate.

For the six months ended 30 June 2016, the Group did not enter into any arrangement to hedge its foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Capital Commitment

At 30 June 2016, the Group had contracted but not provided for were approximately HK$145,131,000 (31 December 2015: HK$249,612,000) in respect of (i) acquisition of property, plant and equipment was approximately HK$109,845,000 (31 December 2015: HK$138,590,000); (ii) other intangible assets (as defined under the adopted accounting standards) were approximately HK$8,205,000 (31 December 2015: HK$111,022,000) and (iii) intangible assets were approximately HK$27,081,000 (31 December 2015: HK$Nil), and it is for the expansion of water treatment capacity and pipeline network, as well as the maintenance capital expenditures in the normal course of business of Qingyuan Water Supply Development Company Limited and Qingyuan Qingxin District Taihe Water Company Limited.

Contingent Liabilities

The Group is subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to directors and shareholders.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities including lawsuits, the Directors believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

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

As at 30 June 2016, 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 required to be 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) have to be 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:

	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares		% of the Company's issued share capital
Name of Director	Personal interests	Family interests	Corporate Interests (Note 2)		(Note 1)	Aggregate interests	
Executive Directors:							
Mr. Chen Jinyang (Note 1)	–	–	–	–	20,000,000	20,000,000	0.94%
Mr. Chau Cheuk Wah (Note 1)	–	–	–	–	20,000,000	20,000,000	0.94%
Mr. Zhou Jianhui (Note 1)	6,000,000	–	–	6,000,000	20,000,000	26,000,000	1.23%
Ms. Zhu Fenglian	–	520,380,000	–	520,380,000	–	520,380,000	24.54%
Non-executive Director:							
Ms. Zhang Haimei	–	–	–	–	–	–	–
Independent Non-executive Directors:							
Dr. Cheung Wai Bun, Charles, *J.P.*	–	–	–	–	–	–	–
Mr. David Tsoi	–	–	–	–	–	–	–
Mr. Chao Pao Shu George	–	–	–	–	–	–	–

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

Notes:

1. The interests of Mr. Chen Jinyang, Mr. Chau Cheuk Wah and Mr. Zhou Jianhui in underlying shares of the Company represent the interests in share options granted to them under the share option scheme of the Company. Details of the interests in the share options of the Company are separately disclosed in the section headed "Share Options".

2. Ms. Zhu Fenglian is the spouse of Mr. Yang Zhimao ("**Mr. Yang**") and is deemed to be interested in the 520,380,000 shares attributable to Mr. Yang and his controlled corporation, Ever City Industrial Development Limited ("**Ever City**"). For more details on the deemed interest of Mr. Yang 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".

3. There were no debt securities nor debentures issued by the Group at any time during the period ended 30 June 2016.

Save as disclosed above, so far as the directors are aware at 30 June 2016, 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 required to be 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) have to be notified to the Company and the Stock Exchange pursuant to Model Code.

Persons who have an Interest or a Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholding

So far as is known to any director or chief executive of the Company, as at 30 June 2016, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:

(A) Long Positions in the Shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City Industrial Development Limited (Note 1)	Beneficial owner and interest in controlled corporation	520,380,000	24.54%
Mr. Yang Zhimao and Ms. Zhu Fenglian (Note 1)	Interest in controlled corporation/ Family Interests	520,380,000	24.54%
Eastcorp International Limited (Note 1)	Beneficial owner	200,000,000	9.43%
Ng Tin Shui	Beneficial owner	240,000,000	11.32%
Liao Hai Ying (Note 2)	Interest in controlled corporation	160,440,000	7.57%
Passion Ease Limited (Note 2)	Beneficial owner	160,440,000	7.57%
Ho Shui Chee	Beneficial owner	149,170,000	7.03%

Notes:

1. Ms. Zhu Fenglian is the spouse of Mr. Yang. Mr. Yang and Ever City are deemed to be interested in 520,380,000 shares,comprising (a) 320,380,000 shares directly held by Ever City; and (b) 200,000,000 shares held by Eastcorp International Limited ("**Eastcorp**").Ever City is beneficially owned as to 80% by Mr. Yang and 20% by Ms. Zhu Fenglian, and is therefore regarded as a controlled corporation of Mr. Yang. Eastcorp is wholly and beneficially owned by Ever City and is therefore regarded as a controlled corporation of both Ever City and Mr. Yang.

2. These 160,440,000 shares are held by Passion Ease Limited, which is in turn 100% owned by Liao Hai Ying. Liao Hai Ying is deemed to be interested in the entire shareholding held by his controlled corporation, Passion Ease Limited.

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)

(B) Long Positions in Underlying Shares of Equity Derivatives of the Company

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

(C) Short Positions in the Shares and Underlying Shares of Equity Derivatives of the Company

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

Competition and Conflict of Interests

During the current period, 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, 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 report.

Code on Corporate Governance Practices

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

The code provision A.6.7 of the Main Board CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Dr. Cheung Wai Bun, Charles, *J.P.*, independent non-executive Director and Ms. Zhang Haimei, non-executive director did not attend the annual general meeting of the Company held on 30 June 2016 due to other engagements.

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

Directors' Securities Transactions

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

Having made specific enquiry of all directors, the directors have complied with the required standards of dealings regarding directors' securities transactions throughout the six months ended 30 June 2016.

Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Updates on Director's Information under Rule 13.51B(1) of the Listing Rules

With effect from 13 January 2016, Mr. Chan Chun Kau resigned as Independent Non-Executive Director, Chairman of Nomination Committee and member of Audit Committee and Remuneration Committee; and Mr. Chao Pao Sun George was appointed as Chairman of Nomination Committee.

With effect from 19 May 2016, Ms. Zhu Fenglian was appointed as Executive Director.

Details of above changes are set out in the announcements of the Company dated 13 January 2016 and 19 May 2016, respectively.

Audit Committee

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

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

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

The interim financial report for the period ended 30 June 2016 is unaudited, but has been reviewed by PKF, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The interim financial report has been reviewed by the Audit Committee.

Publication of Interim Results and Interim Report on the Websites of the Stock Exchange and the Company

This report will be published on the website of the Stock Exchange (www.hkexnews. hk) and the Company's website (www.uth.com.hk). The interim report for the period ended 30 June 2016 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Universal Technologies Holdings Limited
Chen Jinyang
Chairman

Hong Kong, 26 August 2016

As at the date of this report, the Board of Directors of the Company comprises four executive Directors namely Mr. Chen Jinyang (Chairman), Mr. Chau Cheuk Wah (Chief Executive Officer), Mr. Zhou Jianhui and Ms. Zhu Fenglian; one non-executive Director namely Ms. Zhang Haimei; and three independent non-executive Directors namely Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George.