Interim Report 2018

TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

Contents

Highlights

- Revenue for the six months ended 30 June 2018 amounted to approximately HK$120.36 million (six months ended 30 June 2017: HK$111.72 million), representing an increase of HK$8.64 million or 8% as compared to the corresponding period last year. Such increase was mainly due to the increase in revenue of the Group's water supply business.

- Net loss attributable to shareholders of the Company for the six months ended 30 June 2018 amounted to approximately HK$11.13 million (six months ended 30 June 2017: net profit attributable to shareholders of the Company of HK$8.08 million), representing a decrease by HK$19.21 million or 238% as compared to the corresponding period last year. Turnaround from profit to loss for the period of the Group was mainly attributable to: (a) the exchange loss on Renminbi during the six months ended 30 June 2018, as compared to the exchange gain on Renminbi for the six months ended 30 June 2017; and (b) the increase in operating costs, staff costs, administrative expenses and finance costs for the six months ended 30 June 2018.

- Basic and diluted loss per share for the six months ended 30 June 2018 amounted to HK0.53 cent and HK0.53 cent respectively (six months ended 30 June 2017: basic and diluted earnings per share of HK0.38 cent and HK0.38 cent respectively).

- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018 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 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Revenue	4	**120,359**	111,718
Cost of sales/services rendered		**(78,729)**	(64,749)
Gross profit		**41,630**	46,969
Other revenue	4	**7,149**	4,467
Other income		**289**	10,157
General and administrative expenses		**(32,408)**	(23,005)
Profit from operations		**16,660**	38,588
Finance costs		**(17,402)**	(8,118)
(Loss)/profit before income tax	5	**(742)**	30,470
Income tax expense	7	**(4,798)**	(6,659)
(Loss)/profit for the period		**(5,540)**	23,811

Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2018

	Note	**Six months ended 30 June** **2018** **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
(Loss)/profit attributable to:			
Shareholders of the Company		**(11,133)**	8,077
Non-controlling interests		**5,593**	15,734
(Loss)/profit for the period		**(5,540)**	23,811
(Loss)/earnings per share (in cents)			
Basic	8	**(0.53)**	0.38
Diluted	8	**(0.53)**	0.38

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
(Loss)/profit for the period		**(5,540)**	23,811
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of overseas subsidiaries		**(612)**	1,537
Other comprehensive (loss)/income for the period, net of tax		**(612)**	1,537
Total comprehensive (loss)/income for the period		**(6,152)**	25,348
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		**(11,578)**	7,041
Non-controlling interests		**5,426**	18,307
		(6,152)	25,348

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Note	**At 30 June 2018 (Unaudited) HK$'000**	At 31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**503,941**	503,874
Prepaid land lease premium	10	**30,330**	30,533
Investment properties	11	**48,280**	50,775
Intangible assets		**378,291**	411,342
Goodwill		**99,037**	99,037
Deposit paid for acquisition of property, plant and equipment		**13,657**	14,249
		1,073,536	1,109,810
CURRENT ASSETS			
Inventories		**4,692**	4,713
Properties under development		**13,469**	–
Debtors	12	**21,175**	26,305
Deposits, prepayments and other receivables	13	**16,493**	10,702
Prepaid land lease premium	10	**684**	693
Fixed deposits		**76,639**	80,716
Pledged time deposit		**287,428**	291,239
Cash and bank balances		**245,487**	230,420
		666,067	644,788

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2018

	Note	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	19	**296,717**	344,968
Trade payables	15	**16,985**	33,154
Payable to merchants	16	**3,016**	3,017
Deposits received, sundry creditors and accruals	17	**139,063**	177,245
Contract liabilities		**15,194**	–
Amounts due to related companies	18	**25,639**	39,383
Tax payable		**6,345**	3,635
		502,959	601,402
NET CURRENT ASSETS		**163,108**	43,386
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,236,644**	1,153,196
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings	19	**469,466**	364,884
Deferred tax liabilities		**63,945**	66,751
		533,411	431,635
NET ASSETS		**703,233**	721,561

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2018

	Note	**At 30 June 2018 (Unaudited) HK$'000**	At 31 December 2017 (Audited) HK$'000
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	20	**21,205**	21,205
Reserves		**473,414**	484,992
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**494,619**	506,197
NON-CONTROLLING INTERESTS		**208,614**	215,364
TOTAL EQUITY		**703,233**	721,561

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**1,780**	(19,920)
NET CASH USED IN INVESTING ACTIVITIES	**(22,242)**	(28,230)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**35,289**	(58,471)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**14,827**	(106,621)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(3,837)**	631
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**311,136**	437,635
CASH AND CASH EQUIVALENTS AT 30 JUNE	**322,126**	331,645
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**245,487**	246,098
Fixed deposits	**76,639**	85,547
	322,126	331,645

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to shareholders of the Company											
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017 (audited)	21,205	513,344	481	1,093	10,754	19,167	3,997	5,000	(66,633)	508,408	184,810	693,218
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,036)	-	-	8,077	7,041	18,307	25,348
Transferred to statutory reserve	-	-	-	-	-	-	-	3,028	(3,028)	-	-	-
At 30 June 2017 (unaudited)	21,205	513,344	481	1,093	10,754	18,131	3,997	8,028	(61,584)	515,449	203,117	718,566
At 1 January 2018 (audited)	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**14,296**	**3,997**	**11,814**	**(70,787)**	**506,197**	**215,364**	**721,561**
Dividend paid to non-controlling shareholder of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,176)**	**(12,176)**
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**-**	**(445)**	**-**	**-**	**(11,133)**	**(11,578)**	**5,426**	**(6,152)**
Transferred to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,378**	**(3,378)**	**-**	**-**	**-**
At 30 June 2018 (unaudited)	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**13,851**	**3,997**	**15,192**	**(85,298)**	**494,619**	**208,614**	**703,233**

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA applicable to the annual period beginning on 1 January 2018. Details of these significant accounting policies change are set out in note 3.

One significant accounting policy is adopted during the current period:

(i) Properties under development represent the cost of freehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's unaudited condensed consolidated financial statements:

- HKFRS 9 Financial instruments, and
- HKFRS 15 Revenue from contracts with customers.

Under the transition methods chosen, there is no significant cumulative effect of the initial application of HKFRS 9 and HKFRS 15 recognised by the Group as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. Details are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

(b) HKFRS 9, Financial instruments

The Group has initially adopted HKFRS 9 Financial instruments from 1 January 2018. HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Based on the assessment by the Group, the retrospective application of the new standards in accordance with the transition requirement does not have significant cumulative effect on balances as at 1 January 2018.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, pledged bank deposits, fixed deposits held at banks with maturity over three months, and trade and other receivables, for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, fixed deposits held at banks with maturity over three months, and trade and other receivables).

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed rate financial assets and trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated.

– The assessments have been made on the basis of the facts and circumstances that exist at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a five-step model comprehensive framework for recognising revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. HKFRS 15 replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group's business model is straightforward and its contracts with customers for the water supply and related services income, rental and building management service income include only single performance obligation. The Group has concluded that revenue should be recognised at the point in time when a customer obtains control. The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

The Group has been impacted by HKFRS 15 in relation to the presentation of contract liabilities. The initial application of HKFRS 15 recognised the opening balance of contract liabilities of HK$19,820,000 at 1 January 2018. Comparative information is not restated.

4. REVENUE AND OTHER REVENUE

Revenue for the period represents revenue recognised from 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Rental and building management service income	**1,290**	1,130
Water supply and related services income	**119,069**	110,588
Revenue	**120,359**	111,718
Interest on bank deposits	**7,112**	4,383
Government subsidy	**37**	84
Other revenue	**7,149**	4,467
Total revenue	**127,508**	116,185

5. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**2,141**	1,320
Staff costs (including directors' remuneration)		
– Salaries and other benefits	**19,128**	15,870
– Pension scheme contributions	**1,851**	1,611
	20,979	17,481
Depreciation	**20,287**	16,622
Amortisation of intangible assets and prepaid land lease premium	**16,637**	8,178
Exchange loss/(gain)	**4,817**	(9,946)
Minimum operating lease rentals	**1,647**	1,409
Impairment loss on debtors	**749**	351
Reversal of impairment loss on other receivables	**–**	(34)
Interest on bank loans expenses	**20,355**	10,904
Less: interest capitalised included in property, plant and equipment and other intangible assets	**(3,064)**	(2,880)
	17,291	8,024
Write down of inventories	**23**	–
Loss on disposal of property, plant and equipment	**10**	–
Rental income less outgoings	**(568)**	(621)

6. SEGMENT REPORTING

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

The Group has presented the following two reportable segments.

(a) Water supply and related services

This segment 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.

(b) Properties investment and development

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

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

The 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.

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		Properties investment and development		Others		Consolidated	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Reportable segment revenue								
Revenue from external customers	**119,315**	110,748	**1,044**	970	**-**	-	**120,359**	111,718
Other revenue	**539**	697	**106**	133	**6,504**	3,637	**7,149**	4,467
Total revenue	**119,854**	111,445	**1,150**	1,103	**6,504**	3,637	**127,508**	116,185
Reportable segment profit/(loss)	**29,087**	37,133	**(1,446)**	(1,573)	**(18,130)**	(1,439)	**9,511**	34,121
Interest income							**7,112**	4,383
Government subsidy							**37**	84
Profit from operations							**16,660**	38,588
Finance costs							**(17,402)**	(8,118)
(Loss)/profit before income tax							**(742)**	30,470
Income tax expense							**(4,798)**	(6,659)
(Loss)/profit for the period							**(5,540)**	23,811
Attributable to:								
– Shareholders of the Company							**(11,133)**	8,077
– Non-controlling interests							**5,593**	15,734
							(5,540)	23,811

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

	Six months ended 30 June					
	PRC		Hong Kong/overseas		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**120,359**	111,718	**-**	-	**120,359**	111,718
Other revenue	**675**	839	**6,474**	3,628	**7,149**	4,467
Total revenue	**121,034**	112,557	**6,474**	3,628	**127,508**	116,185

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 2018 and 2017.

The Company's subsidiaries operating in the PRC and Australia are subject to the tax rate at 25% and 30% respectively (six months ended 30 June 2017: PRC at 25%).

7. INCOME TAX EXPENSE (CONTINUED)

The income tax expense is made up as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax:		
Current period	**7,320**	9,529
Under-provision in prior years	**58**	–
Deferred tax:		
Current period	**(2,580)**	(2,870)
	4,798	6,659

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit		
(Loss)/profit for the period attributable to shareholders of the Company	**(11,133)**	8,077

8. (LOSS)/EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic (loss)/earnings per share	**2,120,448,858**	2,120,448,858
Effect of dilutive potential ordinary shares:		
Share options – note	**–**	–
Weighted average number of shares in issue for the purpose of calculation of diluted (loss)/earnings per share	**2,120,448,858**	2,120,448,858

Note: The computation of diluted loss per share for the six months ended 30 June 2018 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.

For the six months ended 30 June 2017, diluted earnings per share was equal to the basic earnings per share because the exercise price at the Group's share option was higher than the average market price of the Company's shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group had additions to property, plant and equipment in the amount of approximately HK$24,563,000 (year ended 31 December 2017: HK$57,023,000).

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 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Outside Hong Kong, held under medium-term lease	**31,014**	31,226
Less: Current portion	**(684)**	(693)
Non-current portion	**30,330**	30,533
Representing:		
Opening net book value	**31,226**	22,313
Transfer from property, plant and equipment and investment properties	**507**	8,435
Exchange adjustments	**(279)**	1,211
Amortisation of prepaid land lease premium	**(440)**	(733)
Closing net book value	**31,014**	31,226

11. INVESTMENT PROPERTIES

	HK$'000
At 1.1.2017 (Audited)	44,820
Increase in fair value recognised in the consolidated statement of profit or loss	5,343
Transfer to property, plant and equipment and prepaid land lease premium	(2,869)
Exchange adjustments	3,481
At 31.12.2017 and 1.1.2018 (Audited)	**50,775**
Transfer to property, plant and equipment and prepaid land lease premium	**(3,049)**
Additions	**1,147**
Exchange adjustments	**(593)**
At 30.6.2018 (Unaudited)	**48,280**

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

12. DEBTORS

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Trade debtors	**23,265**	27,682
Less: impairment loss – note (iv)	**(2,090)**	(1,377)
	21,175	26,305

12. DEBTORS (CONTINUED)

Notes:

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

(ii) An aging analysis of debtors, based on invoice date and net of impairment loss on debtors, is set out below:

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
0-6 months	**20,633**	25,150
7-12 months	**340**	180
1-2 years	**121**	975
Over 2 years	**81**	–
	21,175	26,305

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

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Neither past due nor impaired	**20,973**	25,330
Past due but not impaired	**202**	975
	21,175	26,305

Debtors that were neither past due nor impaired relate to tenants and a wide range of customers for water supply service for whom there were no recent history of default.

12. DEBTORS (CONTINUED)

Notes: (continued)

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

	2018 (Unaudited) HK$'000	2017 (Audited) HK$'000
At 1 January	**1,377**	850
Impairment loss recognised	**749**	504
Exchange adjustments	**(36)**	23
At 30 June/31 December	**2,090**	1,377

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Utilities and deposits	**1,190**	2,539
Prepayments	**1,430**	1,292
Interest receivable	**9,772**	3,532
Other receivables	**4,146**	3,384
	16,538	10,747
Less: impairment loss on other receivables – note (i)	**(45)**	(45)
	16,493	10,702

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Note:

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

	2018 (Unaudited) HK$'000	2017 (Audited) HK$'000
At 1 January	**45**	125
Reversal of impairment loss recognised	**–**	(56)
Written off	**–**	(29)
Exchange adjustments	**–**	5
At 30 June/31 December	**45**	45

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

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 2018 and 31 December 2017.

15. TRADE PAYABLES

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

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
0-12 months	**16,985**	33,154

16. PAYABLE TO MERCHANTS

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

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Over one year	**3,016**	3,017

17. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Deposits received and receipts in advance – note	**665**	20,485
Accruals	**3,746**	10,030
Sundry creditors	**42,812**	53,667
Construction fee payable	**65,999**	66,534
Other tax payables	**25,841**	26,529
	139,063	177,245

Note: As a result of the adoption of HKFRS 15, receipts in advance is included in contract liabilities (note 3(c)).

18. AMOUNTS DUE TO RELATED COMPANIES

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

19. BANK AND OTHER BORROWINGS

	Note	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Bank loans, secured	(a)	**764,217**	706,822
Government loans, unsecured		**1,966**	3,030
		766,183	709,852

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Due for payment:		
– Within one year	**296,717**	344,968
– Within two to five years	**120,225**	101,093
– Over five years	**349,241**	263,791
	766,183	709,852

19. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) The Group had the following banking facilities:

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Total banking facilities granted	**1,185,100**	1,200,800
Less: banking facilities utilised by the Group	**(764,217)**	(706,822)
Unutilised banking facilities	**420,883**	493,978

As at 30 June 2018, these banking facilities were secured by:

i. charges over a time deposit amounting to RMB242,497,000 (equivalent to approximately HK$287,428,000);

ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,078,000 (equivalent to approximately HK$4,833,000);

iii. pledge of trade receivables with a carrying amount of RMB17,822,000 (equivalent to approximately HK$21,120,000);

iv. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;

v. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

vi. guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;

vii. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian ("Ms. Zhu") and her spouse; and

viii. guarantee by the non-controlling shareholders of subsidiaries.

19. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(a) (continued)

As at 31 December 2017, these banking facilities were secured by:

i. charges over a time deposit amounting to RMB242,497,000 (equivalent to approximately HK$291,239,000);

ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,133,000 (equivalent to approximately HK$4,963,000);

iii. pledge of trade receivables with a carrying amount of RMB21,881,000 (equivalent to approximately HK$26,275,000);

iv. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;

v. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

vi. guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;

vii. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and

viii. guarantee by the non-controlling shareholders of subsidiaries.

20. SHARE CAPITAL

	Number of shares	HK$'000
Share capital		
Ordinary share of HK$0.01 each		
Authorised:		
At 31 December 2017, 1 January 2018 and 30 June 2018	5,000,000,000	50,000
Issued and fully paid:		
At 31 December 2017, 1 January 2018 and 30 June 2018	2,120,448,858	21,205

As at 30 June 2018, 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. ACQUISITION OF A SUBSIDIARY

On 14 June 2017, for the purpose of engaging in the financial services business, Universal Technologies Capital Holdings Limited ("**UTCHL**"), a direct wholly-owned subsidiary of the Group, acquired 100% equity interests in Hooray Asset Management Limited ("**Hooray**"), a company incorporated in Hong Kong, at a cash consideration of HK$9,000,000.

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

	HK$'000
Property, plant and equipment	10
Prepayment	16
Cash and bank balances	227
Net assets	253
Goodwill arising on acquisition	
Consideration for acquisition	9,000
Less: Fair value of identifiable net assets acquired	(253)
	8,747
Net cash outflow arising on acquisition	
Cash consideration paid	(9,000)
Less: Cash and bank balances acquired	227
	(8,773)

21. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Acquisition-related costs amounting to HK$140,000 have been recognised as an expense in year 2017, within the "general and administrative expenses" line item in the condensed consolidated statement of profit or loss.

The Group recognised a goodwill of HK$8,747,000 arising from acquisition of Hooray.

The newly acquired business did not contribute any revenue to the Group but resulted in a loss of HK$56,000 to the Group for the period between the date of acquisition and 30 June 2017.

If the acquisition had been completed on 1 January 2017, total Group's revenue for the period would have been HK$111,718,000 and profit for the period would have been HK$23,811,000. 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 2017 nor is intended to be a projection of future results.

22. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for is as follows:

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Property, plant and equipment	**58,989**	71,799
Other intangible assets	**54,757**	87,746
	113,746	159,545

23. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) On 20 September 2016, UTCHL, a direct wholly-owned subsidiary of the Company, and Ever City Industrial Development Limited ("**Ever City**") entered into the acquisition agreement (the "**Acquisition Agreement**"), pursuant to which UTCHL conditionally agreed to acquire from Ever City, and Ever City conditionally agreed to sell, the entire issued share capital of Hooray for a total cash consideration of HK$9,000,000. Ms. Zhu (an executive Director and a substantial shareholder of the Company) is a director and deemed to be the controller of Ever City. In addition, Ever City was a substantial shareholder of the Company interested in, directly and indirectly through its subsidiary, a total of 520,380,000 shares, representing 24.54% of the issued share capital of the Company as at the date of the Acquisition Agreement. Accordingly, Ever City is a connected person of the Company and the proposed acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The proposed acquisition is subject to announcement and reporting requirements but exempt from the circular and independent shareholders' approval requirements. The acquisition completed on 14 June 2017.

23. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Apart from the transactions as disclosed in notes 18 and 19 to the unaudited condensed consolidated financial statements, the Group had other material transactions with its related party during the period as follows:

Particulars	Relationship	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Rental income	Common shareholder	**303**	292
	Related party	**281**	464
Water testing services income	Related party	**114**	198
Water supply related installation and maintenance income	Related party	**1,492**	464

(c) Key management compensation

	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Fees for key management personnel	**223**	300
Salaries, allowances and other benefits in kind	**4,219**	4,189
Pension scheme contributions	**41**	61
	4,483	4,550

24. CONTINGENT LIABILITIES

As at 30 June 2018, 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 2 to 44 which comprises the condensed consolidated statement of financial position of Universal Technologies Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2018 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PKF Hong Kong Limited
Certified Public Accountants
Tsui Kar Lam, Karen
Practising Certificate Number P06426
Hong Kong
31 August 2018

Business Review and Prospects

BUSINESS REVIEW

For the six-month period ended 30 June 2018, the Group was principally engaged in the businesses of water supply and related services as well as property investment and development. Revenue from principal businesses amounted to approximately HK$120,359,000, representing an increase of 8% or approximately HK$8,641,000 as compared to approximately HK$111,718,000 for the same period of last year. The water volume sold of water supply business from water plant reached 65,069,000 m^3 and water supply related business (including water quality test, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) recorded a revenue of HK$27,499,000, representing an increase of 81% as compared to the same period last year, which was mainly attributable to the increasing demand on water supply as the city continued its expansion.

For the six-month period ended 30 June 2018, the loss amounted to approximately HK$11,133,000, representing a decrease of 238% or approximately HK$19,210,000 as compared to profit of approximately HK$8,077,000 for the corresponding period last year. The turnaround from profitability to loss-making by the Group was mainly attributable to the exchange loss on Renminbi denominated assets of the Group arising from the devaluation of Reminbi, and the increase in operating costs, staff costs, administrative expenses and finance costs.

For the six-month period ended 30 June 2018, the Group's property investment and development segment recorded revenue of approximately HK$1,044,000, representing an increase of 8% as compared to the corresponding period last year. The modest increase in rental income was resulted from higher rental level and higher leasehold occupancy rate during the current period under review. The Group's property development and investment segment contributes stable income and positive cash flow to the Group.

Regarding the financial services business, it is still in the initial development stage of investment. With years of operation experiences in China and Hong Kong, the Group believes that we are in a good position to enter the financial services industry, especially in the asset management field.

Business Review and Prospects (continued)

BUSINESS REVIEW (continued)

The Group focused on the improvement in our corporate culture, system, efficiency, branding, human resource planning so as to achieve greater strength in our core competencies and also committed to maintaining a high degree of social responsibility. As part of the Group's environmental, social and governance initiatives, the Group provided training and equal opportunities to staff, with the view to developing talents, skills and sense of belonging within the Group. In addition, the Group is dedicated to high corporate governance and internal control standards, setting out key performance indicators to improve management effectiveness and efficiency.

PROSPECTS

The uncertainties of the global economic outlook has intensified in 2018, against the backdrop of the China-U.S trade war. However, the Group's businesses are concentrated in the PRC market and has remained stable. It is believed that population and economy of Qingyuan City will continue to grow. We expect the water supply business to continue to provide a stable income source for the Group. The Group also intend to explore suitable property projects in China and overseas to diversify risks.

In the second half of 2018, the Group will continue to focus on its existing principal businesses of water supply, property investment and development and financial services. The Group will also continue to explore suitable investment and diversification opportunities which may arise from time to time.

Financial Overview

REVENUE AND PROFIT

During the six months ended 30 June 2018, the Group recorded a revenue of HK$120,359,000, representing a increase of 8% as compared with corresponding period last year. Loss attributable to shareholders of the Company for the six months ended 30 June 2018 was HK$11,133,000 (six months ended 30 June 2017: net profit attributable to shareholders of the Company of HK$8,077,000), representing a decrease by HK$19.21 million or 238% as compared to the corresponding period last year.

The increase in revenue was mainly attributable to the water supply business. Turnaround from profit to loss for the period of the Group was mainly attributable to: (a) the exchange loss on Renminbi during the six months ended 30 June 2018, as compared to the exchange gain on Renminbi for the six months ended 30 June 2017; and (b) the increase in operating costs, staff costs, administrative expenses and finance costs for the six months ended 30 June 2018.

COST OF SALES/SERVICES RENDERED

During the six months ended 30 June 2018, the Group recorded a cost of sales/services rendered, in the amount of HK$78,729,000, increased by HK$13,980,000 as compared to the corresponding period last year. The increase of cost of sales/services rendered was mainly attributable to the Group's water supply and related business.

OTHER REVENUE

During the six months ended 30 June 2018, the Group recorded other revenue of HK$7,149,000, representing an increase of 60% as compared to the corresponding period last year. Other revenue represents bank interest income from the Group's water supply and related business.

OTHER INCOME

During the six months ended 30 June 2018, the Group recorded other income of HK$289,000, representing a decrease of 97% as compared with corresponding period last year. Other income in the corresponding period last year mainly represents exchange gain on denominated assets of the Group arising from the revaluation of Renminbi, whereas exchange loss on Renminbi was recorded during the six months ended 30 June 2018.

Financial Overview (continued)

GENERAL AND ADMINISTRATIVE EXPENSES

During the six months ended 30 June 2018, the Group recorded general and administrative expenses of HK$31,659,000, representing an increase of 40% as compared to the corresponding period last year. During the current period under review, general and administrative expenses increased in terms of staff costs, exchange loss and other expenses.

FINANCE COSTS

During the six months ended 30 June 2018, the Group recorded finance costs of HK$17,402,000, representing an increase of 114% as compared to the corresponding period last year. It was mainly due to increase in bank loan of the Group's water supply and related business.

INCOME TAX EXPENSE

During the six months ended 30 June 2018, the Group recorded an income tax expense of HK$4,798,000, representing a decrease of 28% as compared to the corresponding period last year. Such decrease was mainly due to decrease in profit of water supply business for the current period under review.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment as at 30 June 2018 amounted to approximately HK$503,941,000, which is similar to the figure as at 31 December 2017.

PREPAID LAND LEASE PREMIUM

The Group's prepaid land lease premium decreased by HK$212,000 from HK$31,226,000 as at 31 December 2017 to HK$31,014,000 as at 30 June 2018. The decrease was mainly due to the amortisation for the current period under review.

Financial Overview (continued)

INTANGIBLE ASSETS

The Group's intangible assets decreased by HK$33,051,000 from HK$411,342,000 as at 31 December 2017 to HK$378,291,000 as at 30 June 2018. The decrease was mainly attributable to the increase in amortisation on intangible assets during the current period under review.

INVESTMENT PROPERTIES

The Group's investment properties decreased by HK$2,495,000 or 5% from HK$50,775,000 as at 31 December 2017 to HK$48,280,000 as at 30 June 2018. It was mainly attributable to the reclassification of certain investment properties to property, plant and equipment and prepaid land lease premium during the current period.

PROPERTIES UNDER DEVELOPMENT

The Group's properties under development increased by HK$13,469,000 from HK$nil as at 31 December 2017 to HK$13,469,000 as at 30 June 2018. It represents overseas freehold land, which is held for development for sale.

DEBTORS

The Group's debtors decreased by HK$5,130,000 or 20% from HK$26,305,000 as at 31 December 2017 to HK$21,175,000 as at 30 June 2018. The decrease was mainly attributable to the shorter settlement period by customers of the Group's water supply and related business.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables increased by HK$5,791,000 from HK$10,702,000 as at 31 December 2017 to HK$16,493,000 as at 30 June 2018. The increase in deposits, prepayments and other receivables was due to the increase in interest receivables on fixed deposit of the Group during the period, accruing at higher interest rate than the corresponding period last year.

Financial Overview (continued)

CASH AND BANK BALANCES AND FIXED DEPOSITS

The Group's cash and bank balances and fixed deposits increased by HK$10,990,000 from HK$311,136,000 as at 31 December 2017 to HK$322,126,000 as at 30 June 2018. The increase in cash and bank balances and fixed deposits was mainly due to net cash inflow generated from operating activities of water supply business. As at 30 June 2018, 72% (31 December 2017: 59%) of cash and bank balances was denominated in Renminbi.

PLEDGED TIME DEPOSIT

The Group's pledged time deposit decreased by HK$3,811,000 from HK$291,239,000 as at 31 December 2017 to HK$287,428,000 as at 30 June 2018. The pledged time deposit was denominated in Renminbi, and the decrease was due to the devaluation of Renminbi.

BANK AND OTHER BORROWINGS

The Group's bank and other borrowings increased by HK$56,331,000 from HK$709,852,000 as at 31 December 2017 to HK$766,183,000 as at 30 June 2018. The increase was mainly attributable to the increase in bank borrowing by the Group's water supply and related business.

PAYABLE TO MERCHANTS

The Group's payable to merchants as at 30 June 2018 amounted to approximately HK$3,016,000, which is similar to the figure as at 31 December 2017.

DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

The Group's deposits received, sundry creditors and accruals decreased by HK$38,182,000 from HK$177,245,000 as at 31 December 2017 to HK$139,063,000 as at 30 June 2018. The decrease was mainly attributable to the decrease in accruals and reclassification of contract liabilities from deposits received, sundry creditors and accruals, due to the adoption of new HKFRSs during the period.

Financial Overview (continued)

CONTRACT LIABILITIES

The Group's contract liabilities increased by HK$15,194,000 from HK$nil as at 31 December 2017 to HK$15,194,000 as at 30 June 2018. The increase was mainly due to reclassification of contract liabilities from deposits received, sundry creditors and accruals, due to the adoption of new HKFRSs during the period.

AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies decreased by HK$13,744,000 or 35% from HK$39,383,000 as at 31 December 2017 to HK$25,639,000 as at 30 June 2018. The amounts represent advances from related companies which are unsecured, interest-free and repayable on demand.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had net current assets of HK$163,108,000. Current assets comprised inventories of HK$4,692,000, properties under development of HK$13,469,000, debtors of HK$21,175,000, deposits, prepayments and other receivables of HK$16,493,000, prepaid land lease premium of HK$684,000, fixed deposits of HK$76,639,000, pledged time deposit of HK$287,428,000 and cash and bank balances of HK$245,487,000.

Current liabilities comprised bank and other borrowings of HK$296,717,000, trade payables of HK$16,985,000, payable to merchants of HK$3,016,000, deposits received, sundry creditors and accruals of HK$139,063,000, contract liabilities of HK$15,194,000, amounts due to related companies of HK$25,639,000 and tax payable of HK$6,345,000.

The gearing ratio (defined as a percentage of total liabilities less deferred tax liabilities over total assets) of the Group at 30 June 2018 was 56% (31 December 2017: 55%).

Employees

At 30 June 2018, the total number of employees of the Group was 391 (31 December 2017: 366). The remuneration of the employees (including directors) were determined according to their performance and work experience. In addition to basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance. The Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

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

Significant Investments, Acquisitions and Disposals

The Group did not have any detailed plans for material investment or capital assets as at 30 June 2018.

Charges on Group's Assets

The Group's bank loans at 30 June 2018 were secured by:

i. charges over a time deposit amounting to RMB242,497,000 (equivalent to approximately HK$287,428,000);

ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,078,000 (equivalent to approximately HK$4,833,000);

iii. pledge of trade receivables with a carrying amount of RMB17,822,000 (equivalent to approximately HK$21,120,000);

iv. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;

v. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited; and

Charges on Group's Assets (continued)

vi. guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group.

Details of Future Plans for Material Investments or Capital Assets

There was no other future plan for material investments or capital assets during the period ended 30 June 2018.

Currency Risk

The Group's core businesses are mainly transacted and settled in Renminbi and the majority of assets and liabilities are denominated in Renminbi ("**RMB**") and Hong Kong dollar ("**HK$**"). There are no significant assets and liabilities denominated in other currencies. For the six months ended 30 June 2018, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK$ 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 2018, the Group had a total capital commitment of approximately HK$113,746,000 (31 December 2017: HK$159,545,000) in respect of (i) acquisition of property, plant and equipment of approximately HK$58,989,000 (31 December 2017: HK$71,799,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK$54,757,000 (31 December 2017: HK$87,746,000), both of which relating to the expansion of water treatment capacity and pipeline network, as well as the maintenance capital expenditures in the normal course of business of Qingyuan Water Supply Development Company Limited and Qingyuan Qingxin District Taihe Water Company Limited.

Contingent Liabilities

The Directors consider that the Group had no contingent liabilities as at 30 June 2018.

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

Pursuant to Rule 13.51B of the Listing Rules the changes in the information of the Directors subsequent to the date of the 2017 Annual Report are as follows:

1. Ms. Zhu Fenglian was appointed as a chairperson and the Legal Representative of Guangdong Golden Dragon Development Inc. ("**GD**"), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000712), with effect from 15 June 2018.

2. Ms. Zhang Haimei was appointed as a deputy general manager of GD with effect from 15 June 2018.

3. Mr. Xuan Zhensheng was appointed as a director of GD with effect from 15 June 2018.

4. Dr. Cheung Wai Bun Charles J.P. was (a) appointed as a member of each of the audit committee and corporate governance committee of Galaxy Entertainment Group Limited (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 027), with effect from 14 June 2018; and (b) resigned as an independent non-executive director of China Taifeng Beddings Holdings Limited (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 873) with effect from 31 July 2018.

5. On the recommendation by the Remuneration Committee and taking into consideration Mr. Chen Jinyang's position as the Chairman and an Executive Director, the Board approved the increase in Mr. Chen's monthly director's fee and salary from HK$125,000 to HK$165,000 with effect from 1 May 2018, with all other benefits remaining unchanged.

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

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

As at 30 June 2018, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**")) which (i) are notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) are notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

	Interests in ordinary shares					
Name of Director	**Personal interests**	**Corporate Interests**	**Total interests in ordinary shares**	**Total interests in underlying shares**	**Aggregate interests**	**% of the Company's issued share capital**
Executive Directors:						
Mr. Chen Jinyang (Note 1)	–	–	–	20,000,000 (Note 1)	20,000,000	0.94%
Mr. Chau Cheuk Wah (Note 1)	–	–	–	20,000,000 (Note 1)	20,000,000	0.94%
Ms. Zhu Fenglian	–	520,380,000	520,380,000	–	520,380,000	24.54%
Mr. Zhou Jianhui (retired on 29 June 2018) (Note 1)	6,000,000	–	6,000,000	20,000,000 (Note 1)	26,000,000	1.23%

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 deemed to be interested in the 520,380,000 shares attributable to Ms. Zhu and her controlled corporation, Affluent Vast Holdings Limited ("**Affluent Vast**"), Ever City Industrial Development Limited ("**Ever City**") and Eastcorp International Limited ("**Eastcorp**"). For more details on the deemed interest of Ms. Zhu, Affluent Vast and Ever City, please refer to Note 1 to the section headed "Persons who have an Interest or a Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholding".

3. There were no debt securities nor debentures issued by the Group at any time during the period ended 30 June 2018.

Save as disclosed above, so far as the directors are aware, as at 30 June 2018, none of the directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) are notified to the Company and the Stock Exchange pursuant to Model Code.

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

So far as is known to any director or chief executive of the Company, as at 30 June 2018, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:

(A) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City (Note 1)	Beneficial owner and interest in controlled corporation	520,380,000	24.54%
Ms. Zhu Fenglian (Note 1)	Interest in controlled corporation	520,380,000	24.54%
Affluent Vast (Note 1)	Interest in controlled corporation	520,380,000	24.54%
Eastcorp (Note 1)	Beneficial owner	200,000,000	9.43%
Ng Tin Shui	Beneficial owner	240,000,000	11.32%
Tang Wing Hung (Note 2)	Interest in controlled corporation	160,440,000	7.57%
Passion Ease Limited (Note 2)	Beneficial owner	160,440,000	7.57%

Notes:

1. Ms. Zhu, Affluent Vast and Ever City are deemed to be interested in 520,380,000 shares of the Company, representing 24.54% of the total issued share capital of the Company, which comprises (a) 320,380,000 shares directly held by Ever City; and (b) 200,000,000 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.

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)

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

(B) LONG POSITIONS IN UNDERLYING SHARES OF EQUITY DERIVATIVES OF THE COMPANY

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

(C) SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF EQUITY DERIVATIVES OF THE COMPANY

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

Share Options

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

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

Share Options (continued)

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

At 30 June 2018, the number of shares in respect of which options had been granted and outstanding under the New Share Option Scheme was 60,000,000, representing approximately 2.8% of the issued share capital of the Company.

A summary of the movements of the share options granted under the New Share Option Schemes during the period is as follows:–

					Number of share option						
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2018	Market value per share at date of grant of option	Market value per share on exercise of option
Directors of the Group	25 November 2013	Fully vested on 25 November 2013	25 November 2013 to 11 August 2020	HK$0.465	60,000,000	-	-	-	60,000,000 (Note 2)	HK$0.460	-

Notes:

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

2. 20,000,000 of these share options were granted under the New Share Option Scheme to Mr. Zhou Jianhui, who retired as an executive Director on 29 June 2018. Pursuant to the terms of the New Share Option Scheme, these share options granted to Mr. Zhou (to the extent that it has not already been exercised by Mr. Zhou) shall lapse and not be exercisable at the expiry of the three-months period following the date of his retirement (i.e. from 30 June 2018 to 29 September 2018).

Competition and Conflict of Interests

During the current period under review, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Purchase, Sale of Redemption of the Company's Listed Securities

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

Pre-Emptive Rights

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

Sufficiency of Public Float

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

Code on Corporate Governance Practices

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

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

Directors' Securities Transactions

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

Having made specific enquiry of all directors, the directors have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout the six months ended 30 June 2018.

Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Audit Committee

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

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

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

Audit Committee (continued)

The interim financial report for the six months ended 30 June 2018 is unaudited, but has been reviewed by PKF Hong Kong Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The interim financial report has been reviewed by the Audit Committee.

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

This report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.uth.com.hk). The interim report for the six months ended 30 June 2018 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, 31 August 2018

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), Ms. Zhu Fenglian and Ms. Zhang Haimei; one non-executive Director namely Mr. Xuan Zhensheng; and three independent non-executive Directors namely Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George.