UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
環球實業科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1026)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS OF THE YEAR

– Revenue for the year ended 31 December 2019 amounted to HK$303.60 million (2018: HK$271.91 million), representing an increase of HK$31.69 million or 12% as compared to last year. Such increase was mainly due to (a) increase in revenue of the Group's water supply business; and (b) rental income from the newly acquired Guangzhou properties.

– Net loss attributable to shareholders of the Company for the year ended 31 December 2019 was HK$116.63 million (2018: HK$26.81 million), representing an increase of HK$89.82 million as compared with the year ended 31 December 2018. The Group's loss for the year was principally due to: (a) the impairment loss of the goodwill of the Group's businesses of water supply services and financial services; and (b) the increase in amortisation of intangible assets of the Taihe water plant.

– Basic and diluted loss per share for the year ended 31 December 2019 amounted to HK2.96 cents and HK2.96 cents, respectively (Basic and diluted loss per share for the year ended 31 December 2018: HK1.26 cents and HK1.26 cents, respectively).

– The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2019 (2018: HK$Nil).

The board of directors (the "Board") of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2019 together with the comparative audited figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*3*	**303,598**	271,909
Cost of sales/services rendered		**(237,661)**	(187,350)
Gross profit		**65,937**	84,559
Other income and gains	*4*	**9,946**	19,880
Impairment loss on goodwill		**(99,037)**	–
General and administrative expenses		**(65,772)**	(75,596)
(Loss)/profit from operations		**(88,926)**	28,843
Finance costs	*5(a)*	**(24,260)**	(28,239)
(Loss)/profit before income tax	*5*	**(113,186)**	604
Income tax expense	*7*	**(3,516)**	(10,621)
Loss for the year		**(116,702)**	(10,017)
Attributable to: –			
Shareholders of the Company		**(116,634)**	(26,805)
Non-controlling interests		**(68)**	16,788
Loss for the year		**(116,702)**	(10,017)
			Restated
Loss per share (in cents)	*9*		
– Basic		**(2.96)**	(1.26)
– Diluted		**(2.96)**	(1.26)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(116,702)**	(10,017)
Other comprehensive loss:–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**(2,997)**	(4,765)
Other comprehensive loss for the year, net of tax	**(2,997)**	(4,765)
Total comprehensive loss for the year	**(119,699)**	(14,782)
Total comprehensive (loss)/income attributable to:–		
Shareholders of the Company	**(119,256)**	(25,549)
Non-controlling interests	**(443)**	10,767
	(119,699)	(14,782)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019	2018
	Note	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**471,050**	493,213
Prepaid land lease premium		**28,097**	28,706
Investment properties		**691,076**	46,599
Right-of-use assets		**2,484**	–
Intangible assets		**327,497**	353,701
Goodwill		**–**	99,037
Deposit paid for acquisition of property, plant and equipment		**12,641**	13,224
Deferred tax assets	*8(a)*	**1,654**	266
		1,534,499	1,034,746
CURRENT ASSETS			
Inventories		**28,280**	24,467
Debtors	*10*	**28,335**	24,195
Deposits, prepayments and other receivables	*11*	**10,952**	7,713
Prepaid land lease premium		**–**	557
Fixed deposits		**248,754**	122,135
Cash and bank balances		**484,707**	166,533
		801,028	345,600
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings		**36,662**	6,687
Trade payables	*12*	**32,886**	10,606
Payable to merchants	*13*	**3,011**	3,011
Deposits received, sundry creditors and accruals		**185,997**	130,072
Contract liabilities	*14*	**43,566**	23,396
Lease liabilities		**2,519**	–
Amounts due to related companies	*15*	**45**	46
Tax payable		**5,200**	5,522
		309,886	179,340
NET CURRENT ASSETS		**491,142**	166,260

	Note	2019 HK$'000	2018 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,025,641**	1,201,006
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings		**645,004**	445,492
Lease liabilities		**28**	–
Deferred tax liabilities	*8(a)*	**52,876**	60,451
		697,908	505,943
NET ASSETS		**1,327,733**	695,063
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital		**55,128**	21,205
Reserves		**1,074,257**	459,443
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**1,129,385**	480,648
NON-CONTROLLING INTERESTS		**198,348**	214,415
TOTAL EQUITY		**1,327,733**	695,063

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 1.1.2018	21,205	513,344	481	1,093	10,754	14,296	3,997	11,814	(70,787)	506,197	215,364	721,561
Lapse of share options granted in prior years	–	–	–	–	–	–	(2,398)	–	2,398	–	–	–
Dividend paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	(11,716)	(11,716)
Total comprehensive income/(loss) for the year	–	–	–	–	–	1,256	–	–	(26,805)	(25,549)	10,767	(14,782)
Transferred to statutory reserve	–	–	–	–	–	–	–	6,485	(6,485)	–	–	–
At 31.12.2018 and 1.1.2019	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**15,552**	**1,599**	**18,299**	**(101,679)**	**480,648**	**214,415**	**695,063**
Rights issue	**18,059**	**397,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**415,359**	**-**	**415,359**
Placing of new shares	**15,864**	**349,008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**364,872**	**-**	**364,872**
Shares issuing expenses	**-**	**(12,238)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,238)**	**-**	**(12,238)**
Cancellation of share options	**-**	**-**	**-**	**-**	**-**	**-**	**(1,599)**	**-**	**1,599**	**-**	**-**	**-**
Dividend paid to non-controlling shareholder of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,624)**	**(15,624)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,622)**	**-**	**-**	**(116,634)**	**(119,256)**	**(443)**	**(119,699)**
Transferred to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,345**	**(3,345)**	**-**	**-**	**-**
At 31.12.2019	**55,128**	**1,247,414**	**481**	**1,093**	**10,754**	**12,930**	**-**	**21,644**	**(220,059)**	**1,129,385**	**198,348**	**1,327,733**

Notes

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 its 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.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on GEM operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

On 22 June 2010, the listing of shares of the Company was transferred to the Main Board of the Stock Exchange.

The consolidated financial statements are presented in thousands of units of Hong Kong dollar (HK$'000), unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:–

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC)-Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

In addition, the consolidated financial statements comply with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Application of new and amendments to HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:–

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements (2015-2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 16. The other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC)-Int 4, Determining whether an arrangement contains a lease, HK(SIC)-Int 15, Operating leases – incentives, and HK(SIC)-Int 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 on 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:–

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.98%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:–

(1) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(2) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:–

	HK$'000
Operating lease commitments at 31 December 2018	5,261
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(35)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	3
	5,229
Less: total future interest expenses	(263)
Total lease liabilities recognised at 1 January 2019	4,966

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equals to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:–

	At 31 December 2018 *HK$'000*	Capitalisation of operating lease contracts *HK$'000*	**At 1 January 2019** ***HK$'000***
Non-current assets			
Right-of-use assets	–	4,966[1]	**4,966**
Prepaid land lease premium	28,706	557[2]	**29,263**
Current assets			
Prepaid land lease premium	557	(557)[2]	**–**
Current liabilities			
Lease liabilities	–	(2,426)[1]	**(2,426)**
Non-current liabilities			
Lease liabilities	–	(2,540)[1]	**(2,540)**

1 Capitalisation of lease contracts

2 Reclassification from current to non-current

Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

3. REVENUE

The Group is principally engaged in investment holding, property investment and development, building management and water supply and related services. Revenue for the year represents revenue recognised from rental and building management service income and water supply and related services income. Disaggregation of revenue from contracts with customers and other sources by service lines is as follows:–

	2019 ***HK$'000***	2018 *HK$'000*
Revenue from contracts with customers		
Water supply and related services income	**262,795**	271,893
Construction services of infrastructure under concession arrangement *(note)*	**27,349**	(2,624)
Revenue from other sources		
Rental and building management service income	**13,454**	2,640
	303,598	271,909

Note:

The amount represents revenue recognised during the construction stage of the service concession period. During the year ended 31 December 2019, changes of estimation of HK$721,000 (2018: HK$13,292,000) were made when the Group finalised the construction costs with sub-contractors.

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

4. OTHER INCOME AND GAINS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank deposits	**6,461**	10,001
Government subsidy	**119**	111
Net increase in fair value of investment properties	**1,596**	231
Gain on early extinguishment of bank loans	**–**	7,077
Gain on disposal of prepaid land lease premium	**–**	2,067
Reversal of impairment loss on other receivables	**–**	4
Exchange gain	**1,343**	–
Others	**427**	389
	9,946	19,880

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

(a) Finance costs

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans	**32,256**	35,344
Less: interest capitalised included in property, plant and equipment and other intangible assets *(note)*	**(8,476)**	(7,396)
Interest on lease liabilities	**192**	–
Bank charges	**288**	291
	24,260	28,239

Note:

The capitalisation rate was ranged from 5.07% to 5.53% (2018: 5.07% to 5.64%).

(b) Other items

	2019 *HK$'000*	2018 *HK$'000*
Auditor's remuneration		
– Audit services	**1,151**	1,096
– Other services	**783**	519
	1,934	1,615
Cost of inventories sold	**5,376**	5,089
Staff costs (including directors' remuneration)		
– Salaries and other benefits	**45,274**	45,502
– Pension scheme contributions	**5,507**	4,440
	50,781	49,942
Depreciation of property, plant and equipment	**40,786**	41,428
Depreciation of right-of-use assets	**2,481**	–
Impairment loss on debtors	**414**	555
Impairment loss on land held for future development for sales	**3,268**	–
Impairment/(reversal of impairment) loss on other receivables	**18**	(4)
Amortisation of intangible assets	**48,531**	39,249
Amortisation of prepaid land lease premium	**809**	846
Minimum operating lease rentals	**–**	3,438
Short-term lease expenses	**496**	–
Low value lease expenses	**5**	–
Sale proceeds of prepaid land lease premium	**–**	(2,601)
Less: carrying amounts of prepaid land lease premium	**–**	534
Gain on disposal of prepaid land lease premium	**–**	(2,067)
Sale proceeds of property, plant and equipment	**–**	(52)
Less: carrying amounts of property, plant and equipment	**–**	125
Loss on disposal of property, plant and equipment	**–**	73
Exchange (gain)/loss	**(1,343)**	17,501
Gain on early extinguishment of bank loans	**–**	(7,077)
Rental income less direct outgoings of HK$4,622,000 (2018: HK$1,787,000)	**(8,832)**	(853)

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.

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

The key management assesses the performance of the segments based on the results, assets and liabilities 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.

Segment assets and liabilities excluded deferred tax assets, deferred tax liabilities and other corporate assets and liabilities.

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, assets and liabilities

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

	Reportable Segments							
	Water supply and related services		Properties investment and development		Others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Disaggregated by timing of revenue recognition								
Point in time	**14,479**	17,043	**–**	–	**–**	–	**14,479**	17,043
Over time	**275,982**	252,718	**13,137**	2,148	**–**	–	**289,119**	254,866
Reportable segment revenue	**290,461**	269,761	**13,137**	2,148	**–**	–	**303,598**	271,909
Reportable segment profit/(loss)	**32,921**	68,162	**1,671**	(4,114)	**(32,657)**	(45,548)	**1,935**	18,500
Interest on bank deposits							**6,461**	10,001
Government subsidy							**119**	111
Net increase in fair value of investment properties							**1,596**	231
Impairment loss on goodwill							**(99,037)**	–
Finance costs							**(24,260)**	(28,239)
(Loss)/profit before income tax							**(113,186)**	604
Income tax expense							**(3,516)**	(10,621)
Loss for the year							**(116,702)**	(10,017)
Attributable to:								
– Shareholders of the Company							**(116,634)**	(26,805)
– Non-controlling interests							**(68)**	16,788
							(116,702)	(10,017)
Depreciation for the year	**38,903**	39,464	**1,590**	1,501	**2,774**	463	**43,267**	41,428
Amortisation	**48,968**	39,713	**372**	382	**–**	–	**49,340**	40,095
Capital expenditure incurred during the year	**53,727**	59,769	**636,475**	2,915	**26**	2	**690,228**	62,686
Reportable segment assets	**1,240,016**	1,118,265	**767,823**	106,106	**326,034**	155,709	**2,333,873**	1,380,080
Unallocated assets							**1,654**	266
Total assets							**2,335,527**	1,380,346
Reportable segment liabilities	**857,547**	606,645	**9,785**	1,074	**82,386**	11,591	**949,718**	619,310
Unallocated liabilities							**58,076**	65,973
Total liabilities							**1,007,794**	685,283

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in both years.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**303,598**	271,909	**–**	–	**303,598**	271,909
Non-current assets	**1,525,976**	1,021,038	**6,869**	13,442	**1,532,845**	1,034,480

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on the physical location of the assets, in the case of property, plant and equipment, investment properties, right-of-use assets and prepaid land lease premium, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operation, in the case of deposit paid for acquisition of property, plant and equipment.

7. INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been provided as the Company's subsidiaries operating in Hong Kong had no estimated assessable profits for both years.

The Company's subsidiaries operating in the PRC and Australia are subject to the tax rate at 25% and 30% respectively (2018: PRC at 25% and Australia at 30%).

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

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Current year	**12,166**	16,008
Under-provision in respect of previous years	**–**	56
	12,166	16,064
Deferred taxation *(Note 8(a))*:		
Current year	**(8,650)**	(5,443)
	3,516	10,621

(c) The income tax expense for the year can be reconciled to the (loss)/profit before income tax per consolidated statement of profit or loss as follows:–

2019	**HK** *HK$'000*	**PRC** *HK$'000*	**AUS** *HK$'000*	**Total** *HK$'000*
Loss before income tax	**(25,294)**	**(84,676)**	**(3,216)**	**(113,186)**
Applicable tax rate (%)	**16.5**	**25**	**30**	**N/A**
Tax on loss before income tax, calculated at the applicable tax rate	**(4,173)**	**(21,169)**	**(965)**	**(26,307)**
Tax effect of non-deductible expenses in determining taxable profit	**2,742**	**22,657**	**–**	**25,399**
Tax effect of non-taxable income in determining taxable profit	**(2,734)**	**(560)**	**–**	**(3,294)**
Tax effect of unrecognised decelerated depreciation allowance	**5**	**–**	**–**	**5**
Tax effect of unrecognised tax loss	**4,160**	**3,615**	**965**	**8,740**
Others	**–**	**(1,027)**	**–**	**(1,027)**
Income tax expense	**–**	**3,516**	**–**	**3,516**

2018	HK *HK$'000*	PRC *HK$'000*	AUS *HK$'000*	Total *HK$'000*
(Loss)/profit before income tax	(32,538)	33,223	(81)	604
Applicable tax rate (%)	16.5	25	30	N/A
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	(5,369)	8,306	(24)	2,913
Tax effect of non-deductible expenses in determining taxable profit	3,709	5	–	3,714
Tax effect of non-taxable income in determining taxable profit	(2,124)	(2,005)	–	(4,129)
Tax effect of unrecognised decelerated depreciation allowance	28	–	–	28
Tax effect of unrecognised tax loss	3,756	4,259	24	8,039
Under-provision in respect of previous year	–	56	–	56
Income tax expense	–	10,621	–	10,621

8. DEFERRED TAXATION

(a) The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the current year and prior year:–

	Provision	Impairment loss on debtors	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties	Temporary differences on intangible assets recognised under service concession arrangement	Total
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
At 1.1.2018	–	–	(43,664)	(23,087)	(66,751)
Credited to profit or loss – *Note 7(b)*	–	277	1,545	3,621	5,443
Exchange adjustments	–	(11)	596	538	1,123
At 31.12.2018 and 1.1.2019	–	266	(41,523)	(18,928)	(60,185)
Credited/(charged) to profit or loss – *Note 7(b)*	4,240	92	(758)	5,076	8,650
Exchange adjustments	(63)	(6)	277	105	313
At 31.12.2019	4,177	352	(42,004)	(13,747)	(51,222)

Represented by:–

	2019	2018
	HK\$'000	*HK\$'000*
Deferred tax assets	**1,654**	266
Deferred tax liabilities	**(52,876)**	(60,451)
	(51,222)	(60,185)

(b) The components of unrecognised deductible/(taxable) temporary differences of the Group are as follows:–

	2019	2018
	HK\$'000	*HK\$'000*
Deductible temporary differences – *note (i)*		
Decelerated tax allowances	**1,173**	1,115
Unutilised tax losses	**154,861**	244,026
	156,034	245,141
Taxable temporary difference – *note (ii)*		
Accelerated tax allowances	**(218)**	(186)
	155,816	244,955

Notes:–

(i) Deductible temporary differences have not been recognised in the consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary difference. The unutilised tax losses accumulated in Hong Kong and Australia amounted to HK$88,428,000 (2018: HK$195,271,000) and HK$3,297,000 (2018: HK$80,000) respectively can be carried forward indefinitely and the unutilised tax losses accumulated in the PRC amounted to HK$63,136,000 (2018: HK$48,675,000) can be carried forward for five years following the year when the losses were incurred.

(ii) Taxable temporary difference has not been recognised in the consolidated financial statements owing to its immateriality.

(c) As at 31 December 2019, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB87,015,000 (equivalent to approximately HK$97,250,000) (2018: RMB88,989,000 (equivalent to approximately HK$101,305,000)). The related deferred tax liabilities of approximately HK$4,863,000 (2018: HK$5,065,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiaries and the directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

9. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to shareholders of the Company	**(116,634)**	(26,805)

	2019	2018
		(Restated)
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	**3,944,031,565**	2,124,679,317
Effect of diluted potential ordinary shares as a result of the share options granted	**–**	–
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted loss per share	**3,944,031,565**	2,124,679,317

The weighted average number of shares for the year ended 31 December 2018 for the purpose of the calculation of basic loss per share has been adjusted and restated after taking into account of the rights issue on the basis of two rights share for every one existing share held on the record date as more particularly described in the rights issue prospectus of the Company dated 14 May 2019, which was completed on 18 June 2019.

The diluted loss per share is equal to the basic loss per share for the years ended 31 December 2019 and 2018 as there was no dilutive potential ordinary share in issue. The share options were cancelled during the year ended 31 December 2019.

10. DEBTORS

	2019	2018
	HK$'000	*HK$'000*
Trade debtors	**30,604**	26,076
Less: loss allowance – *Note 10(c)*	**(2,269)**	(1,881)
	28,335	24,195

Notes:–

(a) 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.

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

	2019	2018
	HK$'000	*HK$'000*
0-6 months	**28,069**	24,042
7-12 months	**225**	112
1-2 years	**41**	41
	28,335	24,195

(c) The movement in the loss allowance on debtors during the year is as follows:–

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**1,881**	1,377
Impairment loss recognised	**414**	555
Exchange adjustments	**(26)**	(51)
At 31 December	**2,269**	1,881

(d) At 31 December 2019, the receivables with a carrying amount of RMB24,228,000 (equivalent to approximately HK$27,078,000) (2018: RMB21,090,000 (equivalent to approximately HK$24,009,000)) were pledged to secure bank loans granted to the Group.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Utilities and deposits	**1,159**	1,092
Prepayments	**1,361**	1,926
Interest receivable	**4**	5
Other receivables	**8,483**	4,728
	11,007	7,751
Less: loss allowance on other receivables – *Note 11(a)*	**(55)**	(38)
	10,952	7,713

Note:–

(a) The movement in the loss allowance on other receivables during the year is as follows:–

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**38**	45
Impairment/(reversal of impairment) loss recognised	**18**	(4)
Exchange adjustments	**(1)**	(3)
At 31 December	**55**	38

12. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
0-12 months	**32,886**	10,606

13. PAYABLE TO MERCHANTS

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

	2019	2018
	HK$'000	*HK$'000*
0-12 months	**–**	–
Over one year	**3,011**	3,011
	3,011	3,011

14. CONTRACT LIABILITIES

Movements in contract liabilities regarding water supply and related business:–

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**23,396**	19,615
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**87,520**	79,564
Decrease in contract liabilities as a result of recognising revenue during the year	**(66,610)**	(74,571)
Exchange adjustment	**(740)**	(1,212)
At 31 December	**43,566**	23,396

Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to HK$17,444,000 (2018: HK$19,615,000) was recognised in the reporting period.

15. AMOUNTS DUE TO RELATED COMPANIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue and loss for the year

During the current fiscal year, the Group recorded a revenue of HK$303,598,000, representing an increase of 12% or HK$31,689,000 as compared with the last fiscal year. Loss attributable to shareholders of the Company for the year ended 31 December 2019 was HK$116,634,000, representing an increase of HK$89,829,000 as compared to the last fiscal year. Increase in revenue was mainly attributable to the water supply business and rental income from the newly acquired mall properties. The loss for the year was principally due to: (a) the impairment loss of the goodwill of the Group's businesses of water supply services and financial services; and (b) the increase in amortisation of intangible assets of the Taihe water plant.

Impairment loss on goodwill

During the current fiscal year, the Group recorded an impairment loss on goodwill in the amount of HK$99,037,000, representing an increase of HK$99,037,000 as compared to the last fiscal year. The increase of impairment loss on goodwill was mainly attributable to the Group's businesses of water supply services and financial services.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered in the amount of HK$237,661,000, representing an increase of HK$50,311,000 as compared to the last fiscal year. The increase of cost of sales/services rendered was mainly attributable to the Group's water supply and related business.

Other income and gains

During the current fiscal year, the Group recorded other income and gains of HK$9,946,000, representing a decrease of 50% as compared with the last fiscal year. The decrease in other income and gains was mainly attributable to the non-recurrence in 2019 of the gain on early extinguishment of bank loans in the amount of HK$7,077,000 for the year ended 31 December 2018, and the decrease in bank interest income for the current year under review.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK$65,772,000, representing a decrease of 13% as compared with the last fiscal year. During the current fiscal year, general and administrative expenses decreased in terms of exchange loss and other expenses.

Finance costs

During the current fiscal year, the Group recorded finance costs of HK$24,260,000, representing a decrease of 14% as compared with the last fiscal year, which was principally due to the partial repayment of a loan by the Group during the year.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$3,516,000, representing a decrease of 67% as compared with the last fiscal year. It was mainly due to the decrease in profit of water supply business for the current year under review.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK$22,163,000 from HK$493,213,000 as at 31 December 2018 to HK$471,050,000 as at 31 December 2019. The decrease was due to the depreciation for the current fiscal year.

Prepaid land lease premium

The Group's prepaid land lease premium decreased by HK$1,166,000 from HK$29,263,000 as at 31 December 2018 to HK$28,097,000 as at 31 December 2019. The decrease was mainly due to the amortisation during the current fiscal year.

Investment properties

The Group's investment properties increased by HK$644,477,000 from HK$46,599,000 as at 31 December 2018 to HK$691,076,000 as at 31 December 2019. It was mainly attributable to the acquisition of certain commercial-use properties in Guangzhou during the current fiscal year.

Right-of-use assets

The Group's right-of-use assets increased by HK$2,484,000 from HK$nil as at 31 December 2018 to HK$2,484,000 as at 31 December 2019. The increase was mainly due to the capitalisation of lease under the new HKFRSs which came into effect on 1 January 2019.

Intangible assets

The Group's intangible assets decreased by HK$26,204,000 from HK$353,701,000 as at 31 December 2018 to HK$327,497,000 as at 31 December 2019. The decrease was mainly due to the amortisation for the current fiscal year.

Goodwill

The Group's goodwill decreased by HK$99,037,000 from HK$99,037,000 as at 31 December 2018 to HK$nil as at 31 December 2019. The decrease was due to the impairment loss on the Group's businesses of water supply services and financial services for the current fiscal year.

Inventories

The Group's inventories increased by HK$3,813,000 from HK$24,467,000 as at 31 December 2018 to HK$28,280,000 as at 31 December 2019. The increase was mainly due to the increase in purchase of material for water pipeline construction projects for water supply, partly offset by the decrease in the net realisable value of an overseas freehold land stated as inventory.

Debtors

The Group's debtors increased by HK$4,140,000 or 17% from HK$24,195,000 as at 31 December 2018 to HK$28,335,000 as at 31 December 2019. The increase in debtors was attributable to increase in water supply volume during the year.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables increased by HK$3,239,000 from HK$7,713,000 as at 31 December 2018 to HK$10,952,000 as at 31 December 2019. The increase was mainly attributable to increase in other receivables from water supply and related business and properties investment and development business.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits increased by HK$444,793,000 from HK$288,668,000 as at 31 December 2018 to HK$733,461,000 as at 31 December 2019. The increase in cash and bank balances and fixed deposits was mainly due to the proceeds raised from Rights Issue and Placing and additional bank loans obtained by the water supply business in current year. As at 31 December 2019, 89% (31 December 2018: 91%) of cash and bank balances was denominated in Renminbi.

Bank and other borrowings

The Group's bank and other borrowings increased by HK$229,487,000 from HK$452,179,000 as at 31 December 2018 to HK$681,666,000 as at 31 December 2019. The increase was mainly attributable to the additional bank loans obtained by the water supply business for the current fiscal year.

Trade payables

The Group's trade payable increased by HK$22,280,000 from HK$10,606,000 as at 31 December 2018 to HK$32,886,000 as at 31 December 2019. The increase of trade payables was due to increase in inventories level and the accrual of more water resources fee for the current fiscal year.

Payable to merchants

The Group's payable to merchants as at 31 December 2019 amounted to approximately HK$3,011,000, which is similar to the figure as at 31 December 2018.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals increased by HK$55,925,000 from HK$130,072,000 as at 31 December 2018 to HK$185,997,000 as at 31 December 2019. The increase was mainly attributable to the consideration payables for the acquisition of Guangzhou properties during the year.

Contract liabilities

The Group's contract liabilities increased by HK$20,170,000 from HK$23,396,000 as at 31 December 2018 to HK$43,566,000 as at 31 December 2019. The increase was mainly due to the increase in contract income of the Group's water supply and related business during the year.

Lease liabilities

The Group's lease liabilities increased by HK$2,547,000 from HK$nil as at 31 December 2018 to HK$2,547,000 as at 31 December 2019. The increase was mainly due to the new way of lease accounting under the new HKFRSs which came into effect on 1 January 2019.

Events after the reporting period

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

On 14 January 2020, Shenzhen Huanye Universal Technologies Limited ("**Listco Subsidiary**"), an indirect wholly-owned subsidiary of the Company and Dongguan Zhaoyu Real Estate Co., Ltd. (the "**JV Partner**") entered into the joint venture agreement ("**JV Agreement**"), pursuant to which the Listco Subsidiary and the JV Partner (the "**JV Parties**") agreed to jointly establish the joint venture to participate in land auctions and property development in Guangdong-Hong Kong-Macao Greater Bay Area and first and second-tier cities in the PRC. The JV Parties intended to establish a new project company (the "**JV Company**") to become the vehicle of the Joint Venture, which shall be owned as to 30% by Listco Subsidiary and 70% by the JV Partner. Under the terms of the JV Agreement, the maximum contribution committed by Listco Subsidiary in the JV Company is capped at RMB219,000,000 (equivalent to approximately HK$245,241,000).

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the formation of the joint venture under the JV Agreement are more than 5% but less than 25%, the transactions contemplated by the JV Agreement constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

(ii) Cessation of water intake by a water plant operated by a 49%-owned subsidiary of the Group

On 3 March 2020, Qingyuan Water Supply Development Co., Ltd. ("**Water Supply Development**"), a 49%-owned subsidiary of the Group, received a cessation notice issued by the Water Resources Bureau of Qingyuan City (the "**Bureau**"), pursuant to which the Bureau notified Water Supply Development of the decision of the People's Government of Qingyuan City (the "**Qingyuan Government**") to stop the water intake of Qixinggang Water Plant operated by Water Supply Development with effect from 4 March 2020 and to commence full water intake of another water plant designated by Qingyuan Government. Further details regarding the Cessation Notice were disclosed in the Company's announcement dated 3 March 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had net current assets of HK$491,142,000. Current assets comprised inventories of HK$28,280,000, debtors of HK$28,335,000, deposits, prepayments and other receivables of HK$10,952,000, fixed deposits of HK$248,754,000 and cash and bank balances of HK$484,707,000.

Current liabilities comprised bank and other borrowings of HK$36,662,000, trade payables of HK$32,886,000, payable to merchants of HK$3,011,000, lease liabilities of HK$2,519,000, deposits received, sundry creditors and accruals of HK$185,997,000, contract liabilities of HK$43,566,000, amounts due to related companies of HK$45,000, and tax payable of HK$5,200,000.

The gearing ratio, which is defined as a percentage of the total liabilities (excluding deferred tax liabilities) over the total assets (excluding deferred tax assets), of the Group as at 31 December 2019 was 41% (2018: 45%).

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

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

During the year ended 31 December 2019, the Group was principally engaged in the business of water supply and related services as well as property investment and development. Revenue from the main business amounted to approximately HK$303,598,000, representing an increase of 12% or approximately HK$31,689,000 compared with revenue of approximately HK$271,909,000 from the previous year. Water supply and related business (including water quality testing, water pipe repair and maintenance, water meter maintenance and replacement and other related services) recorded revenue of approximately HK$290,461,000, representing an increase of 8% or approximately HK$20,700,000 compared with revenue of approximately HK$269,761,000 from the previous year. This was mainly attributed to increased demand for water supply as a result of urban development.

During the year, the property investment and development segment of the Group contributed a stable revenue and positive cash flow to the Group. The property investment and development segment of the Group recorded revenue of approximately HK$13,137,000, representing an increase of 512% or approximately HK$10,989,000 compared with approximately HK$2,148,000 in revenue from the previous year. Rental income increased due to rental income gained from PRC commercial properties acquired during the year.

As disclosed in the Company's announcement dated 15 February 2019, the Company acquired certain PRC commercial properties (the "**Acquisition**") at a consideration of RMB576,000,000, financed by a two-for-one rights issue (the "**Rights Issue**") and a best-effort placing (the "**Placing**") of shares that had not been taken up during the Rights Issue. As disclosed in the Company's announcement dated 18 June 2019, 1,805,909,900 shares were taken up by qualifying shareholders under the Rights Issue and 1,586,400,000 shares were placed under the Placing, raising net proceeds in the aggregate amount of approximately HK$767.99 million. Of this, approximately HK$574.63 million was used for the settlement of the consideration for the Acquisition upon the completion. The Acquisition was approved by the independent shareholders of the Company on 23 April 2019 and was completed during the year.

For the year ended 31 December 2019, the Group recorded a net loss attributable to shareholders of the Company of approximately HK$116,634,000, representing an increase of approximately 335% or HK$89,829,000 as compared to the previous year's net loss attributable to shareholders of approximately HK$26,805,000. The increase in the loss for the year of the Group was mainly attributed to: (a) the impairment loss of the goodwill of the Group's water supply services and financial services, and (b) the increase in amortisation of intangible assets of the Taihe Water Plant.

The Group is dedicated to maintaining high standards of corporate governance and internal control, while continuously improving management efficiency and effectiveness. The Group pursued improvements to corporate culture, systems efficiency, branding and human resources planning with a view to enhancing competitiveness, strengthening core competencies and maintaining a high degree of social responsibility. As part of the Group's environmental, social and governance initiatives, it provided training and equal opportunities to staff for the cultivation of talent, skills and a sense of belonging within the Group. By implementing these initiatives, the Group hoped to lay a solid foundation for long-term development.

PROSPECTS

Impacted by the intensifying US-China trade and political relationship and the COVID-19 pandemic's effect on worldwide supply chains and consumption patterns, both oil prices and the global financial market have fluctuated dramatically, and the world's economic prospects were dimming. Looking forward, the Group intends to continue to focus on property investment and development. In addition to identifying suitable property project in China and overseas, it will endeavour to develop its fund investment and management businesses in Hong Kong and China to diversify revenue sources and ensure sustainable growth. The Group will also continue to explore appropriate opportunities for investment and diversified development that may arise from time to time.

EMPLOYEES

As at 31 December 2019, the total number of employees of the Group was 397 (2018: 387). 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 Company would like to thank its staff for their continual dedication and contribution.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 15 February 2019, the Company (as purchaser) entered into an agreement with Billion Eminence Investment Limited (the "**Vendor**"), pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the sale interests of Chevalier Earth Group Limited (the "**Target Company**") for the total cash consideration of RMB576,000,000 (equivalent to approximately HK$673,286,400). The purpose of the acquisition is to acquire certain commercial-use properties in Guangzhou, China. Simultaneously, the Company proposed Rights Issue and Placing to raise funds to finance the acquisition. The Rights Issue and the Placing were subsequently approved by the independent shareholders of the Company on 23 April 2019. On completion of the Rights Issue and the Placing which took place on 18 June 2019, 1,805,909,900 Rights Shares were allotted and issued and 1,586,400,000 untaken Shares were allotted and issued to placees procured by the placing agents under the Placing. The gross proceeds raised by the Company from the Placing and the Rights Issue amounted to HK$780,231,277 in aggregate, which was utilised partially for the consideration for the acquisition.

The Group originally intended to use the net proceeds of the Rights Issue and the Placing in the aggregate amount of approximately HK$767.99 million for the following sequence: (i) approximately HK$673.29 million for settlement of the Consideration; and (ii) the balance of between approximately HK$94.70 million for the development of fund investment and management businesses of the Group in Hong Kong and the PRC. On 14 January 2020, approximately HK$574.63 million was already utilized for settlement of the consideration payable on completion of the Acquisition and net proceeds of the Rights Issue and the Placing in the approximate amount of HK$193.36 million remained unutilized (the "**Unutilized Proceeds**"). The Company then applied the Unutilized Proceeds to finance the Listco Subsidiary's contribution limit of the joint venture. The Board is of the view that the use of the Unutilized Proceeds in the Listco Subsidiary's contribution limit is in the best interests of the Company and is largely in line with the original purposes of the equity fund-raising, namely, to expand the property development and investment portfolio of the Group and to join force with co-investors with the view to investing in non-controlling interests in bigger projects in China with synergy with the Group's principal business activities (which includes property development and investment).

The Acquisition constituted a major and connected transaction for the Company and was subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. The Acquisition was approved by the independent shareholders of the Company on 23 April 2019 and completed in 2019.

Save as disclosed above, the Group did not have any other significant investments, acquisitions and disposals for the year ended 31 December 2019.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2019 were secured by:

(i) charges over a land use right under service concession arrangement with a carrying amount of RMB3,912,000 (equivalent to approximately HK$4,372,000);

(ii) pledge of trade receivables with a carrying amount of RMB24,228,000 (equivalent to approximately HK$27,078,000);

(iii) pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;

(iv) pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

(v) guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being the subsidiaries of the Group;

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

(vii) guarantee by the non-controlling shareholders of subsidiaries.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 15 February 2019, the Company (as purchaser), the Vendor and the Target Company entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the sale interests for the total cash consideration of RMB576,000,000 (equivalent to approximately HK$673,286,400). Simultaneously, the Company launched the Rights Issue and the Placing to finance the Consideration. The Rights Issue and the Placing were subsequently approved by the independent shareholders of the Company on 23 April 2019. On completion of the Rights Issue and the Placing which took place on 18 June 2019, 1,805,909,900 Rights Shares were allotted and issued and 1,586,400,000 untaken Shares were allotted and issued to placees procured by the placing agents under the Placing. The gross proceeds raised by the Company from the Placing and the Rights Issue amount to HK$780,231,277 in aggregate. Details of the Acquisition, Rights Issue and the Placing were disclosed in the Company's announcements dated 15 February 2019, 23 April 2019 and 18 June 2019 and circular dated 22 March 2019.

The Group originally intended to use the net proceeds of the Rights Issue and the Placing in the aggregate amount of approximately HK$767.99 million for the following sequence: (i) approximately HK$673.29 million for settlement of the Consideration; and (ii) the balance of between approximately HK$94.70 million for the development of fund investment and management businesses of the Group in Hong Kong and the PRC. On 14 January 2020, approximately HK$574.63 million was already utilized for settlement of the consideration payable on completion of the Acquisition and net proceeds of the Rights Issue and the Placing in the approximate amount of HK$193.36 million remained unutilized. The Company then applied the Unutilized Proceeds to finance the Listco Subsidiary's Contribution

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

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

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the formation of the joint venture under the JV Agreement are more than 5% but less than 25%, the transactions contemplated by the JV Agreement constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. Further details regarding the Joint Venture are disclosed in the Company's announcement dated 14 January 2020.

Save as disclosed above, there was no other future plan for material investments or capital assets for the year ended 31 December 2019.

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$**"). There are no significant assets and liabilities denominated in other currencies. During the year ended 31 December 2019, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK$ 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 COMMITMENTS

As at 31 December 2019, the Group had capital commitments contracted but not provided for in the amount of approximately HK$18,390,000 (2018: HK$22,003,000) comprising (i) acquisition of property, plant and equipment of approximately HK$18,373,000 (2018: HK$21,020,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK$17,000 (2018: HK$983,000), both of which being in connection with 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 31 December 2019.

DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Listing Rules in the construction of its corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasize on a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability to all stakeholders of the Company. A full description of the Company's corporate governance will be set out in the section headed "Corporate Governance" contained in the 2019 annual report.

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 "**CG Code**"). The Company has complied with the applicable Code Provisions of the CG Code save for the deviation mentioned below:

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

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

MODEL CODE FOR 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 with Company's Directors, the Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2019. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal controls, risk management and financial reporting matters.

SCOPE OF WORK

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary announcement.

By Order of the Board
UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
Chen Jinyang
Chairman and Chief Executive Officer

Hong Kong, 25 March 2020

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