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## **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 2020**

### **HIGHLIGHTS OF THE YEAR**

- Revenue for the year ended 31 December 2020 amounted to HK\$344.75 million (2019: HK\$303.60 million), representing an increase of HK\$41.15 million or 14% 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 commercial properties in China being recognised for full year in 2020, as compared to recognition for only part of the year in 2019.
- Net loss attributable to shareholders of the Company for the year ended 31 December 2020 was HK\$36.34 million (2019: HK\$116.63 million), representing a decrease of HK\$80.29 million as compared with the year ended 31 December 2019. The decrease in loss for the year of the Group was mainly due to: (a) the recognition of a non-recurring impairment loss of the goodwill of the Group's businesses of water supply services and financial services in 2019 while no similar impairment loss of goodwill was recognised by the Group in 2020; and (b) profit from commercial properties in China being recognised for full year in 2020, as compared to recognition for only part of the year in 2019.
- Basic and diluted loss per share for the year ended 31 December 2020 amounted to HK0.66 cent and HK0.66 cent, respectively (Basic and diluted loss per share for the year ended 31 December 2019: HK2.96 cents and HK2.96 cents, respectively).
- The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2020 (2019: HK\$Nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

		2020	2019
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue	3	344,748	303,598
Cost of sales/services rendered		<u>(293,214)</u>	<u>(237,661)</u>
Gross profit		51,534	65,937
Other income and gains	4	16,032	9,946
Impairment loss on goodwill		–	(99,037)
General and administrative expenses		(87,902)	(65,772)
Share of loss of a joint venture		<u>(106)</u>	<u>–</u>
Loss from operations		(20,442)	(88,926)
Finance costs	5(a)	<u>(38,793)</u>	<u>(24,260)</u>
Loss before income tax	5	(59,235)	(113,186)
Income tax expense	7	<u>(12,023)</u>	<u>(3,516)</u>
Loss for the year		<u><b>(71,258)</b></u>	<u><b>(116,702)</b></u>
<b>Attributable to: –</b>			
Shareholders of the Company		(36,337)	(116,634)
Non-controlling interests		<u>(34,921)</u>	<u>(68)</u>
Loss for the year		<u><b>(71,258)</b></u>	<u><b>(116,702)</b></u>
Loss per share (in cents)	9		
– Basic		(0.66)	(2.96)
– Diluted		<u>(0.66)</u>	<u>(2.96)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Loss for the year	<u>(71,258)</u>	<u>(116,702)</u>
Other comprehensive income/(loss):—		
Items that may be reclassified subsequently to profit or loss:—		
Exchange differences arising on translation of financial statements of overseas operations	<b>58,991</b>	(2,997)
Release of exchange differences upon disposal of a subsidiary	<u>65</u>	<u>—</u>
Other comprehensive income/(loss) for the year, net of tax	<u>59,056</u>	<u>(2,997)</u>
Total comprehensive loss for the year	<u><b>(12,202)</b></u>	<u>(119,699)</u>
Total comprehensive income/(loss) attributable to:—		
Shareholders of the Company	<b>16,713</b>	(119,256)
Non-controlling interests	<u>(28,915)</u>	<u>(443)</u>
	<u><b>(12,202)</b></u>	<u>(119,699)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>446,589</b>	471,050
Prepaid land lease premium		<b>25,996</b>	28,097
Investment properties		<b>686,103</b>	691,076
Right-of-use assets		<b>5,605</b>	2,484
Interest in a joint venture		<b>259,789</b>	–
Intangible assets		<b>294,892</b>	327,497
Goodwill		–	–
Deposit paid for acquisition of property, plant and equipment		–	12,641
Deferred tax assets	<i>8(a)</i>	<b>2,047</b>	1,654
		<b>1,721,021</b>	1,534,499
<b>CURRENT ASSETS</b>			
Inventories		<b>16,085</b>	28,280
Debtors	<i>10</i>	<b>47,787</b>	28,335
Deposits, prepayments and other receivables	<i>11</i>	<b>9,712</b>	10,952
Fixed deposits		<b>143,614</b>	248,754
Cash and bank balances		<b>999,061</b>	484,707
		<b>1,216,259</b>	801,028

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>40,362</b>	36,662
Trade payables	<i>12</i>	<b>121,862</b>	32,886
Payable to merchants	<i>13</i>	<b>3,011</b>	3,011
Deposits received, sundry creditors and accruals		<b>113,274</b>	185,997
Contract liabilities	<i>14</i>	<b>25,981</b>	43,566
Lease liabilities		<b>2,728</b>	2,519
Amount due to a related company	<i>15</i>	<b>47</b>	45
Tax payable		<b>11,967</b>	5,200
		<u><b>319,232</b></u>	<u>309,886</u>
<b>NET CURRENT ASSETS</b>		<u><b>897,027</b></u>	<u>491,142</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>2,618,048</b></u>	<u>2,025,641</u>
<b>DEDUCT:</b>			
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>1,202,459</b>	645,004
Lease liabilities		<b>2,896</b>	28
Deferred tax liabilities	<i>8(a)</i>	<b>52,161</b>	52,876
		<u><b>1,257,516</b></u>	<u>697,908</u>
<b>NET ASSETS</b>		<u><b>1,360,532</b></u>	<u>1,327,733</u>
<b>REPRESENTING:–</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>55,130</b>	55,128
Reserves		<b>1,091,009</b>	1,074,257
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<b>1,146,139</b>	1,129,385
<b>NON-CONTROLLING INTERESTS</b>		<b>214,393</b>	198,348
<b>TOTAL EQUITY</b>		<u><b>1,360,532</b></u>	<u>1,327,733</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to shareholders of the Company											
	Capital			Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity	
	Share capital	Share premium	Share redemption reserve									Capital reserve
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1.1.2019	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 and 1.1.2020	<b>55,128</b>	<b>1,247,414</b>	<b>481</b>	<b>1,093</b>	<b>10,754</b>	<b>12,930</b>	<b>—</b>	<b>21,644</b>	<b>(220,059)</b>	<b>1,129,385</b>	<b>198,348</b>	<b>1,327,733</b>
Capital contribution from non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	59,496	59,496
Share-based payments	—	—	—	—	—	—	3	—	—	3	—	3
Shares issued under share option scheme	2	39	—	—	—	—	(3)	—	—	38	—	38
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(1,345)	(1,345)
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	(13,191)	(13,191)
Total comprehensive loss for the year	—	—	—	—	—	53,050	—	—	(36,337)	16,713	(28,915)	(12,202)
Transferred to statutory reserve	—	—	—	—	—	—	—	3,593	(3,593)	—	—	—
At 31.12.2020	<b>55,130</b>	<b>1,247,453</b>	<b>481</b>	<b>1,093</b>	<b>10,754</b>	<b>65,980</b>	<b>—</b>	<b>25,237</b>	<b>(259,989)</b>	<b>1,146,139</b>	<b>214,393</b>	<b>1,360,532</b>

## 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.

These 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 these 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") have applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:-

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concession (early adopted)
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's consolidated financial statements for the current and prior years.

### 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:–

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Water supply and related services income	306,146	262,795
Construction services of infrastructure under concession arrangement ( <i>note</i> )	(239)	27,349
Revenue from other sources		
Rental and building management service income	38,841	13,454
	<u>344,748</u>	<u>303,598</u>

*Note:*

The amount represents revenue recognised during the construction stage of the service concession period. During the year ended 31 December 2020, changes of estimation of HK\$486,000 (2019: HK\$721,000) 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.

### 4. OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank deposits	2,956	6,461
Government subsidy	237	119
Net increase in fair value of investment properties	48	1,596
Gain on disposal of a subsidiary	4,584	—
Gain on disposal of investment properties	4,273	—
Exchange gain	2,433	1,343
Others	1,501	427
	<u>16,032</u>	<u>9,946</u>



## 5. LOSS BEFORE INCOME TAX

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

### (a) Finance costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	37,529	32,256
Less: interest capitalised included in property, plant and equipment and other intangible assets ( <i>note</i> )	—	(8,476)
Interest on lease liabilities	112	192
Interest on loan from a third party	1,043	—
Bank charges	109	288
	<u>38,793</u>	<u>24,260</u>

*Note:*

The capitalisation rate was nil% (2019: ranged from 5.07% to 5.53%).

### (b) Other items

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration		
— Audit services	1,135	1,151
— Other services	516	783
	1,651	1,934
Cost of inventories sold	4,622	5,376
Staff costs (including directors' remuneration)		
— Salaries and other benefits	47,941	45,274
— Pension scheme contributions	2,174	5,507
— Share-based payments	3	—
	50,118	50,781
Depreciation of property, plant and equipment	42,860	40,786
Depreciation of right-of-use assets	2,926	2,481
Impairment loss on debtors	308	414
Impairment loss on land held for future development for sales	—	3,268
Impairment loss on other receivables	47	18
Impairment loss on property, plant and equipment	6,025	—
Deposit paid for acquisition of property, plant and equipment written-off	12,719	—
Amortisation of intangible assets	46,006	48,531
Amortisation of prepaid land lease premium	742	809
Short-term lease expenses	234	496
Low value lease expenses	16	5
Loss on disposal of property, plant and equipment	7,224	—
Rental income less direct outgoings of HK\$9,502,000 (2019: HK\$4,622,000)	<u>(29,212)</u>	<u>(8,832)</u>

## 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 is engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province. The water supply business currently operates three water treatment plants, two of which source raw water from local river sources and the rest purchases clean water from a government-designated water plant.

### (b) Properties investment and development

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

"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						Consolidated	
	Water supply and related services		Properties investment and development		Others		2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019
	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	17,078	14,479	—	—	—	—	17,078	14,479
Over time	288,829	275,982	38,841	13,137	—	—	327,670	289,119
Reportable segment revenue	<u>305,907</u>	<u>290,461</u>	<u>38,841</u>	<u>13,137</u>	<u>—</u>	<u>—</u>	<u>344,748</u>	<u>303,598</u>
Reportable segment (loss)/profit	(31,610)	32,921	33,805	1,671	(24,331)	(32,657)	(22,136)	1,935
Interest on bank deposits							2,956	6,461
Government subsidy							237	119
Net increase in fair value of investment properties							48	1,596
Impairment loss on goodwill							—	(99,037)
Impairment loss on property, plant and equipment	(6,025)	—	—	—	—	—	(6,025)	—
Gain on disposal of a subsidiary							4,584	—
Share of loss of a joint venture							(106)	—
Finance costs							(38,793)	(24,260)
Loss before income tax							(59,235)	(113,186)
Income tax expense							(12,023)	(3,516)
Loss for the year							<u>(71,258)</u>	<u>(116,702)</u>

	Reportable Segments							
	Water supply and related services		Properties investment and development		Others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:								
- Shareholders of the Company							(36,337)	(116,634)
- Non-controlling interests							(34,921)	(68)
							<u>(71,258)</u>	<u>(116,702)</u>
Depreciation for the year	<u>39,586</u>	<u>38,903</u>	<u>3,293</u>	<u>1,590</u>	<u>2,907</u>	<u>2,774</u>	<u>45,786</u>	<u>43,267</u>
Amortisation	<u>46,408</u>	<u>48,968</u>	<u>340</u>	<u>372</u>	<u>—</u>	<u>—</u>	<u>46,748</u>	<u>49,340</u>
Capital expenditure incurred during the year	<u>11,575</u>	<u>53,727</u>	<u>63</u>	<u>636,475</u>	<u>—</u>	<u>26</u>	<u>11,638</u>	<u>690,228</u>
Interest in a joint venture	<u>—</u>	<u>—</u>	<u>259,789</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>259,789</u>	<u>—</u>
Reportable segment assets	<u>911,019</u>	<u>1,240,016</u>	<u>1,788,671</u>	<u>767,823</u>	<u>235,543</u>	<u>326,034</u>	<u>2,935,233</u>	<u>2,333,873</u>
Unallocated assets							<u>2,047</u>	<u>1,654</u>
Total assets							<u>2,937,280</u>	<u>2,335,527</u>
Reportable segment liabilities	<u>923,337</u>	<u>857,547</u>	<u>532,629</u>	<u>9,785</u>	<u>56,654</u>	<u>82,386</u>	<u>1,512,620</u>	<u>949,718</u>
Unallocated liabilities							<u>64,128</u>	<u>58,076</u>
Total liabilities							<u>1,576,748</u>	<u>1,007,794</u>

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	
	2020	2019	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue	<u>344,748</u>	<u>303,598</u>	<u>—</u>	<u>—</u>	<u>344,748</u>	<u>303,598</u>
Non-current assets	<u>1,710,217</u>	<u>1,525,976</u>	<u>8,757</u>	<u>6,869</u>	<u>1,718,974</u>	<u>1,532,845</u>

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 and Australia corporate income tax have been provided as the Company's subsidiaries operating in Hong Kong and Australia have no estimated assessable profits for both years.

The Company's subsidiaries operating in the PRC are subject to enterprise income tax at 25% (2019: 25%).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Current year	13,160	12,166
Under-provision in respect of previous years	<u>(16)</u>	<u>—</u>
	<b>13,144</b>	12,166
Deferred taxation ( <i>Note 8(a)</i> ):		
Current year	<u>(1,121)</u>	<u>(8,650)</u>
	<b><u>12,023</u></b>	<b><u>3,516</u></b>

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

2020	HK <i>HK\$'000</i>	PRC <i>HK\$'000</i>	AUS <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loss before income tax	(11,430)	(47,695)	(110)	(59,235)
Applicable tax rate (%)	16.5	25	30	N/A
Tax on loss before income tax, calculated at the applicable tax rate	(1,886)	(11,923)	(33)	(13,842)
Tax effect of non-deductible expenses in determining taxable profit	1,155	23,026	—	24,181
Tax effect of non-taxable income in determining taxable profit	(3,509)	(1,405)	—	(4,914)
Tax effect of unrecognised decelerated depreciation allowance	(11)	—	—	(11)
Tax effect of unrecognised tax loss	4,251	3,461	33	7,745
Others	—	(1,120)	—	(1,120)
Over-provision in respect of previous year	<u>—</u>	<u>(16)</u>	<u>—</u>	<u>(16)</u>
Income tax expense	<b><u>—</u></b>	<b><u>12,023</u></b>	<b><u>—</u></b>	<b><u>12,023</u></b>

<b>2019</b>	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	<u>—</u>	<u>3,516</u>	<u>—</u>	<u>3,516</u>

## 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 HK\$'000	Impairment loss on debtors HK\$'000	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties HK\$'000	Temporary differences on intangible assets recognised under service concession arrangement HK\$'000	Total HK\$'000
At 1.1.2019	—	266	(41,523)	(18,928)	(60,185)
Credited to profit or loss – <i>Note 7(b)</i>	4,240	92	(758)	5,076	8,650
Exchange adjustments	(63)	(6)	277	105	313
At 31.12.2019 and 1.1.2020	4,177	352	(42,004)	(13,747)	(51,222)
Credited/(charged) to profit or loss – <i>Note 7(b)</i>	(1,089)	40	(2,507)	4,677	1,121
Disposal of a subsidiary	—	—	771	—	771
Exchange adjustments	198	24	(911)	(95)	(784)
At 31.12.2020	<u>3,286</u>	<u>416</u>	<u>(44,651)</u>	<u>(9,165)</u>	<u>(50,114)</u>

Represented by:–

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Deferred tax assets	<b>2,047</b>	1,654
Deferred tax liabilities	<u><b>(52,161)</b></u>	<u>(52,876)</u>
	<u><b>(50,114)</b></u>	<u>(51,222)</u>

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

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Deductible temporary differences – <i>note (i)</i>		
Decelerated tax allowances	<b>1,136</b>	1,173
Unutilised tax losses	<u><b>141,988</b></u>	<u>154,861</u>
	<b>143,124</b>	156,034
Taxable temporary difference – <i>note (ii)</i>		
Accelerated tax allowances	<u><b>(250)</b></u>	<u>(218)</u>
	<u><b>142,874</b></u>	<u>155,816</u>

*Notes:–*

- (i) Deductible temporary differences have not been recognised in these 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\$62,642,000 (2019: HK\$88,428,000) and HK\$3,407,000 (2019: HK\$3,297,000) respectively can be carried forward indefinitely and the unutilised tax losses accumulated in the PRC amounted to HK\$75,939,000 (2019: HK\$63,136,000) can be carried forward for five years following the year when the losses were incurred.
- (ii) Taxable temporary difference has not been recognised in these consolidated financial statements owing to its immateriality.
- (c) As at 31 December 2020, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB92,152,000 (equivalent to approximately HK\$109,363,000) (2019: RMB87,015,000 (equivalent to approximately HK\$97,250,000)). The related deferred tax liabilities of approximately HK\$5,468,000 (2019: HK\$4,863,000) 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. LOSSES PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to shareholders of the Company	<u>(36,337)</u>	<u>(116,634)</u>
	2020	2019
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted loss per share	<u>5,512,921,563</u>	<u>3,944,031,565</u>

The diluted loss per share is equal to the basic loss per share for the years ended 31 December 2020 and 2019 as there was no dilutive potential ordinary share in issue.

## 10. DEBTORS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors	50,471	30,604
Less: loss allowance – <i>Note 10(c)</i>	<u>(2,684)</u>	<u>(2,269)</u>
	<u>47,787</u>	<u>28,335</u>

*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:–

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 6 months	<b>47,699</b>	28,069
7 – 12 months	<b>65</b>	225
1 – 2 years	<b>23</b>	41
	<u><b>47,787</b></u>	<u>28,335</u>

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	<b>2,269</b>	1,881
Impairment loss recognised	<b>308</b>	414
Exchange adjustments	<b>107</b>	(26)
	<u><b>2,684</b></u>	<u>2,269</u>

(d) At 31 December 2020, the receivables with a carrying amount of RMB34,449,000 (equivalent to approximately HK\$40,883,000) (2019: RMB24,228,000 (equivalent to approximately HK\$27,078,000)) were pledged to secure bank loans granted to the Group.

## 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Utilities and deposits	1,138	1,159
Prepayments	1,147	1,361
Interest receivable	8	4
Other receivables	<u>7,524</u>	<u>8,483</u>
	9,817	11,007
Less: loss allowance on other receivables – <i>Note 11(a)</i>	<u>(105)</u>	<u>(55)</u>
	<u><u>9,712</u></u>	<u><u>10,952</u></u>

*Note:–*

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	55	38
Impairment loss recognised	47	18
Exchange adjustments	<u>3</u>	<u>(1)</u>
At 31 December	<u><u>105</u></u>	<u><u>55</u></u>

## 12. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 12 months	108,721	32,886
Over one year	<u>13,141</u>	<u>—</u>
	<u><u>121,862</u></u>	<u><u>32,886</u></u>

### 13. PAYABLE TO MERCHANTS

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 12 months	–	–
Over one year	<u>3,011</u>	<u>3,011</u>
	<b><u>3,011</u></b>	<b><u>3,011</u></b>

### 14. CONTRACT LIABILITIES

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	<b>43,566</b>	23,396
Increase in contract liabilities as a result of receiving forward sales deposits during the year	<b>58,670</b>	87,520
Decrease in contract liabilities as a result of recognising revenue during the year	<b>(77,887)</b>	(66,610)
Exchange adjustment	<u>1,632</u>	<u>(740)</u>
At 31 December	<b><u>25,981</u></b>	<b><u>43,566</u></b>

Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to HK\$30,410,000 (2019: HK\$17,444,000) was recognised in the reporting period.

### 15. AMOUNT DUE TO A RELATED COMPANY

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\$344,748,000, representing an increase of 14% or HK\$41,150,000 as compared with the last fiscal year. Loss attributable to shareholders of the Company for the year ended 31 December 2020 was HK\$36,337,000, representing a decrease of HK\$80,297,000 as compared to the last fiscal year. Increase in revenue was mainly due to (a) increase in revenue of the Group's water supply business; and (b) rental income from commercial properties in China being recognised for full year in 2020, as compared to recognition for only part of the year in 2019. The decrease in net loss was mainly due to: (a) the recognition of a non-recurring impairment loss of the goodwill of the Group's businesses of water supply services and financial services in 2019 while no similar impairment loss of goodwill was recognised by the Group in 2020; and (b) profit from commercial properties in China being recognised for full year in 2020, as compared to recognition for only part of the year in 2019.

#### **Impairment loss on goodwill**

During the current fiscal year, the Group recorded an impairment loss on goodwill in the amount of HK\$nil, representing a decrease of HK\$99,037,000 as compared to the last fiscal year. The decrease of impairment loss on goodwill was mainly attributable to an impairment loss of the goodwill of the Group's businesses of water supply services and financial services was recorded in 2019 while no similar impairment loss of goodwill was recognised by the Group in 2020.

#### **Cost of sales/services rendered**

During the current fiscal year, the Group recorded a cost of sales/services rendered in the amount of HK\$293,214,000, representing an increase of HK\$55,553,000 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\$16,032,000, representing an increase of 61% as compared with the last fiscal year. The increase in other income and gains was mainly due to the gain on disposal of investment properties and gain on disposal of a subsidiary during the year.

## **General and administrative expenses**

During the current fiscal year, the Group recorded general and administrative expenses of HK\$87,902,000, representing an increase of 34% as compared with the last fiscal year. The increase in general and administrative expenses was mainly attributable to the impairment loss on certain assets during the year.

## **Share of loss of a joint venture**

During the current fiscal year, the Group recorded share of loss of a joint venture of HK\$106,000, representing an increase of HK\$106,000 as compared with the last fiscal year. It was mainly attributable to the loss from a newly established joint venture during the year.

## **Finance costs**

During the current fiscal year, the Group recorded finance costs of HK\$38,793,000 representing an increase of 60% as compared with the last fiscal year. It was mainly due to the increase in interest on bank loans during the year.

## **Income tax expense**

During the current fiscal year, the Group recorded an income tax expense of HK\$12,023,000, representing an increase of HK\$8,507,000 as compared with the last fiscal year. It was mainly attributable to both the properties investment and development business and water supply and related business for the current year.

## **Property, plant and equipment**

The Group's property, plant and equipment decreased by HK\$24,461,000 from HK\$471,050,000 as at 31 December 2019 to HK\$446,589,000 as at 31 December 2020. 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\$2,101,000 from HK\$28,097,000 as at 31 December 2019 to HK\$25,996,000 as at 31 December 2020. The decrease was mainly due to the amortisation and the disposal during the current fiscal year.

## **Investment properties**

The Group's investment properties decreased by HK\$4,973,000 from HK\$691,076,000 as at 31 December 2019 to HK\$686,103,000 as at 31 December 2020. It was mainly attributable to the disposal of certain investment properties during the current fiscal year.

### **Right-of-use assets**

The Group's right-of-use assets increased by HK\$3,121,000 from HK\$2,484,000 as at 31 December 2019 to HK\$5,605,000 as at 31 December 2020. The increase was mainly due to the renewal of lease agreement of the Group's head office in Hong Kong during the current fiscal year.

### **Interest in a joint venture**

The Group's interest in a joint venture increased by HK\$259,789,000 from HK\$nil as at 31 December 2019 to HK\$259,789,000 as at 31 December 2020. The increase was due to a joint venture newly established during the year.

### **Intangible assets**

The Group's intangible assets decreased by HK\$32,605,000 from HK\$327,497,000 as at 31 December 2019 to HK\$294,892,000 as at 31 December 2020. The decrease was mainly due to the amortisation for the current fiscal year.

### **Inventories**

The Group's inventories decreased by HK\$12,195,000 from HK\$28,280,000 as at 31 December 2019 to HK\$16,085,000 as at 31 December 2020. The decrease was mainly due to the decrease in purchase of material for water pipeline construction projects for water supply and related business for the current fiscal year.

### **Debtors**

The Group's debtors increased by HK\$19,452,000 or 69% from HK\$28,335,000 as at 31 December 2019 to HK\$47,787,000 as at 31 December 2020. The increase in debtors was attributable to the increase in revenue for water supply and related business for the current fiscal year.

### **Deposits, prepayments and other receivables**

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

The Group's deposits, prepayments and other receivables decreased by HK\$1,240,000 from HK\$10,952,000 as at 31 December 2019 to HK\$9,712,000 as at 31 December 2020. The decrease was mainly attributable to decrease in other receivables from water supply and related business.

## **Cash and bank balances and fixed deposits**

The Group's cash and bank balances and fixed deposits increased by HK\$409,214,000 from HK\$733,461,000 as at 31 December 2019 to HK\$1,142,675,000 as at 31 December 2020. The increase in cash and bank balances and fixed deposits was mainly due to additional loan advanced by third party for the current year. As at 31 December 2020, 93% (31 December 2019: 89%) of cash and bank balances was denominated in Renminbi.

## **Bank and other borrowings**

The Group's bank and other borrowings increased by HK\$561,155,000 from HK\$681,666,000 as at 31 December 2019 to HK\$1,242,821,000 as at 31 December 2020. The increase was mainly attributable to the additional loan advanced by third party during the current fiscal year.

## **Trade payables**

The Group's trade payable increased by HK\$88,976,000 from HK\$32,886,000 as at 31 December 2019 to HK\$121,862,000 as at 31 December 2020. The increase of trade payables was mainly due to the booking of costs of sales as trade payables pending the resolution of disputes and litigations as more particularly set out in the section headed "Litigation" of this announcement.

## **Payable to merchants**

The Group's payable to merchants as at 31 December 2020 amounted to approximately HK\$3,011,000, which is similar to the figure as at 31 December 2019.

## **Deposits received, sundry creditors and accruals**

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

The Group's deposits received, sundry creditors and accruals decreased by HK\$72,723,000 from HK\$185,997,000 as at 31 December 2019 to HK\$113,274,000 as at 31 December 2020. The decrease was mainly attributable to the settlement of consideration payables for the acquisition of Guangzhou properties during the year.

## **Contract liabilities**

The Group's contract liabilities decreased by HK\$17,585,000 from HK\$43,566,000 as at 31 December 2019 to HK\$25,981,000 as at 31 December 2020. The decrease was mainly due to the increase in recognising contract liabilities as contract income of the Group's water supply and related business during the year.

## **Lease liabilities**

The Group's lease liabilities increased by HK\$3,077,000 from HK\$2,547,000 as at 31 December 2019 to HK\$5,624,000 as at 31 December 2020. The increase was in line with increase in right-of-use assets.

## **Amount due to a related company**

The Group's amount due to a related company as at 31 December 2020 amounted to HK\$47,000, which is similar to the figure as at 31 December 2019.

## **Tax payable**

The Group's tax payable increased by HK\$6,767,000 from HK\$5,200,000 as at 31 December 2019 to HK\$11,967,000 as at 31 December 2020. The increase was mainly attributable to the water supply and related business during the year.

## **Events after the reporting period**

### ***(i) Adoption of Share Award Scheme***

The Company has adopted a Share Award Scheme (“**Share Award Scheme**”) as an incentive to recognise the contributions by Eligible Participants and to retain them and attract suitable personnel for the continuing operation, growth and development of the Group. The Share Award Scheme was adopted by the Board on 15 January 2021 (the “**Adoption Date**”) and ending on 31 December 2035. No further awards shall be granted after 31 January 2032 and no vesting date can be fixed beyond 31 December 2035 for awards.

The Board has delegated its power and authority to administer the Share Award Scheme (including without limitation the decision-making on purchases, subscriptions, awards, vesting and transfers of Shares under the Share Award Scheme) to the Administration Committee, which comprises staff representatives of the Group who are neither Directors, insiders nor their respective close associates.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company established for a wide scope of participants. No Shareholders' approval is required for the adoption or implementation of the Share Award Scheme. Further details regarding the adoption of the Share Award Scheme were disclosed in the Company's announcement dated 15 January 2021.



***(ii) Discloseable transaction in relation to the proposed subscription of the Financial Investment***

In February 2021, Qinghui Properties Limited (“**Qinghui**”), a 49%-owned subsidiary of the Group, proposed to participate in the fund-raising round of Guangdong Nanyue Bank Co., Ltd. (“**Nanyue Bank**”), through the proposed subscription of a maximum of 177,000,000 shares of Nanyue Bank (the “**Financial Investment**”) for the subscription price of up to RMB380,550,000 (HK\$455,203,000) in cash.

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules are less than 25%, the proposed subscription of the Financial Investment constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from shareholders’ approval requirement under Chapter 14 of the Listing Rules. Further details regarding the Financial Investment were disclosed in the Company’s announcement dated 2 February 2021.

**LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, the Group had net current assets of HK\$897,027,000. Current assets comprised inventories of HK\$16,085,000, debtors of HK\$47,787,000, deposits, prepayments and other receivables of HK\$9,712,000, fixed deposits of HK\$143,614,000 and cash and bank balances of HK\$999,061,000.

Current liabilities comprised bank and other borrowings of HK\$40,362,000, trade payables of HK\$121,862,000, payable to merchants of HK\$3,011,000, deposits received, sundry creditors and accruals of HK\$113,274,000, contract liabilities of HK\$25,981,000, lease liabilities of HK\$2,728,000, amount due to a related company of HK\$47,000, and tax payable of HK\$11,967,000.

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 2020 was 52% (2019: 41%).

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

For the year ended 31 December 2020, the Group was principally engaged in the business of water supply and related services as well as property investment and development. Revenue from the principal business amounted to approximately HK\$344,748,000, representing an increase of 14% or approximately HK\$41,150,000 as compared with the revenue of approximately HK\$303,598,000 for the last year. Water supply and related business (including water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) recorded a revenue of approximately HK\$305,907,000, representing an increase of 5% or approximately HK\$15,446,000 as compared with the revenue of approximately HK\$290,461,000 for the last year, which was primarily attributable to the increased demand in tap water supply due to urban development.

The property investment and development business of the Group mainly comprise the rental operation of the Group's commercial properties in Guangzhou. During the year, the property development and investment segment of the Group recorded revenue of approximately HK\$38,841,000, representing an increase of 196% or approximately HK\$25,704,000 as compared with the revenue of approximately HK\$13,137,000 for the last year. The increase in rental income was primarily due to the rental income from commercial properties in China being recognised for full year in 2020, as compared to recognition for only part of the year in 2019.

For the year ended 31 December 2020, the Group recorded a net loss attributable to shareholders of the Company of approximately HK\$36,337,000, representing a decrease of HK\$80,297,000 as compared to the previous year's net loss attributable to shareholders of approximately HK\$116,634,000. The decrease in the loss for the year of the Group was mainly attributed to the non-recurrence of impairment loss for goodwill of the Group's water supply services and financial services for the last year, as no similar impairment loss for goodwill of the Group was recognised in 2020.

As disclosed in the Company's announcement dated 14 January 2020. Shenzhen Huanye Universal Technologies Limited, an indirect wholly-owned subsidiary of the Company ("**Listco Subsidiary**") and Dongguan Zhaoyu Real Estate Co., Ltd. (the "**JV Partner**") (an independent third party) entered into the joint venture agreement (the "**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 agreed to acquire a JV Company as a vehicle of the JV Project, which would be owned as to 30% by the Listco Subsidiary and 70% by the JV Partner, respectively. In accordance with the terms of JV Agreement, the Listco Subsidiary acquired 30% equity of the JV Company at a consideration of RMB3,000,000 (the "**Initial Subscription**"), and the maximum contribution committed by Listco Subsidiary in the JV Company is capped at RMB219,000,000 (the "**Listco Subsidiary's Contribution Limit**"). On 31 December 2020, RMB219,000,000 was already contributed by Listco Subsidiary in the JV Company.

## PROSPECTS

The outbreak of the COVID-19 pandemic in 2020 and the trade tension between the United States and China is expected to continue to have an impact on the global economy. The global and domestic economies are expected to gradually rebound only after the COVID-19 pandemic is further brought under control.

The Group will continue to prudently focus on property investment and development in China and overseas, explore opportunities in potential investment and development projects in the property market to increase the recurring income and for capital appreciation purpose. As disclosed in the Company's announcement dated 6 December 2020, an indirect wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding with Dongguan Liyuan Industrial Investment Co., Ltd. to invest in property projects in the PRC. As disclosed in the Company's announcement dated 2 February 2021, it was proposed that a 49%-owned subsidiary of the Group would participate in the fund-raising exercise of Nanyue Bank, through the proposed subscription for a maximum of 177,000,000 shares of Nanyue Bank (the "**Financial Investment**") at a subscription price of up to RMB380,550,000 (HK\$455,203,000) in cash. The Group will also explore suitable investment and diversification opportunities with the view to increasing its source of income and maintaining sustainable growth and safeguarding the interests of shareholders.

In addition to business development, the Group acknowledges that enterprises shall bear responsibilities and commitments to the environment, society and governance in different aspects. As such, the Group is committed to maintaining good corporate governance standards and procedures, and implement effective management systems and resource allocation with an aim to enhancing its competitiveness and maximising the value of its investment for shareholders, thereby achieving sustainable development of the Group. The Group places emphasis on talent development and deeply believes that the expertise and experience of its employees are important elements of the Group's long-term sustainable development. The Group is committed to providing training and career paths for its employees to develop their potential, skills and cultivate their sense of belonging, as well as providing incentive schemes to motivate and retain talents. As disclosed in the Company's announcement dated 15 January 2021, the Company adopted the Share Award Scheme as an incentive to recognise the contribution of eligible participants and to retain them and attract suitable candidates to join the Group for its continued operation, growth and development of the Group.

## EMPLOYEES

As at 31 December 2020, the total number of employees of the Group was 400 (2019: 397). The remuneration of the employees (including directors) were determined according to their performance and work experience. In addition to basic salaries, discretionary bonus, award shares 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

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

On 14 January 2020, Listco Subsidiary and the JV Partner (an independent third party) 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 agreed to subscribe into 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). On 31 December 2020, RMB219,000,000 was already contributed by Listco Subsidiary in the JV Company. The transactions contemplated by the JV Agreement constitute a discloseable transaction for the Company. Further details regarding the joint venture are set out in the Company’s announcement dated 14 January 2020.

### (ii) Discloseable transaction regarding the disposal of car parking spaces

On 30 March 2020, Guangzhou Hengxin Yuxuan Industrial Development Limited (“**Hengxin Yuxuan**”), an indirect wholly-owned subsidiary of the Company and Guangzhou Yongyu Hexin Investment Co., Ltd. (the “**Purchaser**”) entered into the Disposal Agreement, pursuant to which Hengxin Yuxuan agreed to sell, and the Purchaser agreed to acquire, the Car Parking Spaces for the aggregate consideration of RMB43.7 million (equivalent to approximately HK\$48.1 million). On 30 June 2020, Hengxin Yuxuan and the Purchaser entered into a supplemental agreement to extend the Payment Deadline for three months, i.e. until 30 September 2020. The Disposal constitutes a discloseable transaction for the Company and was completed during the year. Details of the Disposal were set out in the Company’s announcement dated 30 March 2020 and 30 June 2020.

### (iii) Connected transaction regarding the capital contribution to a non-wholly owned subsidiary

On 3 December 2020, Qinghui, a 49%-owned subsidiary of the Group and Qinghui Shareholders entered into the Capital Contribution Agreement pursuant to which the Qinghui Shareholders agreed to increase the paid-up registered capital of Qinghui, with the additional paid-up registered capital of RMB100,000,000 (HK\$117,647,000) in aggregate being contributed by Shenzhen Huanye Universal Technologies Co., Ltd. (the “**Huanye**”), an indirect wholly-owned subsidiary of the Group and Dongguan Hongshun Shaohe Development Co., Ltd. (formerly known as “**Dongguan Hongshun Shiye Development Co., Ltd.**”) (the “**Hongshun**”) in proportion to their respective voting rights of 49:51 in Qinghui.

As Hongshun is controlled by Ms. Zhu (an executive Director and the controller of Ever City Industrial Development Limited (the “**Ever City**”), a substantial shareholder of the Company) and her associates, being an associate of a connected person of the Company at the issuer level) exercises 10% or more of the voting right of Qinghui (excluding any indirect interest through the Company), the Capital Contribution by Huanye to Qinghui (being a connected subsidiary) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Capital Contribution by Huanye is conducted on normal commercial terms and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Capital Contribution by Huanye are all less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the Capital Contribution by Huanye is exempt from circular (including independent financial advice) and independent shareholders’ approval requirements but is only subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. Details of the connected transaction were set out in the Company’s announcement dated 3 December 2020.

**(iii) Memorandum of Understanding regarding the proposed investment in a property project in China**

On 4 December 2020, Huanye, an indirect wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Dongguan Liyuan Industrial Investment Co., Ltd. (the “**Target Company**”), pursuant to which Huanye proposed to invest in not less than 51% equity interest in the Target Company by way of subscription of new equity or acquisition of equity from the existing shareholders of the Target Company. Details of the MOU were set out in the Company’s announcement dated 6 December 2020.

Save as disclosed above, the Group did not have any other significant investments, acquisitions and disposals for the year ended 31 December 2020.

**CHARGES ON GROUP’S ASSETS**

The Group’s bank loans at 31 December 2020 were secured by:

- (i) charges over a land use right under service concession arrangement with a carrying amount of RMB2,375,000 (equivalent to approximately HK\$2,671,000);
- (ii) pledge of trade receivables with a carrying amount of RMB34,449,000 (equivalent to approximately HK\$40,883,000);
- (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), Billion Eminence Investment Limited (the “**Vendor**”) and Chevalier Earth Group Limited (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. Simultaneously, the Company launched the Rights Issue and the Placing to finance the consideration. 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 the Company’s 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 (equivalent to RMB 576,000,000) for settlement of the consideration; and (ii) the balance of approximately HK\$94.70 million for the development of fund investment and management businesses of the Group in Hong Kong and the PRC. Up to 30 June 2020, approximately HK\$637.73 million (equivalent to RMB576,000,000) was already utilized for settlement of the consideration payable on completion of the Acquisition. The remaining net proceeds of the Rights Issue and the Placing in the approximate amount of HK\$130.26 million was applied to finance the Listco Subsidiary’s Contribution Limit of the joint venture. After funding for the said purposes, the net proceeds from the Rights Issue and the Placing have been fully utilized. The Board is of the view that the use of the remaining net 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 GuangdongHong Kong-Macao Greater Bay Area and first and second-tier cities in the PRC. The JV Parties agreed to subscribe into 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 (equivalent to HK\$245,241,000). On 31 December 2020, RMB219,000,000 was already contributed by Listco Subsidiary in the JV Company.

On 3 December 2020, Qinghui, a 49%-owned subsidiary of the Group and Qinghui Shareholders entered into the Capital Contribution Agreement pursuant to which the Qinghui Shareholders agreed to increase the paid-up registered capital of Qinghui, with the additional paid-up registered capital of RMB100,000,000 (HK\$117,647,000) in aggregate being contributed by Huanye, an indirect wholly-owned subsidiary of the Group and Hongshun in proportion to their respective voting rights of 49:51 in Qinghui. Details of the Connected transaction were set out in the Company's announcement dated 3 December 2020.

On 4 December 2020, Huanye, an indirect wholly-owned subsidiary of the Company entered into a non-legally binding MOU with the Target Company, pursuant to which Huanye proposed to invest in not less than 51% equity interest in the Target Company by way of subscription of new equity or acquisition of equity from the existing shareholders of the Target Company. Details of the MOU were set out in the Company's announcement dated 6 December 2020.

In February 2021, Qinghui, a 49%-owned subsidiary of the Group, proposed to participate in the Fund-raising Round of Nanyue Bank currently taking place, through the Proposed Subscription of a maximum of 177,000,000 Nanyue Bank Shares for the subscription price of up to RMB380,550,000 (HK\$455,203,000) in cash. Further details regarding the Financial Investment were disclosed in the Company's announcement dated 2 February 2021.

Save as disclosed above, there was no other future plan for material investments or capital assets for the year ended 31 December 2020.

## **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 2020, 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 2020, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$4,572,000 (2019: approximately HK\$18,390,000) comprising (i) acquisition of property, plant and equipment of approximately HK\$4,572,000 (2019: approximately HK\$18,373,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK\$nil (2019: approximately HK\$17,000), both of which being in connection with the capital expenditures of the Group's water supply and related business.

## **CONTINGENT LIABILITIES**

The Directors consider that the Group had no contingent liabilities as at 31 December 2020.

## **LITIGATION**

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

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

As disclosed in the Announcement, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government-designated Water Plant. In October 2020, WSD Company received a writ of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" in the sum of RMB96.5 million. After seeking advice from their PRC legal advisers, WSD Company is of the view that the dispute is originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore the plaintiff's claim is without legal basis. At this stage, it is difficult to predict the outcome of the litigation. However, the Group has provided the cost of water supply, based on a reasonable estimation, in its consolidated financial statements, pending the resolution of the relevant disputes and litigations. Further announcement(s) will be made by the Company if there is any material development of this matter or the related disputes/litigations which warrant disclosure.

## **DIVIDENDS**

No dividend was paid or proposed during the year ended 31 December 2020 (2019: 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 2020 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.

In relation to A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the Company's annual general meeting. Certain Director was unable to attend the Company's annual general meeting held on 29 May 2020 due to other commitments.

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 of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout year ended 31 December 2020.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2020. 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 2020 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 2020. 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, 31 March 2021

*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; 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.*