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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 2022**

### **HIGHLIGHTS OF THE YEAR**

- Revenue for the year ended 31 December 2022 amounted to HK\$349.00 million (2021: HK\$368.50 million), representing a decrease of HK\$19.5 million or 5.3% as compared to last year. Such decrease was mainly due to the decrease in revenue of the Group's water supply business and rental income from commercial properties in China.
- Net loss attributable to shareholders of the Company for the year ended 31 December 2022 was HK\$104.07 million (2021: HK\$39.10 million), representing an increase of HK\$64.97 million as compared to last year. The increase in loss was mainly due to (i) the slight decreases in the income of the Group's water supply business and property investment and development business and the increases in the operating costs, staff costs and administrative expenses for the full year, as anticipated by our half-yearly results previously announced; (ii) the increase in exchange loss on Renminbi denominated assets of the Group; (iii) the recognition of full-year segmental loss of the Group's financial services in the year ended 31 December 2022, as compared to the recognition of only two-month's loss in the year ended 31 December 2021 following the completion of the acquisition in November 2021; and (iv) the impairment losses on non-current assets of the Group's water supply business.
- Basic and diluted loss per share for the year ended 31 December 2022 amounted to 1.89 HK cents (2021: 0.71 HK cent) and 1.89 HK cents (2021: 0.71 HK cent), respectively.
- The Board of Directors does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: HK\$Nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Revenue	3	<b>349,000</b>	368,501
Cost of sales/services rendered		<u><b>(319,643)</b></u>	<u>(320,151)</u>
Gross profit		<b>29,357</b>	48,350
Other income and (losses)/gains	4	<b>(5,370)</b>	11,325
Impairment losses on non-current assets		<b>(33,134)</b>	–
General and administrative expenses		<b>(84,853)</b>	(70,893)
Share of loss of a joint venture		<u><b>(2,717)</b></u>	<u>(141)</u>
Loss from operations		<b>(96,717)</b>	(11,359)
Finance costs	5(a)	<u><b>(53,824)</b></u>	<u>(53,140)</u>
Loss before income tax	5	<b>(150,541)</b>	(64,499)
Income tax (expense)/credit	7	<u><b>(13,015)</b></u>	<u>3,626</u>
Loss for the year		<u><b>(163,556)</b></u>	<u>(60,873)</u>
<b>Attributable to: –</b>			
Shareholders of the Company		<b>(104,068)</b>	(39,102)
Non-controlling interests		<u><b>(59,488)</b></u>	<u>(21,771)</u>
Loss for the year		<u><b>(163,556)</b></u>	<u>(60,873)</u>
Loss per share (in cents)	9		
– Basic		<b>(1.89)</b>	(0.71)
– Diluted		<u><b>(1.89)</b></u>	<u>(0.71)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(163,556)</u>	<u>(60,873)</u>
Other comprehensive (loss)/income:–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of financial statements of overseas operations	<u>(66,932)</u>	<u>28,672</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(66,932)</u>	<u>28,672</u>
Total comprehensive loss for the year	<u><u>(230,488)</u></u>	<u><u>(32,201)</u></u>
Total comprehensive loss attributable to:–		
Shareholders of the Company	<u>(164,662)</u>	<u>(17,075)</u>
Non-controlling interests	<u>(65,826)</u>	<u>(15,126)</u>
	<u><u>(230,488)</u></u>	<u><u>(32,201)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>398,381</b>	450,423
Prepaid land lease premium		<b>23,686</b>	25,791
Investment properties		<b>656,381</b>	709,387
Right-of-use assets		<b>348</b>	4,761
Interest in a joint venture		<b>244,955</b>	268,172
Intangible assets		<b>189,370</b>	260,324
Goodwill		<b>11,328</b>	11,328
Statutory deposits for financial service business		<b>400</b>	400
Deposits paid for acquisition of investment properties		<b>198,100</b>	–
Deferred tax assets	<i>8(a)</i>	<b>11,358</b>	12,175
		<b>1,734,307</b>	1,742,761
<b>CURRENT ASSETS</b>			
Inventories		<b>14,783</b>	16,722
Debtors	<i>10</i>	<b>42,659</b>	56,691
Deposits, prepayments and other receivables	<i>11</i>	<b>16,502</b>	16,571
Fixed deposits		<b>137,706</b>	66,638
Pledged time deposit		<b>149,422</b>	192,441
Cash and bank balances		<b>426,788</b>	799,632
		<b>787,860</b>	1,148,695

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>201,205</b>	217,849
Trade payables	<i>12</i>	<b>266,707</b>	272,454
Payable to merchants	<i>13</i>	<b>3,010</b>	3,021
Deposits received, sundry creditors and accruals		<b>146,301</b>	122,269
Contract liabilities	<i>14</i>	<b>15,873</b>	20,606
Lease liabilities		<b>338</b>	4,505
Amount due to a related company	<i>15</i>	<b>45</b>	49
Tax payable		<b>6,366</b>	2,053
		<u><b>639,845</b></u>	<u>642,806</u>
<b>NET CURRENT ASSETS</b>		<u><b>148,015</b></u>	<u>505,889</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>1,882,322</b></u>	<u>2,248,650</u>
<b>DEDUCT:</b>			
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>748,747</b>	874,157
Lease liabilities		<b>38</b>	408
Deferred tax liabilities	<i>8(a)</i>	<b>48,382</b>	54,929
		<u><b>797,167</b></u>	<u>929,494</u>
<b>NET ASSETS</b>		<u><b>1,085,155</b></u>	<u>1,319,156</u>
<b>REPRESENTING:</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>55,130</b>	55,130
Reserves		<b>902,963</b>	1,067,711
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<u><b>958,093</b></u>	1,122,841
<b>NON-CONTROLLING INTERESTS</b>		<u><b>127,062</b></u>	196,315
<b>TOTAL EQUITY</b>		<u><b>1,085,155</b></u>	<u>1,319,156</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Attributable to shareholders of the Company

	Attributable to shareholders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Shares held under share award scheme	Statutory reserve	Accumulated losses	Total		
	HK\$'000	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 1.1.2021	55,130	1,247,453	481	1,093	10,754	65,980	-	-	25,237	(259,989)	1,146,139	214,393	1,360,532
Purchase of shares for share award scheme (note)	-	-	-	-	-	-	-	(6,223)	-	-	(6,223)	-	(6,223)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,952)	(2,952)
Total comprehensive loss for the year	-	-	-	-	-	22,027	-	-	-	(39,102)	(17,075)	(15,126)	(32,201)
Transferred to statutory reserve	-	-	-	-	-	-	-	-	1,998	(1,998)	-	-	-
At 31.12.2021 and 1.1.2022	55,130	1,247,453	481	1,093	10,754	88,007	-	(6,223)	27,235	(301,089)	1,122,841	196,315	1,319,156
Purchase of shares for share award scheme (note)	-	-	-	-	-	-	-	(86)	-	-	(86)	-	(86)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3,427)	(3,427)
Total comprehensive loss for the year	-	-	-	-	-	(60,594)	-	-	-	(104,068)	(164,662)	(65,826)	(230,488)
Transferred to statutory reserve	-	-	-	-	-	-	-	-	459	(459)	-	-	-
At 31.12.2022	<u>55,130</u>	<u>1,247,453</u>	<u>481</u>	<u>1,093</u>	<u>10,754</u>	<u>27,413</u>	<u>-</u>	<u>(6,309)</u>	<u>27,694</u>	<u>(405,616)</u>	<u>958,093</u>	<u>127,062</u>	<u>1,085,155</u>

**Note:** During the year ended 31 December 2022, 630,000 (2021: 17,610,000) shares were purchased from the open market at the aggregate consideration of HK\$86,000 (2021: HK\$6,223,000) pursuant to the share award scheme adopted by the Company on 15 January 2021.

## 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 (the "Listing Rule") and the disclosure requirements of the Hong Kong Companies Ordinance.

### (b) Application of amendments to HKFRSs

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 amendments to HKFRSs issued by the HKICPA for the first time in the current year:-

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9 and HKAS 41 and Illustrative Examples accompanying HKFRS 16

The application of these 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, provision of water supply and related services and financial services. Revenue for the year represents revenue recognised from rental and building management service income, water supply and related services income and financial services income. Disaggregation of revenue from contracts with customers and other sources by service lines is as follows:–

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision of water supply and related services		
Water supply and related services income	302,238	320,165
Construction services of infrastructure under concession arrangement ( <i>note</i> )	9,759	7,564
Provision of financial services		
Interest income from securities margin financing	441	74
Service fee income	38	10
Commission and brokerage income	143	4
Advisory income	2,670	230
Placement income	656	–
Revenue from other sources		
Rental and building management service income	33,055	40,454
	<u>349,000</u>	<u>368,501</u>

*Note:*

The amount represents revenue recognised during the construction stage of the service concession period. During the year ended 31 December 2022, no change of estimation (2021: HK\$96,000) was 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 to the consolidated financial statements.

### 4. OTHER INCOME AND (LOSSES)/GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank deposits	7,878	3,704
Government subsidy	745	150
Net increase in fair value of investment properties	1,260	761
Exchange (loss)/gain, net	(17,058)	6,006
Others	1,805	704
	<u>(5,370)</u>	<u>11,325</u>



## 5. LOSS BEFORE INCOME TAX

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

### (a) Finance costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans	54,868	52,721
Less: interest capitalised included in property, plant and equipment and other intangible assets ( <i>note</i> )	(1,360)	(3,062)
Interest on lease liabilities	123	237
Interest on loan from a third party	–	2,997
Bank charges	193	247
	<u>53,824</u>	<u>53,140</u>

*Note:*

The capitalisation rate was ranged from 5.53% to 5.61% (2021: 5.53% to 5.60%).

### (b) Other items

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	1,198	1,165
– Other services	480	480
	1,678	1,645
Cost of inventories sold	7,103	6,942
Staff costs (including directors' remuneration)		
– Salaries and other benefits	60,043	55,366
– Pension scheme contributions	7,625	7,297
	67,668	62,663
Depreciation of property, plant and equipment	40,554	42,715
Depreciation of right-of-use assets	4,355	3,184
(Reversal of impairment loss)/impairment loss on debtors	(48)	69
Impairment loss on other receivables	484	2
Impairment losses on non-current assets	33,134	–
Amortisation of intangible assets	52,070	51,765
Amortisation of prepaid land lease premium	755	780
Short-term lease expenses	123	122
Low value lease expenses	10	16
Loss on disposal of property, plant and equipment	86	79
Rental income less direct outgoings of HK\$11,636,000 (2021: HK\$12,185,000)	(20,985)	(27,920)
	<u>(20,985)</u>	<u>(27,920)</u>

## 6. SEGMENT REPORTING

The chief operating decision maker (“CODM”) has been identified as the key management. This key management reviews the Group’s internal reporting in order to assess performance and allocate resources.

The Group has presented the following reportable segments.

### (a) Water supply and related services

This segment is engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province. The water supply business currently operates three water treatment plants, two of which source raw water from local river sources and one purchases clean water from 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 People’s Republic of China (“PRC”) and overseas.

### (c) Financial services

This segment is engaged in provision of corporate finance advisory, asset management, securities brokerage services and margin financing.

“Others” 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		Financial services		Others		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Disaggregated by timing of revenue recognition										
Point in time	275,141	279,880	-	-	837	14	-	-	275,978	279,894
Over time	36,856	47,849	33,055	40,454	3,111	304	-	-	73,022	88,607
Reportable segment revenue	<u>311,997</u>	<u>327,729</u>	<u>33,055</u>	<u>40,454</u>	<u>3,948</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>349,000</u>	<u>368,501</u>
Reportable segment (loss)/profit	(40,172)	(11,280)	17,140	16,022	(10,643)	(3,173)	(37,074)	(17,402)	(70,749)	(15,833)
Interest on bank deposits									7,878	3,704
Government subsidy									745	150
Net increase in fair value of investment properties									1,260	761
Impairment losses on non-current assets	(33,134)	-	-	-	-	-	-	-	(33,134)	-
Share of loss of a joint venture									(2,717)	(141)
Finance costs									(53,824)	(53,140)
Loss before income tax									(150,541)	(64,499)
Income tax (expense)/credit									(13,015)	3,626
Loss for the year									<u>(163,556)</u>	<u>(60,873)</u>
Attributable to:										
– Shareholders of the Company									(104,068)	(39,102)
– Non-controlling interests									(59,488)	(21,771)
									<u>(163,556)</u>	<u>(60,873)</u>
Depreciation for the year	<u>40,413</u>	<u>40,049</u>	<u>492</u>	<u>3,002</u>	<u>1,639</u>	<u>274</u>	<u>2,365</u>	<u>2,574</u>	<u>44,909</u>	<u>45,899</u>
Amortisation	<u>52,487</u>	<u>52,195</u>	<u>338</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,825</u>	<u>52,545</u>
Capital expenditure incurred during the year	<u>48,304</u>	<u>43,861</u>	<u>464</u>	<u>316</u>	<u>61</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>48,829</u>	<u>44,193</u>
Interest in a joint venture	<u>-</u>	<u>-</u>	<u>244,955</u>	<u>268,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,955</u>	<u>268,172</u>
Reportable segment assets	<u>640,280</u>	<u>822,286</u>	<u>1,514,861</u>	<u>1,571,326</u>	<u>45,377</u>	<u>114,360</u>	<u>310,291</u>	<u>371,309</u>	<u>2,510,809</u>	<u>2,879,281</u>
Unallocated assets									<u>11,358</u>	<u>12,175</u>
Total assets									<u>2,522,167</u>	<u>2,891,456</u>
Reportable segment liabilities	<u>947,796</u>	<u>972,949</u>	<u>419,085</u>	<u>417,012</u>	<u>3,475</u>	<u>75,052</u>	<u>11,908</u>	<u>50,305</u>	<u>1,382,264</u>	<u>1,515,318</u>
Unallocated liabilities									<u>54,748</u>	<u>56,982</u>
Total liabilities									<u>1,437,012</u>	<u>1,572,300</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	
	2022	2021	2022	2021	2022	2021
	<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>345,052</u>	<u>368,183</u>	<u>3,948</u>	<u>318</u>	<u>349,000</u>	<u>368,501</u>
Non-current assets	<u>1,704,958</u>	<u>1,708,971</u>	<u>17,991</u>	<u>21,615</u>	<u>1,722,949</u>	<u>1,730,586</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 interest in a joint venture and statutory deposits for financial service business.

## 7. INCOME TAX EXPENSE/(CREDIT)

- (a) No provision for Hong Kong profits tax and Australia corporate income tax have been provided as the Company and its 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% (2021: 25%).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Current year	11,729	4,257
Under-provision in respect of previous years	<u>5,693</u>	<u>2</u>
	17,422	4,259
Deferred taxation ( <i>Note 8(a)</i> ):		
Current year	<u>(4,407)</u>	<u>(7,885)</u>
	<u><u>13,015</u></u>	<u><u>(3,626)</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before income tax	(150,541)	(64,499)
Tax on loss before income tax, calculated at the applicable tax rate	(34,141)	(15,131)
Tax effect of non-deductible expenses in determining taxable profit	26,049	3,011
Tax effect of non-taxable income in determining taxable profit	(1,476)	(1,865)
Tax effect of unrecognised decelerated depreciation allowance	(28)	(14)
Tax effect of unrecognised tax loss	14,778	12,016
Tax effect of utilising unrecognised tax losses	–	(1,142)
Others	2,140	(503)
Under-provision in respect of previous year	<u>5,693</u>	<u>2</u>
Income tax expense/(credit)	<u><u>13,015</u></u>	<u><u>(3,626)</u></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 <i>HK\$'000</i>	Impairment loss on debtors <i>HK\$'000</i>	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties <i>HK\$'000</i>	Temporary differences on intangible assets recognised under service concession arrangement <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.1.2021	3,286	416	(44,651)	(9,165)	(50,114)
Credited/(charged) to profit or loss – <i>Note 7(b)</i>	9,864	(244)	(5,041)	3,306	7,885
Exchange adjustments	279	5	(794)	(15)	(525)
At 31.12.2021 and 1.1.2022	13,429	177	(50,486)	(5,874)	(42,754)
Credited/(charged) to profit or loss – <i>Note 7(b)</i>	–	113	(98)	4,392	4,407
Exchange adjustments	(1,026)	(17)	2,396	(30)	1,323
At 31.12.2022	<b>12,403</b>	<b>273</b>	<b>(48,188)</b>	<b>(1,512)</b>	<b>(37,024)</b>

Represented by:–

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deferred tax assets	11,358	12,175
Deferred tax liabilities	(48,382)	(54,929)
	<b>(37,024)</b>	<b>(42,754)</b>

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Deductible temporary differences – <i>note (i)</i>		
Decelerated tax allowances	<b>942</b>	1,081
Unutilised tax losses	<b>312,967</b>	248,198
	<b>313,909</b>	249,279
Taxable temporary difference – <i>note (ii)</i>		
Accelerated tax allowances	<b>(314)</b>	(282)
	<b>313,595</b>	248,997

*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\$182,565,000 (2021: HK\$152,573,000) and HK\$3,965,000 (2021: HK\$3,701,000), respectively, can be carried forward indefinitely and the unutilised tax losses accumulated in the PRC amounted to HK\$126,437,000 (2021: HK\$91,924,000) 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 2022, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB92,636,000 (equivalent to approximately HK\$104,864,000) (2021: RMB87,229,000 (equivalent to approximately HK\$106,917,000)). The related deferred tax liabilities of approximately HK\$5,243,000 (2021: HK\$5,346,000) 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:–

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to shareholders of the Company	<u>(104,068)</u>	<u>(39,102)</u>
	2022	2021
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	<u>5,513,000,000</u>	<u>5,513,000,000</u>

The diluted loss per share is equal to the basic loss per share for the years ended 31 December 2022 and 2021 as there was no dilutive potential ordinary share in issue.

## 10. DEBTORS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade debtors arising from water supply and related services and rental receivables	39,755	53,283
Less: loss allowance – <i>Note 10(c)</i>	<u>(2,577)</u>	<u>(2,771)</u>
	<u>37,178</u>	<u>50,512</u>
Trade receivables arising from the ordinary course of business of dealing in securities		
HKSCC	–	493
Cash clients	80	124
Margin clients, secured	5,443	5,606
	<u>5,523</u>	<u>6,223</u>
Less: loss allowance – <i>Note 10(c)</i>	<u>(42)</u>	<u>(44)</u>
	<u>5,481</u>	<u>6,179</u>
	<u>42,659</u>	<u>56,691</u>



Notes:–

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

The settlement terms of trade receivables attributable to dealing in securities are two days after trade date. Trade receivables from margin clients are repayable on demand and bear variable interest at commercial rates.

- (b) An aging analysis of debtors arising from water supply and related services and rental receivables, based on invoice date and net of loss allowance on debtors, is set out below:–

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 6 months	<b>37,062</b>	50,335
7 – 12 months	<b>70</b>	152
1 – 2 years	<b>46</b>	25
	<b>37,178</b>	50,512

All trade debtors from cash clients are not past due at the end of reporting periods. No detailed aged analysis is disclosed for trade debtors arising from dealing in securities as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of securities dealing business.

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	<b>2,815</b>	2,684
(Reversal of impairment loss)/impairment loss recognised	<b>(48)</b>	69
Exchange adjustments	<b>(148)</b>	62
At 31 December	<b>2,619</b>	2,815

- (d) At 31 December 2022, the receivables with a carrying amount of RMB32,466,000 (equivalent to approximately HK\$36,751,000) (2021: RMB40,901,000 (equivalent to approximately HK\$50,133,000)) were pledged to secure bank loans granted to the Group.

## 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Utilities and deposits	1,289	1,810
Prepayments	1,867	1,383
Interest receivable	2,008	1,720
Other receivables	11,909	11,768
	<u>17,073</u>	<u>16,681</u>
Less: loss allowance on other receivables – <i>Note 11(a)</i>	(571)	(110)
	<u><u>16,502</u></u>	<u><u>16,571</u></u>

*Note:–*

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	110	105
Impairment loss recognised	484	2
Exchange adjustments	(23)	3
	<u>571</u>	<u>110</u>

## 12. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables arising from water supply and related services	264,069	199,960
Trade payables arising from the ordinary course of business of dealing in securities		
Cash clients	2,396	71,649
Margin clients	242	845
	<u>266,707</u>	<u>272,454</u>

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 12 months	<b>144,902</b>	131,958
Over one year	<b>119,167</b>	68,002
	<u><b>264,069</b></u>	<u>199,960</u>

The normal settlement terms of trade payables arising from dealing in securities are two days after trade days. Accounts payable to margin clients are repayable on demand.

In the opinion of the directors of the Company, the aging analysis of trade payables arising from dealing in securities is not disclosed as this does not give additional value in view of the nature of securities dealing business.

### 13. PAYABLE TO MERCHANTS

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 12 months	–	–
Over one year	<b>3,010</b>	3,021
	<u><b>3,010</b></u>	<u>3,021</u>

### 14. CONTRACT LIABILITIES

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities regarding water supply and related business	<b>15,873</b>	20,606

Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to HK\$13,740,000 (2021: HK\$18,211,000) was recognised in the reporting period.

### 15. AMOUNT DUE TO A RELATED COMPANY

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL OVERVIEW**

#### **Revenue and loss for the year**

During the year ended 31 December 2022, the Group recorded a revenue of HK\$349,000,000, representing a decrease of 5.3% or HK\$19,501,000 as compared with last year. Loss attributable to shareholders of the Company for the year ended 31 December 2022 was HK\$104,068,000, representing an increase of HK\$64,966,000 as compared to last year. The decrease in revenue was mainly due to decreases in revenue of the Group's water supply business and rental income from commercial properties in China. The increase in loss was mainly due to (i) the slight decreases in the income of the Group's water supply business and property investment and development business and the increases in the operating costs, staff costs and administrative expenses for the full year, as anticipated by our half-yearly results previously announced; (ii) the increase in exchange loss on Renminbi denominated assets of the Group; (iii) the recognition of full-year segmental loss of the Group's financial services in the year ended 31 December 2022, as compared to the recognition of only two-month's loss in the year ended 31 December 2021 following the completion of the acquisition in November 2021; and (iv) the impairment losses on non-current assets of the Group's water supply business.

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

During the year ended 31 December 2022, the Group recorded a cost of sales/services rendered in the amount of HK\$319,643,000, representing a decrease of HK\$508,000 as compared to last year. The decrease of cost of sales/services rendered was mainly attributable to the Group's businesses of properties investment and development business.

#### **Impairment losses on non-current assets**

During the year ended 31 December 2022, the Group recorded an impairment losses on non-current assets of HK\$33,134,000, representing an increase of HK\$33,134,000 as compared with last year. The increase was mainly attributable to the Group's water supply and related business.

### **Other income and (losses)/gains**

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

During the year ended 31 December 2022, the Group recorded other income and losses of HK\$5,370,000, in contrast to other income and gains of HK\$11,325,000 last year. It was mainly due to exchange loss resulting from the depreciation of RMB against the functional currency of the Group during the year.

### **General and administrative expenses**

During the year ended 31 December 2022, the Group recorded general and administrative expenses of HK\$84,853,000, representing an increase of 20% as compared with last year. The increase was due to the general and administrative expenses attributable to the financial service business being recognised for full year in 2022, as compared to the recognition for only two months in 2021.

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

During the year ended 31 December 2022, the Group recorded a share of loss of a joint venture of HK\$2,717,000, representing an increase of HK\$2,576,000 as compared with last year. It was mainly attributable to the loss from a joint venture during the year.

### **Finance costs**

During the year ended 31 December 2022, the Group recorded finance costs of HK\$53,824,000, which is similar to the figure recognised in 2021.

### **Income tax (expense)/credit**

During the year ended 31 December 2022, the Group recorded an income tax expense of HK\$13,015,000, in contrast to the income tax credit of HK\$3,626,000 last year. It was mainly due to increase in taxable income of the Group's water supply and related business during the year.

### **Property, plant and equipment**

The Group's property, plant and equipment decreased by HK\$52,042,000 from HK\$450,423,000 as at 31 December 2021 to HK\$398,381,000 as at 31 December 2022. The decrease was mainly due to (i) impairment loss on property, plant and equipment of the Group's water supply and related business and (ii) the decrease in the Group's RMB-denominated property, plant and equipment resulting from the depreciation of RMB against the functional currency of the Group during the year.

### **Prepaid land lease premium**

The Group's prepaid land lease premium decreased by HK\$2,105,000 from HK\$25,791,000 as at 31 December 2021 to HK\$23,686,000 as at 31 December 2022. The decrease was mainly due to the amortisation during the year.

### **Investment properties**

The Group's investment properties decreased by HK\$53,006,000 from HK\$709,387,000 as at 31 December 2021 to HK\$656,381,000 as at 31 December 2022. It was mainly attributable to the decrease in the Group's RMB-denominated investment properties resulting from the depreciation of RMB against the functional currency of the Group during the current year.

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

The Group's right-of-use assets decreased by HK\$4,413,000 from HK\$4,761,000 as at 31 December 2021 to HK\$348,000 as at 31 December 2022. The decrease was mainly due to the depreciation for the current year.

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

The Group's interest in a joint venture decreased by HK\$23,217,000 from HK\$268,172,000 as at 31 December 2021 to HK\$244,955,000 as at 31 December 2022. It was mainly attributable to the loss from a joint venture during the current year.

### **Intangible assets**

The Group's intangible assets decreased by HK\$70,954,000 from HK\$260,324,000 as at 31 December 2021 to HK\$189,370,000 as at 31 December 2022. The decrease was mainly due to (i) impairment loss on intangible assets of the Group's water supply and related business and (ii) the amortisation for the current fiscal year.

### **Deposit paid for acquisition of investment properties**

The Group's deposit paid for acquisition of investment properties increased by HK\$198,100,000 from HK\$Nil as at 31 December 2021 to HK\$198,100,000 as at 31 December 2022. The increase was attributable to the payment of refundable earnest money for the possible acquisition of property interests in the PRC as more particularly set out in the section headed "Significant investments, acquisitions and disposals" of this announcement.

### **Inventories**

The Group's inventories decreased by HK\$1,939,000 from HK\$16,722,000 as at 31 December 2021 to HK\$14,783,000 as at 31 December 2022. 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 decreased by HK\$14,032,000 or 25% from HK\$56,691,000 as at 31 December 2021 to HK\$42,659,000 as at 31 December 2022. The decrease in debtors was attributable to the decrease 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 as at 31 December 2022 amounted to approximately HK\$16,502,000, which is similar to the figure as at 31 December 2021.

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

The Group's cash and bank balances and fixed deposits decreased by HK\$301,776,000 from HK\$866,270,000 as at 31 December 2021 to HK\$564,494,000 as at 31 December 2022. The decrease in cash and bank balances and fixed deposits was mainly due to the repayment of bank loan and payment of deposit for acquisition of investment properties during the current year. As at 31 December 2022, 91% (31 December 2021: 76%) of cash and bank balances was denominated in RMB.

## **Pledged time deposit**

The Group's pledged time deposit decreased by HK\$43,019,000 from HK\$192,441,000 as at 31 December 2021 to HK\$149,422,000 as at 31 December 2022. The pledged time deposit was denominated in RMB and was used to guarantee the Group's bank loan. The decrease in pledged time deposit was due to the repayment of bank loan during the year.

## **Bank and other borrowings**

The Group's bank and other borrowings decreased by HK\$142,054,000 from HK\$1,092,006,000 as at 31 December 2021 to HK\$949,952,000 as at 31 December 2022. The decrease was mainly attributable to the repayment of bank loan during the current year.

## **Trade payables**

The Group's trade payables decreased by HK\$5,747,000 from HK\$272,454,000 as at 31 December 2021 to HK\$266,707,000 as at 31 December 2022. The decrease in trade payables was due to decrease in provision of costs of sales 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 2022 amounted to approximately HK\$3,010,000, which is similar to the figure as at 31 December 2021.

## **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 increased by HK\$24,032,000 from HK\$122,269,000 as at 31 December 2021 to HK\$146,301,000 as at 31 December 2022. The increase was mainly attributable to the increase in other tax payable of the Group's businesses of properties investment and development business and increase in provision for maintenance cost for the Group's water supply business during the year.

## **Contract liabilities**

The Group's contract liabilities decreased by HK\$4,733,000 from HK\$20,606,000 as at 31 December 2021 to HK\$15,873,000 as at 31 December 2022. The decrease was mainly due to the decrease in contract income of the Group's water supply and related business for the current year.

## **Lease liabilities**

The Group's lease liabilities decreased by HK\$4,537,000 from HK\$4,913,000 as at 31 December 2021 to HK\$376,000 as at 31 December 2022. The decrease was in line with decrease in right-of-use assets.

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

The Group's amount due to a related company as at 31 December 2022 amounted to HK\$45,000, which is similar to the figure as at 31 December 2021.

## **Tax payable**

The Group's tax payable increased by HK\$4,313,000 from HK\$2,053,000 as at 31 December 2021 to HK\$6,366,000 as at 31 December 2022. The increase was in line with increase in income tax expense during the year.



## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2022, the Group had net current assets of HK\$148,015,000. Current assets comprised inventories of HK\$14,783,000, debtors of HK\$42,659,000, deposits, prepayments and other receivables of HK\$16,502,000, fixed deposits of HK\$137,706,000, pledged time deposit of HK\$149,422,000 and cash and bank balances of HK\$426,788,000.

Current liabilities comprised bank and other borrowings of HK\$201,205,000, trade payables of HK\$266,707,000, payable to merchants of HK\$3,010,000, deposits received, sundry creditors and accruals of HK\$146,301,000, contract liabilities of HK\$15,873,000, lease liabilities of HK\$338,000, amount due to a related company of HK\$45,000 and tax payable of HK\$6,366,000.

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 2022 was 55% (2021: 53%).

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 2022, 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\$349,000,000, representing a decrease of 5.3% or approximately HK\$19,501,000 as compared with the revenue of approximately HK\$368,501,000 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\$311,997,000, representing a decrease of 4.8% or approximately HK\$15,732,000 as compared with the revenue of approximately HK\$327,729,000 for the last year, partly due to the disruption of operation caused by the COVID-19 pandemic.

The property investment and development business of the Group mainly comprises the rental operation of the Group's commercial properties in Guangzhou. During the year, the property investment and development segment of the Group recorded revenue of approximately HK\$33,055,000, representing a decrease of 18% or approximately HK\$7,399,000 as compared with the revenue of approximately HK\$40,454,000 for the last year. The decrease in rental income was due to the rental discounts offered to the Group's tenants in an effort to alleviating their operational pressure and actively attracting new potential tenants in response to the decrease in customer traffic as a result of the COVID-19 pandemic.

The financial services business of the Group mainly comprises the provision of corporate finance advisory, asset management, margin financing and stockbroking services. For the year ended 31 December 2022, the financial services segment of the Group recorded revenue of approximately HK\$3,948,000, representing an increase of 1141% as compared to HK\$318,000 last year. This was attributable to the full-year recognition of the results of Hooray Capital Limited and Hooray Securities Limited for the year 2022 as compared to the recognition of only 2 months of revenue in 2021 after the completion of the acquisition in November 2021.

For the year ended 31 December 2022, the Group recorded a net loss attributable to shareholders of the Company of approximately HK\$104,068,000, representing an increase of HK\$64,966,000 as compared to approximately HK\$39,102,000 last year. The increase in the loss was mainly attributable to (i) the slight decrease in the income of the Group's water supply business and property investment and development business and the increase in the operating costs, staff costs and administrative expenses for the full year as expected in the interim results of the Group announced previously; (ii) the increase in exchange loss on Renminbi denominated assets of the Group; (iii) the recognition of full-year segmental loss of the Group's financial services in the year ended 31 December 2022, as compared to the recognition of only two months' loss in the year ended 31 December 2021 following the completion of the acquisition in November 2021; and (iv) the impairment losses on non-current assets of the Group's water supply business..

## **PROSPECTS**

Looking ahead to 2023, interest rate hikes in the U.S. are expected to slow down, and the stock and currency markets of many countries and regions are hoped to gradually stabilize. The shadow of the three-year pandemic is dissipating and the socio-economic situation is returning to normal, with an expected pick-up of consumption and economic activities and overall economic recovery. To cope with the changing external environment, the Group will continue to strictly adhere to its cost control policy, review its existing business from time to time and regularly evaluate its business strategies in an effort to improve the Group's business operations and financial position. It is expected that the water supply business and the property investment and development business will continue to provide a stable income for the Group. In the meantime, the Group will strive to explore promising property projects in the PRC and overseas and identify potential businesses and new business and investment opportunities to diversify its risks and expand its revenue sources as well as to enhance its market competitiveness and strengthen its core business, so as to diversify the Group's business and achieve sustainable growth.

The Group will continue to adopt a prudent approach to focus on property investment and development in the PRC and overseas, and will continue to explore potential investment and development opportunities in the property market to increase recurrent income and for the purpose of capital appreciation. As disclosed in the announcement of the Company dated 23 December 2022, the Company entered into a non-legally binding memorandum of understanding with Mr. Zeng Xiangyang (曾向陽), Mr. Tan Mian (譚勉) and Guangzhou Shunpeng Real Estate Co., Ltd. (廣州市舜鵬置業有限公司) for the investment of property projects in the PRC. The Company is currently in the process of negotiating with the Vendors, and no legally binding agreement has been concluded yet. Further announcement(s) will be made as and when any disclosure obligation is triggered by material development of this acquisition. In the meantime, the Group will continue to explore other suitable investment and diversification opportunities to increase its revenue stream, maintain sustainable growth and protect the interests of its shareholders.

In addition to business development, the Group recognizes the importance of corporate responsibility and environment, society and governance (ESG), and is dedicated to enhancing its corporate culture, level of corporate governance, system efficiency, human resources planning, internal control standards and key performance indicators setting, with the aim of improving the Company's sustainability and long-term shareholder returns. As part of its ESG initiatives, the Group also places emphasis on talent training, targeting to improve the knowledge and experience of its workforce. We provide training and career paths for our staff to develop their potentials and skills, and provide incentive programs to motivate and retain talents and cultivate a sense of belonging in order to achieve sustainable development of the Group.

## **THE IMPACT OF NOVEL CORONAVIRUS EPIDEMIC**

The Group's production facilities are principally situated in Guangdong Province, China. Since late January 2020, travel restrictions and other public health measures (the "Public Health Measures") were imposed in various areas in China, including lockout and travel restrictions in major cities of China as well as the quarantine requirements of travelers in an attempt to contain the novel Coronavirus epidemic (the "Epidemic"). The prolonged effect of the Epidemic and the Public Health Measures affected general market sentiment and economic atmosphere whether in China and globally.

The Group has taken all practicable measures to cope with the challenges, including the implementation of cost-control measures and the exploration of opportunities to further develop its business and enhance its growth potential. In the meantime, the Group has also striven for the highest caution standard to protect the health and safety of our staff.

Since January 2023, the Epidemic prevention measures of China have been optimally adjusted to remove the travel restrictions, quarantine requirements and other restrictive measures. The social and economic impact of the Epidemic is reducing. With the implementation of favourable policies, it is expected that the domestic demand will stabilize and rebound and economic growth will pick up again. The Group will continue to monitor the development of the global economy and react actively to any impact on the financial position and operating results of the Group.

## EMPLOYEES

As at 31 December 2022, the total number of employees of the Group was 405 (2021: 427). 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 Relating To The Payment Of Earnest Money For The Possible Acquisition Of The Majority Equity Interest In A Commercial Investment Property In The PRC

On 23 December 2022, the Company entered into the non-legally binding memorandum of understanding (“**MOU**”) with Mr. Zeng Xiangyang and Mr. Tan Mian (the “**Vendors**”) and Guangzhou Shunpeng Real Estate Co., Ltd. (“**Target Company**”), pursuant to which the Company (or its nominated subsidiary) proposed to acquire the entire equity interest in the Target Company (or the New Holdco) for the indicative consideration of not less than RMB700 million (HK\$791 million), which may be settled by cash, promissory notes, equity, convertible securities or a combination of them. According to the information available to the Company, the Target Company indirectly owns, through intermediate holding companies and on a look-through basis, a 67.4% effective interest in 181 units of retail shop commercial properties with frontages in Fenggang Town, Dongguan City, Guangdong Province, the PRC (the “**Target Properties A**”) and a 38% effective interest in 38 units of retail shop commercial properties with frontages in Fenggang Town (the “**Target Properties B**”). Under the terms of the MOU, the Company shall pay to the Vendors (or as the Vendors shall jointly instruct) a refundable Earnest Money of RMB175 million (HK\$197.75 million). As the applicable percentage ratios (as defined under the Listing Rules) in respect of the payment of the Earnest Money is more than 5% but less than 25%, the payment of the Earnest Money constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Details of the discloseable transaction were set out in the Company's announcement dated 23 December 2022.

Save as disclosed above, the Group did not have any other significant investments, acquisitions and disposals for the year ended 31 December 2022.

## CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2022 were secured by:

- i. charges over a time deposit amounting to RMB132,000,000 (equivalent to approximately HK\$149,422,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,583,000 (equivalent to approximately HK\$1,792,000);
- iii. charges over the investment properties with carrying amounts of RMB536,900,000 (equivalent to approximately HK\$607,771,000);
- iv. pledge of trade receivables with a carrying amount of RMB32,466,000 (equivalent to approximately HK\$36,751,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

## DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no other future plan for material investments or capital assets for the year ended 31 December 2022.

## CURRENCY RISK

The Group's core businesses are mainly transacted and settled in Renminbi ("RMB") and the majority of assets and liabilities are denominated in Renminbi and Hong Kong dollar ("HK\$"). There are no significant assets and liabilities denominated in other currencies. During the year ended 31 December 2022, 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 2022, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$15,165,000 (2021: approximately HK\$6,891,000) comprising acquisition of property, plant and equipment 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 2022.

## **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 "**Cessation Notice Announcement**") regarding the Cessation Notice issued by the Bureau on the cessation of water intake of Qixinggang Water Plant operated by WSD Company (a subsidiary of the Group) and the commencement of full water intake from the Government-designated Water Plant. Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement.

As disclosed in the Cessation Notice 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. Since October 2020, WSD Company received three writs of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" for various time periods for the sums of approximately RMB96.5 million, RMB94.6 million and RMB100 million, respectively. After seeking advice from its PRC legal advisers, WSD Company was of the view that the dispute was originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore without legal basis. However, the Group has made provision on the basis of our own estimation of cost of water supply in its consolidated financial statements, pending the resolution of the relevant disputes and litigations.

In January 2023, the Court awarded the first-instance civil judgment (the “**First Instance Judgment**”) in favour of the Government-designated Water Plant in respect of one out of the three civil actions, but ruled that the claimed sum for this action should be reduced from RMB96.5 million to RMB72 million, of which RMB36.5 million was already paid and the remaining sum has been provided for in the relevant periods. The Group is currently seeking advice from its PRC legal advisers with the view to exploring the making of an appeal application against the First Instance Judgment. 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 2022 (2021: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The Company will give further notice of the forthcoming annual general meeting of the Company, which is currently expected to be held on or before 30 June 2023, and the relevant book close arrangements for the purposes of determining the eligibility to attend and vote at the Annual General Meeting.

## **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 2022 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 Listing Rules (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 Code Provision C.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 of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

## **AUDIT COMMITTEE**

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

The Audit Committee currently comprises three Independent Non-Executive Directors, namely, Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi, and Mr. Chao Pao Shu George. The chairman of the Audit Committee is Mr. David Tsoi, who possesses recognised professional qualifications in accounting. No former partner of the Company's existing auditing firm acted as a member of the AC within two years from ceasing to be a partner or having any financial interest in the auditing firm.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2022, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made. 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 OF AUDITORS**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 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 2022. 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.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This audited annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company. The 2022 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company on or before 30 April 2023.

By Order of the Board

**UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED**

**Chen Jinyang**

*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2023

*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.*