TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

2022
ANNUAL REPORT

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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).

BOARD OF DIRECTORS

Executive Directors:

Chen Jinyang *(Chairman and Chief Executive Officer)*
Zhu Fenglian
Zhang Haimei

Non-Executive Director:

Xuan Zhensheng

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi
Chao Pao Shu George

COMPANY SECRETARY

Tang Chi Wai

AUDIT COMMITTEE

David Tsoi *(Chairman)*
Dr. Cheung Wai Bun, Charles, *J.P.*
Chao Pao Shu George

AUTHORISED REPRESENTATIVES

Chen Jinyang
Tang Chi Wai

AUDITOR

PKF Hong Kong Limited
Certified Public Accountants

LEGAL ADVISER

Lawrence Chan & Co.

WEBSITE

www.uth.com.hk

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Sheung Wan, Hong Kong

REGISTERED OFFICE

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Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road,
P.O. Box 1586,
Grand Cayman, KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-16, 17th Floor,
Hopewell Centre
183 Queen's Road East,
Wanchai Hong Kong

PRINCIPAL BANKER

CMB Wing Lung Bank
Dah Sing Bank

Chairman's Statement

On behalf of the board of directors (the "**Board**"), I hereby present the annual report of Universal Technologies Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022.

REVIEW

In 2022, the Group recorded revenue of 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 previous year. The revenue from the water supply and related services (including water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) in 2022 amounted to 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 previous year, partly as a result of the disruption of operation caused by COVID-19 pandemic. As affected by the COVID-19 pandemic, revenue of approximately HK$33,055,000 was recorded for the property investment and development segment of the Group, representing a decrease of 18% or approximately HK$7,399,000 as compared with the revenue of approximately HK$40,454,000 for the previous year. The financial services segment recorded revenue of approximately HK$3,948,000, representing an increase of 1,141% as compared with the revenue of HK$318,000 of previous year, principally due to the full-year revenue recognition this year as compared to the recognition of only two-month's revenue in the previous year following the completion of the acquisition in November 2021.

Net loss attributable to shareholders of the Company for the year ended 31 December 2022 was approximately HK$104,068,000, representing an increase of HK$64,966,000 from approximately HK$39,102,000 in the previous year, mainly due to (i) as previously announced in the Group's interim results, the Group's water supply business and property investment and development business resulted in a slight decrease in revenue and an increase in operating costs, staff costs and administrative expenses for the full year; (ii) the increase in exchange loss on Renminbi denominated assets of the Group; (iii) the Group recognised a full-year segmental loss of 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 since the completion of the acquisition in November 2021; and (iv) the impairment losses on non-current assets of the Group's water supply business.

In 2022, with the persistence of the global pandemic and the more complex and uncertain international environment, China's economic development was under pressure from shrinking demand and rising supply costs, and the Company had to overcome various difficulties and challenges to improve the operational efficiency of its projects and achieve greater operational revenue.

During the year, the Group continued to provide quality services to customers, ensure safety in water supply and operations, and implement preventive and control measures to assure quality and follow-up management, so as to enhance the corporate business image and save costs for the Company while maintaining its normal operations. In 2022, the Group's shopping malls and investment properties were affected to a certain extent by the COVID-19 pandemic. To cope with the challenges, the Group provided rental discounts to relieve the operating pressure of existing tenants and to provide incentives to new potential tenants.

PROSPECTS

Looking ahead to 2023, although the world economy is still facing challenges in the business environment such as inflation and interest rate pressure, it is hoped that the Chinese economy will recover as the consumer market gradually picks up following the lifting of COVID-19 restrictions in Mainland China. As for the Group, we will maintain our development strategy of seeking progress in a stable manner, striving to improve our overall operational efficiency, optimise our asset portfolio and resource allocation while maintaining our core business to ensure that risks can be prevented and controlled, and formulate strategies to explore potential investment and development opportunities that are beneficial to the Group and comply with national policies.

I would like to take this opportunity to express my sincere gratitude to the Board, the senior management and our staff for their continued efforts, and the long-standing support from our shareholders and business partners. Looking ahead, the Group will seek growth and investment opportunities to create value for our shareholders based on our strong asset base and continued sound financial management.

Chen Jinyang
Chairman and Chief Executive Officer

Hong Kong, 30 March 2023

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.

FINANCIAL OVERVIEW *(continued)*

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.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

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 annual report.

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.

FINANCIAL OVERVIEW *(continued)*

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 annual report.

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 1,141% 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, Mr. Tan Mian and Guangzhou Shunpeng Real Estate Co., Ltd. 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 annual report, 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.

DIRECTORS

Executive Directors

Mr. Chen Jinyang

Mr. Chen, aged 52, was appointed as an Executive Director, the Chairman of the Board, Chief Executive Officer and an authorised representative of the Group on 18 December 2012,16 September 2013, 3 June 2019 and 29 October 2015 respectively. Prior to joining the Company, Mr. Chen already had substantial experience and knowledge of banking industry and investment business in the PRC. Mr. Chen is currently a responsible officer and director of Hooray Asset Management Limited, a type-9 licensed corporation and a wholly-owned subsidiary of the Company.

Ms. Zhu Fenglian

Ms. Zhu, aged 58, was appointed as an Executive Director of the Group on 19 May 2016. She graduated from the Department of Chinese of Sun Yat-Sen University, China in 1985 with a Bachelor's degree. She has extensive experience in corporate management. Ms. Zhu was formerly a director of Dongguan Hongshun Shaohe Development Co., Ltd.; and a director, the chairperson and Legal Representative of Guangdong Golden Dragon Development Inc. ("GD", the shares of which are listed on the Shenzhen Stock Exchange with stock code: 000712). She is currently (i) the chairperson of Dongguan New Century School; (ii) a director of Hooray Securities Limited, a wholly-owned subsidiary of the Company; (iii) a director of Hooray Capital Limited, a wholly-owned subsidiary of the Company; (iv) a director of Hooray Asset Management Limited, a wholly-owned subsidiary of the Company; (v) a director of Ruijin Equity Investment Fund Management (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company; (vi) a director and the general manager of Qinghui, a 49% owned subsidiary of the Company; (vii) a director and the manager of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49% owned subsidiary of the Company; (viii) the Legal Representative and an Executive Director of Qingyuan Jinhong Industrial Company Limited, a wholly-owned subsidiary of Qinghui; (ix) a director of Qingyuan Water Supply Development Company Limited, a wholly-owned subsidiary of Qinghui; (x) a chairperson of Dongguan Jinshun Real Estate Investment Limited and Dongguan Jincheng Real Estate Investment Limited; (xi) a manager and executive director of Dongguan Yuhe Shiye Limited; and (xii) a director of Dongguan Securities Limited and Zhongshan Securities Co., Ltd.

Ms. Zhu is the substantial shareholder of the Company. Ms. Zhu, Affluent Vast and Ever City are deemed to be interested in 1,561,140,000 shares of the Company, representing 28.32% of the total issued share capital of the Company, which comprises (a) 961,140,000 shares directly held by Ever City; and (b) 600,000,000 shares held by Eastcorp. Ever City is wholly and beneficially owned by Affluent Vast. Affluent Vast is wholly and beneficially owned by Ms. Zhu. Therefore, Ever City is deemed to be a controlled corporation of Affluent Vast and Ms. Zhu. Eastcorp is wholly and beneficially owned by Ever City. Therefore, Eastcorp is deemed to be a controlled corporation of Ever City, Affluent Vast and Ms. Zhu.

DIRECTORS *(continued)*

Executive Directors *(continued)*

Ms. Zhang Haimei

Ms. Zhang, aged 55, was appointed as a Non-Executive Director of the Group on 23 December 2015 and re-designated as an Executive Director of the Group on 23 April 2018. Ms. Zhang is experienced in financial management. Ms. Zhang obtained a diploma in accounting and possesses the qualification of junior level accounting in the PRC.

Ms. Zhang is currently (i) a director of Hooray Securities Limited, Hooray Capital Limited and Chevalier Earth Group Limited, being the subsidiaries of the Company; (ii) a supervisor of Dongguan Xinhongcheng Enterprise Management Company Limited and Ruijin Equity Investment Fund Management (Shenzhen) Company Limited, both being subsidiaries of the Company; (iii) a deputy general manager, a director and the financial controller of GD whose shares are listed on the Shenzhen Stock Exchange (stock code: 000712); and (iv) a member of the supervision committee of Dongguan Securities Limited, a 40% owned associate of GD. Ms. Zhang joined GD in 2003 and has served in various positions in GD, of which Ms. Zhu and her family own shareholding interest through Dongguan New Century Science and Education Development Limited ("**New Century**").

DIRECTORS *(continued)*

Non-Executive Directors

Mr. Xuan Zhensheng

Mr. Xuan, aged 53, was appointed as Non-Executive Director of the Group on 23 April 2018. Mr. Xuan obtained a diploma in Economics Management in the PRC, and specialty in accountant qualifications issued by the Ministry of Personnel of PRC.

Mr. Xuan is currently a director and general manager of New Century (a company in which Ms. Zhu and her family own shareholding interest) and a supervisor of Dongguan Shi Yuhe Shiye Limited (a company in which Ms. Zhu and her family own shareholding interest). Mr. Xuan was previously a director and the chairman of supervision committee of GD in which Ms. Zhu and her family own shareholding interest in GD through New Century.

DIRECTORS *(continued)*

Independent Non-Executive Directors

Dr. Cheung Wai Bun, Charles, *J.P.*

Dr. Cheung, aged 86, is an Independent Non-Executive Director, the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company.

Dr. Cheung holds an honorary doctor's degree awarded by John Dewey University of USA in 1984, a master degree in Business Administration and a bachelor of science degree in Accounting and Finance awarded by New York University U.S.A. in June 1962 and February 1960, respectively. He was awarded Listed Company Non-Executive Director Award of 2002 by the Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award issued by The Chartered Management Association; (2) Outstanding Director Award issued by The Chartered Association of Directors; and (3) Outstanding CEO Award issued by The Asia Pacific CEO Association. He possesses extensive banking, finance and commercial experiences.

Dr. Cheung is currently working as a non-executive director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd. In addition, Dr. Cheung is presently a council member of the Hong Kong Institute of Directors and the Advisor of the Institute of ESG & Benchmark. Dr. Cheung was formerly a visiting professor of the School of Business of Nanjing University, PRC. Dr. Cheung was a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly the chief executive and the executive deputy chairman of Mission Hills Group, Hong Kong from 1995 to 2007, and a former director and an adviser of the Tung Wah Group of Hospitals during the period from April 1981 to March 1983.

Dr. Cheung is currently an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Jiayuan International Group Limited (Stock Code: 2768) and Modern Dental Group Limited (Stock Code: 3600), and a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which are listed on the Main Board of the Stock Exchange. Dr. Cheung was an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), from September 2014 to August 2021, which is listed on the GEM of the Stock Exchange. He was formerly an independent non-executive director of Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), from December 2017 to December 2020, which is listed on the Main Board of the Stock Exchange.

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. David Tsoi

Mr. Tsoi, aged 75, was appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company on 3 June 2013. Mr. Tsoi was formerly director of Alliott, Tsoi CPA Limited. Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, the Institute of Chartered Accountants of England and Wales, the Society of Chinese Accountants and Auditors and the CPA Australia, respectively, and a member of Chartered Professional Accountants of British Columbia, Canada. Mr. Tsoi is currently (i) an independent non-executive director, chairman of Audit Committee and Remuneration Committee of Green International Holdings Limited (stock code: 2700); (ii) an independent non-executive director of Guru Online (Holdings) Limited (stock code: 8121); (iii) an independent non-executive director of Tianli Holdings Group Limited (stock code: 117); (iv) an independent non-executive director and chairman of Audit Committee of VPower Group International Holdings Limited (stock code: 1608); (v) an independent non-executive director and chairman of Audit Committee of Everbright Grand China Asset Limited (stock code: 3699); and (vi) an independent non-executive director and chairman of Audit Committee of InvesTech Holdings Limited (stock code: 1087), the shares of which are all listed on the Hong Kong Stock Exchange.

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. Chao Pao Shu George

Mr. Chao, aged 76, was appointed as an Independent Non-Executive Director, a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company on 16 September 2013, and further appointed as Chairman of Nomination Committee of the Company on 13 January 2016.

Mr. Chao graduated from the College of Air Traffic Control in the United Kingdom. Mr Chao was Assistant Director General of Civil Aviation Department prior to his retirement. Mr. Chao was also a pilot and had many years of experience in aviation industry in the United Kingdom, Hong Kong and China. Prior to his retirement, Mr. Chao had served as a senior management of Hong Kong Government Flying Services (formerly known as Royal Hong Kong Auxiliary Air Force before 1997) and Civil Aviation Administration of China (CAAC). Mr. Chao was formerly a consultant of CAAC and is currently an air traffic control specialist of Central Southern Region of CAAC.

SENIOR MANAGEMENT

Mr. Chen Jinyang

Mr. Chen, aged 52, was appointed as Chief Executive Officer on 3 June 2019. He is also the Chairman of the Board, an Executive Director and an authorised representative of the Group. Please refer to the paragraph headed “Directors” in this section above for his biography.

Mr. Tang Chi Wai

Mr. Tang, aged 49, has been appointed as financial controller, company secretary and authorised representative of the Group since June 2008. He is responsible for the overall financial and accounting affairs, treasury management, corporate finance and company secretarial and compliance related matters of the Group. Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He has over 20 years of extensive experience in auditing, accounting, taxation, company secretarial work, corporate finance and financial management.

Mr. Tang is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, a Chartered Tax Adviser of the Taxation Institute of Hong Kong, a Certified Internal Auditor of the Institute of Internal Auditors, and a holder of the Practitioner’s Endorsement from the Hong Kong Chartered Governance Institute.

Mr. Tang also holds various professional qualifications and memberships. He is a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in English and Wales, and the Chartered Institute for Securities & Investment. He is also a fellow member of Hong Kong Securities and Investment Institute, the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Association of International Accountants, the Institute of Public Accountants, the Institute of Financial Accountants, the Society of Chinese Accountants & Auditors, the Hong Kong Chartered Governance Institute, the Chartered Governance Institute, the Taxation Institute of Hong Kong, the Society of Registered Financial Planners, Hong Kong Investor Relations Association and the Hong Kong Institute of Directors.

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.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**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.

CORPORATE CULTURE AND STRATEGY

The primary objective of the Company is to enhance long-term return for our shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Company and its staff as a whole strive to create values to our stakeholders through sustainable growth and continuous development. The Company emphasizes the importance of the following values when conducting businesses and providing guidance to our staff, namely: (a) the excellence in the quality of services, to be achieved by the retention of talents and ongoing training; (b) diversification and growth, to be achieved by the exploration of new business opportunities; and (c) sustainability, to be achieved through environmental protection endeavours and collaboration with the society. The Company will review our corporate culture and strategy and make necessary adjustments to cope with the ever-changing market conditions.

Corporate Governance Report

BOARD OF DIRECTORS

Board Composition

The Board comprises seven Directors, including 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. Throughout the year and up to the date of this report, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. To comply with Rule 3.10A of the Listing Rules, Independent Non-Executive Directors represented at least one-third of the Board throughout the year ended 31 December 2022. The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-Executive Directors are considered to be independent.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company, designed to bring in sufficient balance of independent views and a sufficient coverage of expertise ranging from entrepreneur insights, management experience, business connections, industry knowledge, understanding of capital market, financial management and governance aspects. Brief biographical particulars of the Directors are set out on pages 17 to 22.

Board's Responsibilities and Delegation

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities. The non-executive Directors and independent non-executive Directors, as other Directors, participate actively in the board and (where applicable) board committee meetings. The participation of Non-Executive Directors in the Board brings independent judgement on issues relating to the Company's strategy, performance, management process, policy, accountability, resources, key appointments and standard of conduct, to ensure that the interests of all shareholders of the Company have been duly considered. They are supposed to lead where potential conflicts of interests arise in connected transaction.

The Board delegates day-to-day operations of the Company to Executive Directors and senior management, while reserving certain key matters for Board's approval. Decisions of the Board are communicated to the management through Executive Directors who have attended Board meetings. The Board regularly reviews the delegated functions to ensure that they accommodate the needs of the Group.

BOARD OF DIRECTORS *(continued)*

Supply of and Access to Information

In respect of regular board meetings, agenda and accompanying board papers of the meeting were sent to all Directors in advance before the meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each Director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

Insurance

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Compliance with the Model Code for Directors' Securities Transactions

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

Having made specific enquiry of all Directors, the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout year ended 31 December 2022.

Meetings

The Board meets on a regular and on an ad hoc basis, as required by business needs. Minutes of board, committee and general meetings are kept by the management and the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the management and the Company Secretary, and has the right to seek external professional advice if necessary.

During the Year, the Company held four board meetings, two audit committee meetings, one nomination committee meeting, one remuneration committee meeting, and one annual general meeting held on 28 June 2022. Board members attended the Company's Board, Board committee and general meetings either in person or through telephone conferencing means. The attendance record of each director at the Board and Board committee meetings and annual general meeting held during the year is set out below:

	Number of meeting attended/held				
Directors	**Board meetings**	**Audit Committee meetings**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**AGM**
Mr. Chen Jinyang	4/4	N/A	N/A	N/A	1/1
Ms. Zhu Fenglian	4/4	N/A	N/A	N/A	1/1
Ms. Zhang Haimei	4/4	N/A	N/A	N/A	1/1
Mr. Xuan Zhensheng	4/4	N/A	N/A	N/A	1/1
Dr. Cheung Wai Bun, *Charles, J.P.*	4/4	2/2	1/1	1/1	1/1
Mr. David Tsoi	4/4	2/2	1/1	1/1	1/1
Mr. Chao Pao Shu George	4/4	2/2	1/1	1/1	1/1

BOARD OF DIRECTORS *(continued)*

Corporate governance functions

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

Directors' Continuing Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company provided training materials, briefings and trainings for Directors to develop and refresh their knowledge and skills. The Group continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Latest updates on rule changes, regulatory bulletins, circulars and guidance notes are displayed at the Company's offices to ensure awareness of corporate governance practices and rules compliance. The Directors have provided the Company with their respective training records pursuant to the CG Code.

Based on the records of the Company and having made specific enquiries, the Company believes that the Directors have received the following training and/or rules update and/or professional development during the Year:

Name of directors	Type of Trainings
EXECUTIVE DIRECTORS	
Mr. Chen Jinyang	A, B
Ms. Zhu Fenglian	A, B
Ms. Zhang Haimei	A, B
NON-EXECUTIVE DIRECTOR	
Mr. Xuan Zhensheng	A, B
INDEPENDENT NON-EXECUTIVE DIRECTOR	
Dr. Cheung Wai Bun, Charles, J.P.	A, B
Mr. David Tsoi	A, B
Mr. Chao Pao Shu George	A, B

Remarks:

A: attending seminars and/or conferences and/or forums.

B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities etc.

BOARD INDEPENDENCE

The Board has established mechanisms to ensure independent views and input are available to the Board and such mechanisms should be reviewed annually by the Board. During the Year, the Board has reviewed the implementation and effectiveness of such mechanisms and made the following observations:

(a) Three out of seven Directors are INEDs, satisfying the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.

(b) INEDs are encouraged to join Board committees to ensure independent views are available at committee levels.

(c) The Nomination Committee will assess the independence of a candidate who is nominated to be a new INED before appointment. The Nomination Committee will also assess the continued independence of the long-serving INEDs on an annual basis.

(d) The INEDs are required to inform the Company as soon as practicable if there is any change in their personal particulars that may materially affect their independence.

(e) All INEDs are required to submit a written confirmation to the Company annually to confirm their independence.

(f) All Directors are encouraged to seek further information and documentation from the management on the matters to be discussed at or outside Board and Board committee meetings.

(g) All Directors are aware of their right to seek assistance from the Company's management and company secretary and, where necessary, to seek independent advice from external professional advisers at the Company's expense.

(h) All Directors are encouraged to express their views in an open and candid manner at or outside Board and Board committee meetings.

(i) All Directors are reminded at Board and Board committee meetings to disclose any material interest in contract, transaction or arrangement and where such material interest does exist, shall abstain from voting and not be counted in the quorum on any Board or committee resolution approving the same.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under the CG Code, the Chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the Chief Executive Officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The Chief Executive Officer is also responsible for the Company's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

Under the CG Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The Company does not at present separate roles of the chairman and chief executive officer. Mr. Chen Jinyang is the chairman of the Board and the Chief Executive Officer. 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. Therefore, the Directors consider that the deviation from Code Provision C.2.1 of the CG Code is appropriate in such circumstance. Notwithstanding from above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors was appointed for a specific initial term which shall continue thereafter subject to retirement by rotation in accordance with the articles of association of the Company and re-election by shareholders and termination in accordance with the terms of the respective service agreements.

The Articles of Association of the Company provides that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election.

The Articles of Association of the Company also provides that the Company may remove a Director by way of an ordinary resolution at general meeting.

COMPANY SECRETARY

Mr. Tang Chi Wai is the company secretary, the financial controller and an authorised representative of the Company, whose biography details are set out in the section headed "Directors and Senior Management" in this annual report.

Mr. Tang supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. According to Rule 3.29 of the Listing Rules, he has attained not less than 15 hours of relevant professional training during the year 2022.

REMUNERATION COMMITTEE

The Board established the remuneration committee in July 2006. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. The remuneration committee shall determine, with delegated responsibility, the individual remuneration package of each Executive Director and senior management including benefits in kind and pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). When determining remuneration packages of the Executive Directors and senior management of the Company, the remuneration committee takes into consideration factors such as time commitment, responsibilities, employment condition and remuneration packages of executive directors of comparable companies. No Director was involved in deciding his/her own remuneration at the meeting of the remuneration committee.

The remuneration committee has considered and approved the Group's policy for the remuneration of directors during the Year. The remuneration committee has made an assessment on the performance of the directors and other key management members and considered their remuneration package by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange.

The remuneration committee also reviews the share option scheme and share award scheme of the Company on an annual basis. During the Year, no grants were made under the share option scheme and share award scheme of the Company, and there was no material matter relating to share option or award schemes, such as grant, vesting, lapse, cancellation, exercise or alteration of terms, which was brought to issue requiring the review or approval of the remuneration committee.

The remuneration 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, and is chaired by Dr. Cheung Wai Bun, Charles, J.P..

The terms of reference of the remuneration committee have been uploaded to the Company's website and the Stock Exchange's website.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 7(b) to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of individuals
HK$1,000,000 to HK$3,000,000	2

NOMINATION COMMITTEE

The Board established the nomination committee on 29 March 2012. The nomination committee is authorised by the Board to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The nomination committee is also responsible for reviewing the structure, size and composition of the board.

The nomination 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, and is chaired by Mr. Chao Pao Shu George.

The terms of reference (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) of the nomination committee have been uploaded to the Company's website and the Stock Exchange's website.

Board Diversity Policy

The Board has adopted a policy on board diversity ("**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, skills, knowledge, length of service and industry and regional experience. All Board appointments will be based on merits of the individual candidates, considered against objective criteria and having due regard for the benefits of diversity on the Board.

NOMINATION COMMITTEE *(continued)*

Board Diversity Policy *(continued)*

The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered. The Board values gender diversity, and have appointed two female Directors out of seven Directors in total. The Board will consider amending the Board Diversity Policy to require the appointment of at least a director of a different gender so that the Board can achieve gender diversity as a matter of routine requirement.

The Nomination Committee monitors the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy. During the Year, the Nomination Committee reviewed the Nomination Policy and the Board Diversity Policy, and considered that the said policies as appropriate and effective. The Nomination Committee also reviewed the biographies of the Directors, assessed the continued independence of each independent non-executive Director ("**INED**") and recommended the retiring Directors to the Board for considering their re-election at the AGM based on the Articles of Association of the Company, the Nomination Policy and the Board Diversity Policy. Such recommendation by the Nomination Committee was made on the basis that the retiring Directors will continue to contribute to the Board with their skills, experience and knowledge.

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 December 2022 was 67%: 33% (male: female). In hiring employees, the Company considers various factors including gender, age, cultural and education background, qualification, professional experience, skills, knowledge and length of service. The Company will encourage gender diversity across the entire workforce of the Group.

Nomination Policy

The Board has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

Selection Criteria

In evaluating and selecting any candidate for directorship, the following criteria shall be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive directors in accordance with the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

Selection Criteria *(continued)*

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Procedures

a. *Appointment of New Director*

(i) Meetings or written resolutions of the Nomination Committee shall be arranged for nominating candidate for the consideration by the Nomination Committee upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board shall rank them by order of preference based on the needs of the Company.

(iii) The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

b. *Re-election of Director at General Meeting*

(i) The Nomination Committee and/or the Board shall review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board shall also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

Nomination Procedures (continued)

b. Re-election of Director at General Meeting (continued)

Re-election of Directors is conducted in accordance with the articles of association of the Company. The criteria of assessing a candidate include his/her ability to devote sufficient time and attention to participate in the affairs of the Company including the attendance of Board meetings and serving on committees. Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations. Where an independent non-executive director is proposed for re-election at the general meeting, the circular and/or explanatory statement should state: (a) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent; (b) if the proposed independent non-executive director will be holding his/her seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board; (c) the perspectives, skills and experience that the individual can bring to the board; and (d) how the individual contributes to diversity of the board.

Monitoring, Reporting and Regular review

The Nomination Committee shall disclose annually in the corporate governance report of the Company's annual report this Nomination Policy and its work, pursuant to the legal and regulatory requirements. This Nomination Policy shall be reviewed when necessary, and can be revised by the Board from time to time.

RISKS MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain an effective risk management and internal control system in order to safeguard the Group's assets and investments and the shareholders' interest and conducts a review on an annual basis.

As a part of the Group's risk management and internal control systems, appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. With respect to the monitoring and disclosure of inside information, the Group has formulated guidelines, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

The Group has adopted a three-tier risk management approach to identify, evaluate and manage significant risks. The operating units of the Group, as a first line of defence, identify, evaluate, mitigate and monitor the risks, and report such risk management activities to the Group's management on a regularly basis. The Group's management, as the second line of defence, provides support to the operating units and ensure that the significant risks are properly managed and within the acceptable range and report the situation to the Board on a regularly basis. The Board, as the final line of defence, conducts an annual review of the overall effectiveness of the Group's risk management and internal control systems.

RISKS MANAGEMENT AND INTERNAL CONTROLS *(continued)*

However, any risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board had conducted review of the effectiveness of the risk management and internal control system of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions before the date of this report through effort of the Audit Committee.

During the year, the Company engaged an external independent consultant to conduct a review on the internal control system and risk management of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. The Board performs annual review on the effectiveness of the Group's risk management and internal control systems, including the Group's ability to cope with its business transformation and changing external environment, the scope and quality of the management's review on risk management and internal control systems, the report of internal audit, the extent and frequency of communication with the Board in relation to risk management and internal control review, any significant failures or weaknesses identified, their seriousness, the recommended remedial actions and the follow-up implementation status. Having performed such review, the Board considers the Group's risk management and internal control systems in place for the year ended 31 December 2022 are effective and adequate, and no material internal control failings, weaknesses or deficiencies have been identified during the course of the review.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company. The financial statements set out on pages 82 to 166. Financial results of the Company are announced in a timely manner in accordance with statutory and/or regulatory requirements. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, and have therefore prepared the Company's accounts on a going concern basis.

The Board of Directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Company's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

The responsibilities of the external auditor with respect to the financial statements For the year ended 31 December 2022 are set out in the Independent Auditor's Report on pages 77 to 81.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the remuneration paid and payable to the external auditor of the Group for services provided are set out as follows:

SERVICES RENDERED	Fee Paid/Payable 2022 HK$'000
Statutory audit services	1,198
Review of interim results	480
Taxation services	75
	1,753

AUDIT COMMITTEE

The Board established the audit committee in October 2001. The audit committee is authorised by the Board to consider the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

The audit committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial report judgments contained therein. The audit committee reviews arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, systems of internal controls and risk management and compliance issues.

The Group's audited financial statements for the year ended 31 December 2022 have been reviewed by the audit committee, 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. Apart from the audit committee meetings, the independent non-executive Directors have also conducted a meeting with the auditors to discuss matters relating to the Company's audit fees and other issues arising from the audit for the Year. The audit committee monitors the audit and non-audit services rendered to the Group by its external auditor and ensure that their engagement in other non-audit services will not impair their audit independence or objectivity.

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

AUDIT COMMITTEE *(continued)*

The terms of reference of the audit committee have been uploaded to the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. The recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's operations, earnings, financial condition, capital requirements and any other conditions the Directors may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the articles of association of the Company. The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 58 of the Articles of Association of the Company, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

SHAREHOLDERS' RIGHTS *(continued)*

Procedures for putting forward proposals by Shareholders at Shareholders' meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, Shareholders may request the Company to convene an extraordinary general meeting following the procedures under Article 58 of the Articles of Association as set out above.

Pursuant to Article 88 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless there shall have been lodged at the registered office or at the head office a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's head office and principal place of business in Hong Kong in compliance with Article 88 and containing all details as required by Rule 13.51(2) of the Listing Rules.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the forthcoming annual general meeting will be voted by poll.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Effective Communication

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders. To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the websites of the Stock Exchange and the Company;

(ii) announcements and press releases are published on the websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website; and

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS *(continued)*

Effective Communication *(continued)*

The AGM is supposed to enable the shareholders of the Company to exchange views with the Board. The Chairman of the Board and the Chairmen of AC, RC and NC are requested to attend the AGM to be available to answer the questions of the shareholders of the Company. Separate resolutions will be proposed at the forthcoming AGM on each substantially separate issue, including the re-election of the retiring directors. The Shareholder Communication Policy is available on the Company's website.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the Board of Directors of the Company by mail or by email.

During the Year, the Board reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

Shareholders' Communication Policy

A shareholders' communication policy (the "**Policy**") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

WHISTLE-BLOWING POLICY

In compliance with Code Provision D.2.6 of the CG Code, the Board adopted a Whistle-blowing Policy providing employees and relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) with guidance and reporting channels to the designated person. All reported matters will be investigated independently and, in the meantime, all information received from a whistle-blower and its identity will be kept confidential. The Board and the Audit Committee will regularly review the Whistle-blowing Policy and mechanism to improve its effectiveness.

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

In compliance with Code Provision D.2.7 of the CG Code, the Board adopted an Anti-Fraud and Anti-Corruption Policy setting out guidelines and the minimum standards of conducts, the applicable laws and regulation, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group adopts a zero tolerance policy on any forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties. The Board and the Audit Committee will review the Anti- Fraud and Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. No change was made to the Company's constitutional documents during the Year. However, we plan to amend our articles of association at the forthcoming annual general meeting to conform to the Core Shareholder Protection Standards as required by Appendix 3 of the Listing Rules.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Hong Kong Registrars Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's head office in Hong Kong at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong or sent through email to info@uth.com.hk.

ABOUT THE REPORT

This Environmental, Social and Governance ("ESG") report is published by Universal Technologies Holdings Limited (the "Company" and collectively with its subsidiaries referred as "the Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

Scope and Reporting Period

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the three major operations of water treatment and distribution services, property leasing services, and the headquarters office, from 1 January 2022 to 31 December 2022 ("Reporting Period"), unless otherwise stated.

The water treatment and distribution services, operated by the Qingyuan Water Supply Development Company Limited ("Water Supply Development Company", or "WSD Company") and Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Company"), together as the "Water Supply Companies", sourced, treated, and supplied freshwater, and provided relevant services, such as repair and maintenance of water pipes and meters, to the urban areas of Qingyuan city and Taihezhen, Guangdong Province of the People's Republic of China ("PRC").

The property leasing services is performed through Dongshan Jinxuan Modern Mall ("Dongshan Mall"), a commercial complex situated in Yuexiu District, Guangzhou, compromising of retail shops, restaurants and cafes, beauty and fitness centres, tuition centre, and parking spaces.

The headquarter office, located in Sheung Wan, Hong Kong (the "Headquarter"), manages the above operations.

The acquisition of Hooray Capital Limited (licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activities) and Hooray Securities Limited (licensed by the SFC to conduct Type 1 (dealing in securities) regulated activities) were completed on 3 November 2021. However, as their revenue only constitutes approximately 0.09% of the total revenue of the Group during the Reporting Period, operations of the newly acquired subsidiaries were deemed to be insignificant and thus are not included in the Reporting Scope for the Reporting Period.

Reporting Principles

The preparation of the ESG Report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative – key performance indicators ("KPI"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

Balance – The Group's performance during the reporting period has been presented impartially, avoiding choices, omissions, or presentation formats that may unduly influence readers' decisions or judgements.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

Mission

The Group strives to provide safe and high-quality services for all its operations. For the Water Supply Companies, they focus on continuously improving its water supply, maintaining stringent industrial standards and securing end users' access to reliable and quality freshwater. They are also committed to the core mission of exercising water stewardship and encouraging sustainable use of water resources. For Dongshan Mall, which is located in the traditional core area of Guangzhou, it aims to create value for its tenants, and bring a fulfilling and reliable shopping experience to customers where shoppers' personal and properties' safety are protected.

Vision on Sustainability

As a responsible enterprise, the Group acknowledges that it must consider the environmental footprint of its business operation while enjoying financial stability. Hence, the Group is always continuously looking for different ways that would help reduce and improve its environmental impacts. It is the Group's target to grow its businesses responsibly, balancing environmental with economic considerations, as well as creating a positive impact for its stakeholders and contributing to the communities. The Group is also committed to enhancing governance, promoting employee benefits and development, protecting the environment, and giving back to society to fulfil social responsibility and achieve sustainable growth.

Major Challenges and Development

The water supply operations abide by the Water Supply Management Method of Qingyuan, the Civilisation Convention of Qingyuan and the applicable laws and regulations of the PRC. In recent years, the escalating freshwater demand has increased pressure on the water treatment operations; ageing pipelines and distribution networks have also built risks of leakage and bursts. During the Reporting Period, the Water Supply Companies had established and commenced a series of improvement measures to improve water supply stability and efficiency. Some of the finished measures include:

- Installation of DN600 water supply pipeline along Chengxi Road
- Reconstruction of DN300 water supply pipeline at Shantang intersection

THE GROUP'S SUSTAINABILITY MISSION AND VISION *(continued)*

Major Challenges and Development *(continued)*

The Water Supply Companies will keep on investing on transformation work to ensure a stable supply of water for the residents' daily needs. Some of the control measures planned include:

- Reconstruction of water supply pipelines of 160/200PVC at Shantang Huizheng Huilan Market, water supply pipelines of DN250 at Taihe Jianshe Road, water supply pipelines of DN150 at Zhoutian Dinglun Shoes Factory, and pipelines of DN150 at Zhoutian Zhoutang Culvert
- Increasing frequency of pipelines inspection to identify and seal any leakage found
- Improving transparency of existing pipelines locations and enhancing communication with construction workers to prevent damage during construction
- Arranging relevant repair plans and leakage detection systems to reduce leakage
- Upgrading water supply networks and pumping stations to reduce water loss
- Strengthening the use of information system to enhance management efficiency and issues identifications

For Dongshan Mall, a brief action plan and future directions to work towards are as follows:

- Improving energy efficiency and reducing consumption
- Increasing contributions to the local community surrounding the Mall
- Giving assistance to the renovation of the old town and residential area
- Enforcing waste sorting and providing relevant help to tenants when necessary
- Regulating air quality within the Mall area stringently
- Turning the Mall into a green building where use of resources and future development can align with the principles of environmental friendliness

In the long term, the Group hopes that Dongshan Mall could create influence on the wider community by encouraging the use of alternative fuel cars and improving air quality of the town.

CHAIRMAN'S STATEMENT

In FY2022, the global community faced unprecedented challenges from the COVID-19, signs of an economic downturn, and a climate emergency. In the unusual times, the Group has upheld the core values and worked closely with the stakeholders to evolve and adapt to the new "normal", at the same time continued to strive for smart and sustainable living, greener environment and betterment of society.

As a responsible corporate citizen, the Group recognizes the significance of quality management of the environment and activities in promoting sustainable economic development and our goal is to continuously improve the environmental performance of our operations in order to minimize any impact on the environment. During the Reporting Period, we focused on reducing emissions and waste while enhancing energy management in our manufacturing operations as well as paying attention to climate change related issues.

In respect of employee responsibility, nurturing and retaining talents is also crucial to the Group's business growth. Guided by the Group's value of human orientation, nurturing talents through comprehensive training programmes, the Group provides them with fair opportunities and adequate support, the Group also adopted the Share Award Scheme to offer eligible employees the opportunity to own equity interests in the Group, in order to retain them to serve the Group for its continuous operation, growth and development and to attract suitable personnel to endeavor to create a working environment with aspirations and belongingness within the enterprise. Meanwhile, we regard the safety of our employees as our first priority. During the outbreak of COVID-19, the Group demonstrated its responsiveness and took prompt action through effective cross departmental cooperation to update and release epidemic prevention measures in a timely manner.

Looking ahead, we hope to maintain a steady and efficient sustainable business development and promote sustainable development together with our stakeholders, thereby fulfilling our corporate and social responsibilities to create a promising future.

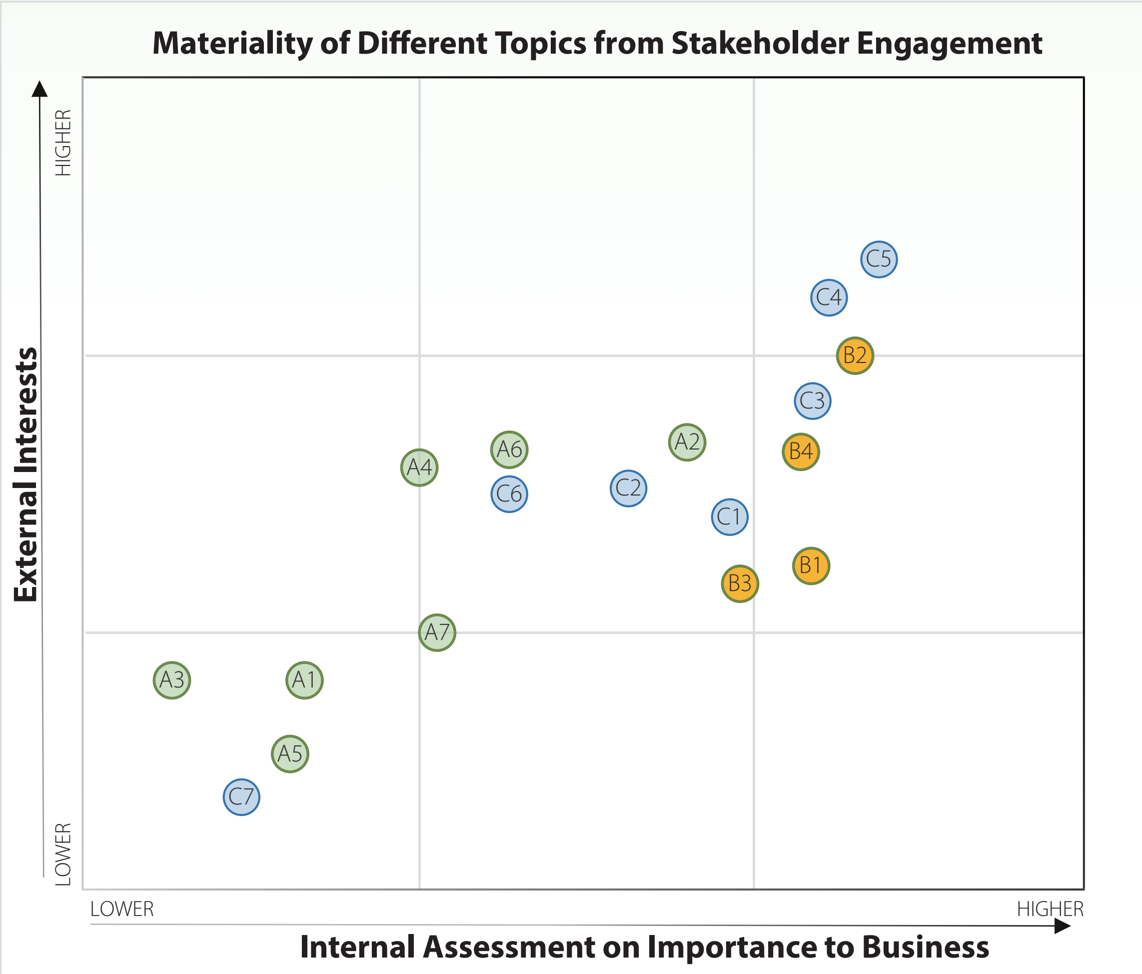
STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group values input from its stakeholders, hence, both internal and external stakeholders are engaged with. Through regular meetings, face-to-face discussions, and questionnaires, the Group is able to understand its internal stakeholders better. To build a closer relationship with its users or external stakeholders, the Group's operations go into communities regularly to obtain feedback, address concerns, or solve misunderstandings. For example, the Water Supply Companies reach out to consumers on different festivals and seasonally for various purposes. They also participate in industry associations, such as the Guangdong Cities and Towns Water Supply Association, and the Northern Guangdong Communication Group to share and exchange industrial news and ideas.

STAKEHOLDER ENGAGEMENT AND MATERIALITY *(continued)*

During the reporting period, the Group has engaged its senior management, shareholders, permanent frontline staff, regulatory institutions, suppliers, professional skill workers, tenants, and customers (including business and residential customers) through surveys to determine the material ESG aspects for this ESG Report. A materiality assessment has been carried out to show the topics that are important to the Group and its external stakeholders.

Materiality Matrix



Environmental		Labour Practices		Operational Practices	
A1	Energy	B1	Employment	C1	Supply Chain Management
A2	Water	B2	Occupational Health and Safety	C2	Intellectual Property
A3	Air Emission	B3	Development and Training	C3	Data Protection
A4	Waste and Effluent	B4	Labour Standards	C4	Customer Service
A5	Other Raw Materials Consumption			C5	Product/Service Quality
A6	Environmental Protection Measures			C6	Anti-corruption
A7	Climate Change			C7	Community Investment

STAKEHOLDER ENGAGEMENT AND MATERIALITY *(continued)*

According to the matrix, the five most material aspects to the Group are:

Material Aspects	Management Approach on the Aspects
Product/Service Quality	Ensure quality and safety of water (including surface water, raw water, supply water and pipe network water) through frequent laboratory tests, and chemical use, hygiene, and safety control throughout the treatment process.
Customer Service	Ensure publicly accessible hotlines, WeChat account, and other communication channels are available for users'/customers'/clients' feedback and enquiries, and handle enquiries or complaint promptly.
Occupational Health and Safety	Provide medical insurance, annual body checks, annual women health checks, proper Personal Protective Equipment ("PPE") and health and safety trainings to employees.
Data Protection	Ensure that electronic data is stored appropriately in the database with encryption programmes; hard copies are documented in files room and to be placed in the custody of an appointed person.
Labour Standards	Ensure the compliance of relevant laws and regulations regarding labour standard. Strictly follow the employment procedure and conduct background check during recruitment process.

These aspects are reviewed and discussed by the Board of Directors of the Group to identify associated risks. Details on managing the above identified aspects are described in separate sections below. Opinions and recommendations collected from stakeholders will also be considered as important factors in future decision-making processes.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views via email at info@uth.com.hk.

A. ENVIRONMENTAL

With intensifying global warming and climate-related events, the Group is aware of its responsibility to protect the environment. During the Reporting Period, the Group strictly complied with the relevant environmental-related laws and regulations. While the operations of the Water Supply Companies, Dongshan Mall, and Headquarters involve GHG emissions, the Group has been stepping efforts to reduce its carbon footprint and minimize the adverse impact on the environment. Dedicated to building a sustainable future, targets on reduce emissions, waste, energy consumption, and water consumption have been established since 2021. During the Reporting Period, there has been significant work undertaken to progress the environmental targets.

The table below gives an overview on the environmental targets and their progress in 2022:

Indicator	Targets	2021 baseline	2022 performance	Status
Overall Emissions intensity	10% reduction in 10 years	1.15tCO_2e/hectare	0.84	Achieved
Overall Waste generation intensity[1]	10% reduction in 10 years	15.41kg/hectare	15.35	In progress
Energy consumption intensity	10% reduction in 10 years	1.86MWh/hectare	0.13	Achieved
Water Consumption intensity	10% reduction in 10 years	115.51m^3/hectare	71.1	Achieved

Note 1: The overall waste generation intensity in 2021 is restated due to the error in made in previous reporting period.

The economic downturn brought by the epidemic had a sustained impact on the industry, with the real estate sector being particularly affected during the Reporting Period. This has resulted in a decrease in industrial and domestic water consumption. In response to the lowered water demand, one of the water plants operated by the Water Supplies Companies was placed in standby mode. This contributed to a significant decrease in both electricity and water consumption over the course of the Reporting Period.

A1. Emissions

During the Reporting Period, business operations of the Group have led to emissions from mainly liquefied petroleum gas ("LPG"), petrol, diesel, electricity, water, non-hazardous waste (paper and sludge) and mud water. The operations of the Group have not caused any production-related air pollutions and have complied with all environmental-related national laws and regulations, including but not limited to the followings:

- Air Pollution Prevention and Control Law of the PRC;
- Environmental Protection Law of the PRC;
- Law of the PRC on Prevention and Control of Pollution by Environmental Noise;
- Noise Control Ordinance; and
- Air Pollution Control Ordinance.

The Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.1. Air Emissions

During the Reporting Period, Town gas and LPG were consumed for canteen operation, while petrol and diesel were consumed for Group-owned vehicles, which contributed to the emission of nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and particulate matters ("PM").

	2022	2021
NO_x	76.29 kg	347.34 kg
SO_x	0.48 kg	0.46 kg
PM	6.62 kg	32.29 kg

A1.2. Greenhouse Gas ("GHG") Emissions

During the Reporting Period, 14,501.40 tonnes of carbon dioxide equivalent ("tCO_2e") GHG (mainly carbon dioxide, nitrous oxides and methane) were emitted from Group's operations. The annual emission intensity was 38.07 tCO_2e/employee, or 0.86 tCO_2e/hectare.

Sources of Greenhouse Gas Emissions		2022 (in tCO_2e)	2021 (in tCO_2e)
Scope 1 – Direct Emission	Combustion of fuels in stationary sources	96.09	8.01
	Combustion of fuels in mobiles sources	79.95	81.88
	Release of refrigerants from the operation of equipment and systems	1,557.22	255.21
	Sub-total	1,733.26	345.10
Scope 2 – Energy Indirect Emission	Purchased electricity	13,044.87	19,461.80
	Purchased towngas	2.02	1.64
	Sub-total	13,046.89	19,463.44
Scope 3 – Other Indirect Emission	Paper waste disposal	7.39	11.01
	Electricity used by third parties for processing fresh water and sewage	33.41	42.72
	Sub-total	40.8	54.73
Overall emission		14,820.95	19,863.27

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.2. Greenhouse Gas ("GHG") Emissions (continued)

Note1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note2: Group-owned vehicles include only Group-owned vehicles in the Water Supply Companies and the Headquarters.

Note3: An emission factor of 0.5810 kg CO_2/kWh and 0.6101kg CO_2/kWh was used for purchased electricity in Guangdong Province of the PRC in 2022 and 2021, respectively.

Note4: Emission factor for combustion of LPG and diesel for stationary source were calculated with referred to GHG Emissions from Stationary Combustion (Chinese), provided by the Greenhouse Gas Protocol.

Note5: Scope 3 GHG emissions were calculated based on available emission factors referred to Appendix 27 to the Listing Rules and their referred documentation.

Due to the suspension of operations at one of the water plants, there was a 33% reduction in indirect GHG emissions from purchased electricity. Hence, the overall GHG emissions in 2022 was 25.4% lower that of 2021.

A1.3. Hazardous Waste

The Water Plant operations consumed chemicals including, polyaluminium chloride ("PAC"), hydrochloric acid, sodium chlorate and sodium hypochlorite. When disposed of improperly, hazardous waste poses potential hazard to human health and the environment. Therefore, hazardous materials used by the water treatment operations are handled carefully. A total of 652.8 kg of laboratory waste was generated during the Reporting Period. Laboratory waste generated were all collected by licensed collectors.

Furthermore, there was 89.89 kg of hazardous waste generated by the Headquarters during the Reporting Period, which was comprised of printer ink cartridges. While for Dongshan Mall, its daily operations did not generate any significant amounts of hazardous waste. However, Dongshan Mall strictly follows the guidance provided by the government when handling such waste.

In total, 0.742 tonnes of hazardous waste were generated from daily business operations of the Group during the Reporting Period. The intensity was 1.91 kg of hazardous waste per employee, or 0.04 kg per hectare of total area.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.4. Non-hazardous Waste

Non-hazardous waste generated from the Group are mainly mud from dewatered mud in the water treatment operations and paper from the office operations. The mud is first stored in the plant, and after reaching a certain amount, it will be sent to the site designated by the environmental department for landfill. A total of 260 tonnes of mud was generated and disposed of by the Water Supply Companies during the Reporting Period.

The Headquarters had generated 1,540.37 kg of paper waste from daily office operations such as documents printing and deliverables packaging. Printed documents are usually filed and stored for record. In addition, 3,273 kg of everyday waste was generated by employees of the Headquarter and the office of the Water Supply Companies.

For Dongshan Mall, there is no relevant data for the Reporting Period. However, it closely follows local guidelines in the treatment of non-hazardous waste. Furthermore, it will also start to explore measures it can take to manage such waste and develop systems to mark records of generation of such waste.

In total, 265 tonnes of non-hazardous waste were generated from daily business operations of the Group during the Reporting Period. The intensity was 681 kg of non-hazardous waste per employee, or 15.31kg per hectare of total area.

A1.5. Measures to Mitigate Emissions

The Water Supply Companies and the Headquarters strictly manage fuel usage and distance travelled by their vehicles. Fuel consumption is estimated, verified and announced monthly, and preference is given to low-emission vehicles that are fuel-efficient or hybrid when purchasing new vehicles. Air conditioners in cars are only switched on during hot weather, rainy or foggy days. Employees are also encouraged to take public transit to work.

The Water Supply Companies have taken steps to improve the air quality in their working environment by implementing greening initiatives. They prioritize the purchase of energy-efficient and environmentally friendly equipment. Additionally, during winter months, they have stopped using heating.

As for Dongshan Mall, it does not own any cars. The indoor temperature of Dongshan Mall is controlled at 26˚C in summer and switched off in other seasons, where only ventilating systems will be left in operation to reduce emission. To further reduce GHG emissions, Dongshan Mall is currently evaluating the operational schedule of its centralised air conditioning system to avoid any instances of idle usage.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.6. Waste Reduction and Initiatives

De-watered mud is the major source of the Group's non-hazardous waste, which is produced during water treatment process and is unavoidable. Nonetheless, the Group aims to reduce non-hazardous waste production by implementing paper-saving measures. The Group promote paperless administrative procedures in the office and encourage employees to adopt environmentally friendly printing and photocopying habits. Recycling trays and bins are provided for proper waste disposal, and employees are encouraged to bring their own utensils to reduce the use of single-use tableware. The Group promotes an anti-waste culture to conserve resources and minimize consumption. During the Reporting Period, 62.38 kg of paper was recycled, contributing to a reduction of 0.34 tCO_2e emission.

In Dongshan Mall, hand dryers have been installed in certain washrooms with the primary purpose to replace some of its paper towels use. Dongshan Mall has enlisted professional services to manage waste generation of restaurants within its premises, and periodic inspections of wastewater generated by Dongshan Mall were also arranged. Rubbish bins that incorporate waste sorting elements are placed throughout the premises of Dongshan Mall. In the future, Dongshan Mall will continue to find ways to reduce waste in more areas.

A2. Use of Resources

During the Reporting Period, the main resources used are energy and water used to process the water treatment operations by the Water Supply Companies. The Group is committed to protecting the environment by enhancing operational efficiency to reduce energy and water consumption.

A2.1. Energy Consumption

The energy use involved in the Water Supply Companies, and the Headquarters during the Reporting Period included the consumption of electricity, petrol, diesel, towngas, and LPG. The annual energy consumption was 23,115.27 MWh, and the consumption intensity was 0.13 MWh/hectare, or 59.42 MWh/employee.

Type of Energy	2022 consumption	2022 (in MWh)	2021 (in MWh)
Electricity	22,446,900 kWh	22,446.90	31,894.79
Petrol	19,284.93 litres	172.90	177.0
Diesel	10,420.16 litres	104.18	105.12
Towngas	3,408 unit	45.44	36.98
LPG	24,812.25 kg	345.85	4.31

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources *(continued)*

A2.2. Water Consumption

During the Reporting Period, a total of 1.23 million m^3 of water was consumed by the Group for its operational purposes[1], over 95% of which were consumed by the Water Supply Companies. The overall intensity was 71.13 m^3/hectare, or 3,164.23 m^3/employee. Taihe Company sources raw water directly from the local Beijiang River and its tributary with licences and approvals from the local government, while the WSD Company sources water from the Government-designated Water Plant. There was no issue in sourcing water fit for purpose during the Reporting Period.

Municipal water was used in both Dongshan Mall and the Headquarters and they were managed by their respective property management companies. The amount was insignificant as compared to that in the Water Supply Companies.

A2.3. Energy Use Efficiency Initiatives

The Water Supply Companies, Dongshan Mall, and Headquarters proactively explore opportunities to electricity consumption reduction and equipment optimisation. The Water Supply Companies has the following energy efficiency measures:

- Enhancing efficiency of their water pumps and equipment
- Bringing in frequency inverters to adjust power supply according to the different pressure levels automatically
- Carrying out technological upgrade and regular maintenance for energy-consuming equipment and circuits to reduce energy depletion
- Setting electricity consumption as an aspect for assessment
- Making energy efficiency and environmental friendliness mandatory criteria to be fulfilled when purchasing new equipment

[1] Water consumption figure excludes water that was supplied to households, commercials, and industrial units

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources *(continued)*

A2.3. Energy Use Efficiency Initiatives (continued)

The Dongshan Mall has formulated measures to enhance the efficiency of energy use. These measures include the use of LED lights, energy efficient lifts and air conditioners, energy management systems, and imposing central lighting and ventilation schedules on tenants. Dongshan mall regularly monitor and review its monthly electricity consumption to ensure efficient use of resources.

In office areas of the Headquarters and Water Supply Companies, lights are turned off during lunch time and before leaving work to reduce unnecessary electricity consumption. Air conditioning is maintained at 26°C or higher in summer and the use of heaters are avoided in winter.

A2.4. Water Use Efficiency Initiatives

The Water Supply Companies constitute nearly all of the Group's water consumption. Continuous effort is put in improving water efficiency within the water supply processes and reducing water loss during the distribution networks. Some initiatives in place to conserve water include:

- Posting water-saving slogans and reminders within the companies
- Adopting a more efficient and water-saving siphoning method during sludge treatment and discharge
- Strengthening the management and daily maintenance of water equipment to prevent dripping, seepage, or leakage
- Collecting treated backwash water for reuse at other procedures, which amounted to 2.21 million m^3 during the Reporting Period
- Controlling the consumption, frequency and time length of backwash water depending on raw water turbidity

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources *(continued)*

A2.5. Packaging Materials

There were no packaging materials used for the Group's business operation during the Reporting Period.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group's environmental impact is primarily driven by its greenhouse gas emissions, which can intensift global warming. In addition, the discharge of treated wastewater into bodies of water could potentially have negative effects on water quality and biodiversity. Nevertheless, the Group has consistently endeavored to emit less than the minimum amount allowed by relevant laws and regulations, which has helped to mitigate the environmental impact of its activities.

As compared to the Water Supply Companies, the operation of Dongshan Mall and Headquarters contribute relatively less impacts on the environment. Nevertheless, Dongshan Mall and Headquarters shall be implementing measures to take up a responsibility in reducing the Group's environmental footprint.

A4. Climate Change

The Group recognizes that climate change poses a significant threat to all businesses, including their own. They acknowledge that their operations may face both physical and transitional risks. Taihe Company, which heavily relies on the quality of water in rivers, has developed emergency response plans to prepare for extreme weather events or leaks of fossil fuel. These incidents could significantly impact the quality of water and its suitability for human consumption. The Group is committed to monitoring potential risks caused by climate change and implementing measures to control and manage these threats effectively. They aim to minimize the challenges faced by their operations as a result of climate change.

The Group identified several climate-related risks to it business operation, name acute physical risk, chronic physical risk, legal and policy risk, and technology risk. The Group evaluated their potential financial implications on the business and determined their risk level by assessing the likelihood and severity of the risks.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

Climate risk type	Time horizon	Implication on business	Risk level
Physical risk			
Acute risk	Short term	Increased severity and frequency of extreme weather affects daily operation and may cause damage to equipment. It reduces revenue and increases maintenance costs.	High
Chronic risk	Medium to long term	Rising temperature increase energy use and equipment maintenance cost. Climate change affects water stability and reduce the Group's revenue.	High
Transition risk			
Legal and policy risk	Long term	Increased operation cost from increased GHG emission pricing	Medium
Technology risk	Long term	Increased operation costs from substitution of existing equipment and services. Reduced demand for services from the shift of customer and market preference.	Medium

The Group's business is more vulnerable to acute and chronic physical risks, which may have the potential to significantly impact its operations. In particular, the Group acknowledges that an increase in the frequency and severity of climatic events could disrupt water supply and adversely affect the operations of the Water Companies, as well as impact the daily operations of Dongshan Mall. Furthermore, the Group is mindful of the potential for extreme weather events, such as typhoons, storm surges, and rainstorms, to cause damage to its operating facilities and transportation infrastructure, which could ultimately lead to a reduction in the Group's total revenue. As such, the Group remains committed to identifying and managing these risks in a proactive and strategic manner, in order to safeguard its business and ensure its long-term sustainability.

B. SOCIAL

1. Employment and Labour Practices

The Group recognizes the importance of its employees in delivering quality output for its Water Supply Companies, property leasing, and office operations. As such, employment and labour practices are a significant focus for the Group. The Group places great emphasis on providing employee benefits and welfare, ensuring equal opportunities, and addressing employee needs in order to retain talent. Additionally, the Group prioritizes the health and safety of its employees, as well as their ongoing professional development, through policies, training, and drills that provide them with the necessary skills and preparation for a range of circumstances. Furthermore, the Group is committed to maintaining a satisfactory working environment for its employees and adhering to relevant laws and regulations to provide customers with fulfilling services.

B. SOCIAL *(continued)*

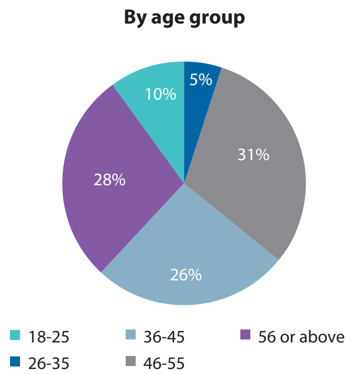
B1. Employment

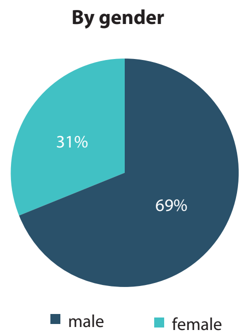
During the Reporting Period, all laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare were complied. See below for a list of employment laws and regulations:

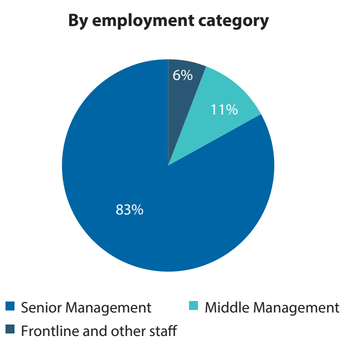
- Labour Law
- Labour Contract Law
- Regulations on Paid Annual Leave for Employees
- Law on the Protection of Women's Rights and Interests
- Special Rules on the Labour Protection of Female Employees

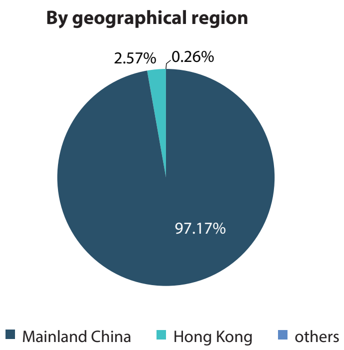
B1.1 Total Workforce

The Water Supply Companies, Dongshan Mall and Headquarters (excluding the supporting units) had a total number of 389 employees as of 31 December 2022.







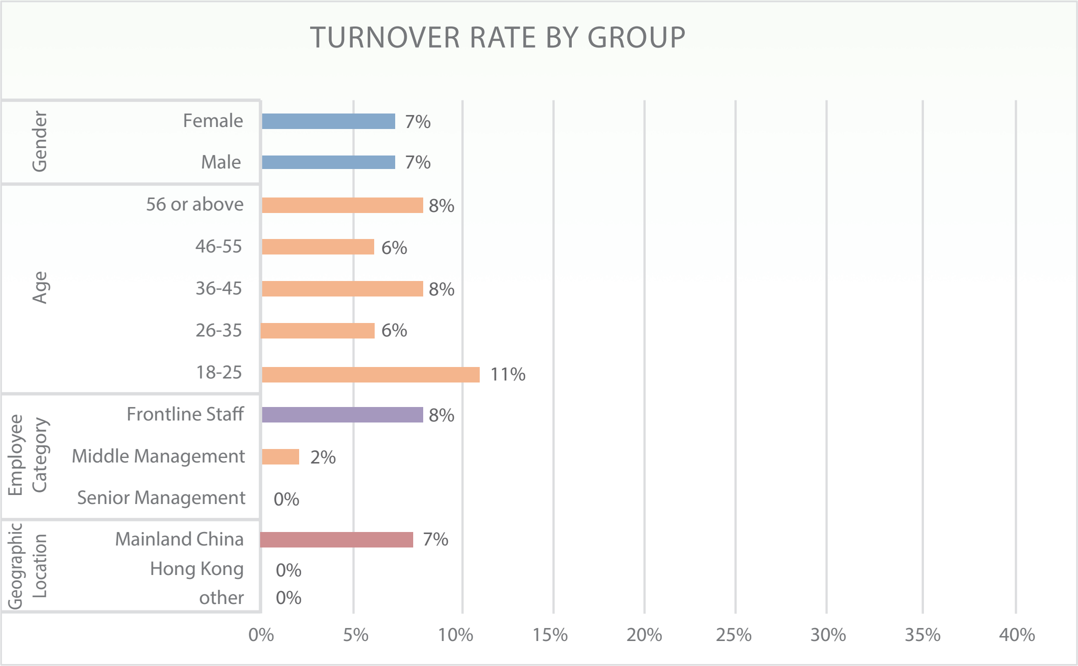


B. SOCIAL *(continued)*

B1. Employment *(continued)*

B1.2 Turnover Rate

A total of 27 employees left the Water Supply Companies, Dongshan Mall, and Headquarters during the Reporting Period, which is a relatively low turnover rate of 7%. All of those who left worked full time. The table below shows the turnover rate by gender, age group, employee category, and geographical region.



Remuneration and Benefits

The Group complies with all applicable employment and labour laws of the PRC and Hong Kong. Competitive remuneration, promotion opportunity, compensation and benefit packages are offered to attract and retain talents. Policies on remuneration and welfare of employees are reviewed, approved, implemented, and executed by various departments to ensure the returns provided are fairly set, based on employees' performances, duties, and market values. Employees are entitled to discretionary bonus, mandatory provident fund, compensation salary, medical insurance (with provision of free annual body check and gynaecology check-up), short term health insurance, accident insurance, directors and officers liability insurance, and the basic social welfare in Mainland China (including pension, housing fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance). The Group also joined the workers' inpatient and medical assistance programme offered by the Guangdong Workers Security Benefit Association. Additional subsidies are provided to specialised workers (such as electricians, welders, fitters and laboratory technicians), night-time workers, and workers who have their regular meals delayed due to shift work. On top of the statutory holidays and leaves, various types of paid leaves including annual leave, sick leave, maternity leave, paternity leave, and compassionate leave are provided.

B. SOCIAL *(continued)*

B1. Employment *(continued)*

B1.2 Turnover Rate (continued)

Awards and Penalty System

The Group believes that awards presentation is a means to show recognition and appreciation to employees. One-off rewards are presented to employees with a positive working attitude, while outstanding awards are presented quarterly and annually to high-performing employees. These provide employees a sense of accomplishment and satisfaction at work. On the other hand, disciplinary action may be imposed if an employee has committed an act of serious misconduct or unacceptable behaviours.

Equal Opportunity

Equal opportunities are given to employees at all stages, including recruitment, training and development, job advancement, and compensation and benefits, in accordance with the implementation method on internal competition set out by the Group. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws in the PRC and Hong Kong. To make the workplace more inclusive, there are accessible roads and pathways designed and built for the Group's employees with disabilities.

Employment Communication

The Group encourages equal communication between frontline staff and the management, and promotes harmonious relationships in the workplace. In terms of responsible parties for boosting such relationships, the Human Resources Department takes part in enhancing communication among employees, protecting labour's welfare, and dealing with complaints. The Water Supply Companies have also established Labour Unions, set up according to the Trade Union Law of the PRC and the Chinese Trade Union Constitution of the PRC. They aim to promote productivity, gather, unify and invigorate workforce, and establish a bridge for communication within the Group. The Group's policies and important announcement are circulated among employees through the intranet, notice boards and meetings.

In terms of other opportunities and events for co-workers to establish ties, there is a basketball court near the water plant of Taihe Company for employees to bond with each other outside of workplace. Employees are also signed up for various sports activities and competitions organised by the Qingxin District of Qingyuan regularly such that they could cooperate on more occasions. Christmas parties, annual dinners and meetings, hiking and sports activities, boat trips, celebration of the Party anniversary, knowledge competition, and exchange activities, etc. are arranged and held at least once a year to enhance the sense of belonging and promote cordial relationships among employees. This has contributed to the relatively low turnover rate of the Group.

B. SOCIAL *(continued)*

B1. Employment *(continued)*

B1.2 Turnover Rate *(continued)*

COVID-19 Response

Under the outbreak of the coronavirus disease, the Headquarters and Water Supply Companies had maintained all normal business operations. There had been no corporate downscaling, no termination of employees, and all salary and wages were paid to employees without interruption.

B2. Occupational Health and Safety

The Group complies with all applicable occupational health and safety (OHS) laws and regulations of the PRC and Hong Kong. See below for a list of occupational health related laws and regulations:

- Labour Law
- Labour Contract Law
- PRC Law on The Prevention and Control of Occupational Diseases

The Group is committed to equipping employees with proper personal protective equipment, delivering OHS knowledge, and providing trainings to employees in accordance with national standards, especially in the Water Supply Companies where accidents would most likely happen.

To ensure safety in water supply operations, a safety management system has been established with a designated person-in-charge. The goal is to achieve zero occupational disease incidents in the workplace. Employees who work with hazardous materials, chemicals, toxic substances, and radioactive sources are required to undergo body checks before and during their work period. If an employee is diagnosed with an occupational disease, they are immediately transferred to a job that does not expose them to the relevant risks. Employees who work under high temperatures are provided with a high-temperature subsidy in accordance with statutory heatstroke prevention and cooling measures. A Production Safety and Accidents Emergency Plan is available for both production-related and non-related accidents, including natural disasters, water pollution and contamination, pipe network destruction, war, and terrorist activities. Through training and drills, employees are made aware of potential risks, hazards, and actions to take in case of an accident. To ensure that fire extinguishers work properly, internal fire safety inspections are conducted annually, and water tanks are locked to prevent unauthorised access. Policies for the management of precursor chemicals, such as hydrochloric acid, and rules for storing them are posted in conspicuous locations. Storage areas containing explosives, such as chlorine dioxide, are equipped with gas detectors and surveillance cameras to prevent explosions and unauthorised access.

In Dongshan Mall, fire extinguishers are placed at various locations according to local laws and regulations and escape routes are clearly indicated. All fire service installation and equipment regulations are ensured to be in service at the premise. Inspections are also carried out regularly to make sure that the equipment can function properly.

In some offices, the Group places plants around the work area to enhance indoor air quality. In addition to maintaining a safe and healthy work environment, the Group ensures that employees have manageable workloads, and promotes two-way communication through open office spaces and regular team meetings to prevent over-stress among employees.

B. SOCIAL *(continued)*

B2. Occupational Health and Safety *(continued)*

COVID-19 Measures

Ever since the outbreak of the coronavirus disease, the Group had been highly cautious and closely following governmental guidelines. To monitor the most up-to-date situations of infection cases and release important information and guidelines to its employees, the Group had established a task force that identifies and avoids any risks that would threaten the health of employees. Arrangements that the taskforce had made include,

- Remote work arrangements
- Regular disinfection in offices, production areas, canteens, if applicable
- Requested employees who showed symptoms to seek medical assistance and avoid going to office
- Strengthened health surveillance measures, such as, measuring body temperatures
- Sourced and provided anti-virus supplies, such as surgical masks, sanitisers
- Monitored infection information in surrounding communities
- Recorded contact information of visitors

B2.1 Work-related fatalities and injury

Occupational Health and Safety Data in 2022	
Work related fatality	0
Fatality rate	0%
Work injury cases >3 days	2
Work injury cases ≤3 days	0
Lost days due to work injury	27
Occupational Health and Safety Data in 2021	
Work related fatality	0
Fatality rate	0%
Occupational Health and Safety Data in 2020	
Work related fatality	0
Fatality rate	0%

B. SOCIAL *(continued)*

B3. Development and Training

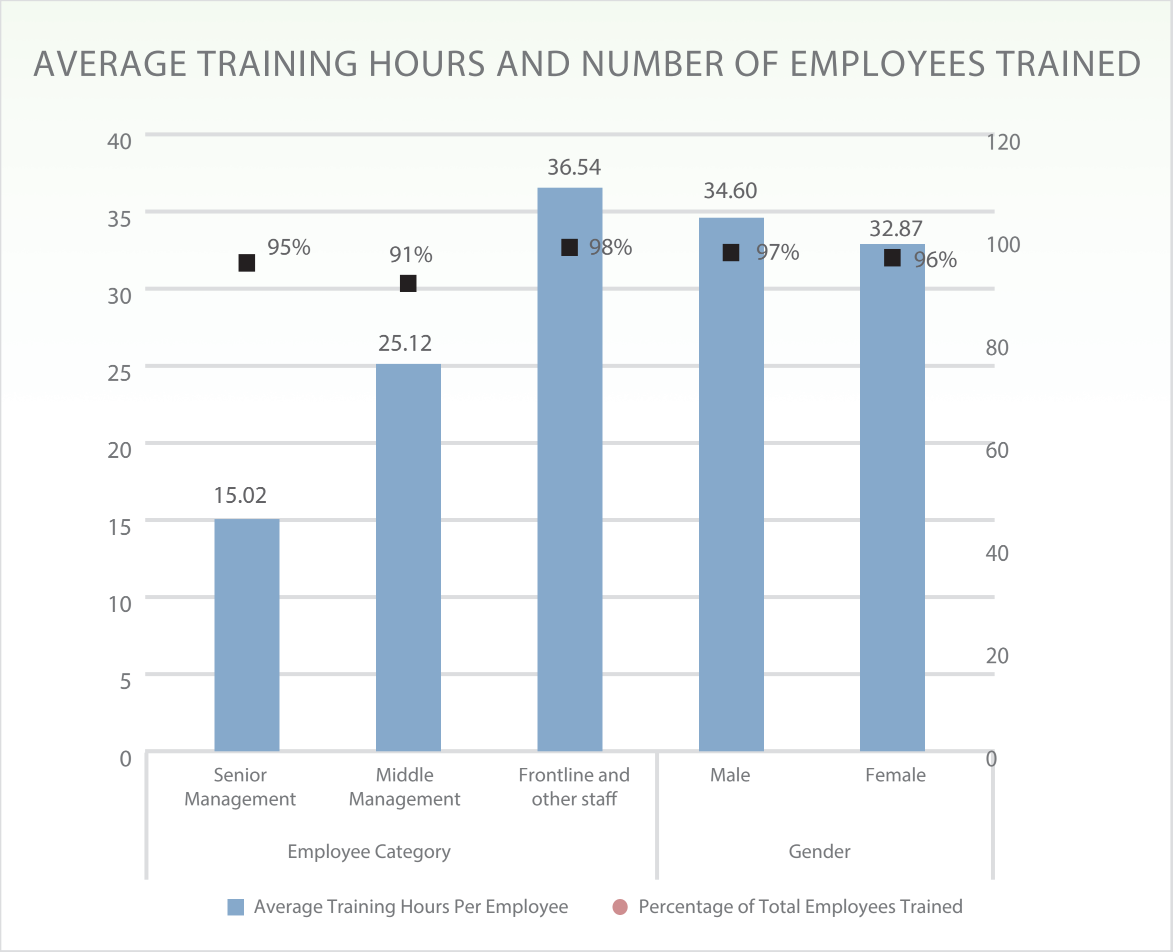
The Group believes that training serves useful purpose in employees' continuous development and work efficiency enhancement. Hence, comprehensive training is provided for the Group's employees. To ensure that every employee meets standards of safe and quality production, employees are only allowed to work after passing examinations in training (such as induction, specialised and new technologies training). The Group also conducts annual safety examinations to ensure that employees meet the required safety standards. Upon completion of training, employees are encouraged to provide feedback on the training and to propose future development plans.

Types of training	Description
Induction training	• Familiarise newly recruited employees with the Group's work environment • Introduce background information, culture, regulations, and code of the Group • Include topics on basic safety knowledge, operation procedures and protective equipment
Internal training	• Provide employees with duty-related training • Include topics on management, mergers and acquisition, general operation, plant management, and customer services
External training	• Strengthen employees' skills by external organisations • Include topics on office management, office secretary, human resources management and financial management
Transferal training	• Assist employees to transfer from one position to the other with relevant skills
Specialised training	• Provide laboratory technicians, electricians, welders, lifting machines operators and mobile machinery operators with professional safety skills and knowledge
Training for New Technologies	• Train employees on operation procedures of the newly introduced technologies, processes, products and equipment
Personal Development training	• Encourage employees to participate external training for self-development

B. SOCIAL *(continued)*

B3. Development and Training *(continued)*

During the Reporting Period, the Water Supply Companies, Dongshan Mall and Headquarters delivered training to 97% of its employees, each receiving 34.06 hours of training on average.



B. SOCIAL *(continued)*

B4. Labour Standard

In pursuance of the Labour Law of the PRC and the Employment Ordinance of the Laws of Hong Kong, there is no child nor forced labour in the Group's operation. If child labor is discovered, the Group will immediately terminate the employment and conduct an investigation to identify breaches. Corrective measures will be implemented accordingly to prevent the recurrence of the incident. The Group strictly abides by the guidelines of recruitment procedures in the employees' handbook. During recruitment process, the Human Resources Department authenticates employee candidates' identity cards, educational certificates, employee registration forms and photos, and does background check prior to establishing any formal employment relationships. Candidates or employees providing false certificates are in breach of the Group's policies and can be dismissed without any compensation. No non-compliance with relevant laws and regulations regarding labor standard was found during the Reporting Period.

2. Operational Practices

Considering that the Group's activities are primarily service-based, the user experience and the protection of user data are of top priorities, regardless of the water supply service or property leasing. Since the Group's operations serve as providers to different communities, the management of the supply chain and services is fundamental to the success of the Group's operations. To maintain an efficient internal operation, it is necessary that briberies and dishonesties do not exist in the Group. The Group also performs charitable acts in order to repay local communities. All operating practices of the Group followed laws and regulations and no non-compliance was found during the Reporting Period. Together with its investment in local communities, the Group hopes to establish itself as a Group that carries great corporate social responsibility.

B5. Supply Chain Management

B5.1 Suppliers by Geographical Region

The Group has an organised procurement system to ensure smooth production and operation, and to optimise allocation of resources and continuous improvement of the system. During the Reporting Period, the Group worked with 73 major suppliers from different provinces in Mainland China.

B5.2 Practices Relating to Engaging Suppliers

Procurement is conducted by tendering. Procurement items are first reviewed and approved by the Management Committee before tendering. Tender documents are then prepared by the Procurement Department, audited by the Management Committee and reviewed by the Legal Department. At least three written quotations are obtained to support procurement decisions. Quotations are kept in record. Procurement contract will be established with successful tenders and signed by the legal representative from the operation. Successful tenders are required to provide a third-party testing report or a sample report of the purchased item.

The Management Committee reviews and evaluates suppliers annually to produce a list of qualified suppliers and a blacklist of substandard suppliers. Inspections are conducted to assess suppliers' licenses, storage environment, equipment, and hygiene. All items and materials procured shall meet health and safety requirements, and priority is given to energy efficient equipment when purchasing new equipment. The Group is exploring on how more environmental and safety aspects may be added into the scope of considerations for choosing suppliers.

B. SOCIAL *(continued)*

B5. Supply Chain Management *(continued)*

B5.3 Practices Used to Identify Environmental and Social Risks Along Supply Chain

To identify environmental and social risks along the supply chain, the Group organises random site visits to its suppliers. During these inspections, the Group shall assess the quality, equipment, licenses, and other aspects of raw material procurement by the supplier and determine whether there are any environmental or social risks. Furthermore, the Group may require suppliers to furnish their past projects and relevant qualification certificates during the screening process to ensure their sustainability performance meets the Group's standards.

B5.4 Practices Used to Promote Environmentally Preferable Products

To promote the use of environmentally preferable products and services among suppliers, the Group has required its suppliers to procure raw materials that have met national water, hygienic, and environmental standards. When selecting suppliers, priorities are given to major brand suppliers that provide high quality products with full qualifications. The Group ensures to procure from suppliers that strictly complies to the national environmental protection policies.

B6. Product Responsibility

As the main products delivered by the Group are water services, and property leasing services for recreational use, the extent of people who are involved in the Group’s production is large. Hence, the Group is serious about its service quality, data security, and other issues that may impact on customer-experience. There was no non-compliance with laws and regulations relating to health and safety, advertising, labelling, and methods of redress of products and services during the Reporting Period. See below for a list of relevant laws and regulations:

- Criminal Law
- Advertising Law
- Cyber Security Law
- Provisions on Protecting the Personal Information of Telecommunications and Internet Users

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.1 Water Supply Quality and Safety

In terms of the quality of water supply for the users in Qingxin, providing safe water for users' consumption is always the Group's top priority. All water undergoes strict inspection and conform with the Standards for Drinking Water Quality (GB5749-2006), Water Quality Standards for Urban Water Supply (CJ/T206-2005), the Regulations on the Management of Water Resources in Guangdong Province, and the the Metrology Law of the People's Republic of China.

To achieve that, the Water Supplies Companies strictly implement the water quality three-tier testing system , which includes the production process testing of the water plant, the laboratory test, and the water quality test conducted by third-party companies. The Water Supplies Companies also carry out laboratory tests for raw water (12 parameters), supply water (13 parameters) and pipe network water (13 parameters) each day. Weekly/biweekly laboratory tests are also conducted for raw water (18 parameters), supply water (20 parameters) and pipe network water (20 parameters); and monthly laboratory tests are conducted for surface water (41 parameters), raw water (74 parameters), supply water (78 parameters) and pipe network water (78 parameters). Supply water must also pass the half-yearly laboratory tests (106 parameters) carried out by qualified water quality testing laboratories. All water supply are under the supervision and testing of relevant government departments such as the Disease Prevention and Control Centre of the Qingyuan City, and issued water quality announcement on a regular basis through WeChat public account.

As a number of chemicals, including PAC, hydrochloric acid, sodium chlorate and sodium hypochlorite, are used in the water treatment for flocculation, pH adjustment, disinfection and purification, relevant specifications and guidelines are followed carefully, and chemicals are stored and bunded properly if necessary. Input of chemicals during the treatment process is conscientiously controlled and monitored through obtained real-time data of chemical input in different treatment processes. Chemical spillage contingency plan is in place and emergency drills for chemical spillage are organised regularly. This ensures that the water supplied to citizens of the District are completely safe from substances that might jeopardise users' health.

The operations of the Water Supply Companies do not involve any shipping and recalls.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.2 Property Safety

In order to guarantee the safety of Dongshan Mall in the event of a fire, fire safety equipment, including fire extinguishers, which are strategically located throughout the premises, undergo regular inspections to ensure they function properly in case of a frie. Additionally, escape routes are clearly demarcated and illustrated on all levels of the mall, and any obstructions in areas where fire shutters are located are strictly prohibited. Furthermore, to ensure adequate air circulation within Dongshan Mall, a ventilation system has been installed to maintain high indoor air quality.

The Group endeavours to create an enjoyable shopping experience for customers and provide tenants with adequate visitor traffic at Dongshan Mall. In pursuit of this goal, the mall management ensures a pleasant environment by prioritizing safety measures and maintaining the stability of essential utilities such as water and electricity. Furthermore, Dongshan Mall is subject to regular inspections, maintenance, and upgrades as necessary to maintain its standard. During festive seasons, the mall is decorated to attract visitors and enhance their shopping experience.

In light of the pandemic situation, Dongshan Mall provided rent reductions to its merchants during the Reporting Period as a measure to alleviate their financial burden.

The operation of Dongshan Mall does not involve any shipping and recalls of products.

B6.3 Customer Service

To maintain quality of service, the Group attaches high importance to communication with end-users. The Group does this by regularly sharing the latest news on social platforms. Not only is the public informed of the Group's recent developments through its official website on a regular basis, during incidents of emergency (such as sudden cut-off of water supply), but the public is also updated via text messages and social network platforms.

Apart from allowing the public to understand the Group's recent plans and initiatives, to create a two-way communication, channels are also provided for end-users to voice their opinions and raise complaints. Enquiries and complaints can be raised through the government hotline, the Water Supply Companies' direct line, WeChat public accounts, suggestions collection boxes, and receptions at the plants' operation centres. The Water Supply Companies had recorded 59 requests or complaints regarding water supply, water pressure, water meters, and other relevant issues in the Reporting Period. All complaints have been followed up and resolved.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.3 Customer Service (continued)

In Dongshan Mall, staff always try to respond to shoppers' queries and tackle any raised issues promptly. Tenants can call the property management company if there are any problems and they will be followed up promptly.

There is also a service quality assessment programme which aims to strengthen the overall quality management system and evaluate service quality of different service units in a more effective manner. Quantitative targets such as targets regarding the total number of complaints, percentage of user satisfaction, and percentage of replies with respect to hotline enquiries have been set to improve service performances.

B6.4 Intellectual Property ("IP")

Employees acknowledged and agreed in the employment contract that any IP rights of the Group shall belong solely to the Group. These include, any patent, trade mark, service mark, design right, domain name, trade or business name, copyright and / or all other rights or forms of protection of a similar nature or having equivalent or similar effect; and is applicable for any rights created, developed, existing, arising, or performed by employees for their duties, in any parts of the world. In cases when such IP rights are vested or accrued, in or to employees, such IP rights shall be immediately transferred from the employees to the Group, appointing the Group as their attorney to take any action, including executing and/or delivering any documents (whether under hand or under seal) necessary or desirable to give effect to the transfer. There was no material non-compliance with laws and regulations relating to IP during the Reporting Period.

B6.5 Information Security

A confidentiality contract that is designed to protect the data and information privacy of both the Group and the Group's customers would be signed by employees upon their commencement of work with the Group.

By signing the confidentiality contract, employees acknowledge and agree to maintain the confidentiality of sensitive information, including trade secrets, and to prevent any unauthorised access, use, publication, or disclosure of such information related to the business and finance of the Group. All documents, computer software, computer hardware, computer files, hard copy files, models or samples made or compiled by employees during their employment and pertaining to the business, finance or affairs of any subsidiary in the Group are the exclusive property of the Group and shall not be removed from the premises without prior written approval. Data collected shall be kept in the files room, and shall not be disclosed to any third party under any circumstances. Any breach of the confidentiality undertakings by employees may result in disciplinary actions, including summary dismissal. The confidentiality contract also extends to customer information, which is protected by a designated information security team. Access to sensitive and personal information is restricted to designated personnel, and firewalls are installed to ensure secure online browsing.

For Dongshan Mall specifically, no personal information of shoppers is collected. Therefore, there is not any additional concerns regarding data protection matters that shall be noted.

There was no material non-compliance with laws and regulations relating to data protection during the Reporting Period.

B. SOCIAL *(continued)*

B7. Anti-corruption

The Group is committed to managing all businesses without undue influence and regards honesty, integrity, and fairness as its core values. All directors and employees are required to strictly follow the Group's policy to prevent potential bribery, extortion, fraud, and money laundering. The Group also established a guideline for employees in the Procurement Department that prohibits them to obtain improper interests, rebate, or benefits from suppliers. Anti-corruption is one of the elements incorporated in the Group's training for employees.

The Group has a whistle-blowing policy for employees to raise possible improprieties. Concerns raised under the procedure will be taken seriously and the confidentiality of employees raising concerns will be respected until formal investigation starts. Thereafter, the identity of the person who has raised the concern may be divulged only in the interest of conducting a fair and thorough investigation. Upon receiving any report, the Chairman/Chief Executive or his designate has the power to conduct an initial investigating meeting and discuss the concerns raised and seek to establish the facts and further actions to be taken. In the case of any concern raised against the Chairman/Chief Executive, the employee can raise any concern with any independent non-executive Directors. The Board will be responsible for monitoring, producing, and publishing results, and undertaking periodic revisions.

The Group complies with all applicable laws on prohibiting corruption and bribery of the PRC and Hong Kong. There were no concluded legal cases regarding corrupt practices brought against the Group nor its employees during the Reporting Period.

In order to enhance the anti-corruption awareness and level of employees, during the Reporting Period, the directors and employees of the Company received anti-corruption training on relevant laws and regulation and business ethics etc.

	Number of employees trained	Average training hours
Directors	7	1
Employees	240	2.45

B8. Community Investment

While the Group does not have a formal policy on community engagement, as a public utility, it remains committed to improving the quality of life in the region it serves. In light of the outbreak of the coronavirus disease, the Group did not organize any communal events during the Reporting Period. However, the Group is attuned to global environmental and social movements and endeavors to respond in a positive manner whenever possible.

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the principal subsidiaries are set out in note 44 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2022, and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report.

Discussion on key relationships with stakeholders of the Group is set out in the session headed "Chairman's Statement", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" of this Annual Report. The above sections form part of this report of the Directors.

Environmental policies and performance

For the year ended 31 December 2022, the Group's business operation made continuous effort in minimizing damage to the environment, conserving water resources, and ensuring quality and stable water supply to the community. No non-compliance in relation to environmental and social aspects was recorded. Engagement with stakeholders has resulted in raised concerns on key material issues, which include (i) water at source, (ii) occupational health and safety, (iii) customer data protection, (iv) customer service and (v) water supply quality and safety. These aspects had already been managed by the Group and the Group will continue to keep close communication with its stakeholders for advancing its environmental, social and governance management.

Compliance with law and regulations

The Group has ongoing review and continues to update the newly enacted laws and regulations in various countries affecting the business and operation of the Group, particularly in Hong Kong and the PRC. During the year ended 31 December 2022 and up to the date of this annual report, the Group was not aware of any non-compliance with laws and regulations that has significant impact relating to relevant law and regulations in Hong Kong and the PRC in all respects.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Company and of the Group at 31 December 2022 are set out in the consolidated financial statements on pages 82 to 166.

No interim dividend was declared and paid during the year (2021: HK$Nil).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (2021: HK$Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 168. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment in the amount of HK$39,070,000 during the year.

Details of movements in property, plant and equipment and prepaid land lease premium of the Group during the year are set out in notes 13 and 14 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

At 31 December 2022, the investment properties of the Group were revalued by independent valuers on an open market value basis at HK$656,381,000.

Details of movements in investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

At 31 December 2022, the Group has secured bank loan and unsecured loan from a third party in the amount of HK$949,952,000. Details of bank and other borrowings are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 32(a) to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in note 34 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2022.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the year ended 31 December 2022 and as at the date of this report were:

Executive Directors:

Chen Jinyang (Chairman and Chief Executive Officer)
Zhu Fenglian
Zhang Haimei

Non-Executive Director:

Xuan Zhensheng

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi
Chao Pao Shu George

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and top five highest paid individuals of the Group are set out in note 7 to the consolidated financial statements.

PENSION

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement scheme organised by the PRC Government. The PRC subsidiaries are required to contribute a certain percentage of payroll to the retirement scheme to fund the benefits. The only obligation of the PRC subsidiaries with respect to the retirement scheme is the required contributions under the retirement scheme.

As at 31 December 2022 and 2021, no forfeited contribution is available to reduce the contribution payable in the future years.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into during the year or subsisting at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests or short positions of the Directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:–

Name of directors	Interests in ordinary shares		Total interests in ordinary shares	Total interests in underlying shares (note 1)	Aggregate interests	% of the Company's issued share
	Personal interests	Corporate interests				
Ms. Zhu Fenglian (note 1)	—	1,561,140,000	1,561,140,000	—	1,561,140,000	28.32%

Notes:

1. Ms. Zhu Fenglian ("**Ms. Zhu**") is deemed to be interested in the 1,561,140,000 shares attributable to Ms. Zhu and her controlled corporation, Affluent Vast Holdings Limited ("**Affluent Vast**"), Ever City and Eastcorp International Limited ("**Eastcorp**"). For more details on the deemed interest of Ms. Zhu, Affluent Vast and Ever City, please refer to Note 1 to the section headed "Persons who have an Interest or a Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholding".

2. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2022.

Save as disclosed above, so far as the Directors are aware as at 31 December 2022, none of the Directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The Directors confirmed that as at 31 December 2022 and For the year ended 31 December 2022:–

(i) the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings according to the Model Code; and

(ii) all the Directors complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 31 December 2022, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or who have direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:–

Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City (note 1)	Beneficial owner and interest in controlled corporation	1,561,140,000	28.32%
Ms. Zhu Fenglian (note 1)	Interest in controlled corporation	1,561,140,000	28.32%
Affluent Vast (note 1)	Interest in controlled corporation	1,561,140,000	28.32%
Eastcorp (note 1)	Beneficial owner	600,000,000	10.88%
Wang Yingqi (note 2)	Interest in controlled corporation	550,020,000	9.98%
GPE Guangzhou (note 2)	Interest in controlled corporation	550,000,000	9.98%
GPE HK (note 2)	Beneficial owner	550,000,000	9.98%

Notes:

1. Ms. Zhu, Affluent Vast and Ever City are deemed to be interested in 1,561,140,000 shares of the Company, representing 28.32% of the total issued share capital of the Company, which comprises (a) 961,140,000 shares directly held by Ever City; and (b) 600,000,000 shares held by Eastcorp. Ever City is wholly and beneficially owned by Affluent Vast. Affluent Vast is wholly and beneficially owned by Ms. Zhu. Therefore, Ever City is deemed to be a controlled corporation of Affluent Vast and Ms. Zhu. Eastcorp is wholly and beneficially owned by Ever City. Therefore, Eastcorp is deemed to be a controlled corporation of Ever City, Affluent Vast and Ms. Zhu.

2. According to the disclosure of interest ("**DI**") filings, (a) Global Pay Easy (Hongkong) Technology Limited ("**GPE HK**") was interested in 550,000,000 shares of the Company, representing 9.98% of the total issued share capital of the Company; (b) GPE HK was wholly owned by Global Pay Easy Technology Company Limited ("GPE Guangzhou"), which was in turn 85% owned by Wang Yingqi ("**Ms. Wang**") and Ms. Wang was personally interested in 20,000 shares of the Company.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 December 2022, no other persons had notified the Company of any interest or short position in the shares or underlying shares of equity derivatives of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or any direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, as at 31 December 2022, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision that provides for indemnity against liability incurred by directors and chief executives of the Group is currently in force and was in force throughout the year ended 31 December 2022.

SHARE OPTION SCHEMES

The GEM share option scheme adopted by the Company on 12 October 2001 (the "**GEM Share Option Scheme**") prior to the Company's listing in October 2001 was terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. After its termination, no further share option can be granted under the GEM Share Option Scheme. As at the date of this report, no option remained outstanding under the GEM Share Option Scheme. No option was granted, exercised, cancelled or lapsed under the GEM Share Option Scheme during both the current fiscal year and last fiscal year.

The Board adopted a share option scheme (the "**2010 Share Option Scheme**") at the Company's extraordinary general meeting held on 12 August 2010. A summary of the principal terms of the 2010 Share Option Scheme can be found on pages 9 to 19 of the Company's circular dated 19 July 2010. On 11 August 2020, the 2010 Share Option Scheme lapsed and no option can be granted thereunder any further. At the time of lapse of the 2010 Share Option scheme, no option had remained outstanding.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") on 15 January 2021 (the "**Adoption Date**"). The major terms of the Share Award Scheme disclosed in accordance with the Listing Rules are as follows:

1. Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are to (a) recognize the contributions by certain Eligible Participants and to give incentives thereto in order to retain them for the continuing operation, growth and development of the Group; (b) attract suitable personnel for further development of the Group; (c) to provide the Eligible Participants with an opportunity to acquire interest in the Company; and (d) align the interests of the Grantees with the long-term performance of the Company through the ownership of Shares.

2. (a) Participants and operation of the Share Award Scheme and (b) Vesting of awards and vesting period

Pursuant to the Share Award Scheme, The Administration Committee shall from time to time, subject always to the Scheme Rules, at its absolute discretion select any employee(s) (whether full-time or part-time), directors, officers, consultants, agents or advisers of the Group, (excluding any Excluded Participant) for participation in the Scheme as an Eligible Participant and determine the number of Awarded Shares to be granted to each of the Grantees and impose Vesting Conditions (including the vesting periods) on any Award or Grantee. The following categories of persons (the "**Excluded Participants**") are excluded from the eligibility to participate in the Scheme, namely: (a) persons who are resident in places where the grant, acceptance or vesting of an Award pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where, in the view of the Administration Committee or the Trustee (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual; and (b) Directors, Insiders and their respective close associates.

Astrum Capital Management Limited was appointed as a trustee of the Share Award Scheme. Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions, the Award Shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the Award Shares to such selected participant.

3. Total number of shares available for awards

No further award of Awarded Shares may be made which will result in the aggregate number of the Shares awarded under the Scheme to exceed ten percent (10%) of the issued share capital of the Company as at the Adoption Date (the "**Scheme Limit**"). For the purpose of determining whether the Scheme Limit (or its refreshment) is exceeded, Shares awarded but cancelled or lapsed shall not be counted. The Scheme Limit may be refreshed from time to time by a resolution of the Board (the "**Refreshment Approval**"), but the aggregate number of the Shares awarded under the Scheme following the Refreshment Approval shall not exceed ten percent (10%) of the issued share capital of the Company as at the date of the Refreshment Approval. For the purpose of determining whether the Scheme Limit so refreshed is exceeded, Shares awarded prior to the Refreshment Approval (including those cancelled, lapsed and/or not yet vested) shall not be counted.

4. Maximum entitlement of each participant

No Shares shall be purchased or subscribed pursuant to the Scheme, nor any amounts paid to the Trustee for the purpose of making such a purchase or subscription, if the number of Shares held and administered under the Scheme as a result of such purchase or subscription shall exceed ten percent (10%) of issued share capital of the Company as at the date of such purchase or subscription of Shares.

Unless specifically approved by a prior resolution of the Board, the maximum number of Shares which may be awarded to any Grantee in any twelve (12) months period shall not in aggregate exceed one percent (1%) of the issued share capital of the Company as at the Adoption Date or the latest date of the Refreshment Approval, as the case may be (the "**Individual Limit**").

5. Remaining life of the Share Award Scheme

The Share Award Scheme shall be valid and effective during the period commencing on the Adoption Date and ending on 31 December 2035, provided that no further Awards shall be granted after 31 January 2032 and no Vesting Date can be fixed beyond 31 December 2035 for Awards. As at the date hereof, the Share Award Scheme has a remaining life of 12 years and eight months.

For further details, please refer to the Company's announcement dated 15 January 2021.

For the year ended 31 December 2022, the trustee of the Share Award Scheme purchased 630,000 (2021: 17,610,000) shares from the open market at the aggregate consideration of HK$86,000, but no shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme.

CONNECTED TRANSACTIONS

As disclosed in Note 31 to the consolidated financial statements, as at and throughout the year ended 31 December 2022, the Group had certain banking facilities which were not only secured by land charges, and investment properties, pledge of trade receivables, pledge of equity interest in the Group's subsidiaries and intra-group corporate guarantees, but also guaranteed by the following connected persons or associates of the Company (the "**Guarantee by CP**"), namely: Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse, and the non-controlling shareholders of subsidiaries. Since the Guarantee by CP is conducted on normal commercial terms or better to the Company, no consideration is required to be paid by the Company for the Guarantee by CP and the Guarantee by CP is not secured by any assets of the Company or its subsidiaries, the Guarantee by CP is fully exempt under Rule 14A.90 from all disclosure, annual review, circular and shareholders' approval requirements of the Listing Rules.

On 25 May 2021, UTCHL, a wholly owned subsidiary of the Group, and Ms. Zhu entered into the Acquisition Agreement, pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of the Target Companies for a total cash consideration of HK$36,500,000. Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of the Target Companies were legally and beneficially owned by Ms. Zhu. Ms. Zhu, is an executive Director of the Company. Ever City (a controlled corporation of Ms. Zhu) is a substantial shareholder of the Company interested in, directly and indirectly through Eastcorp, 1,561,140,000 Shares, representing approximately 28.32% of the issued share capital of the Company. As Ms. Zhu is a connected person of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Acquisition is conducted on normal commercial terms or better and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are all less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the Acquisition 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. The acquisition was completed on 3 November 2021. Further details regarding the acquisition were disclosed in the Company's announcements dated 25 May 2021 and 3 November 2021.

COMPETITION AND CONFLICT OF INTERESTS

During the year and up to the date of this annual report, to the best knowledge of the directors, none of the directors had any interests in businesses that compete or are likely to compete, either directly or indirectly, with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 12% of the total sales for the year and sales to the largest customer included therein amounted to approximately 5%. Purchases from the Group's five largest suppliers accounted for approximately 8% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 6%.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

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. Securities purchased by the trustee of the Share Award Scheme during the year were disclosed in the section headed "SHARE AWARD SCHEME" above.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 23 to 39 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements For the year ended 31 December 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control, risk management and financial reporting matters.

AUDITOR

A resolution to re-appoint the retiring auditor, PKF Hong Kong Limited, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Chen Jinyang
Chairman

Hong Kong, 30 March 2023

PKF

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Universal Technologies Holdings Limited and its subsidiaries (together the "Group") set out on pages 82 to 166, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<u>**Impairment assessment of non-financial assets of water supply and related services segment**</u> Refer to note 19 to the consolidated financial statements. We identified the impairment assessment of non-financial assets of the water supply and related services segment as a key audit matter. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and application of significant judgement. In the impairment review, management has concluded that an impairment loss of HK$33,134,000 is considered necessary for the year. This conclusion was based on a value-in-use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth.	Our audit procedures in relation to management's impairment assessment included: — Obtain an understanding of the Group's procedures and method of estimation; — Re-calculate the estimation made by the management; — Review outcome of estimation made in prior period and management's judgements and decisions for possible management bias; — Evaluate whether the method of estimation and assumptions made are appropriate; — Test the data used by the management in the estimation; — Review subsequent events relevant to the estimation; — Evaluate the disclosures made by management; and — Evaluate the sensitivity analysis performed by the management on the key assumptions used in the impairment assessment and assess the potential impacts of a range of possible outcomes.

Valuation of investment properties

Refer to note 15 to the consolidated financial statements.

The Group holds a portfolio of investment properties in Hong Kong and the People's Republic of China (the "PRC") with an aggregate fair value of HK$656,381,000 which accounted for 26% of the Group's total assets at 31 December 2022.

The fair values of investment properties at 31 December 2022 were assessed by the directors based on independent valuations prepared by qualified external property valuer. The net fair value gain on investment properties of HK$1,260,000 recorded in the consolidated statement of profit or loss represented 1% of the Group's loss before income tax for the year ended 31 December 2022.

Our audit procedures in relation to management's fair value assessment included:

— Evaluate the external valuer' competence, capabilities and objectivity;

— Obtain an understanding of the valuation process and techniques adopted by the external valuer to assess if they are consistent with industry norms; and

— Obtain the valuation reports and discuss with the external valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data used by the valuer and check, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rates, market rent and market price, to the recent renewal of lease or sale transactions of the Group and of the market.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number: P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong, 30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	4	**349,000**	368,501
Cost of sales/services rendered		**(319,643)**	(320,151)
Gross profit		**29,357**	48,350
Other income and (losses)/gains	5	**(5,370)**	11,325
Impairment losses on non-current assets	13, 18	**(33,134)**	–
General and administrative expenses		**(84,853)**	(70,893)
Share of loss of a joint venture		**(2,717)**	(141)
Loss from operations		**(96,717)**	(11,359)
Finance costs	6(a)	**(53,824)**	(53,140)
Loss before income tax	6	**(150,541)**	(64,499)
Income tax (expense)/credit	8	**(13,015)**	3,626
Loss for the year		**(163,556)**	(60,873)
Attributable to: –			
Shareholders of the Company		**(104,068)**	(39,102)
Non-controlling interests		**(59,488)**	(21,771)
Loss for the year		**(163,556)**	(60,873)
Loss per share (in cents)	11		
– Basic		**(1.89)**	(0.71)
– Diluted		**(1.89)**	(0.71)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(163,556)**	(60,873)
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	**(66,932)**	28,672
Other comprehensive (loss)/income for the year, net of tax	**(66,932)**	28,672
Total comprehensive loss for the year	**(230,488)**	(32,201)
Total comprehensive loss attributable to:–		
Shareholders of the Company	**(164,662)**	(17,075)
Non-controlling interests	**(65,826)**	(15,126)
	(230,488)	(32,201)

Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**398,381**	450,423
Prepaid land lease premium	14	**23,686**	25,791
Investment properties	15	**656,381**	709,387
Right-of-use assets	16	**348**	4,761
Interest in a joint venture	17	**244,955**	268,172
Intangible assets	18	**189,370**	260,324
Goodwill	19	**11,328**	11,328
Statutory deposits for financial service business		**400**	400
Deposits paid for acquisition of investment properties	20	**198,100**	–
Deferred tax assets	9(a)	**11,358**	12,175
		1,734,307	1,742,761
CURRENT ASSETS			
Inventories	21	**14,783**	16,722
Debtors	22	**42,659**	56,691
Deposits, prepayments and other receivables	23	**16,502**	16,571
Fixed deposits		**137,706**	66,638
Pledged time deposit	24(a)	**149,422**	192,441
Cash and bank balances	24(b)	**426,788**	799,632
		787,860	1,148,695
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	31	**201,205**	217,849
Trade payables	25	**266,707**	272,454
Payable to merchants	26	**3,010**	3,021
Deposits received, sundry creditors and accruals	27	**146,301**	122,269
Contract liabilities	28	**15,873**	20,606
Lease liabilities	29	**338**	4,505
Amount due to a related company	30	**45**	49
Tax payable		**6,366**	2,053
		639,845	642,806
NET CURRENT ASSETS		**148,015**	505,889

Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,882,322**	2,248,650
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings	31	**748,747**	874,157
Lease liabilities	29	**38**	408
Deferred tax liabilities	9(a)	**48,382**	54,929
		797,167	929,494
NET ASSETS		**1,085,155**	1,319,156
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	32	**55,130**	55,130
Reserves	34	**902,963**	1,067,711
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**958,093**	1,122,841
NON-CONTROLLING INTERESTS		**127,062**	196,315
TOTAL EQUITY		**1,085,155**	1,319,156

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 30 MARCH 2023

ZHU FENGLIAN
DIRECTOR

CHEN JINYANG
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(150,541)**	(64,499)
Adjustments for:-			
Interest on bank deposits		**(7,878)**	(3,704)
Interest expenses on bank and other borrowings		**53,508**	52,656
Interest expenses on lease liabilities		**123**	237
Depreciation of property, plant and equipment		**40,554**	42,715
Depreciation of right-of-use assets		**4,355**	3,184
Amortisation of prepaid land lease premium		**755**	780
Amortisation of intangible assets		**52,070**	51,765
Loss on disposal of property, plant and equipment		**86**	79
Net increase in fair value of investment properties		**(1,260)**	(761)
(Reversal of impairment loss)/impairment loss on debtors		**(48)**	69
Impairment losses on non-current assets		**33,134**	—
Impairment loss on other receivables		**484**	2
Share of loss of a joint venture		**2,717**	141
Operating profit before working capital changes		**28,059**	82,664
Changes in working capital:			
Inventories		**852**	(978)
Debtors		**10,137**	(1,453)
Deposits, prepayments and other receivables		**(809)**	(2,552)
Bank balances – client accounts		**69,676**	(2,052)
Trade payables		**21,276**	77,062
Deposits received, sundry creditors and accruals		**27,513**	(7,875)
Contract liabilities		**(3,252)**	(6,121)
Cash from operations		**153,452**	138,695
Bank interest received		**7,590**	1,992
Tax paid		**(13,029)**	(12,051)
NET CASH FROM OPERATING ACTIVITIES		**148,013**	128,636

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(37,710)**	(33,471)
Proceeds from disposal of property, plant and equipment		**880**	2,092
Payments to acquire intangible assets		**(9,759)**	(7,660)
Deposit paid for acquisition of investment properties		**(198,100)**	—
Net cash outflow from acquisition of subsidiaries	35	**–**	(19,838)
NET CASH USED IN INVESTING ACTIVITIES		**(244,689)**	(58,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease/(increase) in pledged time deposit		**29,143**	(189,154)
Repayment to a third party		**–**	(566,256)
Proceeds from new bank loans		**145,120**	457,705
Other interest paid		**(54,868)**	(52,721)
Repayment of bank loans		**(205,433)**	(79,774)
Capital element of lease rentals paid		**(4,475)**	(3,111)
Interest element of lease rentals paid		**(123)**	(237)
Dividend paid to non-controlling shareholder of a subsidiary		**(3,427)**	(2,952)
Purchase of shares under share award scheme		**(86)**	(6,223)
NET CASH USED IN FINANCING ACTIVITIES		**(94,149)**	(442,723)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(190,825)**	(372,964)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(41,275)**	24,239
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**793,950**	1,142,675
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**561,850**	793,950
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**424,144**	727,312
Fixed deposits		**137,706**	66,638
		561,850	793,950

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Shares held under share award scheme HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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	**55,130**	**1,247,453**	**481**	**1,093**	**10,754**	**27,413**	**(6,309)**	**27,694**	**(405,616)**	**958,093**	**127,062**	**1,085,155**

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(c) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by revaluation of investment properties as explained in the accounting policies set out below.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated statement of profit or loss from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Basis of consolidation *(continued)*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and the liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. Income from subsidiaries is recognised in the Company's financial statements when the shareholder's right to receive payment is established.

(f) Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated statement of profit or loss and the consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the joint venture and the consolidated statement of financial position includes the Group's share of the net assets of the joint venture, as reduced by any identified impairment losses. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management that makes strategic decisions.

(h) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is also the Company's functional and presentation currency.

Foreign currency transactions of the Group are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period and the exchange differences arising are recognised in profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in profit or loss except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Such translation differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

(i) Property, plant and equipment and depreciation

Property, plant and equipment, including the right-of-use assets arising from leases of the underlying property, plant and equipment, other than construction in progress, are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated to write off the cost of property, plant and equipment less any estimated residual value, on a straight-line basis over their estimated useful lives as follows:–

Leasehold land	— unexpired term of the lease
Leasehold buildings	— 15 years – 47 years
Leasehold improvements	— Shorter of 5 years and the unexpired term of the lease
Plant and machinery	— 5 years – 20 years
Office equipment, computer and other equipment	— 5 years
Furniture and fixtures	— 3 years – 5 years
Motor vehicles	— 3 years – 5 years
Water pipelines	— 15 years – 20 years
Right-of-use assets – Leased properties	— Lease term on a straight-line basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings and water pipelines under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and ready for use.

Gain or loss arising from the retirement or disposal of a plant and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

(j) Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (Note 2(i)) and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(l) to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leases *(continued)*

As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group's right-of-use assets are not separately presented and are included under "property, plant and equipment", "investment properties", "prepaid land lease premium" and "right-of-use assets" while the lease liabilities are separately presented in the consolidated statement of financial position.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

The rental income from operating leases is recognised in accordance with note 2(ac) to the consolidated financial statements. When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease, the Group classifies the sub-lease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Intangible assets

Rights to operate water supply plants in the PRC under service concession arrangement

The Group acquired the rights to operate certain water supply plants in the PRC under service concession arrangement through business combination. The cost of the rights acquired in a business combination is fair value at the date of acquisition. Amortisation for the rights to operate certain water supply plants with finite useful lives is provided on straight-line basis over their estimated useful lives of 10 to 20 years. Both period and method of amortisation are reviewed annually.

SFC licenses

Licenses have indefinite useful lives and are carried at cost less accumulated impairment losses. The licenses have no foreseeable limit to the period over which the Group can use to generate net cash flows.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(n) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(o) Credit losses and impairment of assets

i. Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rate where the effect is material:-

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Credit losses and impairment of assets *(continued)*

i. Credit losses from financial instruments and contract assets *(continued)*

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable financial assets: current effective interest rate.

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

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

ECLs are measured on either the following bases:-

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

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Credit losses and impairment of assets *(continued)*

i. Credit losses from financial instruments and contract assets *(continued)*

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

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

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Credit losses and impairment of assets *(continued)*

i. Credit losses from financial instruments and contract assets *(continued)*

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

— significant financial difficulties of the debtor;

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

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

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

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

Written-off policy

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Credit losses and impairment of assets *(continued)*

ii. Impairment of other non-current assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(p) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are carried at the lower of cost and net realisable value as follows:–

– Water supply and related services

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value represents the estimated selling price less direct selling costs.

– Property development

The cost of properties under development comprises specifically identified cost, including the acquisition cost of land. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements

The Group entered into a service concession arrangement with government authority in Qingyuan, the PRC, on a build-operate-transfer ("BOT") basis under its water supply segment. The service concession arrangement generally involves the Group as an operator (i) constructing water supply plants for those arrangements on a BOT basis; and (ii) operating and maintaining the water supply plants at a specified level of serviceability on behalf of the relevant governmental authority for a period of 20 years from 21 November 2006 to 21 November 2026 (the "Service Concession Periods"), and the Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all the property, plant and equipment of the water supply plants, however, the relevant governmental authority as grantor will control and regulate the scope of services the Group must provide with the water supply plants, and retain the beneficial entitlement to any residual interest in the water supply plants at the end of the term of the Service Concession Periods.

The service concession arrangement is governed by a contract entered into between the Group and the relevant governmental authority in the PRC that sets out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the water supply plants to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

The Group recognises the consideration received or receivable in exchange for the construction services rendered as an intangible asset (Note 18) as the Group receives a right to charge users of the water supply service.

Service concession arrangements are accounted for as follows if:–

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangement is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements *(continued)*

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement are recognised at their fair value as a financial asset or an intangible asset.

A financial asset (loan and receivable) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out in note 2(m) to the consolidated financial statements.

Construction or upgrade services

Revenue and costs relating to construction and upgrade services are accounted for in accordance to HKFRS 15 "Revenue from contracts with customers". The Group recognises the construction revenue with reference to the fair value of the construction service delivered in the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin and borrowing rates. Consequently, the Group recognises a profit margin on the construction work by reference to the stage of completion and in accordance with the policy set out in note 2(r) to the consolidated financial statements.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy set out in note 2(ac) to the consolidated financial statements.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the water supply plants that it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the water supply plants are recognised and measured in accordance with the policy set out in note 2(ab) to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Construction revenue is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(s) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(o)).

(t) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(o) to the consolidated financial statements.

(v) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(w) Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, initially measured at fair value plus transaction costs and subsequently measured at amortised cost, unless they are initially and subsequently measured at fair value. Financial liabilities are de-recognised when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liabilities de-recognised and any consideration paid is recognised in profit or loss.

(x) Interest-bearing borrowings and borrowing costs

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Income tax

Income tax expense for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(l) to the consolidated financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(aa) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ac) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excluded value added tax or other sales tax and is after deduction of any trade discounts.

When the Group has implemented the performance obligation in the contract, namely, when the customer acquires controls over relevant goods or services, revenues will be recognised as per transaction prices allocated to such performance obligation. Performance obligation represents the Group's commitment to transfer distinct goods or services to the customer in the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

For performance obligations to be satisfied over time, the Group recognises revenue over time by measuring the progress towards completion if one of the following criteria are met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ac) Revenue and other income *(continued)*

For performance obligations to be satisfied at a certain point in time, the Group recognises revenue at the time of acquiring control of such goods. In judging if the customer has acquired control of the goods, the Group takes into consideration: (1) the Group has a present right to payment for the goods, as in the customer has a present obligation to payment for the goods; (2) the Group has transferred the legal ownership of the goods to the customer, as in the customer has acquired the legal ownership of the goods; (3) the Group has transferred physical possession of the goods to the customer, as in the customer is in possession of the physical goods; (4) the Group has transferred the major risks and rewards of the ownership of the goods to the customer, as in the customer has acquired the major risks and rewards of the ownership of the goods to the customer; (5) the customer has accepted the goods; and (6) other indications that the customer has acquired control of the goods.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards completion, except when progress cannot be reasonably determined. In determination of the progress towards completion in satisfying such obligations, the Group adopts the input method or output method based on the nature of business. When the performance progress cannot be determined, the Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.

Further details of the Group's revenue and other income recognition policies are as follows:–

(i) Revenue arising from water supply is recognised when the related services are rendered.

(ii) Water supply related installation, construction and maintenance income is recognised when services are rendered.

(iii) Revenue from long-term construction contracts is recognised in accordance with accounting policy as set out in note 2(r) to the consolidated financial statements.

(iv) Interest income is recognised on a time proportion basis using the effective interest method.

(v) Rental income receivable under operating lease is recognised on a straight-line basis over the terms of the relevant lease.

(vi) Building management service income is recognised over the relevant period in which the services are rendered.

(vii) Commission and brokerage income on securities dealing is recognised at a point in time when the underlying transactions are executed.

(viii) Placement income is recognised at a point in time when the related services are rendered.

(iv) Advisory income is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ac) Revenue and other income *(continued)*

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9.

(ad) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:–

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:–

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ae) New and amendments to HKFRSs in issue but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amendments to HKFRSs which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for annual periods beginning on or after
HKFRS 17, Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 16, Lease Liabilities in a Sales and Leaseback	1 January 2024
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12, Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments to and new HKFRSs is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Inventories

Note 2(p) to the consolidated financial statements describes that inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventories based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified. In this regards, the directors of the Group are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

(ii) Depreciation

The management determines the estimated useful lives and related depreciation of property, plant and equipment (including right-of-use assets) as set out in note 2(i) to the consolidated financial statements. The estimate is based on projected lifecycles of the assets. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight-line method.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(iii) Estimation of fair value of investment properties

Investment properties were revalued at 31 December 2022 based on the appraised market value by independent valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amount of investment properties at 31 December 2022 was HK$656,381,000 (2021: HK$709,387,000).

(iv) PRC enterprise income tax and deferred tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and deferred tax provisions in the year in which the differences realise.

(v) Construction contracts

As explained in accounting policies stated in notes 2(r) and 2(ac) to the consolidated financial statements, revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimate of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(vi) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets (other than goodwill) are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount or, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Details of the impairment assessment on property, plant and equipment and intangible assets are disclosed in note 19.

4. 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 **HK$'000**	2021 HK$'000
Provision of water supply and related services		
Water supply and related services income	**302,238**	320,165
Construction services of infrastructure under concession arrangement (Note)	**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
	349,000	368,501

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 42 to the consolidated financial statements.

5. OTHER INCOME AND (LOSSES)/GAINS

	2022 HK$'000	2021 HK$'000
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
	(5,370)	11,325

6. LOSS BEFORE INCOME TAX

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

(a) Finance costs

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

Note:

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

6. LOSS BEFORE INCOME TAX *(continued)*

(b) Other items

	2022 HK$'000	2021 HK$'000
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)

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

Directors' remuneration is as follows:–

	Year ended 31 December 2022					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (Note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share-based payment HK$'000	Total HK$'000
Mr. Chen Jinyang	60	1,937	68	2,065	—	2,065
Dr. Cheung Wai Bun, Charles, *J.P.*	360	—	—	360	—	360
Mr. Chao Pao Shu, George	240	—	—	240	—	240
Mr. David Tsoi	240	—	—	240	—	240
Ms. Zhang Haimei	60	1,440	—	1,500	—	1,500
Ms. Zhu Fenglian	60	2,100	—	2,160	—	2,160
Mr. Xuan Zhensheng	600	—	—	600	—	600
	1,620	5,477	68	7,165	—	7,165

	Year ended 31 December 2021					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (Note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share-based payment HK$'000	Total HK$'000
Mr. Chen Jinyang	60	2,097	67	2,224	—	2,224
Dr. Cheung Wai Bun, Charles, *J.P.*	360	—	—	360	—	360
Mr. Chao Pao Shu, George	240	—	—	240	—	240
Mr. David Tsoi	240	—	—	240	—	240
Ms. Zhang Haimei	60	1,560	—	1,620	—	1,620
Ms. Zhu Fenglian	60	1,670	—	1,730	—	1,730
Mr. Xuan Zhensheng	600	50	—	650	—	650
	1,620	5,377	67	7,064	—	7,064

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors *(continued)*

Note:–

i. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to the statement of profit or loss during the year disregarding whether the options have been exercised or not.

No directors waived any emolument during the year.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, three (2021: three) are directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining two (2021: two) highest paid individual were as follows:–

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits in kind	**2,866**	2,072
Pension scheme contributions	**36**	18
	2,902	2,090

	2022	2021
HK$		
Nil to 1,000,000	—	1
1,000,001 to 1,500,000	**1**	1
1,500,001 to 2,000,000	**1**	—
	2	2

During the year, no share option (2021: Nil) was granted to the above highest paid employees in respect of their services to the Group.

During the year, no emolument was paid by the Group to the five highest paid employees, including the directors of the Company, as an inducement to join, or upon joining the Group.

8. 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 HK$'000	2021 HK$'000
Current tax:		
Current year	**11,729**	4,257
Under-provision in respect of previous years	**5,693**	2
	17,422	4,259
Deferred taxation (Note 9(a)):		
Current year	**(4,407)**	(7,885)
	13,015	(3,626)

8. INCOME TAX EXPENSE/(CREDIT) *(continued)*

(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 **HK$'000**	2021 HK$'000
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	**5,693**	2
Income tax expense/(credit)	**13,015**	(3,626)

9. 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 1.1.2021	3,286	416	(44,651)	(9,165)	(50,114)
Credited/(charged) to profit or loss – Note 8(b)	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 – Note 8(b)	—	113	(98)	4,392	4,407
Exchange adjustments	(1,026)	(17)	2,396	(30)	1,323
At 31.12.2022	**12,403**	**273**	**(48,188)**	**(1,512)**	**(37,024)**

Represented by:–

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**11,358**	12,175
Deferred tax liabilities	**(48,382)**	(54,929)
	(37,024)	(42,754)

9. DEFERRED TAXATION *(continued)*

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

	2022 **HK$'000**	2021 HK$'000
Deductible temporary differences – Note (i)		
Decelerated tax allowances	**942**	1,081
Unutilised tax losses	**312,967**	248,198
	313,909	249,279
Taxable temporary difference – Note (ii)		
Accelerated tax allowances	**(314)**	(282)
	313,595	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.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022 (2021: Nil).

11. LOSS PER SHARE

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

	2022 **HK$'000**	2021 HK$'000
Loss		
Loss for the year attributable to shareholders of the Company	**(104,068)**	(39,102)

	2022	2021
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	**5,513,000,000**	5,513,000,000

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.

12. RETIREMENT BENEFIT COSTS

Since 1 December 2000, the Group joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on 5% of the employees' basic salaries, capped at HK$1,500 per month, and are charged to profit or loss as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the year ended 31 December 2022 amounted to HK$315,000 (2021: HK$179,000).

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on certain percentage of the applicable payroll costs. The only obligation of these subsidiaries with respect to the retirement scheme is the required contributions under the retirement scheme. The Group has no obligation other than the above-mentioned contributions.

12. RETIREMENT BENEFIT COSTS *(continued)*

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2022 amounted to HK$7,310,000 (2021: HK$7,118,000).

During the years ended 31 December 2022 and 2021, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contributions, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2022 and 2021, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contribution.

13. PROPERTY, PLANT AND EQUIPMENT

	Properties held under medium-term lease HK$'000	Water pipelines HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
For the year ended 31.12.2021									
Opening net book value	114,954	292,902	9,093	327	2,490	6	1,270	25,547	446,589
Exchange adjustments	2,009	8,862	425	11	106	—	11	635	12,059
Additions	—	426	2,781	510	1,266	—	402	31,148	36,533
Acquisition of a subsidiary – Note 35	—	—	—	—	126	2	—	—	128
Disposals	—	—	(64)	—	(11)	—	—	(2,096)	(2,171)
Transfer from CIP	—	11,717	6,051	—	—	—	—	(17,768)	—
Depreciation	(7,195)	(32,123)	(1,510)	(482)	(1,227)	(4)	(174)	—	(42,715)
Closing net book value	109,768	281,784	16,776	366	2,750	4	1,509	37,466	450,423
At 31.12.2021									
Cost	161,061	460,402	26,726	7,165	8,315	629	4,588	37,466	706,352
Aggregate depreciation	(47,414)	(178,139)	(7,955)	(6,799)	(5,354)	(625)	(3,079)	—	(249,365)
Aggregate impairment loss	(3,879)	(479)	(1,995)	—	(211)	—	—	—	(6,564)
Net book value	109,768	281,784	16,776	366	2,750	4	1,509	37,466	450,423

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Properties held under medium-term lease HK$'000	Water pipelines HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Office equipment computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
For the year ended 31.12.2022									
Opening net book value	109,768	281,784	16,776	366	2,750	4	1,509	37,466	450,423
Exchange adjustments	(4,631)	(20,231)	(1,443)	(48)	(300)	–	(44)	(3,172)	(29,869)
Additions	–	–	2,577	1,157	1,904	–	514	32,918	39,070
Disposals	–	(128)	(66)	–	(17)	–	(20)	(735)	(966)
Transfer from CIP	936	14,049	5,598	–	937	–	–	(21,520)	–
Depreciation	(7,388)	(28,881)	(2,577)	(163)	(1,349)	(4)	(192)	–	(40,554)
Impairment	(3,253)	(16,470)	–	–	–	–	–	–	(19,723)
Closing net book value	95,432	230,123	20,865	1,312	3,925	–	1,767	44,957	398,381
At 31.12.2022									
Cost	155,507	439,716	31,336	6,723	10,036	445	4,547	44,957	693,267
Aggregate depreciation	(53,239)	(192,680)	(8,629)	(5,411)	(5,916)	(445)	(2,780)	–	(269,100)
Aggregate impairment loss	(6,836)	(16,913)	(1,842)	–	(195)	–	–	–	(25,786)
Net book value	95,432	230,123	20,865	1,312	3,925	–	1,767	44,957	398,381

The Group's properties are situated in:–

	2022 HK$'000	2021 HK$'000
Hong Kong	**3,810**	3,972
The PRC	**91,622**	105,796
	95,432	109,768

The Group holds industrial, residential and commercial properties for its operations in Hong Kong and the PRC, where its office premises, staff quarters and factories are located. The Group constructed buildings on the leasehold land located in the PRC (Note 14). Upon completion, the Group is the registered owner of the buildings.

As at 31 December 2022, the Group's buildings and structure with a net carrying amount of approximately HK$729,000 (2021: HK$891,000) was in the process of obtaining the construction plan permits, construction commencement permits and construction completion reports. These structures have erected on land for which the relevant land use right certificates have not been obtained by the Group. The directors of the Group consider that the risk for the structure will be demolished is relatively low and there is no legal obstacle for the Group to obtain the relevant certificates and permits mentioned above. In accordance with the relevant regulations, the directors of the Group estimated the fine of approximately HK$66,000 (2021: HK$71,000) and had made a provision accordingly.

14. PREPAID LAND LEASE PREMIUM

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

	2022	2021
	HK$'000	HK$'000
Opening net book value	**25,791**	25,996
Exchange adjustments	**(1,350)**	575
Amortisation of prepaid land lease premium	**(755)**	(780)
Closing net book value	**23,686**	25,791

The Group's prepaid land lease payments represent up-front payments to acquire long term interest in usage of land situated in the PRC, which are held under medium-term leases.

15. INVESTMENT PROPERTIES

	HK$'000
At 1.1.2021	686,103
Net increase in fair value recognised in the consolidated statement of profit or loss	761
Exchange adjustments	22,523
At 31.12.2021 and 1.1.2022	709,387
Net increase in fair value recognised in the consolidated statement of profit or loss	1,260
Exchange adjustments	(54,266)
At 31.12.2022	**656,381**

Notes :–

(a) The Group's properties interest held under operating leases to earn rentals or for long-term capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These properties are located at the PRC and held under medium-term lease.

(b) The Group's investment properties were revalued at 31 December 2022. The valuation was carried out by an independent firm of surveyors, Graval Consulting Limited, who have among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management had discussed with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

(c) The fair value of the Group's investment properties measured at the end of the reporting period is categorised as Level 3 of fair value hierarchy as defined in HKFRS 13.

15. INVESTMENT PROPERTIES *(continued)*

Notes :– *(continued)*

(d) Information about Level 3 fair value measurement:-

	Valuation techniques	Unobservable input	Range	Weighted average
Residential properties in Shanghai City, the PRC	Market comparison approach	Premium (discount) on quality of the buildings	-10% to 0%	-1.67%
Industrial properties in Qingyuan City, Guangdong Province, the PRC	Market comparison approach and depreciated replacement cost approach	Premium (discount) on the location of land Premium (discount) on the quality of the buildings and considered of depreciation	-10% to 10%	0%
Commercial properties in Qingyuan City, Guangdong Province, the PRC	Market comparison approach	Premium (discount) on quality of the buildings	-10% to 10%	-0.95%
Commercial properties in Guangzhou City, Guangdong Province, the PRC	Income capitalisation approach	Prevailing market rents	RMB39 to RMB1,378 per square meter per month	RMB118 square meter per month
		Capitalisation rates	4.75%	4.75%

(e) The market comparison approach is based on reference to recent sales price of comparable properties on a price per square metre basis, adjusted by quality and location of the Group's investment properties compared to the recent sales. The fair value measurement is positively correlated to risk-adjusted discount rates.

(f) The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, whether arising from physical, functional or economic causes. Actual costs incurred for upgrading of the assets to be appraised will also be considered in this approach.

(g) The income capitalisation approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the capitalisation rates, the lower the fair value. The higher the prevailing market rents, the higher the fair value. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(h) Fair value adjustment of investment properties is recognised in the line item "Net increase in fair value of investment properties" within other income and (losses)/gains of the consolidated statement of profit or loss.

(i) Investment properties with carrying amount of HK$607,771,000 (2021: HK$658,201,000) were pledged to secure the Group's bank and other borrowings (Note 31).

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Cost:–	
At 1.1.2021	6,118
Adjustment for lease modification	448
Acquisition of a subsidiary – Note 35	4,784
Exchange adjustment	48
At 31.12.2021 and 1.1.2022	11,398
Expiry of lease arrangements	(9,689)
Exchange adjustment	(125)
At 31.12.2022	**1,584**
Aggregate depreciation:–	
At 1.1.2021	513
Acquisition of a subsidiary – Note 35	2,924
Charge for the year	3,184
Exchange adjustment	16
At 31.12.2021 and 1.1.2022	6,637
Charge for the year	4,355
Expiry of lease arrangements	(9,689)
Exchange adjustment	(67)
At 31.12.2022	**1,236**
Net book value:–	
At 31.12.2022	**348**
At 31.12.2021	4,761

The Group has entered into lease agreements to obtain the right to use properties as its office premises and as a result incurred lease liabilities (Note 29). The leases typically run for an initial period of two to five years.

In addition, the Group owns several industrial, residential and commercial buildings. The Group is the registered owner of these properties interest, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

17. INTEREST IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Unlisted equity, at cost	**3,681**	3,681
Share of post-acquisition loss and reserves	**(2,977)**	(260)
Amount due from a joint venture	**244,251**	264,751
	244,955	268,172

The amount due from a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the balance is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investment in the joint venture.

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares	Place of establishment and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
東莞市偉騏置業投資有限公司	Registered capital of RMB 10,000,000	PRC/ Mainland China	30 (2021: 30)	(Note)	30 (2021: 30)	Land auctions and property development

Note: The joint venture is jointly controlled by the Group and other shareholder by virtue of contractual arrangements among shareholders which require unanimous consent from all shareholders on certain key corporate matters. Therefore, it is classified as a joint venture of the Group.

17. INTEREST IN A JOINT VENTURE *(continued)*

The following table illustrates the summarised financial information in respect of the joint venture adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 **HK$'000**	2021 HK$'000
Cash and cash equivalents	**708**	6,757
Other current assets	**814,415**	884,697
Current assets	**815,123**	891,454
Current liabilities	**815,043**	882,507
Net assets	**80**	8,947
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the joint venture	**24**	2,684
Goodwill	**680**	737
Carrying amount of the investment	**704**	3,421
Revenue	**—**	—
Interest income	**4**	20
Operating expenses	**(9,061)**	(480)
Income tax expense	**—**	—
Loss for the year	**(9,057)**	(460)
Total comprehensive loss for the year	**(9,057)**	(493)

18. INTANGIBLE ASSETS

	Other intangible asset HK$'000	Financial services licences HK$'000	Total HK$'000
At 1.1.2021			
Cost	471,154	—	471,154
Accumulated amortisation	(174,862)	—	(174,862)
Accumulated impairment loss	(1,400)	—	(1,400)
Net book value	294,892	—	294,892
For the year ended 31.12.2021			
Opening net book value	294,892	—	294,892
Additions	7,660	—	7,660
Acquisition of subsidiaries – Note 35	—	1,990	1,990
Adjustments – Note 18(c)	(96)	—	(96)
Amortisation	(51,765)	—	(51,765)
Exchange adjustments	7,643	—	7,643
Closing net book value	258,334	1,990	260,324
At 31.12.2021			
Cost	491,232	1,990	493,222
Accumulated amortisation	(231,452)	—	(231,452)
Accumulated impairment loss	(1,446)	—	(1,446)
Net book value	258,334	1,990	260,324
For the year ended 31.12.2022			
Opening net book value	**258,334**	**1,990**	**260,324**
Additions	**9,759**	—	**9,759**
Amortisation	**(52,070)**	—	**(52,070)**
Impairment	**(13,411)**	—	**(13,411)**
Exchange adjustments	**(15,232)**	—	**(15,232)**
Closing net book value	**187,380**	**1,990**	**189,370**
At 31.12.2022			
Cost	**470,378**	**1,990**	**472,368**
Accumulated amortisation	**(268,251)**	—	**(268,251)**
Accumulated impairment loss	**(14,747)**	—	**(14,747)**
Net book value	**187,380**	**1,990**	**189,370**

18. INTANGIBLE ASSETS *(continued)*

Notes : – *(continued)*

(a) Pursuant to a concession agreement between a subsidiary, Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water") and a relevant authority in the PRC dated 21 November 2006, Taihe Water obtained the right to operate certain water supply plants located at Qingyuan City of Guangdong Province in the PRC for a period of 20 years on a BOT basis. Taihe Water is entitled to use all the property, plant and equipment of the water supply plants.

(b) As at 31 December 2022, land use right held by the Group under service concession arrangement with a net carrying amount of RMB1,583,000 (equivalent to approximately HK$1,792,000) (2021: RMB1,979,000 (equivalent to approximately HK$2,426,000)) was pledged to secure the Group's bank and other borrowings (Note 31).

(c) The fair values of construction services provided pursuant to the concession arrangement are subject to management's estimation on the values of services sub-contracted to third parties. 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.

(d) The financial services licenses ("Licenses") are considered by the management of the Group as having indefinite useful lives because it is expected that the Licenses will continue to be valid and will contribute net cash inflows for the Group in the foreseeable future. The Licenses will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

19. GOODWILL AND IMPAIRMENT ASSESSMENT

	HK$'000
Cost:–	
At 1.1.2021	**99,037**
Acquisition of subsidiaries – Note 35	**11,328**
At 31.12.2021, 1.1.2022 and 31.12.2022	**110,365**
Impairment:-	
At 1.1.2021, 31.12.2021, 1.1.2022 and 31.12.2022	**99,037**
Carrying amount:-	
At 31.12.2022	**11,328**
At 31.12.2021	**11,328**

19. GOODWILL AND IMPAIRMENT ASSESSMENT *(continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	2022 **HK$'000**	2021 HK$'000
Water supply services (Note)	**90,290**	90,290
Financial services	**20,075**	20,075
	110,365	110,365

Note: Water supply services represent a group of CGUs which consist of Qinghui Properties Limited and its subsidiaries ("Qinghui Group") and Taihe Water.

Water supply services represent a single group of CGUs for the purpose of impairment assessment, which consist of Qinghui Group and Taihe Water. For Qinghui Group under water supply services segment, the recoverable amount of the CGU is determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period (2021: five year period). A discount factor at a rate of 10.71% (2021: 9.77%) was applied in the value-in-use model of Qinghui Group. Cash flows of Qinghui Group beyond the five-year period are extrapolated using 3% (2021: 3%) average growth rate, benchmarked against GDP and inflation rate in China. For Taihe Water under water supply services segment, the recoverable amount of the CGU is determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering the remaining concession periods of 4 years (2021: 5 years). As disclosed in note 18 to the consolidated financial statements, Taihe Water was granted right by the relevant authority in the PRC to use and operate certain water supply plants located at Qingyuan City for the period of 20 years from 2006 to 2026, pursuant to a concession agreement on a BOT basis. Taking into account the utility nature of water supply business, the oligopolised market of water supply in Qingyuan City, the robust demand of water exceeding supply and the stable city growth in Guangdong Province, the management considers a projection for the entire four years of the remaining concession period is appropriate. No terminal value was attributed to Taihe Water CGU beyond the four-year period. A discount factor at a rate of 13.51% (2021: 13.28%) was applied in the value-in-use model of Taihe Water.

For the years ended 31 December 2021 and 2022, due to the narrowing of profit margin resulted from the increasing operating costs, the management of the Company concluded there was an indication of impairment and conducted impairment assessment on recoverable amounts of water supply services CGU. Impairment assessment on the water supply services CGU as at 31 December 2021 and 2022 is based on the valuations by an independent professional valuer, Graval Consulting Limited.

19. GOODWILL AND IMPAIRMENT ASSESSMENT *(continued)*

The key assumptions used by the Group for the value-in-use calculations include budgeted average gross profit margin for water supply services and discount rate. The budgeted average gross profit margin used in the financial budgets covering a five-year period and the remaining concession period of Qinghui Group and Taihe Water for the year ended 31 December 2022 were 6.39% (2021: 7.78%) and 10.19% (2021: 11.97%), respectively.

For the year ended 31 December 2022, based on the result of the assessment, the management of the Company determined that the recoverable amount of water supply service CGU of HK$552,470,000 (2021: HK$736,033,000) is lower (2021: higher) than the carrying amount. The goodwill of HK$90,290,000 has been fully impaired in previous year. The impairment loss for the year has been included in profit or loss and allocated pro-rata to property, plant and equipment and intangible assets to the extent the carrying amounts of the assets are not reduced below the highest of their fair value less costs of disposal, their value in use and zero. Details are set out in notes 13 and 18 to the consolidated financial statements.

The carrying amount of goodwill allocated to financial services comprises: (i) goodwill of HK$8,747,000 brought forward from previous year, which has been fully impaired in prior year; and (ii) aggregated goodwill of HK$11,328,000 arising from acquisitions of subsidiaries (Note 35) during the prior year.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the most five years with the residual period using the growth rate of 2.5% for financial services business acquired during the year. The pre-tax rate used to discount the forecasted cash flows is 14.15%. No impairment loss was recognised on the financial service CGU for the year.

The management of the Company believes that any adverse change in the assumptions used in the calculations of recoverable amounts would result in further impairment losses on tangible and intangible assets.

20. DEPOSITS PAID FOR ACQUISITION OF INVESTMENT PROPERTIES

On 23 December 2022, the Group entered into a non-legally binding memorandum of understanding ("MOU") with two vendors, pursuant to which the Group proposed to acquire an investment properties interest. Under the terms of the MOU, the Group paid to the vendors a refundable earnest money of RMB175,000,000 (equivalent to HK$198,100,000). Details by this transaction were set out in the Company's announcement dated 23 December 2022.

21. INVENTORIES

	2022 HK$'000	2021 HK$'000
Water supply and related services		
– Raw materials	**795**	1,055
– Finished goods	**3,611**	5,724
	4,406	6,779
Property development		
– Land held for future development for sale	**13,571**	13,339
Less: Impairment loss – Note 21(b)	**(3,194)**	(3,396)
	10,377	9,943
	14,783	16,722

Notes:–

(a) The land held for future development are located in Australia and expected to be recovered after more than one year. All of the other inventories are expected to be recovered within one year.

(b) The movement in the impairment loss on land held for future development for sale during the years is as follows:–

	2022 HK$'000	2021 HK$'000
At 1 January	**3,396**	3,584
Exchange adjustments	**(202)**	(188)
At 31 December	**3,194**	3,396

22. DEBTORS

	2022 **HK$'000**	2021 HK$'000
Trade debtors arising from water supply and related services and rental receivables	**39,755**	53,283
Less: loss allowance – Note 22(c)	**(2,577)**	(2,771)
	37,178	50,512
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
	5,523	6,223
Less: loss allowance – Note 22(c)	**(42)**	(44)
	5,481	6,179
	42,659	56,691

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. Further details on the Group's credit policy and credit risk arising from debtors are set out in note 38(a) to the consolidated financial statements.

The settlement terms of trade debtors attributable to dealing in securities are two days after trade date. Trade debtors 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:–

	2022 **HK$'000**	2021 HK$'000
0 – 6 months	**37,062**	50,335
7 – 12 months	**70**	152
1 – 2 years	**46**	25
	37,178	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.

22. DEBTORS *(continued)*

Notes:– *(continued)*

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

	2022 HK$'000	2021 HK$'000
At 1 January	**2,815**	2,684
(Reversal of impairment loss)/impairment loss recognised	**(48)**	69
Exchange adjustments	**(148)**	62
At 31 December	**2,619**	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 (Note 31).

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Utilities and deposits	**1,289**	1,810
Prepayments	**1,867**	1,383
Interest receivable	**2,008**	1,720
Other receivables	**11,909**	11,768
	17,073	16,681
Less: loss allowance on other receivables – Note 23(a)	**(571)**	(110)
	16,502	16,571

Note:–

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

	2022 HK$'000	2021 HK$'000
At 1 January	**110**	105
Impairment loss recognised	**484**	2
Exchange adjustments	**(23)**	3
At 31 December	**571**	110

24. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

(a) Pledged time deposits

Pledged bank deposits of RMB132,000,000 (equivalent to HK$149,422,000) (2021: RMB157,000,000, equivalent to HK$192,441,000) carry fixed interest rate of 2.25% (2021: 2.7%) per annum and are pledged to banks to secure bank loans granted to the Group.

(b) Cash and bank balances

	2022 **HK$'000**	2021 HK$'000
Cash and bank balances:		
General accounts and cash	**424,144**	727,312
Client accounts	**2,644**	72,320
	426,788	799,632

As at 31 December 2022, cash and bank balances of general accounts of the Group denominated in Renminbi amounted to HK$389,675,000 (2021: HK$606,254,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

Bank balances maintained in the client accounts represent money deposited by the Group's clients of the financial service business. These clients' monies are maintained in segregated trust accounts with licensed bank. The Group has recognised the corresponding accounts payables to the respective clients and does not have an enforceable right to offset these payables with the deposits placed.

25. TRADE PAYABLES

	2022 **HK$'000**	2021 HK$'000
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
	266,707	272,454

25. TRADE PAYABLES *(continued)*

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

	2022 HK$'000	2021 HK$'000
0 – 12 months	**144,902**	131,958
Over one year	**119,167**	68,002
	264,069	199,960

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.

26. PAYABLE TO MERCHANTS

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

	2022 HK$'000	2021 HK$'000
0 – 12 months	—	—
Over one year	**3,010**	3,021
	3,010	3,021

27. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Deposits received	**6,227**	7,048
Accruals	**23,506**	21,374
Sundry creditors	**78,040**	62,702
Construction fee payable	**19,826**	23,231
Other tax payable	**18,702**	7,914
	146,301	122,269

Notes:–

Interest payable on loan from a third party of RMB3,415,000 (equivalent to approximately HK$3,865,000) (2021: RMB3,415,000 (equivalent to approximately HK$4,185,000)) is included in accruals.

28. CONTRACT LIABILITIES

	2022 **HK$'000**	2021 HK$'000
Contract liabilities regarding water supply and related business	**15,873**	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.

29. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:-

	Present value of minimum lease payments		**Minimum lease payments**	
	2022 **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000
Amounts payable:–				
Within one year	**338**	4,505	**346**	4,630
In the second to fifth year	**38**	408	**40**	418
	376	4,913	**386**	5,048
Less: Future finance charges			**10**	135
Present value of lease obligation			**376**	4,913

30. AMOUNT DUE TO A RELATED COMPANY

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

31. BANK AND OTHER BORROWINGS

As at 31 December 2022, the bank and other borrowings were analysed as follows:–

	2022 **HK$'000**	2021 HK$'000
Bank loans, secured	**949,952**	1,092,006
Due for payment:–		
– Within one year	**201,205**	217,849
– Within two to five years	**571,816**	644,033
– Over five years	**176,931**	230,124
	949,952	1,092,006

Note:–

The Group had the following banking facilities:–

	At 31 December **2022** **HK$'000**	2021 HK$'000
Total banking facilities granted	**1,330,100**	1,483,097
Less: banking facilities utilised by the Group	**(949,952)**	(1,092,006)
Unutilised banking facilities	**380,148**	391,091

31. BANK AND OTHER BORROWINGS *(continued)*

Note:– *(continued)*

The Group had the following banking facilities:– *(continued)*

As at 31 December 2022, these banking facilities were secured by:–

i. charge 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 and her spouse; and

x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

As at 31 December 2021, these banking facilities were secured by :–

i. charge over a time deposit amounting to RMB157,000,000 (equivalent to approximately HK$192,441,000);

ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,979,000 (equivalent to approximately HK$2,426,000);

iii. charges over the investment properties with carrying amounts of RMB537,000,000 (equivalent to approximately HK$658,201,000);

iv. pledge of trade receivables with a carrying amount of RMB40,901,000 (equivalent to approximately HK$50,133,000);

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 and her spouse; and

x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

32. SHARE CAPITAL

(a) Share capital

	The Group and the Company	
	Number of shares	**HK$'000**
Ordinary share of HK$0.01 each		
Authorised:–		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	20,000,000,000	200,000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,513,000,000	55,130

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2022 and 31 December 2021 were as follows:–

	2022	2021
	HK$'000	HK$'000
Total liabilities	**1,388,630**	1,517,371
Total assets	**2,510,809**	2,879,281
Gearing ratio	**55.31%**	52.70%

33. SHARE AWARD SCHEME AND SHARE OPTION SCHEMES

Share award scheme

The Company adopted a share award scheme (the "**Share Award Scheme**") on 15 January 2021 (the "**Adoption Date**"). The purposes of the Share Award Scheme are to (a) recognise the contributions by certain eligible participants and to give incentives thereto in order to retain them for the continuing operation, growth and development of the Group; (b) attract suitable personnel for further development of the Group; (c) to provide the eligible participants with an opportunity to acquire interest in the Company; and (d) align the interests of the grantees with the long-term performance of the Company through the ownership of the Company's shares.

Pursuant to the Share Award Scheme, the administration committee shall from time to time, subject always to the rules of the Share Award Scheme, at its absolute discretion select any employee(s) (whether full-time or part-time), directors, officers, consultants, agents or advisers of the Group, (excluding any excluded participant) for participation in the scheme as an eligible participant and determine the number of awarded shares to be granted to each of the grantees and impose vesting conditions (including the vesting periods) on any award or grantee. Astrum Capital Management Limited was appointed as a trustee of the Share Award Scheme. Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions, the award shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the award shares to such selected participant.

No further award of awarded shares may be made which will result in the aggregate number of the shares awarded under the scheme to exceed 10% of the issued share capital of the Company as at the Adoption Date (the "**Scheme Limit**"). For the purpose of determining whether the Scheme Limit (or its refreshment) is exceeded, shares awarded but cancelled or lapsed shall not be counted. The Scheme Limit may be refreshed from time to time by a resolution of the Board (the "**Refreshment Approval**"), but the aggregate number of the Shares awarded under the Scheme following the Refreshment Approval shall not exceed 10% of the issued share capital of the Company as at the date of the Refreshment Approval. For the purpose of determining whether the Scheme Limit so refreshed is exceeded, shares awarded prior to the Refreshment Approval (including those cancelled, lapsed and/or not yet vested) shall not be counted.

No shares shall be purchased or subscribed pursuant to the scheme, nor any amounts paid to the trustee for the purpose of making such a purchase or subscription, if the number of shares held and administered under the scheme as a result of such purchase or subscription shall exceed 10% of issued share capital of the Company as at the date of such purchase or subscription of shares. Unless specifically approved by a prior resolution of the Board, the maximum number of shares which may be awarded to any grantee in any 12 months period shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date or the latest date of the Refreshment Approval, as the case may be.

33. SHARE AWARD SCHEME AND SHARE OPTION SCHEMES *(continued)*

Share award scheme *(continued)*

The Share Award Scheme shall be valid and effective during the period commencing on the Adoption Date and ending on 31 December 2035, provided that no further awards shall be granted after 31 January 2032 and no vesting date can be fixed beyond 31 December 2035 for awards.

For the year ended 31 December 2022, the Group purchased 630,000 (2021: 17,610,000) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK$86,000 (2021: HK$6,223,000). No shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme during the years ended 31 December 2021 and 2022.

Share option schemes

The GEM share option scheme adopted by the Company on 12 October 2001 (the "**GEM Share Option Scheme**") prior to the Company's listing in October 2001 was terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. After its termination, no further share option can be granted under the GEM Share Option Scheme. As at the date of this report, no option remained outstanding under the GEM Share Option Scheme. No option was granted, exercised, cancelled or lapsed under the GEM Share Option Scheme during both the current fiscal year and last fiscal year.

The Board adopted a share option scheme (the "**2010 Share Option Scheme**") at the Company's extraordinary general meeting held on 12 August 2010. A summary of the principal terms of the 2010 Share Option Scheme can be found on pages 9 to 19 of the Company's circular dated 19 July 2010. On 11 August 2020, the 2010 Share Option Scheme lapsed and no option can be granted thereunder any further. At the time of lapse of the 2010 Share Option scheme, no option had remained outstanding.

34. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:–

	Share premium HK$'000	Capital redemption reserve HK$'000	Share held under share award scheme HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1.1.2021	1,255,017	481	—	(281,274)	974,224
Purchase of shares for share award scheme	—	—	(6,223)	—	(6,223)
Total comprehensive loss for the year	—	—	—	(5,840)	(5,840)
At 31.12.2021 and 1.1.2022	1,255,017	481	(6,223)	(287,114)	962,161
Purchase of shares for share award scheme	—	—	(86)	—	(86)
Total comprehensive loss for the year	—	—	—	(57,697)	(57,697)
At 31.12.2022	**1,255,017**	**481**	**(6,309)**	**(344,811)**	**904,378**

Notes:–

(i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) As at 31 December 2022, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK$903,897,000 (2021: HK$961,680,000) subject to the restrictions as stated above.

(iv) The special reserve in the consolidated statement of changes in equity represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the reorganisation completed in 2001.

(v) The subsidiary established in the PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a statutory reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The statutory reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the statutory reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the Board of Directors of the subsidiary resolved to appropriate HK$459,000 (2021: HK$1,998,000) from retained profits to statutory reserve fund.

35. ACQUISITION OF SUBSIDIARIES

(a) On 3 November 2021, Universal Technologies Capital Holdings Limited ("UTCHL"), a direct wholly owned subsidiary of the Company, acquired 100% equity interests in Hooray Securities Limited ("HSL"), a company incorporated in Hong Kong, at a consideration of HK$32,565,000. The Group holds 100% effective interest in HSL indirectly.

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

	HK$'000
Property, plant and equipment – Note 13	128
Right-of-use asset – Note 16	1,860
Statutory deposits for financial services business	400
Intangible asset – Note 18	560
Debtors	5,933
Deposits, prepayments and other receivables	4,466
Cash and bank balances in general accounts	11,625
Bank balances – Client accounts	70,268
Trade payables	(70,268)
Deposits received, sundry creditors and accruals	(407)
Lease liabilities – Note 41	(1,919)
Net assets	22,646
Goodwill arising on acquisition	
Consideration for acquisition	32,565
Less: Fair value of identifiable net assets acquired	(22,646)
	9,919
Net cash outflow arising on acquisition	
Cash consideration paid	(32,565)
Less: Cash and cash equivalents acquired	11,625
	(20,940)

The Group recognised a goodwill of HK$9,919,000 arising from acquisition of HSL because the purchase consideration exceeded the fair value of net assets acquired.

The newly acquired business contributed a revenue of HK$88,000 to the Group and contributed a loss of HK$2,102,000 to the Group for the period between the date of acquisition and 31 December 2021.

If the acquisition had been completed on 1 January 2021, the Group's revenue for the year ended 31 December 2021 would have been increased by HK$662,000, and loss for the year would have been increased by HK$10,243,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021 nor is intended to be a projection of future results.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) On 3 November 2021, UTCHL acquired 100% equity interests in Hooray Capital Limited ("HCL"), a company incorporated in Hong Kong, at a consideration of HK$3,935,000. The Group holds 100% effective interest in HCL indirectly.

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

	HK$'000
Intangible asset – Note 18	1,430
Deposits, prepayments and other receivables	6
Cash and bank balances	5,037
Deposits received, sundry creditors and accruals	(3,947)
Net assets	2,526
Goodwill arising on acquisition	
Consideration for acquisition	3,935
Less: Fair value of identifiable net assets acquired	(2,526)
	1,409
Net cash inflow arising on acquisition	
Cash consideration paid	(3,935)
Less: Cash and cash equivalents acquired	5,037
	1,102

The Group recognised a goodwill of HK$1,409,000 arising from acquisition of HCL because the purchase consideration exceeded the fair value of net assets acquired.

The newly acquired business contributed a revenue of HK$230,000 to the Group and contributed a loss of HK$190,000 to the Group for the period between the date of acquisition and 31 December 2021.

If the acquisition had been completed on 1 January 2021, the Group's revenue for the year ended 31 December 2021 would have been increased by HK$470,000, and loss for the year would have been increased by HK$1,695,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021 nor is intended to be a projection of future results.

36. OPERATING LEASE ARRANGEMENTS

As at 31 December 2022, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:–

	2022 HK$'000	2021 HK$'000
Within one year	**10,649**	15,335
After one year but within five years	**3,002**	4,692
	13,651	20,027

The Group leases its investment properties under operating leases. The leases were negotiated for terms ranging from one to ten years.

37. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for is as follows:–

	2022 HK$'000	2021 HK$'000
Property, plant and equipment	**15,165**	6,891

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, market price risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The carrying amounts of trade and other debtors, fixed deposits, pledged time deposits and cash and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at medium or large-sized listed banks.

Debtors

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and obtaining information specific to the customer as well as pertaining to the economic environment in which the customer operates. Other than trade debtors attributable to dealing in securities, debtors are due within 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The settlement terms of trade debtors attributable to dealing in securities are two days after trade date. Trade debtors from margin clients are repayable on demand and secured by the clients' securities listed on the Stock Exchange.

For receivables from margin clients and cash clients, the Group considers there has been a significant increase in credit risk when the clients cannot meet the margin call requirement and uses the loan-to-collateral value to make its assessment. However, in certain cases, the Group may also consider a margin client receivable to be in default when there is a margin shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group. As at 31 December 2022, except for a receivable of HK$42,000 (2021: HK$44,000) which is credit-impaired (Stage 3) and full ECL has been made, no other receivables were impaired.

The Group measures loss allowances for debtors arising from water supply and properties investment businesses at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(a) Credit risk *(continued)*

Debtors *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for debtors at 31 December 2022:–

	2022		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
0-6 months	1.83%	37,752	690
7-12 months	6.67%	75	5
1-2 years	78.50%	214	168
Over 2 years	100.00%	1,714	1,714
		39,755	2,577

	2021		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
0-6 months	1.57%	51,137	802
7-12 months	46.48%	284	132
1-2 years	86.56%	186	161
Over 2 years	100.00%	1,676	1,676
		53,283	2,771

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the debtors.

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the gearing ratio.

Maturities of the non-derivative financial liabilities of the Group at 31 December 2022 were as follows:–

	2022				
	Carrying amount HK$'000	**Total contractual undiscounted cash flows HK$'000**	**Less than 1 year or on demand HK$'000**	**In 2 to 5 years HK$'000**	**Over 5 years HK$'000**
Total amounts of contractual undiscounted obligations:–					
Bank and other borrowings	**949,952**	**1,132,402**	**245,363**	**674,339**	**212,700**
Trade payables	**266,707**	**266,707**	**266,707**	—	—
Payable to merchants	**3,010**	**3,010**	**3,010**	—	—
Sundry creditors and accruals	**146,301**	**146,301**	**146,301**	—	—
Lease liabilities	**376**	**386**	**346**	**40**	—
Amount due to a related company	**45**	**45**	**45**	—	—
	1,366,391	**1,548,851**	**661,772**	**674,379**	**212,700**

	2021				
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Less than 1 year or on demand HK$'000	In 2 to 5 years HK$'000	Over 5 years HK$'000
Total amounts of contractual undiscounted obligations:–					
Bank and other borrowings	1,092,006	1,379,281	276,675	811,917	290,689
Trade payables	272,454	272,454	272,454	—	—
Payable to merchants	3,021	3,021	3,021	—	—
Sundry creditors and accruals	122,269	122,269	122,269	—	—
Lease liabilities	4,913	5,048	4,630	418	—
Amount due to a related company	49	49	49	—	—
	1,494,712	1,782,122	679,098	812,335	290,689

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Carrying amounts of financial assets and financial liabilities at 31 December 2022 exposed to currency risk were as follows:-

	2022	2021
	HK$'000	HK$'000
Financial assets denominated in foreign currencies:-		
Deposits and other receivables	**2,141**	166
Fixed deposits	**48,432**	63,635
Pledged time deposits	**149,422**	192,441
Cash and bank balances	**12,409**	1,414
	212,404	257,656
Financial liabilities denominated in foreign currencies:-		
Payable to merchants	**(126)**	(136)
	(126)	(136)
Net financial assets exposed to currency risk	**212,278**	257,520

The Group's net financial assets exposed to currency risk were primarily denominated in the following currencies:–

	2022	2021
	HK$'000	HK$'000
Australian dollars	**12,205**	1
United States dollars	**190**	1,516
Renminbi	**199,883**	256,003
	212,278	257,520

The Group operates in Hong Kong, the PRC and Australia and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and Australian dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile. However, the currency risk of the Group is closely monitored by the management to ensure that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote. Should Hong Kong dollars at 31 December 2022 devalue by 10% against all foreign currencies except United States dollars, the carrying amount of the net financial assets of the Group exposed to currency risk at 31 December 2022 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2022 would be increased/decreased by HK$21,208,000 (2021: HK$25,600,000); and loss for the year ended 31 December 2022 would be decreased/increased by the same amount.

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market prices risk, when it is considered significant, by entering into appropriate derivatives contracts.

The Group has no significant exposure to market price risk.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table details the fixed/variable rate financial assets/liabilities in which the Group is exposed to interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(e) Interest rate risk *(continued)*

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 31 December 2022 and 2021:–

	At 31 December 2022		At 31 December 2021	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed rate financial assets				
Fixed deposits	**1.15% to 4.86%**	**137,706**	0.2% to 2.46%	66,638
Pledged time deposits	**2.25%**	**149,422**	2.7%	192,441
Fixed rate financial liabilities				
Lease liabilities	**4.96% to 5%**	**(376)**	4.98%	(4,913)
Variable rate financial assets				
Bank balances	**0.25% to 0.625%**	**399,585**	0.05% to 0.35%	628,077
Variable rate financial liabilities				
Bank and other borrowings	**4.5% to 6.5%**	**(949,952)**	3.9% to 6.5%	(1,092,006)
		(263,615)		(209,763)

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year ended 31 December 2022 would be increased (2021: increased) and respective accumulated losses would be increased (2021: increased) by approximately HK$4,023,000 (2021: HK$3,465,000).

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

39. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) On 25 May 2021, UTCHL and Ms. Zhu Fenglian ("**Ms. Zhu**") entered into the acquisition agreement (the "**Acquisition Agreement**"), pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of HSL and HCL (the "**Target Companies**") for a total cash consideration of HK$36,500,000 (the "**Acquisition**"). Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of the Target Companies were legally and beneficially owned by Ms. Zhu. Ms. Zhu is an executive Director of the Company. Ever City Industrial Development Limited (a controlled corporation of Ms. Zhu) is a substantial shareholder of the Company interested in, directly and indirectly through Eastcorp International Limited, 1,561,140,000 shares, representing approximately 28.32% of the issued share capital of the Company. Accordingly, Ms. Zhu is a connected person of the Company, and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition was completed on 3 November 2021. Further details regarding the Acquisition were disclosed in the Company's announcements dated 25 May 2021 and 3 November 2021.

(b) Apart from the transactions disclosed in notes 30 and 31 to the consolidated financial statements, the Group had the following material transaction with its related party during the year:–

Particulars	Relationship	**2022** **HK$'000**	2021 HK$'000
Rental income	Common shareholder	**574**	493

39. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel compensation

	2022 **HK$'000**	2021 HK$'000
Fees for key management personnel	**1,620**	1,620
Salaries, allowances and other benefits in kind	**5,477**	5,377
Pension scheme contributions	**68**	67
	7,165	7,064

40. LITIGATION

On 3 March 2020, Qingyuan Water Supply Development Co., Ltd. ("**Water Supply Development Company**", or "**WSD Company**"), a 49%-owned subsidiary of the Group, received a cessation notice issued by the Water Resources Bureau of Qingyuan City (the "**Bureau**"), pursuant to which the Bureau notified Water Supply Development of the decision of the People's Government of Qingyuan City (the "**Qingyuan Government**") to stop the water intake of Qixinggang Water Plant operated by Water Supply Development with effect from 4 March 2020 and to commence full water intake of another water plant designated by Qingyuan Government. Further details regarding the Cessation Notice have been disclosed in the Company's announcement dated 3 March 2020 (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. 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 sum of approximately RMB96.5 million, RMB94.6 million and RMB100 million, respectively. After seeking advice from its 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 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.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows arising from financing activities.

	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	1,242,821	5,624	1,248,445
Changes from financing cash flows:			
Lease rentals paid	—	(3,111)	(3,111)
Proceeds from bank loans	457,705	—	457,705
Interest paid	(52,721)	(237)	(52,958)
Repayment of bank loans	(79,774)	—	(79,774)
Repayment to a third party	(566,256)	—	(566,256)
	1,001,775	2,276	1,004,051
Exchange adjustments	37,510	33	37,543
Other changes:			
Adjustment for lease modification	—	448	448
Acquisition of a subsidiary – Note 35	—	1,919	1,919
Interest expenses	49,659	237	49,896
Capitalised borrowing costs	3,062	—	3,062
At 31 December 2021 and 1 January 2022	**1,092,006**	**4,913**	**1,096,919**
Changes from financing cash flows:			
Lease rentals paid	—	**(4,475)**	**(4,475)**
Proceeds from bank loans	**145,120**	—	**145,120**
Interest paid	**(54,868)**	**(123)**	**(54,991)**
Repayment of bank loans	**(205,433)**	—	**(205,433)**
	976,825	**315**	**977,140**
Exchange adjustments	**(81,741)**	**(62)**	**(81,803)**
Other changes:			
Interest expenses	**53,508**	**123**	**53,631**
Capitalised borrowing costs	**1,360**	—	**1,360**
At 31 December 2022	**949,952**	**376**	**950,328**

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES
(continued)

Amounts included in the consolidated statement of cash flows for cash outflows for leases comprise the following:–

	2022 **HK$'000**	2021 HK$'000
Within:–		
Operating cash flows	**(133)**	(138)
Investing cash flows	**(198,100)**	—
Financing cash flows	**(4,598)**	(3,348)
	(202,831)	(3,486)

These amounts relate to the following:–

	2022 **HK$'000**	2021 HK$'000
Lease rentals paid	**(4,731)**	(3,486)
Purchase of land and buildings	**(198,100)**	—
	(202,831)	(3,486)

42. SEGMENT REPORTING

The 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 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.

42. SEGMENT REPORTING *(continued)*

(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	**311,997**	327,729	**33,055**	40,454	**3,948**	318	**—**	—	**349,000**	368,501
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									**(163,556)**	(60,873)
Attributable to:										
– Shareholders of the Company									**(104,068)**	(39,102)
– Non-controlling interests									**(59,488)**	(21,771)
									(163,556)	(60,873)
Depreciation for the year	**40,413**	40,049	**492**	3,002	**1,639**	274	**2,365**	2,574	**44,909**	45,899
Amortisation	**52,487**	52,195	**338**	350	**—**	—	**—**	—	**52,825**	52,545
Capital expenditure incurred during the year	**48,304**	43,861	**464**	316	**61**	16	**—**	—	**48,829**	44,193
Interest in a joint venture	**—**	—	**244,955**	268,172	**—**	—	**—**	—	**244,955**	268,172
Reportable segment assets	**640,280**	822,286	**1,514,861**	1,571,326	**45,377**	114,360	**310,291**	371,309	**2,510,809**	2,879,281
Unallocated assets									**11,358**	12,175
Total assets									**2,522,167**	2,891,456
Reportable segment liabilities	**947,796**	972,949	**419,085**	417,012	**3,475**	75,052	**11,908**	50,305	**1,382,264**	1,515,318
Unallocated liabilities									**54,748**	56,982
Total liabilities									**1,437,012**	1,572,300

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.

42. SEGMENT REPORTING *(continued)*

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue	**345,052**	368,183	**3,948**	318	**349,000**	368,501
Non-current assets	**1,704,958**	1,708,971	**17,991**	21,615	**1,722,949**	1,730,586

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.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**328**	16
Interests in subsidiaries		**1,181,213**	1,197,345
Right-of-use assets		**—**	2,191
		1,181,541	1,199,552
CURRENT ASSETS			
Deposits, prepayments and other receivables		**5,300**	5,005
Fixed deposits		**84,479**	51,980
Cash and bank balances		**3,008**	91,934
		92,787	148,919
DEDUCT:–			
CURRENT LIABILITIES			
Sundry creditors and accruals		**7,759**	7,167
Amounts due to subsidiaries		**307,061**	321,768
Lease liabilities		**—**	2,245
		314,820	331,180
NET CURRENT LIABILITIES		**(222,033)**	(182,261)
TOTAL ASSETS LESS CURRENT LIABILITIES		**959,508**	1,017,291
NET ASSETS		**959,508**	1,017,291
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	32(a)	**55,130**	55,130
Reserves	34	**904,378**	962,161
TOTAL EQUITY		**959,508**	1,017,291

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The details of the principal subsidiaries at 31 December 2022 are as follows:-

Name of company	Place of incorporation/ establishment and operation	Legal form of entity	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company Directly	Indirectly	Group's effective interest	Principal activities
Universal Cyberworks International Limited	British Virgin Islands ("BVI")	Limited liability company	2 ordinary shares of US$1 each	100% (2021: 100%)	—	100% (2021: 100%)	Investment holding
Universal Property Holdings Limited	Hong Kong	Limited liability company	HK$10,000	—	100% (2021: 100%)	100% (2021: 100%)	Investment holding
Hooray Asset Management Limited	Hong Kong	Limited liability company	HK$8,240,000 (2021: HK$7,240,000)	—	100% (2021: 100%)	100% (2021: 100%)	Provision of investment advisory services
Hooray Securities Limited	Hong Kong	Limited liability company	HK$144,979,990 (2021: HK$133,979,990)	—	100% (2021: 100%)	100% (2021: 100%)	Securities dealing
Hooray Capital Limited	Hong Kong	Limited liability company	HK$8,400,000	—	100% (2021: 100%)	100% (2021: 100%)	Provision of corporate financial advisory services
Wayland Asia Pacific Estate Pty Ltd	Australia	Limited liability company	AUD100	—	100% (2021: 100%)	100% (2021: 100%)	Estate development
Shenzhen Huanye Universal Technologies Limited*	PRC	Wholly foreign owned enterprise	RMB85,000,000	—	100% (2021: 100%)	100% (2021: 100%)	Investment holding
Qinghui Properties Limited (Note)	PRC	Limited liability company	RMB510,000,000	—	49% (2021: 49%)	49% (2021: 49%)	Investment holding
Dongguan Xinhongcheng Enterprise Management Company Limited	PRC	Limited liability company	RMB15,000,000	—	49% (2021: 49%)	49% (2021: 49%)	Investment holding
Qingyuan Jingyu Properties Company Limited	PRC	Limited liability company	RMB1,000,000	—	49% (2021: 49%)	49% (2021: 49%)	Properties investment
Qingyuan Jinhong Industrial Company Limited	PRC	Limited liability company	RMB1,000,000	—	49% (2021: 49%)	49% (2021: 49%)	Properties investment
Qingyuan Water Supply Development Company Limited	PRC	Limited liability company	RMB98,521,440	—	49% (2021: 49%)	49% (2021: 49%)	Provision of water supply business
Qingyuan Jincheng Water Testing Company Limited	PRC	Limited liability company	RMB1,600,000	—	49% (2021: 49%)	49% (2021: 49%)	Provision of water quality testing service
Qingyuan Qingxin District Huike Properties Company Limited	PRC	Limited liability company	RMB2,000,000	—	49% (2021: 49%)	49% (2021: 49%)	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of company	Place of incorporation/ establishment and operation	Legal form of entity	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company Directly	Indirectly	Group's effective interest	Principal activities
Qingyuan Qingxin District Taihe Water Company Limited ("**Taihe Water**")	PRC	Limited liability company	RMB23,254,000	—	49% (2021: 49%)	24.99% (2021: 24.99%)	Provision of water supply business
Chevalier Earth Group Limited	BVI	Limited liability company	HK$100	100% (2021: 100%)	—	100% (2021: 100%)	Investment holding
Heng Hui Property Investment Limited	Hong Kong	Limited liability company	HK$130,000	—	100% (2021: 100%)	100% (2021: 100%)	Investment holding
Guangzhou Yicheng Investment Holdings Limited*	PRC	Wholly foreign owned enterprise	RMB200,000,000	—	100% (2021: 100%)	100% (2021: 100%)	Investment holding
Guangzhou Hengxin Yuxuan Industrial Development Limited	PRC	Limited liability company	RMB200,000,000	—	100% (2021: 100%)	100% (2021: 100%)	Properties investment

* The subsidiaries are registered as Wholly Foreign Owned Enterprises under PRC Laws.

Note:–

As disclosed in the Circular in respect of the acquisition of the Qinghui Group dated 3 December 2015, upon completion of the acquisition, the articles of association of Qinghui have been amended so that:–

(i) no resolutions relating to amending the articles of association; increase or decrease of the registered capital; merger, dissolution, winding-up or changing the company form of Qinghui shall be passed unless consents from the shareholders representing two thirds or more of the voting rights have been obtained;

(ii) save for the aforesaid, the board of directors shall be delegated with the authority to deal with all other matters in relation to Qinghui and such delegation shall not be revoked unless the shareholders of the Qinghui representing two thirds or more of the voting rights agree;

(iii) the vendor has right to appoint one director to the board of directors of Qinghui and the Group has right to appoint two directors to the board of directors of Qinghui;

(iv) no resolutions relating to management, operational activities, profit distribution or return on investment shall be passed unless more than 50% of directors agree; and

(v) any amendments to the articles of the association of Qinghui will require the approval from the shareholders of Qinghui representing two thirds or more of the voting right.

In light of the above amendments, the Group can gain control of Qinghui and accordingly, each member of Qinghui and its subsidiaries are treated as subsidiaries of the Group.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

The following table lists out the information relating to WSD Company and Taihe Water, subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2022		2021	
	WSD Company	**Taihe Water**	WSD Company	Taihe Water
NCI Percentage	**51%**	**75.01%**	51%	75.01%
	2022		2021	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Current assets	**433,963**	**50,722**	454,487	65,960
Non-current assets	**391,253**	**186,355**	444,674	257,356
Current liabilities	**(381,681)**	**(48,546)**	(306,663)	(50,546)
Non-current liabilities	**(415,687)**	**(92,371)**	(485,630)	(125,868)
Net assets	**27,848**	**96,160**	106,868	146,902
Carrying amount of NCI	**14,202**	**72,130**	54,503	110,191
	2022		2021	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Revenue	**247,702**	**96,145**	261,472	113,926
Loss for the year	**(75,122)**	**(35,262)**	(32,431)	(11,374)
Other comprehensive (loss)/income	**(3,580)**	**(6,864)**	2,624	3,272
Total comprehensive loss for the year	**(78,702)**	**(42,126)**	(29,807)	(8,102)
Loss allocated to NCI	**(38,312)**	**(26,450)**	(16,540)	(8,532)
Cash flows generated from operating activities	**109,365**	**29,577**	68,111	43,417
Cash flows used in investing activities	**(54,857)**	**(7,820)**	(101,367)	(1,439)
Cash flows used in financing activities	**(55,332)**	**(35,490)**	(59,245)	(25,424)

1. PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Term of lease
Commercial units of Jinlong Building located at No. 1 Fangzheng 2nd Street, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	Commercial	Medium
Industrial complex located at No. 16 Beijiang 1st Road, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	Industrial	Medium
Room 721 (including the carparking space and storeroom on basement level 1) of Dingbanglichi located at No. 7 of 288 Nong Qingxi Road, Changning District, Shanghai City, the PRC	Residential	Long
Dongshan Jinxuan Xiandai City located at No. 6 Nonglinxia Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Shopping arcade	Medium

2. PROPERTIES UNDER DEVELOPMENT FOR SALE

Location	Intended use	Stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's interest (%)
A parcel of land located at 17 Lincoln Drive, Bulleen, VIC3105, Australia	Residential	Vacant land	N/A	885	N/A	100%

Five Years Financial Summary

For the year ended 31 December 2022

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**349,000**	368,501	344,748	303,598	271,909
Loss for the year	**(163,556)**	(60,873)	(71,258)	(116,702)	(10,017)
Attributable to:					
Shareholders of the Company	**(104,068)**	(39,102)	(36,337)	(116,634)	(26,805)
Non-controlling interests	**(59,488)**	(21,771)	(34,921)	(68)	16,788
	(163,556)	(60,873)	(71,258)	(116,702)	(10,017)

ASSETS AND LIABILITIES

	At 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**1,734,307**	1,742,761	1,721,021	1,534,499	1,034,746
CURRENT ASSETS	**787,860**	1,148,695	1,216,259	801,028	345,600
DEDUCT:					
CURRENT LIABILITIES	**(639,845)**	(642,806)	(319,232)	(309,886)	(179,340)
NET CURRENT ASSETS	**148,015**	505,889	897,027	491,142	166,260
	1,882,322	2,248,650	2,618,048	2,025,641	1,201,006
DEDUCT:					
NON-CURRENT LIABILITIES	**(797,167)**	(929,494)	(1,257,516)	(697,908)	(505,943)
NET ASSETS	**1,085,155**	1,319,156	1,360,532	1,327,733	695,063