TECHNOLOGIES

UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

2025/26
ANNUAL REPORT



Contents

	Page
Highlights of the Year	2
Corporate Information	3
Chairman's Statement	4
Management Discussion and Analysis	6
Directors and Senior Management	19
Corporate Governance Report	25
Environmental, Social and Governance Report	46
Directors' Report	92
Independent Auditor's Report	102
Consolidated Statement of Profit or Loss	108
Consolidated Statement of Comprehensive Income	109
Consolidated Statement of Financial Position	110
Consolidated Statement of Cash Flows	112
Consolidated Statement of Changes in Equity	114
Notes to the Consolidated Financial Statements	115
Group's Properties	197
Five Years Financial Summary	198



Highlights of the Year

- Revenue for the year ended 30 June 2026 amounted to HK$315.86 million (Eighteen months ended 30 June 2025: HK$451.30 million). As compared to the annualised revenue of approximately HK$300.87 million for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the revenue for the year increased by approximately HK$14.99 million or 5% compared with such basis. Such increase was mainly due to the increase in revenue of the Group's water supply business and rental income.

- Net loss attributable to shareholders of the Company for the year ended 30 June 2026 was HK$159.14 million (Eighteen months ended 30 June 2025: HK$161.36 million). As compared to the annualised net loss attributable to shareholders of the Company of approximately HK$107.57 million for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the net loss attributable to shareholders of the Company for the year increased by approximately HK$51.57 million compared with such basis. The increase in loss was mainly due to the increase in provision of cost of sales of the Group's water supply and related business, impairment loss on non-current assets, net impairment loss on deposits and receivables, changes in fair value of investment properties and the operating costs and administrative expenses.

- Basic and diluted loss per share for the year ended 30 June 2026 amounted to 2.92 HK cents (Eighteen months ended 30 June 2025: 2.93 HK cents) and 2.92 HK cents (Eighteen months ended 30 June 2025: 2.93 HK cents), respectively.

- The Board of Directors does not recommend the payment of any final dividend for the year ended 30 June 2026 (Eighteen months ended 30 June 2025: HK$Nil).

BOARD OF DIRECTORS

Executive Directors:

Chen Jinyang *(Chairman and Chief Executive Officer)*
Zhu Fenglian
Xuan Zhensheng

Non-Executive Director:

Chen Lang

Independent Non-Executive Directors:

Yeung Kin Chung Clifton, M.H.
David Tsoi (retired on 31 December 2025)
Chao Pao Shu George
Chai Chung Wai (appointed on 31 March 2026)

COMPANY SECRETARY

Tang Chi Wai

AUDIT COMMITTEE

Chai Chung Wai *(Committee Chairman)*
(appointed on 31 March 2026)
Yeung Kin Chung Clifton, M.H.
Chao Pao Shu George
David Tsoi *(Committee Chairman prior to retirement on 31 December 2025)*

AUTHORISED REPRESENTATIVES

Chen Jinyang
Tang Chi Wai

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
24/F, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

LEGAL ADVISER

Lawrence Chan & Co.

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room A & B2, 11th Floor,
Guangdong Investment Tower,
No.148 Connaught Road Central,
Sheung Wan, Hong Kong

REGISTERED OFFICE

Cricket Square
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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, 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 30 June 2026.

REVIEW

For the year ended 30 June 2026 (the "**Year**"), the Group recorded revenue of approximately HK$315,857,000, representing a decrease of 30.01% or HK$135,444,000 as compared with revenue of approximately HK$451,301,000 for the last financial period (the eighteen months ended 30 June 2025). However, when compared with the annualised revenue of approximately HK$300,867,000 for the comparative twelve-month period (shortened from eighteen months to twelve months on a pro rata basis), revenue increased by HK$14,990,000. Revenue of approximately HK$284,535,000 from water supply and related services (including water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) was recorded during the Year, representing a decrease of 31.55% or HK$131,164,000 as compared with the revenue of approximately HK$415,699,000 for the last financial period. However, when compared with the annualised revenue of approximately HK$277,133,000 for the comparative period on a twelve-month basis (shortened from eighteen months to twelve months on a pro rata basis), revenue increased by HK$7,402,000, mainly due to the increase in revenue from water supply related installation, construction and maintenance services during the Year.

The property investment and development segment recorded a revenue of approximately HK$31,056,000, representing a decrease of approximately HK$4,239,000 as compared with the last financial period, and was HK$7,526,000 higher when compared with the annualised revenue of approximately HK$23,530,000 for the comparative period on a twelve-month basis (shortened from eighteen months to twelve months on a pro rata basis. The increase in rental income was driven by the refurbishment and upgrade of shopping malls, a resurgence of the retail market and improved consumer confidence, thereby improving consumer spending sentiment and customer traffic at physical retail stores. These provided robust support for rental growth and attracted high-end quality tenants, effectively increasing foot traffic and led to a lower vacancy rate.

The financial services business of the Group mainly comprises the provision of corporate finance advisory, asset management, margin financing and stockbroking services. During the Year, the financial services segment of the Group recorded revenue of approximately HK$266,000 (2024/25 Period: approximately HK$307,000), representing a decrease of approximately HK$41,000 or 13.36%. However, when compared with the annualised revenue of approximately HK$205,000 for the comparative twelve-month period (shortened from eighteen months to twelve months on a pro rata basis), revenue increased by HK$61,000. The increase in revenue of the financial service business was due to an increase in financial advisory income during the Year.

The net loss attributable to shareholders of the Company for the Year was approximately HK$159,140,000, representing a decrease of approximately HK$2,220,000 as compared with the loss of approximately HK$161,360,000 for the last financial period. Such decrease was partially attributable to the difference in length of the period, which was an eighteen-month span for the last financial period while the Year covered only twelve months. However, when compared with the annualised net loss attributable to shareholders of the Company of approximately HK$107,573,000 for the comparative twelve-month period (shortened from eighteen months to twelve months on a pro rata basis), net loss increased by approximately HK$51,567,000. The increase in the Group's loss for the Year was mainly attributable to an increase in provision of cost of sales for the Group's water supply and related business, net impairment loss on non-current assets, deposits and receivables, changes in fair value of investment properties and higher administrative expenses.

During the Year, the global economy faced various challenges such as intensified deglobalization, regional military conflicts and geopolitical tensions, which brought significant uncertainties to the market. Supported by favorable national policies, the Chinese economy has shown momentum of gradual stabilization. Yet, the overall recovery still faces obstacles as affected by fluctuations in the external environment. Amidst the difficult business environment, the Group adhered to its established development strategies and demonstrated strong operational resilience and risk-resistance through strict cost control and continuous improvements in operational efficiency. During the Year, the Group continued to maintain stringent corporate governance standards and protocols, and upkeep high corporate transparency and accountability mechanisms, so as to consolidate the foundations for sustainable development. It continuously strengthened its risk management in a comprehensive manner, and enhanced its risk prevention and control capabilities, thereby maintaining an overall high standard of corporate governance and safeguarding the Company's stable development. During the Year, the Group undertook refurbishment and upgrading works at its shopping malls. By optimizing spatial planning and physical facilities, customers' shopping experience in general and the value of assets were enhanced. The Group also successfully attracted high-end and premium tenants, thereby elevating the brand positioning of the shopping malls and the spending power of their customer base. The synergy between brand effect and the optimized environment formed a virtuous cycle, which effectively increased footfall, reduced vacancy rates, and directly drove growth in overall rental income.

PROSPECTS

Since March 2020, the Company has ceased water intake from Qixinggang Water Plant and sourced more costly water from the water plant designated by the government. As a result, the business suffered severe losses and has been subject to several claims for outstanding water supply charges. In June 2026, the Company announced the disposal of 49% equity interest in Qinghui Properties Limited. Completion of the disposal is expected to take place by mid-October 2026, and the gain from the disposal is expected to be approximately HK$308 million. Upon completion of the disposal, the relevant risk of litigation, negative impact on profit from expensive water costs, and relevant trade payables and current liabilities would be eliminated. The Group's net asset and net current asset positions would then be improved significantly.

Looking ahead, it is expected that global economic growth will be subject to multiple challenges, with geopolitical and macroeconomic uncertainties continuously affecting market confidence, and the global supply chain and market volatility caused significant uncertainties. The Group will closely monitor policy developments, seize market opportunities, prudently adjust business strategies, strengthen risk management, and implement cost control measures. We will proactively seek external financing and asset disposal opportunities to effectively improve our liquidity condition, strengthen our financial structure, and continue to focus on property investment and development, to provide a stable and ongoing cash flow and source of income for the Group. Meanwhile, the Group will strive to explore property projects and other investment opportunities with potential in China and overseas to enhance its market competitiveness, diversify its risk exposure and expand its source of income, thereby achieving business diversification and sustainable growth.

On behalf of the Board, I would like to express my sincere gratitude to all employees for their precious contributions and to our shareholders and partners for their long-term support. We remain committed to ensuring the continuance of stable development in collaboration with stakeholders. We will optimize resources allocation, and pursue growth and investment opportunities on our existing foundation to create long-term value for our shareholders.

Chen Jinyang
Chairman and Chief Executive Officer

Hong Kong, 30 September 2026

Management Discussion and Analysis

FINANCIAL OVERVIEW

Revenue and loss attributable to shareholders of the Company for the Year

During the year ended 30 June 2026, the Group recorded a revenue of approximately HK$315,857,000 (Eighteen months ended 30 June 2025: approximately HK$451,301,000). As compared to the annualised revenue of approximately HK$300,867,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the revenue for the year increased by approximately HK$14,990,000 compared with such basis. The increase in revenue was mainly due to the increase in revenue of the Group's water supply business and rental income from the Group's commercial properties in China. The net loss attributable to shareholders of the Company for the year ended 30 June 2026 was approximately HK$159,140,000 (Eighteen months ended 30 June 2025: approximately HK$161,360,000). As compared to the annualised net loss attributable to shareholders of the Company of approximately HK$107,573,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the net loss attributable to shareholders of the Company for the year increased by approximately HK$51,567,000 compared with such basis. The increase in loss was mainly due to the increase in provision of cost of sales of the Group's water supply and related business, impairment loss on non-current assets, net impairment loss on deposits and receivables, changes in fair value of investment properties and the operating costs and administrative expenses.

Cost of revenue

During the year ended 30 June 2026, the Group recorded a cost of revenue in the amount of approximately HK$323,018,000, representing a decrease of approximately HK$155,046,000 as compared to the last fiscal period. As compared to the annualised cost of revenue of approximately HK$318,709,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the cost of revenue for the year increased by approximately HK$4,309,000 compared with such basis. The increase in cost of revenue rendered was mainly attributable to the increase in provision of cost of revenue rendered of the Group's businesses of water supply and related services and property investment and development business.

Impairment loss on non-current assets

During the year ended 30 June 2026, the Group recorded impairment loss on non-current assets of HK$21,567,000, representing an increase of HK$21,567,000 as compared with the last fiscal period. The increase was mainly attributable to the Group's water supply and related business.

Impairment loss on amount due from a joint venture

During the year ended 30 June 2026, the Group recorded impairment loss on amount due from a joint venture of HK$Nil, representing a decrease of HK$13,865,000 as compared with the last fiscal period. The decrease was mainly attributable to the Group's property investment and development business.

Net impairment loss on deposits and receivables

During the year ended 30 June 2026, the Group recorded a net impairment loss on deposits and receivables of HK$30,920,000, representing an increase of HK$20,269,000 as compared with the last fiscal period. The increase in net impairment loss was primarily due to the impairment loss recognised on the loans receivable from independent third parties and deposits paid during the current fiscal year.

FINANCIAL OVERVIEW *(continued)*

Other income and gains, net

Other income and gains, net consist of interest income on bank deposits and loans receivable, exchange losses, compensation loss and other miscellaneous income. During the year ended 30 June 2026, the Group recorded other income and gains, net of HK$2,719,000 representing a decrease of HK$6,396,000 as compared with the last fiscal period. As compared to the annualised other income and gains, net of approximately HK$6,076,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the other income and gains, net for the year decreased by approximately HK$3,357,000 compared with such basis. The decrease was mainly due to a decrease in the interest income from banks and other gains.

Changes in fair value of investment properties

During the year ended 30 June 2026, the Group recorded a fair value loss of HK$58,486,000 on investment properties, representing an increase of a fair value loss of HK$17,932,000 on investment properties as compared with the last fiscal period. The fair value of investment properties was affected by the economy and properties market of the PRC.

General and administrative expenses

During the year ended 30 June 2026, the Group recorded general and administrative expenses of HK$91,749,000, representing a decrease of 18.75% as compared with the last fiscal period. As compared to the annualised general and administrative expenses of approximately HK$75,277,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the general and administrative expenses for the year increased by approximately HK$16,472,000, mainly due to increases in staff costs, exchange loss and other expenses.

Share of loss of a joint venture

During the year ended 30 June 2026, the Group recorded a share of loss of a joint venture of HK$108,000, representing a decrease of HK$7,220,000 as compared with the last fiscal period. It was mainly attributable to decrease in loss from a joint venture during the current fiscal year.

Finance costs

During the year ended 30 June 2026, the Group recorded finance costs of HK$34,340,000, representing a decrease of 41.90% as compared with the last fiscal period. As compared to the annualised finance costs of approximately HK$39,400,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the finance costs decreased by approximately HK$5,060,000 compared with such basis, which was mainly due to the partial repayment of bank loans by the Group during the current fiscal year.

FINANCIAL OVERVIEW *(continued)*

Income tax (expense)/credit

During the year ended 30 June 2026, the Group recorded an income tax expense of HK$4,585,000, representing an increase of 271.27% as compared with the last fiscal period. As compared to the annualised income tax credit of approximately HK$1,785,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the income tax expense increased by approximately HK$6,370,000, mainly due to increase in taxable income of the Group's water supply and related business during the current fiscal year.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK$22,354,000 from HK$292,275,000 as at 30 June 2025 to HK$269,921,000 as at 30 June 2026. The decrease was mainly due to (i) the increase in impairment loss on non-current assets; and (ii) depreciation for the current fiscal period.

Investment properties

The Group's investment properties decreased by HK$42,118,000 from HK$562,360,000 as at 30 June 2025 to HK$520,242,000 as at 30 June 2026. It was mainly attributable to (i) change in fair value of investment properties of the properties investment and development business; and (ii) the Group disposed of an investment property during the current fiscal year.

Right-of-use assets

The Group's right-of-use assets decreased by HK$5,219,000 from HK$55,839,000 as at 30 June 2025 to HK$50,620,000 as at 30 June 2026. The decrease was mainly due to depreciation for the current fiscal period.

Interest in a joint venture

The Group's interest in a joint venture increased by HK$11,273,000 from HK$210,692,000 as at 30 June 2025 to HK$221,965,000 as at 30 June 2026. It was mainly attributable to the increase in the Group's RMB-denominated assets resulted from the appreciation of RMB against the functional currency of the Group.

Intangible assets

The Group's intangible assets decreased by HK$46,352,000 from HK$55,464,000 as at 30 June 2025 to HK$9,112,000 as at 30 June 2026. The decrease was mainly due to the amortisation for the current fiscal year.

Deposit paid for acquisition of a subsidiary

The Group's deposit paid for acquisition of a subsidiary decreased by HK$25,768,000 from HK$25,768,000 as at 30 June 2025 to HK$Nil as at 30 June 2026. The decrease was attributable to the refund of the deposit during the current fiscal year.

FINANCIAL OVERVIEW *(continued)*

Deposits paid for acquisition of investment properties

The Group's deposits paid for acquisition of investment properties increased by HK$95,033,000 from HK$154,609,000 as at 30 June 2025 to HK$249,642,000 as at 30 June 2026. The increase was mainly attributable to the additions on the deposits paid for acquisition of investment properties being recognised during the current fiscal year.

Inventories

The Group's inventories decreased by HK$1,759,000 from HK$3,896,000 as at 30 June 2025 to HK$2,137,000 as at 30 June 2026. The decrease was mainly due to the decrease in purchase of material for water supply and related business for the current fiscal year.

Properties under development

The Group's properties under development decreased by HK$21,863,000 from HK$21,863,000 as at 30 June 2025 to HK$nil as at 30 June 2026. The decrease was attributable to the reclassification to properties held for sale during the current fiscal year.

Debtors

The Group's debtors increased by HK$6,779,000 or 16.6% from HK$40,849,000 as at 30 June 2025 to HK$47,628,000 as at 30 June 2026. The increase in debtors was attributable to the increase in revenue for water supply and related business for the current fiscal year.

Deposits, prepayments and other receivables

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

The Group's deposits, prepayments and other receivables decreased by HK$65,971,000 from HK$128,852,000 as at 30 June 2025 to HK$62,881,000 as at 30 June 2026. The decrease was attributable to the repayment of the loans receivable from independent third parties for water supply business. These receivables are unsecured and interest-bearing at the rate range from 4.85% to 5.9% per annum.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK$142,345,000 from HK$231,691,000 as at 30 June 2025 to HK$89,346,000 as at 30 June 2026. As at 30 June 2026, 50% (30 June 2025: 84%) of cash and bank balances was denominated in RMB.

Pledged time deposits

The Group's pledged time deposits decreased by HK$82,084,000 from HK$82,084,000 as at 30 June 2025 to HK$nil as at 30 June 2026. The pledged time deposits was denominated in USD and was used to guarantee the Group's bank loan. The decrease in pledged time deposits was due to the repayment of bank loan during the current fiscal year.

FINANCIAL OVERVIEW *(continued)*

Bank borrowings

The Group's bank borrowings decreased by HK$62,994,000 from HK$742,361,000 as at 30 June 2025 to HK$679,367,000 as at 30 June 2026. The decrease was mainly attributable to the repayment of bank loans during the current fiscal year.

Trade payables

The Group's trade payables increased by HK$25,508,000 from HK$500,172,000 as at 30 June 2025 to HK$525,680,000 as at 30 June 2026. The increase in trade payables was due to increase in provision of costs of water supply 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 decreased by HK$3,006,000 from HK$3,006,000 as at 30 June 2025 to HK$nil as at 30 June 2026. The decrease was mainly attributable to the write-back of payable to merchants during the current fiscal year.

Deposits received, other payables and accruals

Deposits received, other payables 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, other payables and accruals increased by HK$121,173,000 from HK$235,886,000 as at 30 June 2025 to HK$357,059,000 as at 30 June 2026. The increase was mainly attributable to (i) the increase in construction fee payable resulted from the undertaking of more construction projects by the Group's water supply business; and (ii) the longer settlement period during the current fiscal year.

Contract liabilities

The Group's contract liabilities decreased by HK$819,000 from HK$24,946,000 as at 30 June 2025 to HK$24,127,000 as at 30 June 2026. The decrease was mainly due to the decrease in contract income of the Group's water supply and related business for the current fiscal year.

Lease liabilities

The Group's lease liabilities decreased by HK$4,743,000 from HK$39,269,000 as at 30 June 2025 to HK$34,526,000 as at 30 June 2026. The decrease was in line with the decrease in right-of-use assets.

Tax payable

The Group's tax payable increased by HK$8,921,000 from HK$2,797,000 as at 30 June 2025 to HK$11,718,000 as at 30 June 2026. The increase was in line with the turning from income tax credit for the last year to income tax expense for the current fiscal year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2026, the Group had net current liabilities of HK$615,859,000. Current assets comprised properties held for sale of HK$24,324,000, inventories of HK$2,137,000, debtors of HK$47,628,000, deposits, prepayments and other receivables of HK$62,881,000, restricted bank deposits HK$137,839,000, fixed deposits of HK$29,067,000 and cash and bank balances (including clients' monies in trust accounts) of HK$60,279,000. The Group's restricted bank deposits were frozen principally as a result of the dispute/litigation with Government-designated Water Plant.

Current liabilities comprised bank borrowings of HK$51,651,000, trade payables of HK$525,680,000, deposits received, other payable and accruals of HK$357,059,000, contract liabilities of HK$24,127,000, lease liabilities of HK$9,779,000 and tax payable of HK$11,718,000.

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 30 June 2026 was 97% (30 June 2025: 83%).

Assuming the measures to improve the going concern are implemented smoothly, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Note 2(c) to the consolidated financial statements indicates that the Group incurred a gross loss and a net loss of approximately HK$7,161,000 and HK$246,197,000 for the year ended 30 June 2026 and, as of that date, the Group's net current liabilities amounted to approximately HK$615,859,000 while its cash and bank balances, fixed deposits and restricted bank deposits amounted to approximately HK$54,796,000, HK$29,067,000 and HK$137,839,000 respectively. In addition, as at 30 June 2026: (i) the Group had trade payables of approximately HK$525,680,000, included in trade payables with carrying amounts of approximately HK$114,860,000 in respect of which the Group has failed to repay the overdue balance and legal actions were commenced against the Group for the estimated balances of approximately HK$387,852,000 and (ii) included in deposit received, other payables and accruals with carrying amounts of approximately HK$13,407,000 was compensation payable as a result of civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, regarding previous disputes in cost of water supply. These events or conditions, along with other matters as set forth in Note 2(c) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Taking into account the Group's cash flow forecasts and the various measures described in Note 2(c) to the consolidated financial statements and assuming the completion of Disposal, the Directors are of the opinion that the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the date of this annual report, and are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the year ended 30 June 2026 (the "Year"), the Group was primarily engaged in the business of water supply and related services, property investment and development, and financial services. Revenue from the principal business amounted to approximately HK$315,857,000 (Eighteen months ended 30 June 2025 (the "2024/25 Period"): approximately HK$451,301,000). As compared to the annualised revenue of approximately HK$300,867,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the revenue for the year increased by approximately HK$14,990,000 or 5% compared with such basis. Such increase was mainly due to the increase in revenue of the Group's water supply business and rental income. 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$284,535,000, representing a decrease of 31.55% or approximately HK$131,164,000 as compared with the revenue of approximately HK$415,699,000 for the last fiscal period. As compared to the annualised corresponding revenue of approximately HK$277,133,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the revenue for the Year increased by approximately HK$7,402,000 as compared to such comparable twelve-month period, mainly due to the increase in water supply related installation, construction and maintenance income during the Year.

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 a revenue of approximately HK$31,056,000 (2024/25 Period: approximately HK$35,295,000), representing a decrease of approximately HK$4,239,000. As compared to the annualised corresponding revenue of approximately HK$23,530,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the revenue for the Year increased by approximately HK$7,526,000 compared with such basis. The increase in rental income was driven by a resurgence in market recovery and improved consumer sentiment, leading to heightened foot traffic and a lower vacancy rate in shopping malls.

The financial services business of the Group mainly comprises the provision of corporate finance advisory, asset management, margin financing and stockbroking services. During the Year, the financial services segment of the Group recorded revenue of approximately HK$266,000 (2024/25 Period: approximately HK$307,000), representing a decrease of approximately HK$41,000 or 13.36%. As compared to the annualised corresponding revenue of approximately HK$205,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the increase in revenue of the financial service business was due to the increase in advisory income during the Year.

The net loss attributable to shareholders of the Company for the Year recorded by the Group was approximately HK$159,140,000 (2024/25 Period: approximately HK$161,360,000), representing a decrease of approximately HK$2,220,000 or 1.38% as compared with the 2024/25 Period. As compared to the annualised net loss attributable to shareholders of the Company of approximately HK$107,573,000 for pro-rata twelve months in the comparative period (by scaling down the 18-month period to 12-month period), the loss for the Year increased by approximately HK$51,567,000 as compared with such comparable basis. The increase in the Group's loss for the Year is mainly attributable to increase in provision of cost of sales for the Group's water supply and related business, net impairment loss on non-current assets, deposits and receivables, changes in fair value of investment properties and the general and administrative expenses.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Business Review *(continued)*

During the Year, the Group was committed to maintain its competitiveness while emphasising the continuous improvement of its corporate governance standards. The Group maintain strict corporate governance standards and procedures for the purpose of ensuring transparent decision-making process and clear accountability. The Group enhanced its overall operational efficiency through effective management systems and prudent allocation of resources, with the aim of maximizing the value of investment for its shareholders and promoting sustainable development of the Group.

As for talent development, the Group believes that the knowledge, experience and expertise of employees is an important cornerstone in the long-term sustainability of the Group. The Group is committed to providing systematic training and clear career paths for employees to help them develop their potentials, skills and sense of belonging to the Group. Moreover, incentive programs are provided to motivate and retain talents, so as to ensure stable human resources and competitiveness, thus supporting the long-term operation and continuing development of the Group.

PROSPECTS

Since March 2020, the Company has ceased the water intake from Qixinggang Water Plant and has commenced the water intake from the water plant designated by the government. As the water costs imposed by the water plant designated by the government were much higher than the Group's own production costs, the business had been suffering from severe loss-making. Several claims have been filed against the Company by the government-designated water plant for recovery of cost of water supply. In June 2026, the Company announced the disposal of 49% equity interest in Qinghui Properties Limited. Completion of the disposal is expected to take place by mid-October 2026, and is expected to result in gain from disposal in the amount of approximately HK$308 million. Upon completion of the disposal, negative impact from relevant risk of litigation and expensive water costs would be eliminated, and relevant trade payables and current liability would cease to be consolidated into the consolidated financial statements, which would significantly improve the Group's net assets and net current assets position.

Looking ahead to the year ending 30 June 2027, the global economic growth is expected to face low growth and high uncertainty. Various factors including geopolitics, divergence in monetary policies and trade protectionism will continue to impact business environment. The Group will closely monitor the changing situation, maintain a prudent attitude as well as regularly evaluate its business strategies. The Group will strengthen risk management and implement cost control measures. As for financial management, the Group will seek external financing as appropriate and consider the possibility of asset disposals to alleviate the liquidity and improve the Group's overall operational and financial position.

Meanwhile, the Group will continue to focus on its property investment and development business as its stable source of income and endeavour to improve asset operational efficiency and return levels. The Group will also strive to explore promising property projects in the PRC and overseas and identify potential and new businesses and investment opportunities to spread its risks and expand its revenue sources, so as to diversify the Group's business, strengthen its core business, thereby achieving sustainable growth amidst uncertain macroeconomic environment and creating long-term value for shareholders.

EMPLOYEES

As at 30 June 2026, the total number of employees of the Group was 414 (30 June 2025: 412). 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

Major Disposal and Connected Transaction in relation to the disposal of 49% of the Equity Interest in Qinghui Properties Limited (the "Disposal")

On 5 June 2026, the Company, Shenzhen Huanye Universal Technologies Limited ("**Huanye**"), an indirect wholly-owned subsidiary of the Company, Dongguan Hongshun Shaohe Development Co., Ltd. (the "**Purchaser**") and Qinghui Properties Limited (the "**Target Company**") entered into the Sale and Purchase Agreement, pursuant to which Huanye conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 49% equity in the Target Company for the Consideration of RMB8.5 million (equivalent to approximately HK$9.8 million). Prior to the Disposal, the Target Company was owned as to 49% by Huanye and as to 51% by the Purchaser. The Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse. Ms. Zhu is an executive Director and a substantial Shareholder deemed to be interested in 1,561,140,000 Shares (representing approximately 28.32% of the issued share capital of the Company). The Purchaser is therefore considered as a connected person of the Company. The Disposal constitutes a major disposal and a connected transaction for the Company and is subject to reporting, announcement, circular, and Independent Shareholders' approval requirements under the Listing Rules. The Disposal was subsequently approved by the independent shareholders of the Company on 29 September 2026 and is expected to be completed by mid-October 2026. Details of the transaction were set out in the Company's announcements dated 5 June 2026, 4 August 2026 and 29 September 2026, and the circular dated 25 August 2026.

Discloseable Transaction Relating to the Payment of Earnest Money for the Possible Acquisition of Certain Property Interest in Guangzhou, the PRC

On 1 August 2025, Huanye (an indirect wholly-owned subsidiary of the Company) entered into a framework agreement (the "**Framework Agreement**") with Guangzhou Jincheng Real Estate Development Co., Ltd. ("**Jincheng**"), pursuant to which Huanye (or another subsidiary of the Company as Huanye may nominate) proposed to acquire the retail and commercial properties with gross floor area of approximately 8,900 sq.m located at Basement One (entire), Level One (portion), Level Four (portion including the mezzanine), Level Five (portion) and Level Six (portion) of a commercial complex known as Dongshan Jinxuan Modern Mall, which is situated at Nos. 4 and 6 Nonglinxia Road, Yuexiu District, Guangzhou, the PRC (the "**Premises**") for the indicative consideration (subject to contract) of not more than RMB260 million (HK$285.71 million), which is intended to be settled by cash, promissory notes, equity, convertible securities or a combination of them. Under the terms of the Framework Agreement, Huanye shall pay to Jincheng (or as Jincheng shall instruct) a refundable earnest money of RMB100 million (HK$109.89 million) (the "**Earnest Money**") on the signing of the Framework Agreement. Details of the Framework Agreement were set out in the Company's announcement dated 1 August 2025.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS *(continued)*

Discloseable Transaction Relating to the Leasing of Premises in Guangzhou, the PRC

On 31 December 2024, General Office, Guangdong Provincial Committee of the Communist Party of China (as landlord) and Guangzhou Hengxin Yuxuan Industrial Development Limited (as tenant), an indirect wholly-owned subsidiary of the Company, entered into a lease agreement (the "**Lease Agreement**") in respect of the leasing of the Premises. The leasing of the Premises was for a term of 5 years commencing on 1 January 2025 with the first six months being rent-free period. The monthly rent for the first year (after the rent-free period) is RMB686,712 (HK$730,675), and thereafter subject to 3% annual increment for the second to fifth years.

In accordance with HKFRS 16, the entering into and performance of the Lease Agreement will result in the Group having to recognize a right-of-use asset in relation to the Premises in its consolidated statement of financial position, which is measured at the present value of the total rent payable, plus costs, and discounted by borrowing rate. The value of such right-of-use asset expected to be recognized by the Company as a result of the lease of the Premises under the Lease Agreement is expected to be approximately RMB33,822,000 (equivalent to approximately HK$36,561,000).

The entering into of the Lease Agreement is deemed to be an acquisition of right-of-use asset. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Lease Agreement are more than 5% but less than 25%, the entering into of the Lease Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Further details of the discloseable transaction were set out in the Company's announcement dated 6 January 2025.

Discloseable Transaction Relating to the Payment of Earnest Money for the Possible Acquisition of Certain Property Interest in Qingyuan, the PRC

On 5 June 2023, the Company entered into the non-legally binding memorandum of understanding (the "**MOU**") with Dongguan Zhaoyu Real Estate Co., Ltd. ("**Zhaoyu**") and Qingyuan Xuhong Industrial Co., Ltd. ("**Xuhong**"), pursuant to which the Company (or a subsidiary nominated by it) proposed to acquire a controlling stake in the equity interest (and corresponding shareholder's loan, if any) in Xuhong (or a newly established holding company for the target properties situated at Qingyuan City, Guangdong Province, the PRC) for the indicative consideration (subject to contract) of not less than RMB300 million (HK$334.34 million), which is intended to be settled by cash, promissory notes, equity, convertible securities or a combination of them. Under the terms of the MOU, the Company has paid to Zhaoyu (or as it may instruct) a refundable earnest money of RMB150 million (HK$167.17 million). Details of the MOU were set out in the Company's announcement dated 5 June 2023.

Save as disclosed in this annual report, the Group did not have any other significant investments, acquisitions and disposals for the year ended 30 June 2026.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 30 June 2026 were secured by:

i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB198,000 (equivalent to approximately HK$229,000);

ii. charges over the investment properties with carrying amounts of RMB435,727,000 (equivalent to approximately HK$503,271,000);

iii. pledge of trade receivables with a carrying amount of RMB40,831,000 (equivalent to approximately HK$47,160,000);

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

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

vi. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;

vii. guarantee by Guangzhou Yicheng Investment Holdings Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;

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

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

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had capital expenditure contracted but not provided for in respect of property, plant and equipment in the amount of approximately HK$4,390,000 as at 30 June 2026.

Assuming the measures to improve the going concern are implemented smoothly, 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. Save for the said capital commitments and the possible acquisitions as detailed above, there was no other future plan for material investments or capital assets for the Year. If the Group launches any massive scale of expansion, development, investment or acquisition, additional debt or equity financing may be required. The Company will only consider raising additional debt or equity to finance its expansion, development, investment or acquisition if it is in the best interests of the Company and its shareholders to do so. When negotiating the terms of the said possible acquisitions, the Company would consider settling the acquisition consideration partly or fully by debt or equity. Up to the date of this annual report, no legally binding agreement has been entered into in respect of any of the said acquisitions. Further announcement(s) will be made as and when any disclosure obligation is triggered by material development of these acquisitions.

CURRENCY RISK

The Group's core businesses are mainly transacted and settled in Renminbi ("**RMB**"), the majority of assets and liabilities are denominated in Renminbi and Hong Kong dollar ("**HK$**") and the pledged time deposits was denominated in USD. There are no significant assets and liabilities denominated in other currencies. During the Year, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK$ 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 30 June 2026, the Group had capital commitments contracted but not provided for in the amount of approximately HK$4,390,000 (30 June 2025: approximately HK$12,386,000) comprising acquisition of property, plant and equipment which being in connection with the capital expenditures of the Group's water supply and related business.

CHANGE OF AUDITOR

PKF Hong Kong Limited ("**PKF**") resigned as the auditor of the Group with effect from 25 July 2025. Following the recommendation from the Audit Committee, the Board resolved to appoint McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**") as the new auditor of the Group with effect from 25 July 2025 to fill the casual vacancy following the resignation of PKF and to hold office until (and be subject to re-appointment by the Shareholders at) the next annual general meeting of the Company.

CHANGE OF FINANCIAL YEAR END DATE

On 30 December 2024, the Board resolved to change the financial year end date of the Company from 31 December to 30 June with immediate effect.

DISCLOSURE OF CHANGES IN DIRECTOR'S INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

Pursuant to Rule 13.51B of the Listing Rules, the changes in the information of the Directors subsequent to the date of the 2024/25 Annual Report are as follows:

1. Mr. David Tsoi resigned as an independent non-executive director of Everbright Grand China Assets Limited (stock code: 3699) with effect from 19 November 2025, and retired as an independent non-executive director, chairman of Audit Committee and member of the Nomination Committee and Remuneration Committee of the Company with effect from 31 December 2025.

2. Mr. Chai Chung Wai has been appointed as an independent non-executive Director, the chairman of the audit committee of the Company, and a member of the remuneration committee and the nomination committee of the Company with effect from 31 March 2026. Mr. Chai resigned as an independent non-executive Director of Shifang Holding Limited (a company listed on the Stock Exchange with stock code: 1831) with effect from 22 May 2026.

LITIGATION

The followings are the 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, and the previous financial reports of the Company. Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement and the previous financial reports of the Company.

As disclosed in the Cessation Notice Announcement and the previous results announcements and financial reports of the Company, since October 2020, WSD Company received various 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. WSD Company has now received civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province (the "**Qingyuan Court**"), ordering WSD Company to pay water charges, plus overdue interest calculated at the rate of 1-year term loan market quoted interest rate, litigation and related charges (collectively, the "**Ancillary Charges**"), to the Government-designated Water Plant. Up to the date hereof, WSD Company received six writs of civil claims from the Government-designated Water Plant for total alleged water costs of approximately RMB628.3 million, plus total alleged Ancillary Charges of approximately RMB48 million, of which approximately RMB261.7 million was already settled. For the sake of prudence, the Group had already made provisions, principally reflected in its trade payables (as regards the alleged water costs) and other payable (as regards the Ancillary Costs) since the issue of the Cessation Notice, on the basis of its own estimation of the costs of water supply, pending the resolution of the relevant disputes and litigations (the "**Disputes and Litigations**") with (inter alia) the Government-designated Water Plant. Such estimations are adjusted from time to time in accordance with the water quantity and judgments rendered by the Qingyuan Court. Certain bank accounts of WSD Company were frozen as a result of the Disputes and Litigations with Government-designated Water Plant.

Apart from seeking legal advice to uphold its position in the Disputes and Litigations, the Group was also in negotiation with the Government-designated Water Plant with the view to exploring the possibility of reaching an amicable resolution of the Disputes and Litigations. However, as disclosed in the Company's announcement dated 30 June 2026, such negotiation was still ongoing and no binding agreement has been concluded or reached with the counterparty at this stage.

As disclosed in the Company's circular dated 25 August 2026 in relation to the Disposal, the Disputes and Litigations are solely related to WSD Company, and the Group excluding the Target Group (the "**Remaining Group**") has not provided any guarantee to the Target Company and its subsidiaries (the "**Target Group**"). As no member of the Remaining Group is a party to the Disputes and Litigations, it is the Directors' view that the Remaining Group will be released from further litigation risks with the Government-designated Water Plant upon Completion of the Disposal, which is expected to take place in October 2026.

DIRECTORS

Executive Directors

Mr. Chen Jinyang

Mr. Chen, aged 55, was appointed as an Executive Director on 18 December 2012, the Chairman of the Board on 16 September 2013, an authorised representative of the Company on 29 October 2015, the Chief Executive Officer on 3 June 2019, and the chairman of the nomination committee and a member of the remuneration committee of the Company on 23 May 2023. 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 (i) a responsible officer and director of Hooray Asset Management Limited ("**HAML**"), a type-9 licensed corporation; (ii) a director of Hooray Securities Limited ("**HSL**"), a type-1 (dealing in securities) licensed corporation; and (iii) a director of Hooray Capital Limited ("**HCL**"), a type-6 (advising on corporate finance) licensed corporation, all being wholly-owned subsidiaries of the Company.

Ms. Zhu Fenglian

Ms. Zhu, aged 62, was appointed as an Executive Director and a member of the nomination committee of the Company on 19 May 2016 and 1 July 2025 respectively. 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 (i) a director of Dongguan Hongshun Shaohe Development Co., Ltd.; (ii) 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); (iii) a director of Zhongshan Securities Co., Ltd., a licensed corporation in the PRC and a subsidiary of GD; and (iv) a director of Dongguan Securities Limited, a licensed corporation in the PRC and an associate of GD. She is currently (i) the chairperson of Dongguan New Century School; (ii) a director of HSL, HCL, HAML and Ruijin Equity Investment Fund Management (Shenzhen) Company Limited ("**Ruijin**"), all being wholly-owned subsidiaries of the Company; (iii) a chairperson of Dongguan Jinshun Real Estate Investment Limited and Dongguan Jincheng Real Estate Investment Limited; and (iv) a manager and executive director of Dongguan Yuhe Industrial Co., Ltd. ("**Yuhe**").

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)*

Mr. Xuan Zhensheng

Mr. Xuan, aged 56, was appointed as Non-Executive Director of the Company on 23 April 2018 and re-designated as an Executive Director of the Company on 28 June 2024. 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 (i) a director and general manager of Dongguan New Century Science and Education Development Limited ("**New Century**") (a company in which Ms. Zhu and her family own shareholding interest); (ii) a supervisor of Yuhe (a company in which Ms. Zhu and her family own shareholding interest); and (iii) a non-independent director and general manager of GD. 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.

Non-Executive Director

Mr. Chen Lang

Mr. Chen, aged 33, was appointed as Non-Executive Director of the Company on 28 June 2024. He graduated from Beijing Forestry University with a Bachelor's degree in Law, and obtained a Legal Professional Qualification, Board Secretary Qualification, Securities, Funds, and Futures Practitioner Qualification and Accounting Professional and Technical Qualification (Junior Level) in the PRC.

Mr. Chen is currently (i) a director of GD; (ii) a supervisor and assistant general manager of New Century (a company in which Ms. Zhu and her family own shareholding interest); (iii) a supervisor of Dongguan Hongshun Shaohe Development Co., Ltd. (a company in which Ms. Zhu and her family own shareholding interest); and (iv) a supervisor of Dongguan New Century School. Mr. Chen was (i) previously a legal specialist of GD; and (ii) a legal specialist and office manager assistant of New Century. Ms. Zhu and her family own shareholding interest in GD through New Century.

DIRECTORS *(continued)*

Independent Non-Executive Directors

Mr. Yeung Kin Chung, Clifton, M.H.

Mr. Yeung, aged 63, was appointed as an independent non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company on 30 June 2023. Mr. Yeung obtained a degree of master of education from The University of Hong Kong and a degree of bachelor of education with honours from The Chinese University of Hong Kong.

Having served in management roles in educational institutions for many years, Mr. Yeung is experienced in administration management. Mr. Yeung has served for a charitable organisation in Hong Kong for over 20 years and occupied the top management role of the development and administration of the organisation's education division before his retirement in March 2023. Mr. Yeung was a member of the Constitution and Basic Law Promotion Steering Committee (formerly known as the Basic Law Promotion Steering Committee) from 2014 to 2019, and was awarded a Medal of Honour by the Hong Kong Government in 2020 in recognition of his dedication to public service.

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. David Tsoi

Mr. Tsoi, aged 79, 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. David Tsoi retired as an independent non-executive director and chairman of Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company, at the conclusion of the AGM on 31 December 2025.

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. Chao Pao Shu George

Mr. Chao, aged 80, 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. He acted as the Chairman of Nomination Committee of the Company during the period from 13 January 2016 to 22 May 2023.

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.

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. Chai Chung Wai

Mr. Chai, aged 59, 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 31 March 2026. He obtained a master's degree in accounting from Jinan University, China and a master degree in business administration from the University of Manchester, United Kingdom. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of The Hong Kong Institute of Directors, a fellow member of the Association of Chartered Certified Accountants and a fellow of the Institute of Chartered Accountants in England and Wales.

Prior to joining the Board, Mr. Chai has many years of working experience in the accounting, including occupying the position of financial controller in many other companies listed on The Stock Exchange of Hong Kong Limited. He is currently an independent non-executive director of Sino-Life Group Limited (a company listed on the Stock Exchange with stock code: 8296), and was formerly an independent non-executive director of Allegro Culture Limited (a company listed on the Stock Exchange with stock code: 550) and Shifang Holding Limited (a company listed on the Stock Exchange with stock code: 1831).

SENIOR MANAGEMENT

Mr. Chen Jinyang

Mr. Chen, aged 55, was appointed as Chief Executive Officer on 3 June 2019. He is also the Chairman of the Board, an Executive Director, an authorised representative, the chairman of the nomination committee and a member of the remuneration committee of the Company. Please refer to the paragraph headed "Directors" in this section above for his biography.

Mr. Tang Chi Wai

Mr. Tang, aged 53, has been appointed as financial controller, company secretary and authorised representative of the Company 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 England 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 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 & Strategists, 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 Corporate Governance Code as set out in Appendix C1 of the Listing Rules (the "**CG Code**"). The Company has complied with the applicable Code Provisions of the CG Code save for the deviation mentioned below:

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

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

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.

BOARD OF DIRECTORS

Board Composition

The Board presently comprises seven Directors, including three Executive Directors, namely, Mr. Chen Jinyang (Chairman and Chief Executive officer), Ms. Zhu Fenglian and Mr. Xuan Zhensheng; one Non-Executive Director, namely Mr. Chen Lang; and three Independent Non-Executive Directors, namely Mr. Yeung Kin Chung, Clifton, M.H., Mr. Chao Pao Shu George and Mr. Chai Chung Wai. Throughout the year ended 30 June 2026 and up to the date of this report, save and except for a short period of time after the retirement of Mr. David Tsoi on 31 December 2025 but before the appointment of Mr. Chai Chung Wai on 31 March 2026 (the "**Relevant Period**"), the Board 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. Details of non-compliance during the Relevant Period are set out in the paragraph headed "Compliance with laws and regulations" in the Directors' Report. 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. 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 19 to 23.

The length of tenure as Directors and their current period of appointment up to the date of this annual report are set out below:

Directors:	Length of tenure (No. of years)	Current period of appointment (No. of years)[1]
Executive Directors:		
Chen Jinyang *(Chairman and Chief Executive Officer)*	13	0
Zhu Fenglian	10	0
Xuan Zhensheng[2]	8	2
Non-Executive Director:		
Chen Lang	2	2
Independent Non-Executive Directors:		
Yeung Kin Chung Clifton, M.H.	3	3
Chao Pao Shu George	13	2
Chai Chung Wai (appointed on 31 March 2026)	0	0

Notes:

1. The current period of appointment refers to the period since such Director's last re-election as a director at the annual general meeting.

2. Xuan Zhensheng was appointed as a Non-Executive Director on 23 April 2018 and has been redesignated as an Executive Director with effect from 28 June 2024.

BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

All Directors have formal letters of appointment setting out the key terms of their appointments. In accordance with the articles of association of the Company (the "**Articles of Association**"), a new Director appointed by the Board shall hold office until the next following annual general meeting ("**AGM**") and shall then be eligible for re-election, and one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each AGM. In addition, they are subject to retirement by rotation and are eligible for re-election at least once every three years. The re-election of all retiring Directors (including those Independent Non-Executive Directors who have served the Company for more than nine years) will be subject to separate resolutions to be approved at the AGM.

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 Directors participate actively in the board, and non-executive Directors (including Independent Non-Executive Directors) participate at board committee meetings if invited. 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, such as in a 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 C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the Year.

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.

BOARD OF DIRECTORS *(continued)*

Meetings *(continued)*

During the Year, the Company held seven board meetings, three audit committee meetings, four nomination committee meetings, four remuneration committee meetings, and one annual general meeting held on 31 December 2025. 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 meetings	Remuneration Committee meetings	AGM
Mr. Chen Jinyang	7/7	N/A	4/4	4/4	1/1
Ms. Zhu Fenglian	7/7	N/A	3/3	N/A	1/1
Mr. Xuan Zhensheng	7/7	N/A	N/A	N/A	1/1
Mr. Chen Lang (appointed on 28 June 2024)	7/7	N/A	N/A	N/A	1/1
Mr. Yeung Kin Chung Clifton, M.H.	7/7	3/3	4/4	4/4	1/1
Mr. David Tsoi (retired on 31 December 2025)	4/4	3/3	3/3	3/3	1/1
Mr. Chao Pao Shu George	7/7	3/3	4/4	4/4	1/1
Mr. Chai Chung Wai (appointed on 31 March 2026)	1/1	0/0	0/0	0/0	0/0

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 C1 to the Listing Rules.

BOARD OF DIRECTORS *(continued)*

Directors' training and professional development

Every Director keeps abreast of responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed director receives a comprehensive induction package covering the statutory and regulatory obligations of directors, organisational structure, policies, procedures and codes of the Company, terms of reference of board committees.

The Company Secretary from time to time updates and provides written training materials to the Directors, including the making available of on-demand webinars, on compliance topics such as the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

The Company Secretary maintains records of training attended by the Directors. During the Year, all incumbent Directors confirmed to the Company that they had participated in continuous professional development ("**CPD**") as required under Rules 3.09F, 3.09G and 3.09H of the Listing Rules. Details of the modes, topics and number of hours of CPD undertaken by the current Directors during the financial year under review are set out below:

Directors:	Internal training hours[1]	External training hours[2]	Self-study hours[3]	Total training hours
Executive Directors:				
Chen Jinyang	3	17	15	35
Zhu Fenglian	3	–	15	18
Xuan Zhensheng	3	–	15	18
Non-Executive Director:				
Chen Lang	3	–	15	18
Independent Non-Executive Directors:				
Yeung Kin Chung Clifton, M.H.	3	–	15	18
Chao Pao Shu George	3	–	15	18
Chai Chung Wai	–	20	24	44

BOARD OF DIRECTORS *(continued)*

Directors' training and professional development *(continued)*

Notes:

1. Internal training includes attending in-house training and briefings delivered by internal teams or guest speakers, or serving as a speaker at internal training programme.

2. External training includes attending (or serving as a speaker or panelist at) training courses, seminars, conferences and expert briefings organized by professional, industry, business or other external bodies.

3. Self-study includes taking online training and reading articles or other self-learning materials provided by the Company, regulators, professional or other external bodies.

4. Each Director confirmed to the Company that he/she had covered at least the following topics as far as directors' training is concerned: (a) roles, functions and responsibilities of the board, its committees and directors, and board effectiveness; (b) listed issuers' obligations and directors' duties; (c) corporate governance, risk management and internal controls; (d) listing rules, securities laws, disclosure of interests, notifiable and connected transactions; and (e) industry developments, business trends and strategies.

Mr. Chai Chung Wai, as a first-time Director appointed on 31 March 2026, is required by Rule 3.09H of the Listing Rules to complete, and has indeed completed, not less than 24 hours of CPD within 18 months of his appointment. Other Directors have completed not less than 15 hours of CPD.

During the financial year, Mr. Tang Chi Wai, the Company Secretary of the Company, had taken not less than 15 hours of CPD in compliance with Rule 3.29 of the Listing Rules.

Board performance review

The Board recognises that a regular evaluation of its performance is an essential element of good corporate governance. During the Year, the Board has yet to conduct the review but resolved to conduct a review in the year ending 30 June 2027. It is planned that the review be conducted internally, led by the chairman of the Board with the assistance of the Company Secretary. The Board intends to carry out the review by means of the filling of questionnaire by each Director, which will be submitted to the nomination committee for their consideration and recommendation to the Board. Any areas calling for improvement will be raised with individual Directors, with follow-up assessments being carried out in future performance review.

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.

No lead independent non-executive director has been designated. Taking into account the mechanisms described above and the matters described in the section headed "COMMUNICATION WITH SHAREHOLDERS AND INVESTORS", the Board considers that the channels of communication between the independent non-executive directors, the other Directors and the shareholders are sufficient and effective.

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, facilitate 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 to fill a casual vacancy in, or as an addition to, the Board shall hold office until the first annual general meeting of the Company after his/her appointment 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 that procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. In addition, he has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the year ended 30 June 2026.

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 member of 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 one Executive Director, namely, Mr. Chen Jinyang, and three Independent Non-Executive Directors, namely, Mr. Yeung Kin Chung Clifton, M.H., Mr. Chao Pao Shu George and Mr. Chai Chung Wai, and is chaired by Mr. Yeung Kin Chung Clifton, M.H..

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 remuneration of Directors and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in Note 9 to the consolidated financial statements. Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of senior management (excluding Directors) by band for the Year is set out below:

Remuneration bands	Number of individuals
Nil to HK$1,000,000	1
HK$1,000,001 to HK$3,000,000	1

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 two Executive Directors, namely, Mr. Chen Jinyang and Ms. Zhu Fenglian, and three Independent Non-Executive Directors, namely, Mr. Yeung Kin Chung Clifton, M.H., Mr. Chao Pao Shu George and Mr. Chai Chung Wai, and is chaired by Mr. Chen Jinyang. The committee includes a director of a different gender, as required by code provision B.3.5 of the CG Code.

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 which the Board shall consider the benefits of diversity when it reviews the Board composition. In designing the Board's composition, diversity should be 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.

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 has appointed one female Director 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 30 June 2026 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 COMMITTEE *(continued)*

Board Skills Matrix

The Board believes that having Directors with a broad and balanced mix of skills and expertise is crucial to supporting the Group's strategic direction, governance and business needs. An appropriate skills matrix empowers the Board to carry out its responsibilities effectively, driving long-term objectives and fostering sustainable growth for the Group.

To ensure that the Board remains equipped with relevant skills and expertise, the Nomination Committee conducted a review and is satisfied with the Board skills matrix for the year ended 30 June 2026 with details appended below:

Director's skills and expertise	Relevance to the Company	Board expertise coverage (% of entire Board of 7 Directors)
Executive leadership and strategy	Having the collective capability to set strategic direction, providing effective oversight of management, and fostering long-term sustainable growth of the Company	100
Industry knowledge and experience	Making informed decisions, providing insights into market trends and responding to sector-specific challenges with better understanding of the Company's daily business operations, market development and competition as well as technology and innovation	71
Financial literacy/business acumen	Facilitating effective financial management and providing insights into business opportunities and risks that drive sustainable profitability and long-term growth of the Company	86
Risk management/regulatory compliance	Safeguarding the Company against legal, financial and operational risks through the implementation, management, and oversight of risk management and internal control systems to ensure compliance with legal and regulatory requirements	86
Chinese Mainland exposure	Navigating the regulatory environment, assessing market opportunities and risks, and supporting the Company's strategic development on the Chinese Mainland	100

The Board demonstrates strong capabilities across the above skill key areas and it is considered that the existing combination of skills, experience and diversity of the Directors is adequate and aligns with the purpose, values, strategy and corporate culture of the Company. The nomination committee has not identified any additional skills that the Board needs to acquire at present.

NOMINATION COMMITTEE *(continued)*

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 that are relevant to the Company's business and corporate strategy and diversity aspects under the Board Diversity Policy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- 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; and
- 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 COMMITTEE *(continued)*

Nomination Policy *(continued)*

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.

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.

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

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.

RISK 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.

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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(continued)*

The Group does not have an in-house internal audit function. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and business of the Group, it would be more cost-effective to appoint an external consultant to review and provide recommendations on improving its internal control system and managing risks. 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 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 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 can truly reflect the state of affairs of the Company. The financial statements are set out on pages 108 to 196. Financial results of the Company are announced in a timely manner in accordance with statutory and/or regulatory requirements. In preparing the consolidated financial statements for the Year, the Board ensured the consolidated financial statements were prepared on a "going concern" basis, with supporting assumptions or qualifications as necessary.

The Board of Directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that can truly reflect the status of affairs of the Company, with such disclosures as are required under the Listing Rules and 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 are set out in the Independent Auditor's Report on pages 102 to 107.

AUDITORS' REMUNERATION

For the Year, the fee paid/payable for services provided by the current and former external auditors of the Company, is as follows:

	Fee Paid/Payable 30 June 2026 HK$'000
Services rendered by McMillan Woods	
Statutory audit services	1,301
Non-audit services	1,550

Non-audit services were required during the year as part of the Company's disposal of 49% equity in Qinghui Properties Limited.

AUDIT COMMITTEE

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

The Audit Committee currently comprises three Independent Non-Executive Directors, namely, Mr. Yeung Kin Chung Clifton, M.H., Mr. Chao Pao Shu George, and Mr. Chai Chung Wai. The chairman of the Audit Committee is Mr. Chai Chung Wai, who possesses recognised professional qualifications in accounting. 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.

The Audit Committee has reviewed the Group's audited financial statements for the Year, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal controls, risk management and financial reporting matters.

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**"), with the aim of striking a balance between return to shareholders while maintaining sufficient cash for working capital and business development. The recommendation of the payment of any dividend is subject to the discretion of the Board, and decided in accordance with the Dividend Policy, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. The Board did not declare or recommend any dividend during the Year, as the Company was loss-making and it was desirable to retain more cash for its internal resources. When the Company returns to profit and has surplus cash over its needs, it will consider measures to enhance return to shareholders, including dividends.

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 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 and contact details are 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. If any questions raised by shareholders cannot be answered at the spot, they will be recorded in writing and followed up after the meeting. 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, taking into account the various communication channels as described above.

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 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 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

There were no changes to the Company's constitutional documents during the Year. The Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. In order to (i) bring the Company's Articles of association (the "**Articles**") in line with the latest legal and regulatory requirements including the Core Shareholder Protection Standards as set out in Appendix A1 of the Listing Rules; (ii) specify the procedures regarding the conduct of hybrid and electronic meetings; and (iii) make other consequential and housekeeping amendments, amended Articles were approved by the Company's shareholders at its AGM on 30 June 2023. Please refer to the Company's circular dated 29 May 2023 for details of the amendments.

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: Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai 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.

Environmental, Social and Governance Report

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 to as the "**Group**"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Code as described in Appendix C2 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

Scope and Reporting Period

This ESG report encompasses the Group's overall performance across its core operations, specifically water treatment and distribution services, property leasing services, and headquarters management. 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, comprising of retail shops, restaurants and cafes, beauty and fitness centres, tuition centre, and parking spaces. The headquarters office, located in Sheung Wan, Hong Kong (the "**Headquarters**"), manages the above-mentioned operations.

The report also acknowledges the Group's ownership of Hooray Capital Limited and Hooray Securities Limited; however, as their revenue contribution remains negligible at approximately 0.08% of total Group revenue, their operations are excluded from the reporting scope as they are deemed insignificant.

The Reporting Period for this report spans from 1 July 2025 to 30 June 2026 ("**Reporting Period**"). During this timeframe, the Group continued to deliver safe and reliable water supply services alongside high-quality property management, adhering to the Water Supply Management Method of Qingyuan and applicable laws and regulations of the PRC. The Group remains committed to creating long-term value for customers, employees, and shareholders through robust operations while fulfilling its corporate social responsibilities, with a specific focus on optimizing energy management and enhancing operational efficiency across its diverse business lines.

There were no major operational changes to the scope of this report compared with the previous reporting period from 1 January 2024 to 30 June 2025 ("**Last Reporting Period**"). The Group maintained a consistent operational boundary and reporting methodology, ensuring continuity in the presentation of key performance indicators and environmental data. While specific infrastructure projects such as the renovation of DN400, DN300-400, and DN200/DN150 pipelines were executed to address aging networks and improve water supply stability, these activities fall within the existing operational mandate and do not constitute a change in the defined reporting boundary or scope.

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, process, and results of the engagement which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

ABOUT THE REPORT *(continued)*

Reporting Principles *(continued)*

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.

Balance – performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

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

BOARD STATEMENT ON ESG

The Board of Directors (the "**Board**") acknowledges its ultimate responsibility for the Group's ESG performance and the integrity of this report. During the Reporting Period from 1 July 2025 to 30 June 2026, the Board maintained a robust oversight framework to ensure that ESG considerations are fully integrated into the Group's strategic planning and daily operations. The Board actively reviews the Group's sustainability strategy, monitors progress against established targets, and ensures that material ESG issues are effectively identified, assessed, and managed. This oversight extends to the operational boundaries of the Group, which remain consistent with the previous reporting period, encompassing water treatment and distribution services in Qingyuan City, property leasing operations at Dongshan Mall in Guangzhou, and the headquarters in Hong Kong.

The Group's sustainability mission is anchored in providing safe, reliable water supply services and high-quality property management while creating long-term value for customers, employees, and shareholders. Our vision is to operate responsibly by minimizing environmental impact through efficient resource utilization and ensuring social well-being through safe working conditions and community engagement. We recognize the significant challenges posed by climate change, including physical risks such as extreme weather events and the chronic issue of aging infrastructure. In response, we are committed to a long-term strategy that balances economic viability with social responsibility, aiming to enhance operational resilience and contribute positively to the communities we serve.

To govern these commitments, the Board has established a clear governance structure wherein it retains ultimate accountability for ESG matters. Senior management is tasked with executing the Board's directives, while an ESG Working Group has been empowered to lead specific initiatives, including climate action, emission reduction efforts, and the coordination of strategic goals. This Working Group provides the Board with regular analysis and insights on emerging risks and performance metrics, facilitating informed decision-making. The Group employs a materiality assessment process to prioritize ESG issues, ensuring that resources are allocated to areas of greatest impact. Furthermore, we have implemented comprehensive management systems, including safety production, procurement, and emergency response protocols, which are reviewed and updated periodically to address evolving ESG risks.

BOARD STATEMENT ON ESG *(continued)*

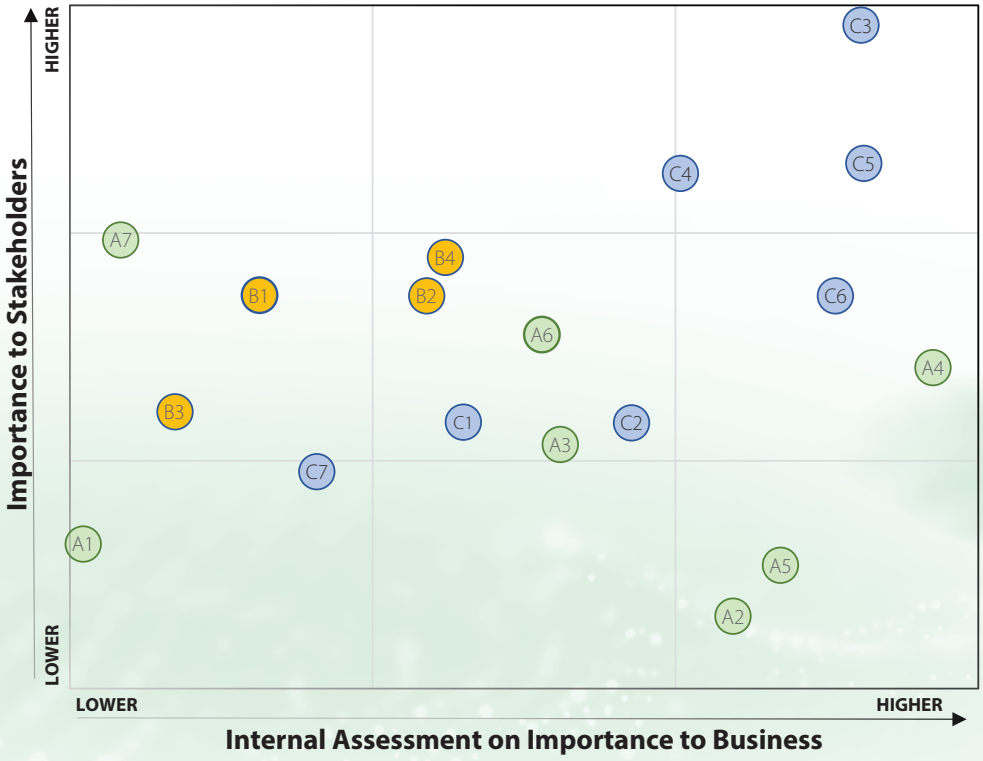
During the Reporting Period, the Group demonstrated its commitment to sustainable development through targeted infrastructure improvements and operational enhancements. The Water Supply Companies successfully executed several key pipeline renovation projects, including the renovation of the DN400, DN300-400, and DN200/DN150 pipelines, to address aging infrastructure and reduce leakage risks. In the property management sector, Dongshan Mall continued to optimize energy efficiency and enforce strict waste sorting and air quality regulations. These achievements underscore the Group's ability to balance economic benefits with social responsibilities, reinforcing its position as a responsible corporate citizen committed to sustainable business development.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group values input from its stakeholders, hence, both internal and external stakeholders are engaged. 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.

During the Reporting Period, the Group has engaged its senior management, frontline staff, customers (including business and residential customers), suppliers, regulators, and consultants through surveys to determine the material ESG aspects for this ESG Report. A materiality assessment has been carried out to highlight the topics that are important to the Group and its external stakeholders.

Materiality of Different Topics from Stakeholder Engagement



STAKEHOLDER ENGAGEMENT AND MATERIALITY *(continued)*

Environmental		Employees		Operational Practices	
A1	Energy	B1	Employment	C1	Supply Chain Management
A2	Water	B2	Health and Safety	C2	Intellectual Property Rights
A3	Emissions	B3	Development and Training	C3	Data Protection
A4	Effluents and Waste	B4	Labour Standards	C4	Customer Service
A5	Other Raw Materials Consumption (including packaging materials)			C5	Product/Service Quality
				C6	Anti-corruption
A6	Environmental Protection Policies			C7	Community Investment
A7	Climate Change				

To identify its most significant ESG issues, the Group conducted a materiality assessment during the Reporting Period that incorporated double materiality considerations. This process evaluated both impact materiality, which assesses the actual and potential positive or negative impacts of the Group's operations on people and the environment (including upstream and downstream value chain effects), and financial materiality, which considers sustainability-related risks and opportunities that could influence the Group's financial position and performance. The assessment was informed by stakeholder engagement data, Board discussions, and external professional advice.

Based on the analysis of stakeholder engagement results, Board assessment, and the Materiality Finder of SASB Standards, the following topics were identified as the most material ESG issues:

- **Environmental Protection Policies:** Addressing the Group's impact on the environment and natural resources through rigorous measures to manage fuel usage, promote energy efficiency, and reduce emissions.
- **Occupational Health and Safety:** Ensuring compliance with relevant laws and regulations to provide a safe and healthy working environment for all employees.
- **Customer Service:** Maintaining high standards of service quality and professionalism, ensuring accessible channels for feedback and prompt resolution of enquiries.
- **Product/Service Quality:** Implementing robust quality assurance processes, such as the water quality three-tier testing system, to ensure safety and operational reliability.
- **Anti-corruption:** Enforcing a strict policy prohibiting bribery, extortion, fraud, and money laundering, supported by regular training and a whistle-blowing mechanism.

These material aspects are reviewed and discussed by the Board of Directors to identify associated risks and opportunities. The Group is committed to continuously improving its management of these material topics and will keep close communication with stakeholders to exchange ideas for advancing its ESG performance.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance during the Reporting Period, inviting suggestions and views to be submitted via email at info@uth.com.hk, which will be considered as important factors in future decision-making processes to enhance the Group's sustainability management systems and address concerns across its operational boundary and upstream and downstream value chain.

SUSTAINABILITY STRATEGIES AND FRAMEWORK

Our Approach to Sustainable Development

The Group adopts a comprehensive, risk-based approach to sustainable development, integrating environmental, social, and governance considerations into its core strategic planning and operational management. This framework is designed to systematically identify, assess, and manage material ESG issues that could impact the Group's long-term value creation and resilience. The Board of Directors oversees this process, ensuring that sustainability risks, ranging from physical climate risks such as extreme weather events to operational challenges like aging infrastructure, are evaluated alongside opportunities. The Group employs a rigorous risk management framework where the ESG Working Group leads the identification and assessment of climate-related and other sustainability risks. These insights are regularly presented to the Board to ensure informed decision-making and the formulation of robust contingency plans, such as specific protocols for typhoons and heavy rain, to safeguard business continuity and employee safety.

In alignment with international best practices, the Group's sustainability strategy is guided by the principles of materiality and consistency. A formal materiality assessment is conducted to pinpoint the most significant environmental and social issues affecting investors and stakeholders, including water supply safety, occupational health and safety, and customer service quality. This assessment ensures that the Group's reporting and management efforts focus on areas of highest impact. Furthermore, the Group adheres to the principles of balance and transparency, presenting performance data impartially and using consistent statistical methodologies to allow for meaningful comparisons over time. The Group's operations are strictly compliant with applicable laws and regulations in the People's Republic of China, including the Water Supply Management Method of Qingyuan, while actively engaging with industry associations to stay abreast of evolving regulatory and market trends.

Strategically, the Group is committed to addressing the challenges of an aging infrastructure network and escalating freshwater demand through targeted low-carbon and operational efficiency initiatives. Recognizing the significant risks posed by deteriorating water pipes, the Group has established a clear roadmap for the next three to five years, prioritizing the renovation of pipelines that are old, prone to bursting, or pose safety risks. Specific projects include the renewal of DN300-400 pipelines and the replacement of domestic water meters to ensure service stability and reduce leakage. In the property management sector, the Group focuses on optimizing energy management and enhancing operational efficiency, with long-term goals to transform facilities into green buildings that align with environmental principles. By continuously monitoring climate resilience, promoting energy efficiency, and investing in the transformation of its water supply network, the Group aims to create long-term value for its customers, employees, and shareholders while fulfilling its corporate social responsibilities.

MAJOR CHALLENGES AND DEVELOPMENT

The Group continues to face a combination of physical climate risks (acute extreme weather and chronic shifts in water resource stability), transition risks (evolving environmental regulation), and operational challenges (notably the aging water supply network in Qingyuan and Taihe Town). These challenges, together with the Group's response measures, are described in the "Our Approach to Sustainable Development" subsection above and "The Group's Commitment to Green Economy" subsection below, and are further elaborated under A4. Climate Change.

THE GROUP'S MISSION AND VISION ON SUSTAINABILITY COMMITMENT

The Group's core mission is to provide safe and reliable water supply services and high-quality property management for its operational areas, while creating long-term value for customers, employees, and shareholders through robust operations and the fulfillment of corporate social responsibilities. Guided by a vision of sustainable development, the Board and senior management have established a comprehensive risk management framework to systematically address environmental, social, and governance issues. This approach prioritizes the assessment and management of material ESG-related issues, including risks to the Group's businesses, ensuring that strategies are aligned with the Group's overall business objectives and long-term resilience.

In the realm of environmental protection, the Group attaches great importance to resource efficiency and environmental impact during operations. For its water supply business, the Group strictly enforces monitoring standards on water quality to ensure safety, while actively addressing the challenge of aging infrastructure. Recognizing that over 67% of the water supply network pipes are plastic and subject to aging, the Group implements annual renovation plans to replace critical pipelines, utilizes dedicated inspectors for daily monitoring, and employs leak detection teams to maintain network integrity. The Group is committed to reducing greenhouse gas emissions, energy consumption, and waste generation intensity, with specific targets to achieve a 10% reduction over a 10-year period through initiatives such as energy efficiency improvements and waste reduction programs.

Regarding human capital, the Group views its employees as its most valuable assets and is dedicated to providing a safe, inclusive, and supportive working environment. The Group supports career development through systematic training programs and incentive mechanisms, while maintaining comprehensive welfare benefits for its workforce. Furthermore, the Group fosters a culture of safety and well-being, ensuring compliance with occupational health and safety regulations and conducting regular emergency drills to mitigate potential risks.

The Group is committed to ethical, transparent, and compliant business practices. It enforces a strict anti-corruption policy that prohibits bribery, extortion, fraud, and money laundering, requiring all directors and employees to adhere to these principles. To ensure accountability, the Group has established a whistle-blowing policy for reporting improprieties and provides regular anti-corruption training to enhance employee awareness. The Board regularly reviews progress against ESG-related goals and targets, utilizing analysis and insights from the ESG Working Group to make informed decisions. This governance structure ensures that the Group continuously improves its ESG performance, balancing economic benefits with social responsibilities to achieve a win-win outcome for all stakeholders.

THE GROUP'S COMMITMENT TO GREEN ECONOMY

The Group remains steadfast in its commitment to advancing the green economy by integrating environmental sustainability into its core operational strategy, particularly within its water treatment and distribution services and property management sectors. Recognizing the critical nature of resource efficiency and infrastructure resilience, the Board has established a robust risk management framework to address both physical climate risks, such as aging infrastructure, and transition risks associated with regulatory changes. This approach ensures that the Group proactively manages material ESG issues, including water safety, energy consumption, and waste reduction, aligning with the principles of double materiality to balance impacts on stakeholders with risks to the Group's business.

THE GROUP'S COMMITMENT TO GREEN ECONOMY *(continued)*

In the water supply sector, the Group is actively tackling the challenge of aging pipelines, which constitute a significant portion of its operational boundary in Qingyuan City and Taihe Town. With over 490 km of water supply pipes, more than half of which are plastic-based, the Group has implemented a comprehensive renewal strategy to mitigate leakage and burst risks. During the Reporting Period, the Group executed several key infrastructure projects, including the renovation of the DN400, DN300-400, and DN200/DN150 pipelines, and the installation of electromagnetic flow meters to enhance monitoring capabilities. Looking ahead, the Group prioritizes the replacement of pipelines with extended service lives or those posing safety hazards, with specific focus on projects such as the DN600 steel pipe replacement along the Qinhuang River and the DN150 pipe renewal near the CNPC Qinghe Fuel Station. These initiatives are designed to ensure a stable, safe, and efficient water supply while reducing non-revenue water losses.

Furthermore, the Group is committed to optimizing energy efficiency and promoting circular economy principles across its operations. At Dongshan Jinxuan Modern Mall, the Group continues to enforce strict energy management protocols, encouraging the use of alternative fuel vehicles and supporting local community renovations to align with green building standards. The Group also maintains rigorous waste sorting programs and air quality regulations within the Dongshan Mall to minimize its environmental footprint. By continuously monitoring climate resilience and investing in technological upgrades, such as online pressure monitoring systems and leak detection teams, the Group aims to achieve long-term targets of reducing greenhouse gas emissions, energy consumption, and waste generation intensity by 10% over the next decade. Through these concerted efforts, the Group strives to create long-term value for its stakeholders while contributing to the sustainable development of the communities it serves.

AWARDS AND RECOGNITION

During the Reporting Period, the Group continued to uphold its commitment to high standards of corporate governance and operational excellence across its water treatment, distribution, and property leasing businesses. In recognition of its reliable performance and integrity in business dealings, the District Administration for Industry and Commerce awarded the Group the title of "Enterprise that Honors Contracts and Values Credit" (守合同、重信用企業). This distinction underscores the Group's dedication to fulfilling contractual obligations and maintaining a strong reputation within the local market. Furthermore, the Group actively participates in industry advocacy to foster professional development and share best practices. It maintains active membership in the Guangdong Cities and Towns Water Supply Association, engaging regularly with peers to exchange industrial news and ideas, as well as the Northern Guangdong Communication Group. These memberships reflect the Group's broader engagement with stakeholders and its commitment to contributing to the sustainable development of the water supply sector.

Category	Award/Recognition/Membership	Issuing Body/Organization
Corporate Integrity	"Enterprise that Honors Contracts and Values Credit"	District Administration for Industry and Commerce
Industry Membership	Member	Guangdong Cities and Towns Water Supply Association
Industry Membership	Member	Northern Guangdong Communication Group

AWARDS AND RECOGNITION *(continued)*

These recognitions and memberships validate the Group's adherence to rigorous operational standards and its proactive approach to stakeholder engagement. By securing the "Enterprise that Honors Contracts and Values Credit" designation, the Group demonstrates its reliability to customers and partners, reinforcing trust in its service delivery. Active participation in the Guangdong Cities and Towns Water Supply Association and the Northern Guangdong Communication Group facilitates the exchange of critical industry insights, allowing the Group to align its strategies with evolving market trends and regulatory expectations. Collectively, these achievements highlight the Group's robust governance framework and its dedication to sustainable business practices within the upstream and downstream value chain.

GOVERNANCE STRUCTURE

The Board of Directors holds ultimate responsibility for the Group's ESG oversight, strategic direction, and the creation of long-term stakeholder value. During the Reporting Period, the Board established a robust risk management framework to systematically address climate-related transition risks and physical risks, ensuring that environmental and social considerations are integrated into core business strategies. The Board reviews progress against ESG-related goals and targets through regular meetings, receiving analysis and insights from the ESG Working Group to ensure informed decision-making. This governance approach ensures that board discussions encompass a comprehensive understanding of potential risks, enabling the Group to proactively mitigate challenges and enhance overall resilience.

To effectively manage material risks and climate transition impacts, the Group employs a structured management approach that prioritizes the safety of water supply services and the operational efficiency of property management. The Board oversees the implementation of specific contingency plans, such as the Code of Practice during Typhoon, Heavy Rain, Thunderstorm and Storm Surge Warnings, to ensure business continuity and employee safety. In response to the challenge of aging infrastructure, particularly the over 490km of water supply pipes where a significant portion is plastic and prone to leakage, the Group has adopted a proactive maintenance strategy. This includes annual renovation plans for critical pipelines, the deployment of dedicated inspectors for daily network surveillance, and the utilization of online pressure monitoring systems to detect anomalies. Furthermore, the Group is committed to long-term environmental targets, aiming to achieve a 10% reduction in greenhouse gas emissions, energy consumption, and waste generation intensity over a 10-year period, while continuously monitoring its climate resilience.

The ESG Working Group serves as the primary operational body tasked with leading the Group's climate action initiatives and overseeing emission reduction efforts. Its core responsibilities include coordinating the implementation of strategic goals, identifying and assessing various ESG risks, and providing the Board with detailed analysis and insights on performance. The Working Group ensures that management shares risk assessments during Board meetings, fostering open communication to raise awareness of potential threats. Additionally, the Group has established comprehensive management systems, including safety production, procurement, and emergency management policies, which are regularly reviewed and updated. These mechanisms, supported by periodic emergency drills, enable the Group to continuously improve its ESG performance and achieve a balance between economic benefits and social responsibility.

A. ENVIRONMENTAL

In recognition of the mounting challenges posed by climate change, the Group upheld its environmental stewardship by strictly complying with all pertinent environmental legislation and regulations throughout the Reporting Period. While the operations of the Water Supply Companies, Dongshan Mall, and Headquarters inevitably involve the consumption of natural resources, the Group has undertaken proactive measures to reduce its carbon footprint and minimize environmental impact. Since 2021, the Group has set targets to reduce emissions, waste, energy consumption, and water consumption, demonstrating its commitment to building a sustainable future.

The Group is dedicated to adhering to all applicable local and national environmental laws and regulations. During the Reporting Period, the Group strictly complied with laws including, but not limited to, the Air Pollution Prevention and Control Law of the PRC, the Environmental Protection Law of the PRC, the Law of the PRC on Prevention and Control of Pollution by Environmental Noise, the Noise Control Ordinance, and the Air Pollution Control Ordinance. Regarding specific compliance with waste and water regulations, the Group adhered to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Law of the People's Republic of China on the Prevention and Control of Water Pollution, with no violations recorded.

The Group's environmental policy emphasizes rigorous operational controls to ensure compliance and sustainability. The Board and senior management oversee the Group's approach to climate-related risks and opportunities, with an ESG Working Group established to lead climate action initiatives. This group is responsible for overseeing emission reduction efforts, setting strategic carbon goals, managing data collection and reporting, and coordinating the implementation of reduction targets across the Group's operations. The Group acknowledges climate change as a critical global threat and has developed a risk management framework to formulate countermeasures for both physical and transition risks.

To achieve its environmental goals, the Group has implemented several key initiatives. For greenhouse gas emissions, the Group set a target of a 10% reduction in overall GHG emissions intensity within 10 years, with 2021 as the base year. To achieve this, the Group prioritizes the purchase of fuel-efficient, hybrid, or new energy vehicles for business purposes. Operational measures include enforcing strict management of fuel consumption and vehicle travel, utilizing energy-efficient equipment, and implementing greening initiatives to improve air quality. For waste management, the Group promotes paperless operations and encourages duplex printing. Dedicated recycling stations for paper, lightbulbs, and other materials are located in key locations, and employees are encouraged to use reusable utensils in canteens. Specifically, regarding hazardous waste, laboratory waste and printer ink cartridges are collected by licensed collectors. For non-hazardous waste, mud generated from water treatment operations is disposed of at sites designated by the environmental department, while office paper waste is filed or recycled. The Group also actively promotes resource conservation by issuing initiatives to all employees to practice thrift and cherish resources, aligning with national directives on opposing waste.

During the Reporting Period, the Group continued to implement initiatives to mitigate its environmental footprint. The Water Supply Companies enhanced the efficiency of water pumps and equipment by installing frequency inverters to adjust power supply according to pressure levels. They also strengthened the maintenance of water equipment to prevent leakage and collected treated backwash water for reuse, amounting to 2.18 million m^3. At Dongshan Mall, measures included the installation of hand dryers to reduce paper towel usage, the use of LED lighting, and the implementation of central lighting and ventilation schedules. The Group also actively promotes paperless operations and encourages duplex printing where paper use is unavoidable.

A. ENVIRONMENTAL *(continued)*

The Group acknowledges climate change as a critical global threat and has established an ESG Working Group to oversee emission reduction efforts and coordinate the implementation of reduction targets. The Group discloses its climate-related information in alignment with TCFD recommendations, addressing Governance, Strategy, Risk Management, and Metrics and Targets. The Board and senior management oversee the Group's approach to climate-related risks, which include physical risks such as extreme weather events and chronic risks related to water resource stability. The Group has integrated processes for identifying and monitoring these risks into its overall risk management framework, utilizing contingency plans for extreme weather and appointing professionals for climate-related advice.

A1. Emissions

A1.1 Air Emissions

During the Reporting Period, the Group's mobile operations were supported by a fleet comprising 12 passenger cars, 10 petrol-powered light goods vehicles, and 3 diesel-powered light goods vehicles. The vehicle database indicates that all passenger cars and 10 of the light goods vehicles operated on petrol, while the remaining 3 light goods vehicles utilized diesel fuel. The combustion of these fuels resulted in the emission of non-greenhouse gas air pollutants, specifically nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**"), and particulate matters ("**PM**"). The total amount of these emissions are summarized below:

	2024/25 air emissions (non-GHG)		
	NO_x (kg)	**PM (kg)**	**SO_x (kg)**
Total	130.68	12.01	0.71

	2025/26 air emissions (non-GHG)		
	NO_x (kg)	**PM (kg)**	**SO_x (kg)**
Total	109.20	9.97	0.86

Note: Emission factors for calculations on environmental parameters throughout the report were made reference to Appendix C2 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

The Group remains committed to mitigating the environmental impact of its mobile operations through rigorous fuel management and operational controls. While the current fleet relies on conventional fuel sources, the Group continues to monitor emission intensities closely to identify areas for improvement. Future strategies will focus on optimizing vehicle usage and exploring low-emission alternatives to align with the Group's broader environmental stewardship goals and regulatory compliance requirements.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.2 Greenhouse Gas ("GHG") Emissions

During the Reporting Period, the Group's business operations resulted in total Greenhouse Gas ("**GHG**") emissions of 12,509.83 tonnes of carbon dioxide equivalent ("**tCO_2e**"). The overall emission intensity was 0.72 tCO_2e per hectare and 33.27 tCO_2e per employee.

The Group's GHG emissions are categorized as follows:

- Scope 1 – Direct emissions from stationary and mobile fuel combustion, including liquefied petroleum gas, petrol, and diesel.
- Scope 2 – Indirect emissions resulting from the consumption of purchased electricity and purchased towngas.
- Scope 3 – Other indirect emissions, specifically covering Category 3 (Fuel- and energy-related activities), Category 5 (Waste generated in operations), Category 6 (Business travel), and Category 7 (Employee commuting).

To ensure the accuracy and reliability of the reported figures, the Group has established rigorous data collection protocols involving monthly estimation, verification, and reporting of fuel consumption and energy usage. The Group is committed to enhancing its data governance to gain a more comprehensive understanding of Scope 3 emissions connected to its value chain, with plans to expand disclosure to additional reporting categories as operational capabilities and data availability permit.

The Group has selected its measurement approach, inputs, and assumptions for calculating GHG emissions based on a principle of alignment with established regulatory frameworks and authoritative sources to ensure consistency, comparability, and reliability. The approach has been chosen to:

- **Comply with Regulatory Expectations:** The Group primarily references methodologies and emission factors set out by the Ministry of Ecology and Environment of the People's Republic of China, specifically utilizing the factor of 0.5777 kg CO_2e/kWh and 0.59 kg CO_2e/kWh for purchased electricity from the National Grid of the PRC and Hong Kong in 2025/26 respectively.
- **Utilize Internationally Recognized Standards:** The Group aligns its reporting with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to ensure global consistency in value chain emissions accounting.
- **Apply Credible and Geographically Relevant Data Sources:** Where local factors are unavailable, the Group uses authoritative sources specific to its primary region of operation (Mainland China), including the International Civil Aviation Organization ("**ICAO**") Carbon Emission Calculator for business air travel emissions and the IPCC for global warming potential values.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

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

See below for the detail breakdown of GHG contributions.

Scope of GHG emissions	Emission sources	GHG Emission (2025/26) (in tCO_2e)	GHG Emission (2024/25) (in tCO_2e)
Scope 1 Direct emissions	Combustion of fuels in stationary sources	49.75	33.23
	Combustion of fuel in mobile sources	135.82	124.43
	Release of refrigerants from the operation of equipment and systems	N/A	800.86
Scope 2 Energy indirect emissions	Purchased electricity	12,071.87	31,520.05
	Purchased towngas	48.40	6.80
Scope 3 Other indirect emissions	Category 3: Fuel- and energy-related activities not included in scope 1 or scope 2 (Including electricity used for processing fresh water and sewage)	185.57	267.49
	Category 5: Waste generated in operations (Including paper waste disposal)	17.58	122.85
	Category 6: Business Travel	0.49	0.81
	Category 7: Employee Commuting	0.35	0.43
Total		12,509.83	32,876.94

Note 1: Emission factors were made reference to Appendix C2 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

Note 2: According to The Ministry of Ecology and Environment of People's Republic of China (2025): an emission factor of 0.578 kg CO_2e/kWh was used for purchased electricity from the National Grid of the PRC in 2025/26, while an emission factor of 0.6205 kg CO_2e/kWh was used for purchased electricity from the National Grid of the PRC in 2024/25.

Note 3: Data for other categories of scope 3 emissions have not yet been collected, and the Group currently does not have the capability to conduct data collection for these categories; however, the Group shall endeavour to dedicate resources to complete scope 3 emissions disclosure in due time.

Note 4: CO_2 emissions from the Group's business air travels were reported with accordance to the ICAO Carbon Emission Calculator.

Note 5: Total GHG Emissions may not equal total of emission sources or sub-totals due to rounding errors.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.3 Hazardous Waste

During the Reporting Period, the Group maintained strict adherence to all applicable environmental legislation and regulations regarding the management of hazardous waste. Operations at the Water Plant involved the consumption of specific chemicals, including polyaluminium chloride ("**PAC**"), hydrochloric acid, sodium chlorate, and sodium hypochlorite, which generated laboratory waste. Additionally, computer hardware waste, such as computers and printing cartridges, was generated from office operations. The Group ensures that all hazardous materials are handled with care to mitigate potential risks to human health and the environment. All hazardous waste generated was collected by licensed collectors and disposed of in accordance with regulatory requirements.

The table below details the composition and quantities of hazardous waste generated by the Group during the Reporting Period, along with the disposal methods employed. Data for the prior year (2024/25) is included for comparative purposes where available.

Hazardous Waste Type	2025/26 Total (kg)	2024/25 Total (kg)	Disposal Method (2025/26)
Computer hardware (e.g., computers, Printing Cartridges)	130	130	Recycled
Laboratory waste	450	450	Combusted
Total	580	580	–

The total volume of hazardous waste generated by the Group during the Reporting Period was 580 kg. This represents an intensity of 1.54 kg per employee and 0.03 kg per hectare. The generation of laboratory waste (450 kg) was primarily attributed to the Water Plant operations, while computer hardware waste (130 kg) originated from office activities. The Group continues to monitor its waste generation intensity and aims to further reduce its environmental footprint in the upcoming reporting period.

A1.4 Non-hazardous Waste

Non-hazardous waste generated from the Group are mainly mud from 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. 1,008,905 tonnes of mud was generated and disposed of by the Taihe Company during the Reporting Period, while the Water Supply Development Company did not generate any during the Reporting Period.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.4 Non-hazardous Waste (continued)

Furthermore, the Group had also generated 16,764.20 kg of paper waste from daily office operations such as document printing and deliverables packaging. 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.

During the Reporting Period, the Group generated non-hazardous waste primarily from its water treatment operations and office activities. The waste components identified were mud resulting from water treatment processes and paper waste from office operations. The Group manages these materials in accordance with applicable environmental laws and regulations, ensuring that mud is transported to designated landfill sites and paper waste is disposed of through licensed channels.

In total, 1,008,922.96 tonnes of non-hazardous waste were generated from daily business operations of the Group during the Reporting Period. The intensity of non-hazardous waste generation for the 2026 Reporting Period was 58,298.61 kg per hectare, or 2,683,305.74 kg per employee. The Group continues to monitor waste generation closely and will review its environmental targets in the upcoming year to ensure they remain aligned with its sustainability strategy.

A1.5 Measures to Mitigate Air and Greenhouse Gas Emissions

During the Reporting Period, the Group did not record any material non-compliance regarding air and greenhouse gas emissions, discharges into water and land, or the generation of hazardous and non-hazardous waste. To further mitigate its environmental footprint, the Group has adopted a vehicle acquisition strategy that prioritizes fuel-efficient, hybrid, or new energy vehicles. Additionally, operational efficiencies are achieved through the procurement of energy-efficient equipment and the implementation of strict management controls over fuel consumption and vehicle travel, supported by monthly estimation, verification, and reporting mechanisms.

In alignment with its long-term sustainability strategy, the Group has established a target to reduce overall GHG emissions intensity by 10% within 10 years, utilizing 2021 as the base year. The progress towards this target is detailed below:

Indicator	2021 Baseline	2025/26 Performance	Progress vs. Target
Overall GHG Emissions Intensity (tCO_2e per hectare)	1.15	0.73	On Track

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.5 Measures to Mitigate Air and Greenhouse Gas Emissions (continued)

The data above reflects the Group's continued efforts to optimize energy efficiency and reduce direct emissions. The Group will continue to monitor its emission intensity regularly and review its reduction targets to ensure alignment with evolving environmental standards and operational realities. The Group will also continue to explore opportunities for energy consumption reduction and equipment optimization. Future initiatives will focus on enhancing the efficiency of water pumps and equipment, implementing frequency inverters to adjust power supply according to pressure levels, and mandating energy efficiency as a criterion for purchasing new equipment. The Group also encourages employees to utilize public transit for commuting. The Board and senior management will continue to monitor these metrics closely and review the reduction targets to ensure they remain aligned with the Group's long-term environmental goals.

A1.6 Waste Handling and Reduction Initiatives

To manage waste generation effectively, the Group has implemented a structured waste handling protocol across its operational sites. Hazardous waste, specifically laboratory waste containing chemicals such as PAC, hydrochloric acid, and sodium hypochlorite generated by water treatment operations, as well as computer hardware and printer cartridges, is strictly segregated and entrusted to licensed disposal companies for safe transport and treatment. Non-hazardous waste streams include significant volumes of mud from water treatment processes and paper waste from office operations. The Group employs a circular economy approach by encouraging employees to bring their own reusable utensils for dining, utilizing double-sided printing, and providing dedicated recycling bins for paper and other recyclable materials in public spaces.

The Group has established a target to reduce waste generation intensity by 10% within 10 years, utilizing 2021 as the base year. The following table details the progress against this target for the Reporting Period:

Indicator	2021 Baseline	2025/26 Performance	Progress vs. Target
Overall Waste Generation Intensity (kg/hectare)	15.41	58,298.61	Lagging

The significant increase in waste generation intensity during the Reporting Period is primarily attributed to the change in water source, which resulted in a marked rise in water turbidity. This necessitated a substantial increase in the volume of mud generated during water treatment operations, which was subsequently disposed of via landfill. Despite this variance, the Group continues to implement measures to mitigate waste, including the promotion of resource conservation among all staff and the engagement of professional waste management services for restaurant and laboratory waste. The Group plans to review its environmental targets and baseline year in the upcoming reporting period to better reflect current operational realities.

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources

A2.1 Energy Consumption

Direct/Indirect Energy Sources	2025/26 Raw Consumption	2025/26 Consumption (in kWh)	2024/25 Consumption (in kWh)
Electricity	20,895,374.19 kWh	20,895,374.19	50,800,080.00
Petrol	41,664.70 litres	403,787.52	260,900.00
Towngas	18,960.00 units	252,800.00	165,120.00
Diesel	8,503.97 litres	91,019.99	177,440.00
Natural gas	660.00 m^3	6,523.73	7,830.00
Total		21,649,505.44	51,411,400.00

Note 1: Conversion factors were used pursuant to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

During the Reporting Period, the Group's total energy consumption amounted to approximately 21.65 million kWh, driven primarily by electricity usage of 20.90 million kWh. The remaining consumption was attributed to petrol (41,664.70 litres), towngas (18,960.00 units), diesel (8,503.97 litres), and natural gas (660.00 m^3). The energy intensity per area stood at 1,250.97 kWh per hectare (approximately 1.25 MWh per hectare), while the intensity per employee was recorded at 57,578.47 kWh per employee (approximately 57.58 MWh per employee).

A2.2 Water Consumption

During the Reporting Period, the Group consumed a total of 69,682,799 m^3 of water.[1] The water consumption intensity was 4,026.48 m^3 per hectare and 185,326.59 m^3 per employee. As the Group's operations are primarily driven by water treatment activities, the absolute volume of consumption remains significant; however, the Group continues to monitor usage closely to ensure operational efficiency. 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.

[1] Water consumption figure includes water which was distributed to households, commercials, and industrial units. Note: this represents a methodology change from the 2024/25 report, where distributed water was excluded. The 2024/25 comparable figure (excluding distributed water) was 2.87 million m^3.

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources *(continued)*

A2.3 Energy Use Efficiency Initiatives

In alignment with its commitment to sustainable operations, the Group has implemented a comprehensive suite of energy efficiency initiatives designed to optimize resource utilization and reduce consumption intensity. The Group has institutionalized energy management by establishing electricity consumption as a key performance indicator for internal assessment. To drive continuous improvement, the Group mandates the procurement of energy-efficient equipment and has enforced strict guidelines for the daily maintenance and repair of existing machinery. Specific technical upgrades have been executed, including the retrofitting of equipment to enhance operational efficiency and the modernization of aging electrical wiring systems to minimize transmission losses. Furthermore, the Group has adopted a policy of prioritizing the purchase of energy-efficient assets, ensuring that new capital expenditures align with long-term sustainability goals.

Operational behavioral changes have also been integrated into the Group's daily workflow to support energy conservation. The Group has issued clear directives to employees regarding low-carbon office practices, including the mandatory setting of air conditioning temperatures to no lower than 26˚C during summer months and the requirement to switch off computers, monitors, and lighting upon leaving the workplace. These measures, combined with the technical retrofits mentioned above, form the core of the Group's strategy to achieve its long-term energy reduction targets. The Group has set a strategic objective to reduce energy consumption intensity by 10% over the next decade, utilizing 2021 as the baseline year. The following table details the progress made toward this target based on the latest available data:

Indicator	2021 Baseline	2025/26 Performance	Progress vs. Target
Energy Consumption Intensity (MWh/hectare)	1.86	1.25	On Track

A2.4 Water Use Efficiency Initiatives

In terms of water quality and sourcing, there were no issues regarding the availability of water fit for purpose during the Reporting Period. The Water Supply Companies maintain a rigorous quality control regime, conducting daily testing of 11 routine indicators for raw water, treated water, and network water, alongside monthly comprehensive analysis of 23 indicators. Furthermore, the Group commissions a third party to conduct 20 additional tests monthly and 97 tests semi-annually on treated and network water. All water quality results strictly comply with the National Standard for Drinking Water (GB5749-2022). These results are publicly disclosed monthly via the Qingyuan Municipal Government website and on-site bulletin boards, ensuring transparency and accountability.

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources *(continued)*

A2.4 Water Use Efficiency Initiatives (continued)

To enhance water use efficiency and minimize waste, the Group has implemented several targeted initiatives. These include strengthening the daily maintenance and management of water equipment to prevent leaks and seepage, as well as adopting more efficient siphoning methods for sludge treatment and discharge. A key measure involves the collection and reuse of treated backwash water for other operational procedures, which amounted to 2.18 million m^3 during the Reporting Period. Additionally, the Group controls the consumption, frequency, and duration of backwash water based on the turbidity of the raw water to optimize resource usage. Internally, the Group promotes water conservation by posting water-saving slogans at prominent locations and encouraging employees to adopt habits that reduce waste, fostering a culture where saving water is considered a collective responsibility.

A2.5 Packaging Material

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 most significant impact of the Group's activities on the environment is its GHG emission. Following that is the potential effect of discharged processed wastewater into local water bodies by the Water Supply Companies, which may affect water quality and, subsequently, biodiversity. Having said that, the Group's continuous effort in emitting much less pollutants than permitted by the minimum requirements as required by relevant laws and regulations has enabled it to minimise any negative impacts on the environment.

As compared to the Water Supply Companies, the operation of Dongshan Mall and Headquarters contribute relatively less impact on the environment. Nevertheless, Dongshan Mall and Headquarters have also implemented sustainable measures to take up responsibility in reducing the Group's environmental footprint.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change

In recognition of the escalating global challenges posed by climate change, the Group acknowledges its potential impact on business operations and has adopted a proactive stance to address both climate-related risks and opportunities. In alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") and the guidelines set forth by the Hong Kong Exchanges and Clearing Limited, the Group discloses its climate-related information based on the four core elements of Governance, Strategy, Risk Management, and Metrics and Targets. This structured approach ensures that the Group's climate action initiatives are transparent, auditable, and consistent with international best practices. The Board and senior management have established a robust risk management framework to formulate countermeasures and strategies designed to ensure the Group's long-term resilience and sustainability in a changing climate.

A4.1 Governance

The Board holds ultimate responsibility for overseeing the Group's approach to climate-related risks and opportunities, ensuring that appropriate skills and competencies are available to guide strategies designed to respond to these challenges. To facilitate this oversight, the Board relies on detailed reporting from senior management and a dedicated ESG Working Group. This working group is tasked with leading climate action initiatives, overseeing emission reduction efforts, setting strategic carbon goals, and managing data collection and reporting. The Board is informed regularly regarding climate-related risks and opportunities through these structured reporting channels, allowing them to integrate climate considerations into the Group's overall strategy, major transaction decisions, and risk management processes. When overseeing these processes, the Board evaluates potential trade-offs associated with climate risks and opportunities to ensure a balanced approach to long-term resilience. Furthermore, the Board oversees the setting of and monitors progress towards climate-related targets, including the 10% reduction in overall GHG emissions intensity over 10 years. Performance metrics related to these targets are actively tracked, and the Group is committed to aligning remuneration policies with these environmental objectives to reinforce accountability.

Management plays a pivotal role in executing the governance processes, controls, and procedures required to monitor and manage climate-related risks and opportunities. While specific management-level positions are delegated with responsibility for operational execution, oversight is exercised directly by the Board and the ESG Working Group to ensure alignment with the Group's strategic direction. Management employs robust controls and procedures to support this oversight, which are fully integrated with other internal functions such as finance, operations, and human resources. These procedures include monthly estimation, verification, and reporting of fuel consumption, as well as the implementation of energy management systems and regular inspections of wastewater and waste disposal. By embedding climate-related controls into daily operational workflows, management ensures that the Group's commitment to environmental stewardship is effectively translated into tangible actions across all business units, including the Water Supply Companies, Dongshan Mall, and the Headquarters.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.1 Governance (continued)

Regarding capital investment and financial relief, the Group has not disclosed specific quantifiable financial figures for climate-related capital expenditures or financial relief in this reporting period. However, the Group has allocated resources toward operational efficiencies, such as the procurement of energy-efficient equipment, the installation of frequency inverters for water pumps, and the implementation of paperless operations to reduce waste. Assuming the measures to ease the going concern are implemented smoothly, the Group expects its financial performance and cash flows to remain stable over the short, medium, and long terms, provided that it continues to manage climate-related risks effectively and adapts its strategy to evolving regulatory and market conditions. The Group plans to dedicate further resources to complete Scope 3 emissions data collection in due time, aiming to enhance the comprehensiveness of its climate-related disclosures and risk assessment processes in future periods.

A4.2 Strategy

The Group has adopted a comprehensive climate strategy designed to ensure long-term resilience and sustainability by proactively managing identified climate-related risks and opportunities. This strategy is overseen by the Board and senior management, with specific execution led by an ESG Working Group. The Group's approach aligns with the TCFD recommendations, focusing on adaptation and mitigation efforts tailored to its operational footprint, which includes water supply operations, commercial properties, and headquarters.

The Group defines its strategic time horizons as follows:

- **Short-term:** 0 to 3 years

  This phase covers the period during which the Group faces severe and rapidly emerging climate risks. The focus of short-term strategies is to address the most urgent threats and implement gradual recovery measures.

- **Medium-term:** 3 to 10 years

  During this period, the Group must organize and consolidate its short-term climate risk management, creating a deeper impact across its business operations and value chain.

- **Long-term:** 10+ years

  This period extends to the long-term, systemic impacts of climate change that the Group must address. Structural changes can be made in the long run to mitigate and adapt to profound climate effects.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.2 Strategy (continued)

The climate risks identified, their time horizon, implication on business, and risk level affecting the Group are shown below.

Climate Risks		Time Horizon	Implication on Business	Risk Level
Physical Risks	Acute Risk (e.g., Increased severity of extreme weather)	Short term	Physical damage to infrastructure, disruption of daily operations and supply chains, reduced revenue, and increased maintenance costs.	High
	Chronic Risk (e.g., Long-term changes in weather patterns)	Long term	Rising temperatures increase energy use for cooling and equipment maintenance costs. Climate change affects water resource stability.	High
Transition Risks	Policy & Legal Risk (Tightening of environmental regulations)	Short term	Increased costs for compliance, potential penalties, and higher operating and insurance costs.	Low
	Technology Risk (Cost of transition to lower-emission technologies)	Short term	Investment and maintenance costs for substituting existing equipment with more efficient, lower-emission options.	Low
	Market Risk (Changing customer behavior)	Short term	Loss of customers and income if the Group fails to meet evolving stakeholder expectations on climate performance.	Low
	Reputation Risk (Shifts in consumer preferences)	Short term	Increased risk of negative stakeholder feedback affecting the Group's reputation.	Low

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.2 Strategy (continued)

To inform its strategy, the Group has conducted climate scenario analysis utilizing Turquoise and Brown scenarios to assess potential impacts on its operations. The analysis covers the Group's core operations, including water treatment plants, distribution networks, and commercial facilities. The key findings of this analysis are summarized below:

Climate Scenario	Scenario Description	Major Impact to the Group
Turquoise Scenario	Global mean temperature rises by approximately 1.7˚C near 2060, reaching 1.8˚C near 2100.	Moderate increases in energy demand for cooling; potential for increased water treatment complexity due to moderate shifts in raw water quality; manageable infrastructure maintenance costs.
Brown Scenario	Global mean temperature rises by approximately 2.4˚C near 2060, reaching 4.4˚C near 2100.	Significant strain on water resources and increased risk of raw water turbidity; higher energy consumption for cooling and pumping; potential for more frequent extreme weather events damaging infrastructure; elevated operational costs for compliance and adaptation.

The Group assesses its resilience to these climate-related changes as moderate to high, contingent on the successful implementation of ongoing mitigation and adaptation measures. The Group's business model demonstrates a capacity to adjust over the short, medium, and long terms through continuous monitoring of climate trends and the integration of climate considerations into its overall risk management framework. While a formal internal process for climate-specific risk identification is currently under development, the Group relies on established contingency plans, such as its Code of Practice for extreme weather events, and professional advisory services to address immediate uncertainties. The Group acknowledges that the economic downturn has impacted water demand, leading to the standby mode of one water plant, but remains committed to reviewing environmental targets and baselines in the upcoming reporting period to ensure they remain relevant and ambitious.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.3 Risk Management

The Group's risk management process is designed to identify, assess, prioritise, and monitor climate-related risks and opportunities in an integrated manner. The following outlines the specific processes and related policies in place.

(a) Processes for Climate-Related Risks

Identification

The Group employs a structured, multi-layered approach to identify climate-related risks and opportunities, fully integrated into its overarching risk management framework. In alignment with the recommendations of the TCFD, the Board and senior management oversee the Group's climate strategy, while a dedicated ESG Working Group coordinates the identification, assessment, and monitoring of climate-related matters across all operations. The Group has established a formal risk management framework that incorporates climate considerations, ensuring that operational departments are equipped to recognize and report climate-related risks to the Board.

The identification process utilizes both qualitative and quantitative criteria to evaluate the nature, likelihood, and magnitude of potential impacts. The Group categorizes risks based on their time horizon, distinguishing between short-term (0–3 years) and long-term (10+ years) horizons, which are directly linked to the Group's strategic planning cycles. Physical risks, such as acute extreme weather events and chronic shifts in weather patterns affecting water resources, are assessed for their potential to cause infrastructure damage, operational disruption, and increased maintenance costs. Transition risks, including policy and legal changes, technology shifts, and market dynamics, are evaluated for their implications on compliance costs, capital expenditure, and customer retention. Risk levels are assigned as High, Medium, or Low based on the severity of the impact on business continuity and financial performance.

Climate-related risks are identified by analyzing concentrations within the Group's business model and value chain, with a primary focus on the Water Supply Companies and the Headquarters. These entities are exposed to significant physical risks due to their reliance on water resources and infrastructure, as well as transition risks related to evolving environmental regulations. The Group also monitors Dongshan Mall for specific operational risks, although its overall environmental footprint is comparatively lower. To ensure robust identification, the Group engages external professionals for advice on emerging climate issues and maintains contingency plans, such as the Code of Practice for extreme weather events, to address identified vulnerabilities. While a dedicated, standalone climate risk identification process is currently being formalized, the Group actively leverages existing operational controls and data collection mechanisms to capture climate-related exposures, with a commitment to enhancing data granularity for Scope 3 emissions and other value chain impacts in future reporting periods.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.3 Risk Management (continued)

(a) Processes for Climate-Related Risks (continued)

Informing Identification with Scenario Analysis

The Group employs scenario analysis as a critical component of its climate-related risk identification process, utilizing two distinct pathways to stress-test its resilience: the "Turquoise" and "Brown" scenarios. These scenarios serve as the foundational input for identifying potential physical and transition risks across the Group's value chain. Under the Turquoise scenario, which projects a global mean temperature rise of approximately 1.7˚C by 2060 and 1.8˚C by 2100, the Group assesses risks associated with moderate climate change impacts, including a projected 0.30m sea-level rise by 2065 and a 18% decline in global glacier volume by 2100. Conversely, the Brown scenario, reflecting a high-emissions trajectory with a temperature rise of approximately 2.4˚C by 2060 and 4.4˚C by 2100, informs the identification of severe acute and chronic physical risks, such as the potential for ice-free Arctic summers by 2050 and a 36% reduction in global glacier volume by 2100.

By analyzing these divergent futures, the Board and senior management are able to distinguish between risks that are probable under moderate warming conditions versus those that may only materialize under extreme climate shifts. This dual-scenario approach ensures that the Group's risk identification framework captures a comprehensive spectrum of potential disruptions, ranging from increased energy demand for cooling in the Turquoise pathway to catastrophic infrastructure damage and water resource instability in the Brown pathway. The insights derived from these scenarios directly feed into the Group's overall risk management framework, enabling the identification of specific vulnerabilities in its water supply operations and real estate assets. Consequently, the Group can prioritize mitigation strategies and adaptation measures that are robust enough to withstand the most severe outcomes while remaining cost-effective under moderate conditions, thereby ensuring long-term business resilience in a changing climate.

Assessment of Nature, Likelihood, and Magnitude

The Group assesses the nature, likelihood, and magnitude of each identified risk. An ESG risk assessment was conducted based on assessing the possibility and impact of each identified risk into three levels: high, medium and low. This assessment uses a combination of qualitative factors (e.g., expert judgment from the Board and ESG Working Group, analysis of market sentiment) and, where available, quantitative thresholds. The definitions for these levels are:

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.3 Risk Management (continued)

(a) Processes for Climate-Related Risks (continued)

Assessment of Nature, Likelihood, and Magnitude *(continued)*

Risk levels	Definition of the overall risk levels
High	Risks at this level may have serious consequences. There will highly likely be some impacts on the Group and hindrances for the Group to achieve strategic goals.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher.
Low	Risks at this level have limited harm and consequences for the Group to achieve its strategic goals, and the probability of occurrence is low.

Monitoring

The Group employs a structured, integrated approach to monitor climate-related risks, ensuring these processes are embedded within its overall risk management framework. While a dedicated, formal internal process for climate-specific risk identification is currently under development, the Group actively monitors exposure through established contingency plans, such as the Code of Practice for extreme weather events, and by engaging external professionals to provide expert advice on evolving climate issues. The Board and senior management, supported by an ESG Working Group, oversee the Group's approach to climate-related risks and opportunities, ensuring that monitoring activities align with the Group's strategic objectives.

Monitoring activities focus on assessing the nature, likelihood, and magnitude of climate-related effects, distinguishing between physical risks (acute and chronic) and transition risks (policy, legal, technology, market, and reputation). The Group evaluates these risks across short-term (0–3 years), medium-term (3–10 years) and long-term (10+ years) horizons, which are directly linked to the Group's strategic planning periods. For instance, short-term monitoring addresses immediate threats such as infrastructure damage from extreme weather and compliance costs from tightening regulations, while long-term monitoring tracks chronic risks like rising temperatures affecting water resource stability and increased energy demand for cooling. Risk levels are categorized as High, Medium, or Low based on their potential implication on business operations, including impacts on revenue, maintenance costs, and stakeholder reputation.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.3 Risk Management (continued)

(a) Processes for Climate-Related Risks (continued)

Monitoring *(continued)*

The Group concentrates its monitoring efforts on specific areas of its business model and value chain where climate-related risks are most pronounced. Physical risks are primarily monitored at the Water Supply Companies and Dongshan Mall, where operations are susceptible to extreme weather events and long-term changes in weather patterns affecting water supply stability. Transition risks are monitored across the Group's headquarters and operational facilities, with a focus on compliance with environmental legislation and the cost of transitioning to lower-emission technologies. The Group also monitors its Scope 1, Scope 2, and Scope 3 greenhouse gas emissions regularly to track progress against its target of a 10% reduction in overall GHG emission intensity over 10 years, using 2021 as the baseline year.

To ensure effective monitoring, the Group is enhancing its resourcing strategies to address both risks and opportunities. This includes allocating financial investments, human resources, and technical expertise to support the development of the formal climate risk identification process and the implementation of mitigation strategies. The Group plans to continue dedicating resources to complete the disclosure of Scope 3 emissions data and to refine its environmental targets, potentially updating the baseline year in the next reporting period. By continuously monitoring regulatory trends and climate-related data, the Group aims to maintain resilience and adapt its strategies to ensure long-term sustainability and compliance with global standards, including the recommendations of TCFD.

Changes to Processes

During the Reporting Period, the Group maintained its established climate-related risk management framework without implementing any material changes to its core processes for identifying, assessing, prioritising, or monitoring climate-related risks. The Group continues to rely on its existing governance structure, where the Board and senior management oversee climate strategy, supported by an ESG Working Group responsible for coordinating emission reduction efforts and data reporting. While a formal, standalone internal process for climate-specific risk identification is currently under development, the Group effectively addresses immediate climate exposures through established contingency plans, such as the Code of Practice for extreme weather events, and by engaging external professionals for expert advice on emerging climate issues.

Physical and transition risks are identified and assessed using the same categorisation presented in the Monitoring sub-section of A4.3 Risk Management above (i.e. acute and chronic physical risks, and policy, technology, market, and reputation transition risks). Risk levels are assigned as High, Medium or Low based on the severity of impact on business continuity and financial performance, consistent with the methodology described in the Assessment of Nature, Likelihood, and Magnitude sub-section above.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.3 Risk Management (continued)

(b) Processes for Climate-Related Opportunities

Identification

The Group employs the same structured, multi-layered approach described above (for climate-related risks) to identify climate-related opportunities, integrated directly into its overarching risk management framework. The Board, senior management and ESG Working Group oversee the identification of opportunities arising from changing market dynamics, evolving stakeholder expectations, and technological advancements in low-carbon solutions.

The identification process relies on a comprehensive assessment of the Group's business model and value chain to pinpoint where climate-related opportunities are concentrated. The Group actively scans for opportunities arising from changing market dynamics, evolving stakeholder expectations, and technological advancements in low-carbon solutions. Specific attention is paid to operational efficiencies, such as energy and water conservation initiatives, and the potential for resource preservation through waste reduction. For instance, the Group identifies opportunities in optimizing water pump efficiency, implementing frequency inverters for power supply adjustment, and adopting LED lighting and energy-efficient lifts at its facilities. Furthermore, the Group explores opportunities in the transition to low-emission technologies, such as hybrid or electric vehicles for its fleet, and in promoting paperless operations to reduce paper consumption.

To ensure a robust identification process, the Group defines its planning horizons as short-term (0–3 years) and long-term (10+ years). These timeframes are directly linked to the Group's strategic planning cycles and align with relevant regional climate action plans, such as Hong Kong's Climate Action Plan 2050 and China's 3060 target. This temporal alignment allows the Group to evaluate the feasibility and impact of potential opportunities within the context of its long-term resilience strategy. While a formal, standalone internal process for climate-specific opportunity identification is currently being developed, the Group currently leverages established contingency plans and professional advisory services to capture emerging opportunities. The identified opportunities are then prioritized based on their potential to enhance long-term resilience, reduce operational costs, and improve the Group's reputation, ensuring that resources are allocated effectively to capitalize on sustainable growth avenues.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.3 Risk Management (continued)

(b) Processes for Climate-Related Opportunities (continued)

Assessment and Prioritisation

Opportunities are assessed using the same TCFD-aligned framework described above, evaluating the magnitude and likelihood of each opportunity within the short, medium, and long-term horizons.

Opportunities are prioritised based on their potential impact on the Group's financial performance and long-term resilience, with a specific focus on those that contribute to the overarching goal of reducing emission intensity by 10% over a decade. The prioritisation process considers the scalability of initiatives and their integration into existing operational workflows. High-priority opportunities, such as the collection and reuse of treated backwash water at the Water Supply Companies, are those that offer immediate cost savings and significant environmental benefits. The Group ensures these opportunities are effectively resourced through dedicated financial investments in energy-efficient equipment and the allocation of human resources to the ESG Working Group, which coordinates implementation across all operations. Furthermore, the Group integrates the assessment of climate-related opportunities into its overall risk management process, ensuring that operational departments are capable of identifying potential value drivers and reporting them to the Board. This integrated approach allows the Group to proactively manage the transition towards a low-carbon economy, balancing risk mitigation with the capture of sustainable growth opportunities.

Monitoring

Climate-related opportunities are monitored through the same framework described above for climate-related risks, with the ESG Working Group coordinating annual reviews of progress against targets and reporting results to the Board.

(c) Integration into Overall Risk Management Process

Climate-related risks and opportunities are integrated into the Group's enterprise risk management system, with oversight by the Board and senior management supported by the ESG Working Group. Each operating department is responsible for identifying and reporting ESG-related risks within its function, ensuring that climate considerations are embedded in strategic decision-making.

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.4 Metrics and Targets

The Group has established a comprehensive set of climate-related targets to monitor progress towards its strategic goal of reducing environmental impact and enhancing resilience against climate risks. The primary metric used to measure these targets is the overall greenhouse gas (GHG) emissions intensity, defined as tonnes of carbon dioxide equivalent (tCO_2e) per hectare of total area. The Group has set a quantitative target to achieve a 10% reduction in this emissions intensity over a 10-year period, utilizing 2021 as the baseline year. This target applies to the Group in its entirety, covering Scope 1, Scope 2, and Scope 3 GHG emissions, and is aligned with the Group's long-term strategy for mitigation and adaptation.

Unless otherwise stated, all climate related disclosures in this report are presented on a consolidated Group basis, with primary operations in Mainland China. The Group does not currently provide a separate geographical breakdown of climate related risks, opportunities, or financial impacts, as its operations are predominantly within Guangdong Province (PRC) and Hong Kong. Should material geographic variations arise in the future, the Group will disclose them accordingly.

The Group has adopted reasonable information relief for the disclosure of the amount and percentage of assets or business activities vulnerable to climate-related transition risks and climate-related physical risks. The Group will provide quantifiable financial information on the above-mentioned disclosures, including amount and percentage of assets or business activities vulnerable to risks in the future.

The Group has adopted reasonable information relief for the disclosure of the amount and percentage of assets or business activities aligned with climate-related opportunities. The Group will provide quantifiable financial information, including amount and percentage of assets or business activities aligned with opportunities in the future.

During the Reporting Period, the Group has yet to deploy capital expenditure, financing, or investment towards climate-related risks and opportunities.

As of the end of the Reporting Period, the Group does not apply a carbon price in its decision-making process, nor does the Group factor climate-related considerations into its remuneration policy.

The Group has yet to include industry-based metrics, nor applied cross-industry metrics for its disclosure topics.

B. SOCIAL

1. Employment and Labour Practices

The Group recognizes that employees are fundamental to its success, serving as the cornerstone of quality operations across the Water Supply Companies, Dongshan Mall, and Headquarters. The Group is committed to upholding fair labour practices and fostering a supportive and equitable workplace. This includes providing competitive benefits and welfare, ensuring equal opportunities, and actively responding to the needs of its staff to promote long-term retention. The Group prioritizes the health and safety of its employees, and supports continuous professional growth through structured training, practical drills, and development programs that build essential skills and readiness. The Group is equally dedicated to sustaining a positive work environment and complying with all relevant laws and regulations, thus ensuring both employee well-being and consistently high-quality service for customers and clients.

B1. Employment

The Group is fully compliant with all applicable employment and labour laws and regulations in the People's Republic of China and Hong Kong. The Group strictly adheres to the following key statutes governing compensation, dismissal, recruitment, working hours, and equal opportunity:

- Labour Law of the People's Republic of China
- 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
- Law on the Prevention and Control of Occupational Diseases
- Regulations on the Prohibition of Child Labour

Employment Figures

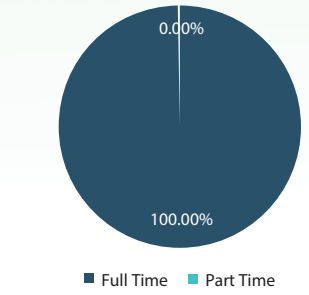
As of 30 June 2026, the Group employed a total of 376 staff members (2024/25: 378 employees). The workforce is distributed across the Water Supply Companies, Dongshan Mall, and Headquarters, excluding supporting units. The Group remains fully compliant with all applicable employment and labour laws in the People's Republic of China and Hong Kong, ensuring fair labour practices, equal opportunities, and a supportive work environment. Detailed breakdowns of the workforce by gender, employment type, employee category, age group, and geographical location are presented in the table below.

B. SOCIAL *(continued)*

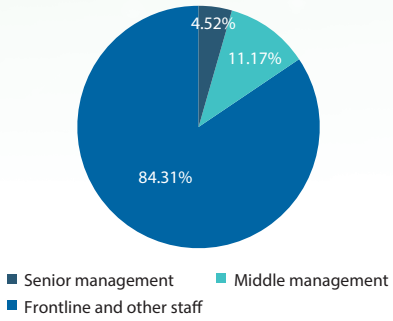
B1. Employment *(continued)*

Employment Figures (continued)

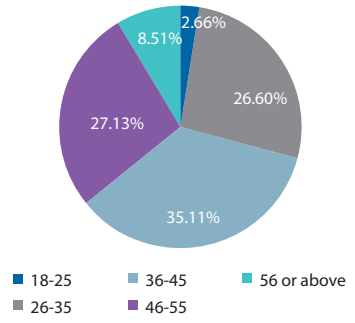
Total Workforce by Employment Type



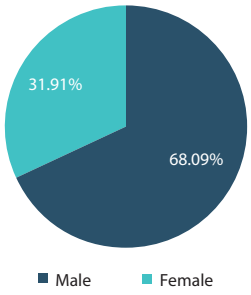
Total Workforce by Employee Category



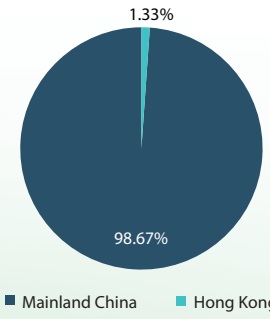
Total Workforce by Age Group



Total Workforce by Gender



Total Workforce by Geographical Location



B. SOCIAL *(continued)*

B1. Employment *(continued)*

Turnover Figures

A total of 15 employees left the Group during the Reporting Period, which corresponds to a turnover rate of 3.99%. See below for the detailed breakdown of the 2025/26 turnover rate by employee group.

Turnover	2025/26	
	Number	Turnover Rate
By Gender		
Male	8	3.13%
Female	7	5.83%
By Employment Type		
Full Time	15	3.99%
Part Time	0	0.00%
By Seniority/Ranking		
Senior Management	1	5.88%
Middle Management	0	0.00%
Frontline & Other Staff	14	4.42%
By Age Group		
18-25	2	20.00%
26-35	2	2.00%
36-45	3	2.27%
46-55	2	1.96%
56 or above	6	18.75%
By Geographical Location		
Mainland China	13	3.50%
Hong Kong	2	40.00%
Total	15	3.99%

B. SOCIAL *(continued)*

B1. Employment *(continued)*

Remuneration and Benefits

The Group complies with all applicable employment and labour laws of the PRC and Hong Kong. Competitive remuneration, promotion opportunities, 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. Upon the statutory holidays and leaves, various types of paid leaves including annual leave, sick leave, maternity leave, paternity leave, and compassionate leave are provided.

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 with a sense of accomplishment and satisfaction at work. On the other hand, disciplinary action and cash penalty would be taken place if an employee has committed an act of serious misconduct or deceitful behaviours.

Equal Opportunity

The Group is committed to providing equal opportunities to all employees, ensuring fairness in recruitment, training and development, job advancement, and compensation and benefits. The implementation method of internal competition set by the Group ensures that employees are not discriminated against or denied opportunities based on factors such as gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy, or any other form of discrimination prohibited by the applicable laws in the People's Republic of China and Hong Kong.

In line with creating an inclusive workplace, the Group has designed and constructed accessible roads and pathways to cater to employees with disabilities, promoting accessibility and inclusivity within its premises.

B. SOCIAL *(continued)*

B1. Employment *(continued)*

Employment Communication

The Group actively encourages equal communication and promotes harmonious relationships between frontline staff and management, recognizing the importance of such interactions in the workplace. The Human Resources Department plays a key role in fostering communication among employees, protecting labour welfare, and addressing complaints. Additionally, the Water Supply Companies have established Labour Unions in accordance with the Trade Union Law of the People's Republic of China and the Chinese Trade Union Constitution, aiming to enhance productivity, unite and invigorate the workforce, safeguard employees' rights and interest, and serve as a communication bridge within the Group.

The Group ensures that policies and important announcements are effectively circulated among employees through various channels, including the intranet, notice boards, and meetings. In addition to formal communication channels, the Group provides opportunities and events for coworkers to establish ties and build relationships outside of the workplace. For example, a basketball court near the water plant of Taihe Company allows employees to bond with each other in a recreational setting. Employees are also regularly signed up for various sports activities and competitions organized by the Qingxin District of Qingyuan, providing opportunities for cooperation in different contexts.

Furthermore, the Group organizes a range of events at least once a year, such as Christmas parties, annual dinners and meetings, hiking and sports activities, boat trips, celebrations of the Party anniversary, knowledge competitions, exchanges, and tree planting activities. These initiatives aim to enhance the sense of belonging, foster cordial relationships among employees, and contribute to the relatively low turnover rate of the Group.

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. During the Reporting Period, no regulatory non-compliance or violations were identified. See below for a list of OHS 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. The Group also provided all employees working at the Water Plants with occupational safety and health training.

B. SOCIAL *(continued)*

B2. Occupational Health and Safety *(continued)*

For the Water Supply Companies, a dedicated safety officer is appointed to establish a robust safety management system and pursue the goal of zero occupational disease incidents. Employees handling hazardous materials, chemicals, toxic substances, or radioactive sources are required to undergo mandatory health examinations both prior to and during their employment. Any employee diagnosed with an occupational disease is immediately reassigned to a position without exposure to such risks. In accordance with statutory measures for heatstroke prevention, a high-temperature subsidy is provided to staff working under elevated temperatures. A Production Safety and Accidents Emergency Plan has been adopted, identifying potential risks and outlining detailed contingency procedures for a range of scenarios, which include production-related incidents, natural disasters, water pollution, network damage, and security threats. Regular drills and training ensure all employees are familiar with potential hazards and proper response protocols.

Furthermore, the Water Supply Companies organize annual health check-ups for all employees and provides social insurance, accident insurance, and mutual medical support. Efforts to enhance occupational well-being also include the provision of ergonomic office furniture. Strict compliance with working hour regulations is maintained, as to ensure daily work does not exceed eight hours and the weekly total remains under 44 hours for sufficient employee rest time. Annual work safety training and engaging safety-themed activities are conducted to reinforce awareness, along with regular maintenance of firefighting equipment. Additional safety measures include annual internal fire safety inspections, locked water tanks to prevent unauthorized access, clearly posted guidelines for managing precursor chemicals such as hydrochloric acid, and secured explosives storage areas equipped with gas detectors and surveillance cameras to prevent explosions and unauthorized entry.

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 certain offices, plants are placed around the work area to improve indoor air quality. Apart from maintaining a safe and healthy working environment, the Group also ensures the workload of employees is manageable, and two-way communication through open office spaces and regular team meetings are taken place, such that employees are not over-stressed.

B. SOCIAL *(continued)*

B2. Occupational Health and Safety *(continued)*

B2.1. Work-related fatalities and injury

	2025/26	2024/25	2023
Work related fatality	0	0	0
Fatality rate	0.00%	0.00%	0.00%
Work injury cases >3 days	1	0	0
Work injury cases ≤3 days	1	2	0
Lost days due to work injury	36.5	4	0

B3. Development and Training

The Group is committed to fostering a culture of continuous learning and professional excellence, recognizing that employee development is fundamental to operational efficiency and service quality. As outlined in the Employee Handbook, all staff are entitled to participate in comprehensive training programs designed to enhance their knowledge and skills for discharging their duties effectively. Training needs are identified through a structured process where departments propose requirements based on actual work situations and operational gaps, which are then reviewed and approved by the Group to ensure alignment with strategic priorities. The Group supports both internal and external training activities, including provincial urban association conferences, safety management training, refresher courses for hazardous chemical safety managers, document processing training, and specialized technical skills development. To facilitate adaptation and skill acquisition, new employees undergo pre-job orientation training, while those in the probation period may participate in job rotation systems to better understand the work environment. Post-training, employees are encouraged to reflect on their learning outcomes through written reports or knowledge sharing sessions, ensuring that training translates into tangible improvements in working ability.

During the Reporting Period, the Group achieved a training participation rate of 97.61%, with 367 out of 376 total employees receiving training. The Group recorded a total of 5,514 training hours, resulting in an average of 14.66 training hours per employee. These figures reflect the Group's robust investment in human capital and its dedication to maintaining a highly skilled and safety-conscious workforce.

Employee Training Data

	Percentage	Average Training Hours
By gender		
Male	99.22%	14.82 hrs
Female	94.17%	14.33 hrs
By employee category		
Senior Management	100.00%	15.82 hrs
Middle Management	95.24%	15.74 hrs
Frontline & Other Staff	97.79%	14.46 hrs

B. SOCIAL *(continued)*

B4. Labour Standard

The Group is fully compliant with all applicable laws and regulations regarding the prevention of child labour and forced labour, specifically adhering to the Labour Law of the People's Republic of China and the Regulations on Prohibiting the Employment of Child Labour. During the Reporting Period, no instances of non-compliance with these standards were identified within the Group. The Group strictly prohibits the recruitment of child labour and ensures that all recruitment qualifications include mandatory age verification. To prevent the use of child labour, the Human Resources Department requires all job applicants to submit valid identification documents during the recruitment process to verify that they meet the minimum age requirements. Furthermore, the Group conducts thorough background checks on identity cards, educational certificates, and registration forms prior to establishing formal employment relationships. Any candidate found to have provided false documentation or to be under the legal working age is immediately disqualified and may be dismissed without compensation if employment is established.

In the event that any instances of child labour or forced labour are discovered, the Group implements immediate remedial measures, including the termination of the employment relationship, followed by a comprehensive investigation to identify the root causes of the breach. Corrective actions are subsequently taken to prevent recurrence and ensure the integrity of the workforce.

During the Reporting Period, no instances of non-compliance with relevant laws and regulations regarding labour standards were identified within the Group. The Group remains committed to upholding the highest standards of ethics and compliance in relation to labour practices, fostering a workplace that respects the rights and welfare of all employees in accordance with applicable laws.

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 operational practices of the Group followed relevant 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.

B. SOCIAL *(continued)*

B5. Supply Chain Management

The Group maintains a rigorous framework for managing environmental and social risks across its supply chain, anchored in strict vendor vetting and compliance with national standards. To ensure the integrity of raw materials and operational safety, the Group conducts comprehensive on-site inspections of suppliers, scrutinizing critical qualifications such as storage environments, production equipment, business licenses, and hygiene permits. This due diligence process extends to assessing the manufacturer's overall production capacity through multi-channel verification. When engaging suppliers, the Group adheres to a transparent tendering system, requiring at least three written quotations to ensure fair competition. All procurement items must meet health and safety requirements, and successful tenders are mandated to provide third-party testing or sample reports to guarantee quality assurance. Furthermore, the Group prioritizes energy-efficient equipment for new purchases and strictly enforces requirements that all raw materials possess valid water and hygienic approval documents, thereby mitigating potential environmental and social risks at the source.

B5.1. Suppliers by Geographical Region

Geographically, the Group's supplier base is concentrated in Mainland China, where the Group has engaged 34 suppliers, covering major materials, accessories, office supplies, office equipment, water treatment agents, legal services, and engineering projects. These geographical distributions reflect the Group's operational needs while adhering to local regulatory requirements.

B5.2. Practices Relating to Engaging Suppliers

The procurement process is governed by a structured evaluation mechanism where the Management Committee reviews and approves procurement items prior to tendering. The Procurement Department prepares tender documents, which are subsequently audited by the Management Committee and reviewed by the Legal Department to ensure regulatory compliance. This centralized approach ensures that all supplier engagements align with the Group's strategic objectives and ethical standards.

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

Supplier performance is monitored through an annual review and evaluation system conducted by the Management Committee. This process results in the creation of a qualified supplier list and a blacklist for substandard performers. During these evaluations, the Group assesses suppliers' licenses, storage conditions, equipment status, and hygiene practices. The Group actively monitors for potential violations or risks regarding environmental policies, pollutant emissions, resource usage, employee benefits, and occupational health and safety. By maintaining a dynamic list of qualified and blacklisted suppliers, the Group ensures continuous improvement in supplier performance and the exclusion of non-compliant entities from future engagements.

B. SOCIAL *(continued)*

B5. Supply Chain Management *(continued)*

B5.4. Practices Used to Promote Environmentally Preferable Products

To promote sustainable procurement practices and the adoption of eco-friendly products and services, the Group has integrated environmental criteria directly into its supplier selection protocols. The Group prioritizes suppliers that strictly comply with national environmental protection policies and procure raw materials meeting national water, hygienic, and environmental standards. When selecting suppliers, preference is given to major brand suppliers that provide high-quality products with full qualifications. Additionally, the Group actively explores ways to expand the scope of supplier evaluations to further enhance its commitment to environmental sustainability. By requiring suppliers to adhere to these stringent standards, the Group ensures that its supply chain contributes positively to environmental conservation and operational efficiency.

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 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

The Group is dedicated to providing safe, reliable, and high-quality water services while maintaining the highest standards of operational integrity and customer satisfaction. Detailed disclosure of water quality assurance is provided in Section B6.1, customer service frameworks in Section B6.3, intellectual property in Section B6.4, and information security in Section B6.5.

In adherence to applicable laws and regulations, the Group strictly complies with requirements governing health and safety, advertising, labelling, and privacy protection. The Group maintains robust data protection protocols, restricting access to sensitive customer information, including personal identification, contact details, and property records, to authorized personnel only, with all employees bound by confidentiality agreements. Regarding advertising and labelling, the Group ensures that all public notices, including water price tariffs and service procedures, are clearly displayed at service counters and communicated through official digital channels to prevent misinformation. In the event of service interruptions or emergencies, the Group promptly notifies affected customers through multiple channels, including WeChat, SMS, and public announcements, to mitigate inconvenience.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

The Group employs a comprehensive customer service framework to address enquiries and complaints regarding water supply, pressure, and billing. A dedicated hotline, physical suggestion boxes at service outlets, and online platforms facilitate two-way communication, ensuring that all customer feedback is recorded, investigated, and resolved promptly. The Group adheres to the Regulations on the Management of Water Resources in Guangdong Province and the Qingyuan City Urban Water Supply Management Measures, ensuring that all billing practices, including the calculation of water fees for unmetered or malfunctioning meters, are transparent, lawful, and based on verified consumption data.

B6.1. Water Supply Quality and Safety

The Group maintains a rigorous quality assurance framework to ensure the safety and reliability of its water supply services, strictly adhering to national standards such as the "Standards for Drinking Water Quality" (GB5749-2022) and the "Water Quality Standards for Urban Water Supply" (CJ/T206-2005). The Group implements a three-tier water quality management system encompassing online monitoring, laboratory testing, and third-party verification. For treated water, turbidity, pH, and chlorine dioxide are monitored online every hour, while the Quality Control Department conducts 11-item daily tests, 23-item monthly tests internally, and 40-item monthly tests via qualified third-party agencies. Semi-annual comprehensive testing covers 97 parameters. For distribution network water, the Group establishes monitoring points across the urban area. Throughout the reporting period, the Group achieved a 100% pass rate for all water quality inspections, ensuring compliance with national drinking water hygiene standards.

The Group's operational practices regarding health, safety, advertising, and privacy are designed to protect customer interests and maintain regulatory compliance. Information regarding water supply interruptions, water quality monitoring, and pricing is proactively published through the Group's official WeChat public account to ensure transparency. To safeguard customer data, the Group restricts access to the customer data platform to authorized personnel only, including data analysts, system engineers, customer service representatives, and billing staff. All employees are required to sign confidentiality agreements to protect both corporate and customer information. In the event of any data breach or system insecurity, the Group has established protocols to secure information and mitigate leakage risks, with no material non-compliance incidents recorded during the reporting period.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.1. Water Supply Quality and Safety (continued)

Regarding customer service and complaint handling, the Group provides multiple channels for inquiries and feedback, including hotline numbers, physical suggestion boxes at service halls, and online platforms. The Group addresses complaints related to water supply interruptions, pressure issues, and billing discrepancies through a structured response mechanism. For instance, regarding reports of unexpected water outages, the Group investigates the root causes, which often involve emergency repairs for burst pipes or scheduled maintenance for equipment upgrades. In cases where water outages were caused by third-party construction damage or unexpected pipe bursts, the Group dispatched repair teams immediately to restore service, typically within the same day. For complaints regarding billing discrepancies or meter inaccuracies, the Group verifies usage data against historical records and, where applicable, adjusts charges or replaces meters free of charge. The Group also addresses concerns regarding water pressure by testing supply pressure at customer premises and recommending the installation of booster pumps or storage tanks where necessary due to high-altitude or high-density usage scenarios.

The Group has established clear protocols for product recalls and incident management, although no product recalls were initiated during the reporting period. In the event of a significant water quality incident or service failure, the Group activates an emergency response plan to isolate affected areas, conduct immediate remediation, and communicate updates to the public via official channels. The Group maintains a record of all customer complaints and their resolutions, utilizing this data to identify recurring issues and drive continuous improvement in infrastructure maintenance and service delivery. For example, in instances where customers reported water appearing white or cloudy, the Group explained that this was due to air release from the pipes following pressure changes and confirmed that the water met all safety standards. Similarly, for complaints regarding noise from water treatment facilities, the Group has implemented measures to mitigate sound pollution. The Group remains committed to resolving all customer grievances promptly and fairly, ensuring that the rights and interests of its customers are fully protected.

B6.2. Property Safety

Dongshan Mall continues to enforce fire safety and property safety protocols, including regular inspections of fire extinguishers, clearly marked escape routes, and upgrades to ventilation and electrical systems to maintain a safe shopping environment. The operation of Dongshan Mall does not involve any shipping or recalls of products.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.3. Customer Service

The Group maintains a robust framework for customer service, advertising, labelling, and data privacy, strictly adhering to relevant laws and regulations. To ensure transparency and public awareness, the Group utilizes its official WeChat account to disseminate critical information regarding water supply interruptions, water quality monitoring announcements, and operational updates. In the event of unplanned supply interruptions, the Group commits to issuing timely notifications via its WeChat platform and SMS services to minimize disruption to customers.

Regarding product quality and safety, the Group implements the rigorous three-tier water quality management system described in Section B6.1 above. Throughout the reporting period, the Group achieved a 100% pass rate for all water quality inspections, ensuring compliance with the Standards for Drinking Water Quality (GB5749-2022). The Group does not engage in product shipping or recalls.

To facilitate customer engagement and address grievances, the Group has established multiple channels for inquiries and complaints, including dedicated hotline numbers, official WeChat accounts, suggestion boxes at service halls, and physical service counters. Each service hall displays clear flowcharts for account opening, service guides, bank direct debit procedures, and public notices regarding water quality and pricing. To protect customer privacy and data security, the Group restricts access to the customer data platform to authorized personnel only, including data analysts, system engineers, customer service representatives, and billing staff. All employees are required to sign confidentiality agreements to safeguard personal information.

In the event of customer complaints, the Group follows a structured response protocol. For issues related to water supply interruptions, the Group investigates the root cause, such as pipeline bursts or maintenance requirements, and communicates the status and expected restoration times via official channels. For complaints regarding billing or water meter discrepancies, the Group verifies usage data against historical records and applicable regulations, such as the *Measures for the Administration of Urban Water Supply in Qingyuan City*, to determine accurate charges. In cases where water meters are damaged or malfunctioning, the Group may replace them at no cost or, if the meter is functional, calculate charges based on the last verified reading or average usage, as permitted by law. For complaints involving post-meter leaks or damages within customer premises, the Group advises customers that maintenance responsibilities lie with the property owner or management, in accordance with relevant regulations.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.3. Customer Service (continued)

The Group also addresses complaints regarding construction noise and safety. For planned maintenance or infrastructure upgrades, the Group schedules work during low-usage periods and adheres to local excavation regulations. In instances where noise or safety hazards (such as open manholes or leaking fire hydrants) are reported, the Group dispatches teams to inspect and rectify the issues promptly. For example, regarding reports of water leakage at fire hydrants, investigations confirmed that in several instances, the water was being drained by the Group's staff for maintenance purposes rather than a leak, and these activities were clarified to the public. Similarly, for complaints about construction noise affecting residents, the Group has reinforced instructions to contractors to minimize disturbance during rest hours and expedite project completion.

The Group remains committed to continuous improvement in its customer service delivery. It actively monitors feedback through its hotline and social media channels to identify recurring issues, such as low water pressure in high-rise buildings or frequent interruptions due to external construction damage. In response to such challenges, the Group has initiated projects to upgrade pressure equipment and improve network connectivity. The Group also maintains a record of all complaints and resolutions to ensure accountability and to refine its operational procedures. During the reporting period, the Group continued to prioritize customer satisfaction, ensuring that all inquiries and complaints were addressed with professionalism and efficiency, while maintaining strict compliance with data protection and privacy laws.

B6.4. Intellectual Property

Intellectual property rights are respected and protected in accordance with the Civil Code of the People's Republic of China and relevant regulations. The Group maintains a robust framework for protecting intellectual property and ensuring data security, strictly adhering to applicable laws and regulations. Employees have acknowledged and agreed, as stipulated in their employment contracts, that any IP rights created during their tenure belong solely to the Group. This includes patents, trademarks, copyrights, and other forms of protection. The Group actively monitors for infringement of its self-owned IP and takes appropriate legal actions when necessary. In the context of internal knowledge sharing, the Group encourages employees to publish papers or articles in relevant industry publications, such as those associated with the Provincial Water Supply Association. Once published, these materials are archived in the company office, with strict protocols ensuring that the Group's office operations do not infringe upon employees' intellectual property rights.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.4. Intellectual Property (continued)

In terms of data security and IT usage, the Group places a high priority on the protection of customer and applicant information. A dedicated information security team is responsible for safeguarding sensitive data, with access restricted to designated personnel only. For instance, the water user data platform, which contains personal identification numbers, addresses, agreement details, and bank card information, is accessible exclusively by data analysts, system engineers, customer service representatives, and billing staff. All employees are required to sign confidentiality agreements upon joining, committing to the protection of trade secrets and customer privacy. These agreements serve as a fundamental control to minimize the risk of information leakage, with breaches potentially resulting in disciplinary action, including summary dismissal. The Group ensures that data is stored securely and is not disclosed to third parties without authorization.

The Group is fully compliant with all applicable laws and regulations relating to health and safety, advertising, labelling, and privacy matters concerning its products and services. During the reporting period, there were no material non-compliances identified. The Group actively communicates water supply information, including water quality monitoring announcements and planned maintenance schedules, through its official WeChat public account to ensure transparency. To address customer concerns, the Group has established multiple channels for enquiries and complaints, including government hotlines, direct service lines, WeChat platforms, suggestion boxes, and physical reception counters at operation centers. All recorded complaints regarding water supply, pressure, and metering issues are followed up and resolved promptly. The Group remains committed to upholding its rights and protecting the privacy of its stakeholders in accordance with the Cyber Security Law and Provisions on Protecting the Personal Information of Telecommunications and Internet Users.

B6.5. Information Security

In addition to the customer data protection measures described in Section B6.4 above, the Group extends its confidentiality framework to employee personal data. Employee identity documents, contact details, and HR records are stored in designated secure file rooms with access restricted to authorised HR personnel only. Employees are informed of their data protection rights upon commencement of employment, and any breach of employee data confidentiality is subject to the same disciplinary framework applicable to customer data breaches.

B. SOCIAL *(continued)*

B7. Anti-corruption

The Group maintains a steadfast commitment to conducting its business with integrity, honesty, and fairness, strictly adhering to all applicable laws and regulations concerning bribery, extortion, fraud, and money laundering in the People's Republic of China (PRC) and Hong Kong. During the Reporting Period, the Group achieved full compliance with these legal requirements, and no instances of non-compliance were identified. The Group's operational practices are designed to ensure that bribery and dishonesty do not exist within its operations, upholding the highest standards of ethics in all dealings.

To enforce these standards, the Group has established comprehensive guidelines within the Employee Handbook and Code of Conduct. These documents explicitly prohibit employees from seeking or accepting improper interests, rebates, or benefits from suppliers, clients, or any third parties. The policies strictly forbid soliciting or accepting commissions (kickbacks) from business partners and oppose the acquisition of any improper benefits through bribery or other unethical means. Any violation of these provisions is treated as a serious breach of conduct. To support these policies, the Group has implemented robust financial reimbursement procedures that require strict adherence to established protocols, serving as a primary preventive measure against financial improprieties.

The Group has implemented a dedicated whistle-blowing policy to provide a secure mechanism for reporting potential improprieties. Employees are encouraged to raise concerns regarding any suspected violations, and the Group guarantees the confidentiality of reporters until a formal investigation is initiated. The identity of the whistleblower is disclosed only when necessary to conduct a fair and thorough investigation. For matters involving the Chairman or Chief Executive, the Group provides a channel for employees to report issues directly to independent non-executive Directors. The Board of Directors retains ultimate responsibility for monitoring, reviewing, and publishing the results of anti-corruption efforts, ensuring that policies and procedures are periodically revised to address emerging risks.

During the Reporting Period, there were no legal cases or proceedings brought against the Group or its employees regarding corrupt practices, fraud, or anti-competitive activities. To foster a culture of compliance, the Group actively promotes anti-corruption awareness through regular training programs. Such training was provided to directors and staff across all business operations. While specific training hours varied by location, the Group ensured that all personnel were informed of their responsibilities regarding anti-corruption laws and business ethics. The Group continues to view this training as a vital investment in maintaining a clean and compliant organizational environment.

B. SOCIAL *(continued)*

B8. Community Investment

The Group maintains a commitment to enhancing the quality of life within the regions it serves, recognizing its role as a public utility. Although a formal, standalone community engagement policy is not currently in place, the Group actively integrates community interests into its operational practices. This approach ensures that activities are designed to benefit local stakeholders, with a specific focus on education and environmental awareness.

The primary focus of the Group's contributions lies in education and water resource conservation. A key initiative involves facilitating educational outreach programs where the Group assists schools in organizing visits to water treatment plants. During these excursions, students participate in informative sessions that detail the entire process of drinking water production, from raw water intake to final distribution. These activities are designed to foster a deeper understanding of water sources among the younger generation, thereby promoting the values of water conservation and sustainable usage.

To support these educational objectives, the Group deploys resources through direct operational partnerships and educational support. The Water Supply Companies serve as the primary venue for these activities, providing the necessary infrastructure and expert guidance for student visits. This resource allocation allows the Group to directly engage with the community, particularly students, to instill long-term habits of resource stewardship.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 30 June 2026.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year ended 30 June 2026 was investment holding and those of the principal subsidiaries are set out in Note 45 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 year ended 30 June 2026, 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 30 June 2026, 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 laws 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 30 June 2026 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.

During the year, Mr. Tsoi retired as an independent non-executive director, chairman of Audit Committee and member of the Nomination Committee and Remuneration Committee of the Company with effect from 31 December 2025, as a result of which, (i) the number of independent non-executive directors ("**INEDs**") has fallen short of the minimum requirement of three as prescribed under Rule 3.10(1) of the Listing Rules; (ii) the Board does not have at least one INED having appropriate professional qualifications or accounting or related financial management expertise (the "**INED with Financial Qualification**") as required under Rule 3.10(2) of the Listing Rules; (iii) the number of Audit Committee members has fallen short of the minimum requirement of three as prescribed under Rule 3.21 of the Listing Rules; (iv) the Audit Committee does not have at least one INED with Financial Qualification as required under Rule 3.21 of the Listing Rules; (v) the chair of the Audit Committee is temporarily vacant, resulting in the Audit Committee not being chaired by an INED as required under Rule 3.21 of the Listing Rules; and (vi) the Nomination Committee does not comprise a majority of INEDs as required under Rule 3.27A of the Listing Rules. The Company considers that the failure to meet the rule requirements above was temporary in nature. With the appointment of Mr. Chai Chung Wai as an INED on 31 March 2026, the Company has re-complied with all the relevant rules.

RESULTS AND DIVIDEND

The results of the Group for the year ended 30 June 2026 and the state of affairs of the Company and of the Group at 30 June 2026 are set out in the consolidated financial statements on pages 108 to 196.

No interim dividend was declared and paid during the year ended 30 June 2026 (year ended 30 June 2025: HK$Nil).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 30 June 2026 (year ended 30 June 2025: 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 198. 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$15,143,000 during the year ended 30 June 2026.

Details of movements in property, plant and equipment and right-of-use assets of the Group during the year are set out in Notes 15 and 17 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

At 30 June 2026, the investment properties of the Group were revalued by independent valuers on an open market value basis at HK$520,242,000.

Details of movements in investment properties of the Group during the year ended 30 June 2026 are set out in Note 16 to the consolidated financial statements.

BANK BORROWINGS

At 30 June 2026, the Group has secured bank loans in the amount of HK$679,367,000. Details of bank borrowings are set out in Note 32 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 30 June 2026 are set out in Note 33 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the year ended 30 June 2026 are set out in Note 35 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 ended 30 June 2026 or at any time during the year ended 30 June 2026.

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 30 June 2026.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the year ended 30 June 2026 and as at the date of this report were:

Executive Directors:

Chen Jinyang (Chairman and Chief Executive Officer)
Zhu Fenglian
Xuan Zhensheng

Non-Executive Director:

Chen Lang

Independent Non-Executive Directors:

Yeung Kin Chung Clifton, M.H.
David Tsoi (retired on 31 December 2025)
Chao Pao Shu George
Chai Chung Wai (appointed on 31 March 2026)

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 9 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 30 June 2026 and 30 June 2025, 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 ended 30 June 2026 or subsisting at the end of the year.

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

As at 30 June 2026, 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 C3 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" in this report.

2. There were no debt securities nor debentures issued by the Group at any time during the year ended 30 June 2026.

Save as disclosed above, so far as the Directors are aware as at 30 June 2026, 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 30 June 2026 and for the year ended 30 June 2026:–

(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 30 June 2026, 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 30 June 2026, 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 30 June 2026, 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 30 June 2026.

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 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, a committee established by the Board to administer 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. Pursuant to the Share Award Scheme, shares may be purchased by the trustee to maintain a pool of Shares for awards to the grantees. The trustee may purchase the Shares: (a) in open market at the prevailing market price, subject to any instructions given by the Administration Committee or its duly authorized delegate(s); or (b) off the market, provided that the purchase price for off-market purchases shall not exceed: (i) the closing market price on the date of such purchase; or (ii) the average closing market price for the five preceding trading days, whichever is lower. 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 nine years and three months.

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

Amendments to Chapter 17 of the Listing Rules become effective on 1 January 2023. As provided under the transitional arrangements, an issuer can continue to make grants to participants eligible under the amended Chapter 17 under existing schemes until refreshment or expiry of the existing scheme mandate, upon which the issuer would be required to amend the terms of the schemes to comply with the amended Chapter 17 and seek shareholders' approval for a new scheme mandate.

For the year ended 30 June 2026, the trustee of the Share Award Scheme purchased 4,780,000 (eighteen months ended 30 June 2025: 29,210,000) shares from the open market at the aggregate consideration of HK$645,000, but no shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme.

As at the date of this report, the total number of securities available for issue under the Share Award Scheme is 551,300,000 shares, representing approximately 10% of the existing issued share capital of the Company.

CONNECTED TRANSACTIONS

On 5 June 2026, the Company, Huanye (an indirect wholly owned subsidiary of the Company), Dongguan Hongshun Shaohe Development Co., Ltd. (the "**Purchaser**") and Qinghui Properties Limited (the "**Target Company**") entered into the Sale and Purchase Agreement, pursuant to which Huanye conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 49% equity in the Target Company for the Consideration of RMB8.5 million (equivalent to approximately HK$9.8 million). Prior to the Disposal, the Target Company was owned as to 49% by Huanye and as to 51% by the Purchaser. The Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu and her spouse. Ms. Zhu is an executive Director and a substantial Shareholder deemed to be interested in 1,561,140,000 Shares (representing approximately 28.32% of the issued share capital of the Company). The Purchaser is therefore considered as a connected person of the Company. The Disposal constitutes a major disposal and a connected transaction for the Company and is subject to reporting, announcement, circular, and Independent Shareholders' approval requirements under the Listing Rules. The Disposal was subsequently approved by the independent shareholders of the Company on 29 September 2026 and is expected to be completed by mid-October 2026. Details of the transaction were set out in the Company's announcements dated 5 June 2026, 4 August 2026 and 29 September 2026, and the circular dated 25 August 2026.

As disclosed in Note 32 to the consolidated financial statements, as at and throughout the year ended 30 June 2026, the Group had certain banking facilities which were not only secured by land charges, investment properties, pledge of trade receivables, and 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.

COMPETITION AND CONFLICT OF INTERESTS

During the year ended 30 June 2026 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 5.8% of the total sales for the year and sales to the largest customer included therein amounted to approximately 1.9%. Purchases from the Group's five largest suppliers accounted for approximately 1.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 0.5%.

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 ended 30 June 2026, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 25 to 45 of the annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 30 June 2026. 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

The consolidated financial statements of the Group for the year ended 30 June 2026 have been audited by McMillan Woods (Hong Kong) CPA Limited, who will retire and being eligible, offer themselves for re-appointment as auditor at the Company's forthcoming annual general meeting.

On behalf of the Board

Chen Jinyang
Chairman

Hong Kong, 30 September 2026

Independent Auditor's Report



McMillanWoods
Professionalism at the forefront

TO THE SHAREHOLDERS 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 (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 108 to 196, which comprise the consolidated statement of financial position as at 30 June 2026, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2026, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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**") as 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**"), as applicable to audits of financial statements of public interest entities. We have also 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2(c) to the consolidated financial statements which indicates that the Group incurred a gross loss and a net loss of approximately HK$7,161,000 and HK$246,197,000 for the year ended 30 June 2026 and, as of that date, the Group's net current liabilities amounted to approximately HK$615,859,000 while its cash and bank balances, fixed deposits and restricted bank deposits amounted to approximately HK$54,796,000, HK$29,067,000 and HK$137,839,000 respectively. In addition, as at 30 June 2026: (i) the Group had trade payables of approximately HK$525,680,000, included in trade payables with carrying amounts of approximately HK$114,860,000 in respect of which the Group has failed to repay the overdue balance and legal actions were commenced against the Group for the estimated balances of approximately HK$387,852,000 and (ii) included in deposit received, other payables and accruals with carrying amounts of approximately HK$13,407,000 was compensation payable as a result of civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, regarding previous disputes in cost of water supply. These events or conditions, along with other matters as set forth in Note 2(c) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the "Material Uncertainty Relating to Going Concern" section, we have determined the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-financial assets of water supply and related services segment	
Refer to Note 5(b)(v) and Note 15 to the consolidated financial statements. At 30 June 2026, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets subjected to impairment assessment were of approximately HK$269,921,000 (net of accumulated impairment loss of approximately HK$81,279,000), HK$50,620,000 and HK$9,112,000 (net of accumulated impairment loss of approximately HK$35,344,000) respectively. The provision of water supply and related services represent a group of CGUs which comprise Qinghui Properties Limited and its subsidiaries ("**Qinghui Group**") and Qingyuan Qingxin District Taihe Water Company Limited. At 30 June 2026, the recoverable amount of the provision of water supply and related services has been determined based on a value in use calculation, which is determined by the directors with reference to a professional valuation performed by an independent firm of professional qualified valuers. The value in use calculations involve significant management judgement and estimation, particularly in respect of key assumptions, including forecast revenue, operating costs, long-term growth rates and discount rates.	Our audit procedures in relation to management's impairment assessment included but not limited to: – Obtain an understanding of the Group's procedures and method of estimation; – Evaluate and assess whether the method of valuation estimation and assumptions made are appropriate; – Test the data used by the management in the estimation; – Assess the external valuer's qualifications, expertise and experience and considering the external valuer's objectivity and independence; and – With the assistance of the auditor's valuation expert, evaluating the methodology used in the value-in-use calculations, challenging the key assumptions and critical judgements made in the preparation of the discounted cash flow forecasts by comparing key inputs with historical performance, management's budgets and forecasts and other externally available information, and evaluating the discount rates applied by assessing whether the parameters used were within a reasonable range for comparable businesses.

Key Audit Matter	How our audit addressed the Key Audit Matter
In the impairment review, management has concluded that an impairment loss of HK$21,567,000 was recognised during the year ended 30 June 2026. We identified the impairment assessment of non-financial assets of the water supply and related services segment as a key audit matter because of their significance to the consolidated financial statements and the significant degree of judgements and estimates involved in determining their recoverable amounts.	
Fair value of investment properties Refer to Note 5(b)(ii) and Note 16 to the consolidated financial statements. The Group holds a portfolio of investment properties in the People's Republic of China with an aggregate fair value of HK$520,242,000 at 30 June 2026. The fair values of investment properties were assessed by the directors based on independent valuations prepared by qualified external property surveyor. The fair value loss on investment properties of HK$58,486,000 recognised in the consolidated statement of profit or loss for the year ended 30 June 2026.	Our audit procedures in relation to management's fair value assessment included but not limited to: – Evaluate the external surveyor's competence, capabilities and objectivity; – Obtain an understanding of the valuation process and techniques adopted by the external surveyor to assess the appropriateness; – Obtain the valuation reports and discuss with the external surveyor to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data used by the surveyor and check, on a sample basis, the accuracy and relevance of the input data used; and – With the assistance of our auditor's experts, we reviewed their methodologies and key assumptions, and assessed the reasonableness of significant unobservable inputs by comparing them to market data. We also examined adjusting factors for property conditions and locations, verified supporting documents to validate the valuation of major investment properties.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND AUDIT COMMITTEE 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 HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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 scepticism 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 of the Company.

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Leung Kam Wa
Audit Engagement Director
Practising Certificate Number: P08370

24/F., Siu On Centre,
188 Lockhart Road,
Wan Chai, Hong Kong

30 September 2026

Consolidated Statement of Profit or Loss

For the year ended 30 June 2026

	Notes	**For the year ended 30 June 2026 HK$'000**	Eighteen months ended 30 June 2025 HK$'000
Revenue	6	**315,857**	451,301
Cost of revenue		**(323,018)**	(478,064)
Gross loss		**(7,161)**	(26,763)
Other income and gains, net	7	**2,719**	9,115
Impairment loss on non-current assets	15	**(21,567)**	–
Impairment loss on amount due from a joint venture	18	**–**	(13,865)
Net impairment loss on deposits and receivables	21, 24, 25	**(30,920)**	(10,651)
Changes in fair value of investment properties	16	**(58,486)**	(40,554)
General and administrative expenses		**(91,749)**	(112,915)
Share of loss of a joint venture		**(108)**	(7,328)
Loss from operations		**(207,272)**	(202,961)
Finance costs	8(a)	**(34,340)**	(59,100)
Loss before income tax	8(b)	**(241,612)**	(262,061)
Income tax (expense)/credit	10	**(4,585)**	2,677
Loss for the year/period		**(246,197)**	(259,384)
Attributable to: –			
Shareholders of the Company		**(159,140)**	(161,360)
Non-controlling interests		**(87,057)**	(98,024)
Loss for the year/period		**(246,197)**	(259,384)
Loss per share (in cents)	13		
– Basic		**(2.92)**	(2.93)
– Diluted		**(2.92)**	(2.93)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2026

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Loss for the year/period	**(246,197)**	(259,384)
Other comprehensive income/(loss):–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of financial statements of overseas operations	**879**	(19,871)
Share of other comprehensive loss of a joint venture	**(650)**	–
Other comprehensive income/(loss) for the year/period	**229**	(19,871)
Total comprehensive loss for the year/period	**(245,968)**	(279,255)
Total comprehensive loss attributable to:–		
Shareholders of the Company	**(140,212)**	(179,278)
Non-controlling interests	**(105,756)**	(99,977)
	(245,968)	(279,255)

Consolidated Statement of Financial Position

At 30 June 2026

	Notes	30 June 2026 HK$'000	30 June 2025 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**269,921**	292,275
Investment properties	16	**520,242**	562,360
Right-of-use assets	17	**50,620**	55,839
Interest in a joint venture	18	**221,965**	210,692
Intangible assets	19	**9,112**	55,464
Goodwill	20	**–**	–
Statutory deposits for financial service business		**400**	400
Deposits paid for acquisition of investment properties	21(a), 21(c)	**249,642**	154,609
Deposit paid for acquisition of a subsidiary	21(b)	**–**	25,768
Deferred tax assets	11(a)	**42,921**	36,496
		1,364,823	1,393,903
CURRENT ASSETS			
Properties under development	22(a)	**–**	21,863
Properties held for sale	22(b)	**24,324**	–
Inventories	23	**2,137**	3,896
Debtors	24	**47,628**	40,849
Deposits, prepayments and other receivables	25	**62,881**	128,852
Restricted bank deposits	26(c)	**137,839**	–
Pledged time deposits	26(a)	**–**	82,084
Fixed deposits		**29,067**	59,067
Cash and bank balances	26(b)	**60,279**	172,624
		364,155	509,235
DEDUCT:			
CURRENT LIABILITIES			
Trade payables	27	**525,680**	500,172
Payable to merchants	28	**–**	3,006
Deposits received, other payables and accruals	29	**357,059**	235,886
Contract liabilities	30	**24,127**	24,946
Lease liabilities	31	**9,779**	8,296
Bank borrowings	32	**51,651**	96,901
Tax payable		**11,718**	2,797
		980,014	872,004
NET CURRENT LIABILITIES		**(615,859)**	(362,769)

Consolidated Statement of Financial Position

At 30 June 2026

	Notes	30 June 2026 HK$'000	30 June 2025 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**748,964**	1,031,134
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank borrowings	32	**627,716**	645,460
Lease liabilities	31	**24,747**	30,973
Deferred tax liabilities	11(a)	**13,323**	24,910
		665,786	701,343
NET ASSETS		**83,178**	329,791
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	33	**55,130**	55,130
Reserves	35	**419,492**	560,349
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**474,622**	615,479
NON-CONTROLLING INTERESTS		**(391,444)**	(285,688)
TOTAL EQUITY		**83,178**	329,791

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 30 SEPTEMBER 2026.

ZHU FENGLIAN
DIRECTOR

CHEN JINYANG
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 30 June 2026

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(241,612)**	(262,061)
Adjustments for:-		
Interest on bank deposits	**(2,069)**	(8,002)
Interest on loans receivable	**(11,165)**	(16,933)
Interest expenses on bank borrowings	**32,028**	57,491
Interest expenses on lease liabilities	**2,117**	1,319
Depreciation of property, plant and equipment	**29,687**	54,838
Depreciation of right-of-use assets (excluding prepaid land lease premium)	**10,006**	8,170
Amortisation of prepaid land lease premium	**730**	815
Amortisation of intangible assets	**65,095**	83,158
Loss on disposal of investment properties	**81**	–
Loss on written-off property, plant and equipment	**46**	–
Gain on disposal of property, plant and equipment	**–**	(1)
Changes in fair value of investment properties	**58,486**	40,554
Impairment loss on debtors	**2,775**	749
Impairment loss on amount due from a joint venture	**–**	13,865
Impairment loss on other receivables	**1,956**	4,109
Impairment loss on deposits paid	**26,189**	5,793
Impairment loss on inventories	**1,754**	–
Loss on termination of lease	**–**	71
Impairment loss on non-current assets	**21,567**	–
Written-back of payables to merchants	**(3,006)**	–
Share of loss of a joint venture	**108**	7,328
Operating loss before working capital changes	**(5,227)**	(8,737)
Changes in working capital:		
Properties under development/held for sale	**(1,435)**	(8,558)
Inventories	**69**	1,707
Debtors	**(6,943)**	(7,042)
Deposits, prepayments and other receivables	**79,572**	(15,272)
Bank balances – client accounts	**(1,732)**	(487)
Restricted bank deposits	**(133,479)**	–
Trade payables	**(1,220)**	147,741
Amount due to a related company	**–**	(43)
Deposits received, other payables and accruals	**105,490**	80,599
Contract liabilities	**(2,094)**	10,700
Cash generated from operations	**33,001**	200,608
Bank interest received	**2,069**	8,002
Tax paid	**(12,692)**	(27,144)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**22,378**	181,466

Consolidated Statement of Cash Flows

For the year ended 30 June 2026

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	**(15,046)**	(24,507)
Proceeds from disposal of property, plant and equipment	**–**	8,312
Proceeds from disposal of investment properties	**26,253**	–
Additions to investment properties	**(14,772)**	–
Payments to acquire intangible assets	**(18,235)**	(17,057)
Deposits paid for acquisition of investment properties	**(111,585)**	–
Refund of deposit paid for acquisition of a subsidiary	**27,896**	–
NET CASH USED IN INVESTING ACTIVITIES	**(105,489)**	(33,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in pledged time deposits	**82,084**	58,013
Proceeds from new bank loans	**–**	73,836
Other interest paid	**(32,125)**	(57,654)
Repayment of bank loans	**(99,617)**	(196,511)
Capital element of lease rentals paid	**(9,777)**	(3,637)
Interest element of lease rentals paid	**(2,117)**	(1,319)
Purchase of shares under share award scheme	**(645)**	(4,467)
NET CASH USED IN FINANCING ACTIVITIES	**(62,197)**	(131,739)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(145,308)**	16,475
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**1,231**	(14,937)
CASH AND CASH EQUIVALENTS AS AT 1 JULY/1 JANUARY	**227,940**	226,402
CASH AND CASH EQUIVALENTS AS AT 30 JUNE 2026/ 30 JUNE 2025	**83,863**	227,940
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**54,796**	168,873
Fixed deposits	**29,067**	59,067
	83,863	227,940

Consolidated Statement of Changes in Equity

For the year ended 30 June 2026

	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$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1.1.2024	55,130	1,247,453	481	1,093	10,754	6,375	(6,804)	27,699	(542,957)	799,224	(185,711)	613,513
Loss for the period	-	-	-	-	-	-	-	-	(161,360)	(161,360)	(98,024)	(259,384)
Other comprehensive expense	-	-	-	-	-	(17,918)	-	-	-	(17,918)	(1,953)	(19,871)
Total comprehensive loss for the period	-	-	-	-	-	(17,918)	-	-	(161,360)	(179,278)	(99,977)	(279,255)
Purchase of shares for share award scheme (note)	-	-	-	-	-	-	(4,467)	-	-	(4,467)	-	(4,467)
At 30.6.2025 and 1.7.2025	55,130	1,247,453	481	1,093	10,754	(11,543)	(11,271)	27,699	(704,317)	615,479	(285,688)	329,791
Loss for the year	-	-	-	-	-	-	-	-	(159,140)	(159,140)	(87,057)	(246,197)
Other comprehensive income/(expense)	-	-	-	-	-	18,928	-	-	-	18,928	(18,699)	229
Total comprehensive income/(loss) for the year	-	-	-	-	-	18,928	-	-	(159,140)	(140,212)	(105,756)	(245,968)
Purchase of shares for share award scheme (note)	-	-	-	-	-	-	(645)	-	-	(645)	-	(645)
At 30.6.2026	55,130	1,247,453	481	1,093	10,754	7,385	(11,916)	27,699	(863,457)	474,622	(391,444)	83,178

Note: For the year ended 30 June 2026, 4,780,000 (eighteen months ended 30 June 2025: 29,210,000) shares were purchased from the open market at the aggregate consideration of HK$645,000 (eighteen months ended 30 June 2025: HK$4,467,000) 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 (collectively, the "**Group**") 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. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKASs**") and Interpretations 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 Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Change of financial year end date

Pursuant to a resolution of the board (the "**Board**") of directors (the "**Directors**") of the Company passed on 30 December 2024, the Company's financial year end date was changed from 31 December to 30 June to enable the Group to rationalise and mobilise its resources with higher efficiency in planning and executing its financial reporting and audit timetable, to avoid competition of resources with other listed companies with regard to audit services in the peak financial reporting season in the market, and to remove the workflow pressure due to Chinese New Year public holidays for the preparation of results announcement as well as annual report. Accordingly, the comparative figures cover a 18-month period from 1 January 2024 to 30 June 2025, which may not be comparable with amounts shown for the current period. The current financial period covers a 12-month period from 1 July 2025 to 30 June 2026.

2. BASIS OF PREPARATION *(continued)*

(c) Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing the Group's ability to continue as a going concern. The Group incurred a gross loss and a net loss of approximately HK$7,161,000 and HK$246,197,000 for the year ended 30 June 2026 and, as of that date, the Group's net current liabilities amounted to approximately HK$615,859,000 while its cash and bank balances, fixed deposits and restricted bank deposits amounted to approximately HK$54,796,000, HK$29,067,000 and HK$137,839,000 respectively. In addition, as at 30 June 2026: (i) the Group had trade payables of approximately HK$525,680,000, included in trade payables with carrying amounts of approximately HK$114,860,000 in respect of which the Group has failed to repay the overdue balance and legal actions were commenced against the Group for the estimated balance of approximately HK$387,852,000 and (ii) included in deposits received, other payable and accruals with carrying amounts of approximately HK$13,407,000 was compensation payable as a result of civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, regarding previous disputes in cost of water supply.

The following plans and measures are formulated to mitigate the Group's liquidity risk and improve the Group's financial position:

- As at 30 June 2026, the Group had unutilised banking facilities of approximately RMB389,300,000. Given the Group maintained strong business relationship with its bankers and based on past experiences, the directors expect that the Group is able to renew all the banking facilities when they expire.
- The Group will continue to enhance its liquidity and operating cash flows for the next twelve months through the negotiation with the supplier with the view to resolving the disputes and settling the outstanding amounts relating to the ongoing litigation.
- The Group will take proactive measures to reduce administrative and operating costs.
- On 5 June 2026, the Company and Shenzhen Huanye Universal Technologies Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (as supplemented by a supplemental agreement dated 4 August 2026) with Dongguan Hongshun Shaohe Development Co., Ltd.("**Hongshun Shaohe**") and Qinghui Properties Limited. Hongshun Shaohe holds 51% equity interests in Qinghui Properties Limited and is wholly and beneficially owned by Ms. Zhu Fenglian, an executive Director and a substantial shareholder of the Company, and her spouse. According to the sales and purchase agreement, the Group will dispose of its entire 49% equity interests in Qinghui Properties Limited ("**Qinghui**", together with its subsidiaries, the "**Qinghui Group**") for a cash consideration of RMB8,500,000 (equivalent to approximately HK$9,800,000) (the "**Disposal**"). The Disposal was approved by the independent shareholders of the Company at the extraordinary general meeting held on 29 September 2026. The Disposal is expected to take place by mid-October 2026.

The Directors have reviewed the Group's cash flow forecasts prepared by management of the Group which cover a period of not less than twelve months from the date of this annual report. Taking into account of the Disposal which would have been completed and the plans and measures as described above, the Directors are of the opinion that the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the date of this annual report. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION *(continued)*

(c) Going concern *(continued)*

Notwithstanding the above, the Disposal remains subject to completion and the execution of the plans and measures by the Group is in preliminary stage or in progress and no written contractual agreements or other documentary supporting evidence from the relevant banks and supplier that are available as at the date of the consolidated financial statements were approved and authorised for issue for alleviating the going concern assessment, material uncertainty exists as to whether the Group can (i) complete the disposal; (ii) successfully negotiating with bank to renew banking facilities when they expire; (iii) successfully negotiating with supplier with the view to resolving the disputes and settling the outstanding amounts relating to the ongoing litigation; and (iv) successfully implementing costs controls.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to reclassify its non-current liabilities as current liabilities with consideration of the contractual terms or to make provision for any contractual commitments that may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group.

3. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied to HKAS 21 and HKFRS 1 Lack of Exchangeability of HKFRS Accounting Standards as issued by HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 July 2025 for the preparation of the Group's consolidated financial statements.

The application of the amendments to HKFRS Accounting Standard in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and Amendments to HKFRS Accounting Standards in issue but not yet effective

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency[3]
Amendments to HK Int 5-Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 28	Fair Value Option for Investments in Associates and Joint Ventures[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2026.
[3] Effective for annual periods beginning on or after 1 January 2027.

3. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(continued)*

New and Amendments to HKFRS Accounting Standards in issue but not yet effective *(continued)*

Except for the new HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 will replace HKAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance presented in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements.

The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is currently assessing the impact of HKFRS 18, with respect to the structure of the Group's statement of loss, the statements of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements. Preliminary assessments indicate the following key impacts:

- The Group will need to reclassify certain income and expense items (e.g., interest income on certain investments and foreign exchange gains/losses) into the new categories, namely investing and financing categories.
- The Group may disclose certain MPMs in its results announcements and the annual report. Under HKFRS 18, this will likely require additional disclosure for the MPMs within the notes to the financial statements.
- The Statement of Cash Flows will also be impacted, as the operating profit subtotal will be the required starting point for the indirect method.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) 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.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(a) Basis of consolidation *(continued)*

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.

(b) 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.

(c) 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.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(d) 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.

(e) 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.

(f) 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) 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	– Over the 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.

(g) Prepaid land lease premium

Prepaid land lease premium represent up-front payments to acquire the leasehold land which 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leased properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases *(continued)*

As a lessee (continued)

Short-term leases and leases of low-value assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases *(continued)*

As a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases *(continued)*

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 and the Group's ordinary course of business is recognised in accordance with Note 4(z) 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.

(i) Investment properties

Investment properties comprising land held under operating leases and buildings held under finance leases, are held for long-term rental yields or for capital appreciation or both.

Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties are met.

Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured 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 such 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 properties reflect, 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 properties. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment properties; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 4(z) to the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(j) Intangible assets

Rights to operate water supply plants in the People's Republic of China (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. Subsequently, the rights are carried at cost less accumulated amortisation and any accumulated impairment losses. 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 20 years. Both the estimated useful lives and method of amortisation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

(k) 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.

(l) 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).

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

Measurement of ECLs (continued)

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this 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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

Significant increases in credit risk (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.

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).

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(m) Properties under development/for sales

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development are transferred to completed properties held for sale upon completion.

Completed properties for sales

Completed properties remaining unsold as at the consolidated balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

The Group transfers a property from completed properties held for sale to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

(n) Inventories

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 in the ordinary course of business, less direct selling costs.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(o) 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 2006 to 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 19) 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(o) 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 4(j) 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 4(p) to the consolidated financial statements.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy set out in Note 4(z) 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 4(y) to the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(p) 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.

(q) 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 (Note 4(l)).

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(r) 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 4(l) to the consolidated financial statements.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 4(i) 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) Income tax *(continued)*

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.

(x) 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.

(y) 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(z) 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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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 4(p) 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.

(ix) 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.

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(a) Critical judgements in applying accounting policies *(continued)*

(i) Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the investment properties in the PRC, amounting to HK$520,242,000 at 30 June 2026 (30 June 2025: HK$562,360,000) are held primarily for earning rental income and are considered to be subject to a business model for consume substantially all of the economic benefits embodied in these investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

(ii) Consolidation of entity with less than 50% equity interest holding

The Group owns less than 50% of the equity interests in certain investees and those entities are treated as subsidiaries as the management is of the view that the Group is able to control the financial and operational activities of those entities by composition of board of directors under which the Group is entitled to appoint two directors out of the three directors of those entities.

(iii) Significant increase in credit risk

As explained in note 4(l), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

(iv) Going concern

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcomes of the Group's plans and measures to mitigate the Group's liquidity risk and improve the Group's financial position. Details are explained in Note 2(c) to the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Assessment of economic useful lives of property, plant and equipment

Property, plant and equipment other than construction in progress are depreciated over their economic useful lives. The assessment of estimated useful life of an item of property, plant and equipment is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of these assets, changes to the estimates of the useful lives can result in variations in their carrying amounts and depreciation charges recognised in respect of the assets. At 30 June 2026, the carrying amount of property, plant and equipment was approximately HK$269,921,000 (30 June 2025: HK$292,275,000).

(ii) Estimation of fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 16 to the consolidated financial statements.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

At 30 June 2026, the carrying amount of the Group's investment properties is HK$520,242,000 (30 June 2025: HK$562,360,000).

(iii) PRC Enterprise Income Tax ("EIT")

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Key sources of estimation uncertainty *(continued)*

(iv) Construction contracts

As explained in accounting policies stated in Notes 4(p) and 4(z) 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.

(v) Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation or amortisation and accumulated impairment loss, 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 ("**CGU**") 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.

At 30 June 2026, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets subjected to impairment assessment were of approximately HK$269,921,000 (net of accumulated impairment loss of approximately HK$81,279,000), HK$50,620,000 and HK$9,112,000 (net of accumulated impairment loss of approximately HK$35,344,000) respectively (30 June 2025: HK$292,275,000 (net of accumulated impairment loss of approximately HK$57,608,000), HK$55,839,000 and HK$55,464,000 (net of accumulated impairment loss of approximately HK$33,634,000)).

Details of the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets are disclosed in Note 15 to the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Key sources of estimation uncertainty *(continued)*

(vi) Estimation of cost of water supply

As explained in Note 41 to the consolidated financial statements, the Group has estimated and recorded the cost of water supply in the consolidated financial statements pending the resolution of the disputes and litigations with the Government-designated Water Plant (as defined in Note 41). Where the final outcome of the disputes and litigations is different from the amount originally recorded, the difference will affect the Group's financial results in the year in which the difference realises.

6. REVENUE

The Group is principally engaged in investment holding, properties 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:–

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Provision of water supply and related services		
Water supply and related services income	**266,667**	398,390
Construction services of infrastructure under concession arrangement (note)	**17,868**	17,309
Provision of financial services		
Interest income from securities margin financing	**1**	2
Service fee income	**53**	23
Commission and brokerage income	**12**	175
Advisory income	**200**	85
Placement income	**–**	22
Revenue from operating leases		
Rental and building management service income	**31,056**	35,295
	315,857	451,301

Note:

The amount represents revenue recognised during the construction stage of the service concession period. During the year ended 30 June 2026, no change of estimation (eighteen months ended 30 June 2025: Nil) was made when the Group finalised the construction costs with sub-contractors. All construction services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Disaggregation of revenue from contracts with customers and other sources by the timing of revenue recognition and by geographic markets is disclosed in Note 43 to the consolidated financial statements.

7. OTHER INCOME AND GAINS, NET

		For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
(a)	Other income		
	Interest on bank deposits	**2,069**	8,002
	Interest on loans receivable	**11,165**	7,604
	Other interest income	**–**	9,329
		13,234	24,935
(b)	Other (losses)/gains, net		
	Compensation loss	**(20,503)**	(33,769)
	Exchange (loss)/gain, net	**(137)**	15,880
	Loss on written-off property, plant and equipment	**(46)**	–
	Loss on disposal of investment property	**(81)**	–
	Written-back of payable to merchants	**3,006**	–
	Recovery of bad debts written off	**6,695**	–
	Others	**551**	2,069
		(10,515)	(15,820)
Net		**2,719**	9,115

8. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Interest on bank loans	**32,125**	57,654
Less: interest capitalised included in property, plant and equipment and other intangible assets *(note)*	**(97)**	(163)
Interest on lease liabilities	**2,117**	1,319
Others	**195**	290
	34,340	59,100

Note: The capitalisation rate was 4.03% for the year ended 30 June 2026 (eighteen months ended 30 June 2025: 4.03%).

8. LOSS BEFORE INCOME TAX *(continued)*

(b) Other items

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Auditors' remuneration		
– Audit services	**1,301**	1,250
– Non-audit services	**1,550**	980
	2,851	2,230
Cost of inventories recognised in profit or loss	**5,839**	9,330
Staff costs (including directors' remuneration)		
– Salaries and other benefits	**50,273**	69,389
– Pension scheme contributions	**8,040**	10,665
	58,313	80,054
Depreciation of property, plant and equipment	**29,687**	54,838
Depreciation of right-of-use assets (excluding prepaid land lease premium)	**10,006**	8,170
Impairment loss on non-current assets	**21,567**	–
Impairment loss on debtors	**2,775**	749
Impairment loss on other receivables	**1,956**	4,109
Impairment loss on deposits paid	**26,189**	5,793
Amortisation of intangible assets	**65,095**	83,158
Amortisation of prepaid land lease premium	**730**	815
Loss on written-off property, plant and equipment	**46**	–
Gain on disposal of property, plant and equipment	**–**	(1)
Loss on disposal of investment properties	**81**	–
Loss on termination of lease	**–**	71
Rental income less direct outgoings of approximately HK$15,067,000 (eighteen months ended 30 June 2025: HK$15,645,000)	**(15,989)**	(21,091)

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

Directors' remuneration is as follows:–

Name of director	For the year ended 30 June 2026			
	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note (i))	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Chen Jinyang	60	1,920	103	2,083
Mr. Xuan Zhensheng (note (ii))	60	1,440	–	1,500
Ms. Zhu Fenglian ("**Ms. Zhu**")	60	2,100	–	2,160
Non-Executive Director				
Mr. Chen Lang (note (iv))	360	–	–	360
Independent Non-Executive Directors				
Mr. Yeung Kin Chung Clifton, *M.H.*	360	–	–	360
Mr. Chao Pao Shu, George	240	–	–	240
Mr. David Tsoi (note (v))	120	–	–	120
Mr. Chai Chung Wai (note (vi))	45	–	–	45
	1,305	5,460	103	6,868

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

(a) Directors *(continued)*

Name of director	Eighteen months ended 30 June 2025			
	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note (i))	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Chen Jinyang	90	2,880	27	2,997
Mr. Xuan Zhensheng (note (ii))	360	1,448	–	1,808
Ms. Zhang Haimei (note (iii))	30	712	–	742
Ms. Zhu Fenglian ("**Ms. Zhu**")	90	3,150	–	3,240
Non-Executive Director				
Mr. Chen Lang (note (iv))	363	–	–	363
Independent Non-Executive Directors				
Mr. Yeung Kin Chung Clifton, *M.H.*	540	–	–	540
Mr. Chao Pao Shu, George	360	–	–	360
Mr. David Tsoi (note (v))	360	–	–	360
	2,193	8,190	27	10,410

Notes:

(i) Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances and benefits in kind.

(ii) Retired as non-executive director and appointed as executive director on 28 June 2024.

(iii) Retired as executive director on 28 June 2024.

(iv) Appointed as non-executive director on 28 June 2024.

(v) Retired as independent non-executive director at the Annual General Meeting ("**AGM**") on 31 December 2025.

(vi) Appointed as independent non-executive director on 31 March 2026.

During the year, no directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, three (eighteen months ended 30 June 2025: 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 (eighteen months ended 30 June 2025: two) highest paid individual were as follows:–

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Salaries, allowances and other benefits in kind	**1,835**	2,965
Pension scheme contributions	**36**	27
	1,871	2,992

	For the year ended 30 June 2026	Eighteen months ended 30 June 2025
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	2	2

During the year/period, no share option was granted to the above highest paid employees in respect of their services to the Group.

During the year/period, 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, or as compensation for loss of office.

10. INCOME TAX EXPENSE/(CREDIT)

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

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Current tax:		
Current year/period	**3,685**	6,168
Under-provision in respect of previous years	**17,849**	20,050
	21,534	26,218
Deferred taxation	**(16,949)**	(28,895)
	4,585	(2,677)

(b) No provision for Hong Kong Profits Tax has been provided as the Company and its subsidiaries operating in Hong Kong have no estimated assessable profits or have sufficient tax losses brought forward to set off against current year's assessable profit for the year ended 30 June 2026 and for the eighteen months ended 30 June 2025.

No provision for Australia Corporate Income Tax have been provided as the Company's subsidiaries operating in Australia have no estimated assessable profits for the year ended 30 June 2026 and for the eighteen months ended 30 June 2025.

The Company's subsidiaries operating in the PRC are subject to EIT at 25% for the year ended 30 June 2026 (eighteen months ended 30 June 2025: 25%).

Certain entities operating in the PRC that have taxable income of not more than RMB3 million, the quarterly average of total assets does not exceed RMB50 million as well as the quarterly average number of employees does not exceed 300 are qualified as small and micro enterprises for the year ended 30 June 2026 and for the eighteen months 30 June 2025. For the first RMB1 million taxable income, 25% of its first RMB1 million taxable income would be taxed at a reduced rate of 20%. For the portion over first RMB1 million and up to RMB3 million, only 25% of the taxable income would be taxed at a reduced EIT rate of 20% from 1 January 2023 to 31 December 2027.

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

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

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Loss before income tax	**(241,612)**	(262,061)
Tax on loss before income tax, calculated at the applicable tax rates	**(58,620)**	(64,289)
Tax effect of non-deductible expenses in determining taxable profit	**25,266**	17,340
Tax effect of non-taxable income in determining taxable profit	**(1,814)**	(9,796)
Tax effect of unrecognised decelerated depreciation allowance	**9,429**	9,614
Tax effect of unrecognised tax loss	**7,938**	10,444
Tax effect of utilisation of previously unrecognised tax loss	**(533)**	–
Under-provision in respect of previous year	**17,849**	20,050
Others	**5,070**	13,960
Income tax expense/(credit)	**4,585**	(2,677)

11. DEFERRED TAXATION

(a) These are the major deferred tax assets and liabilities recognised and movements thereon during the current year and prior period:–

	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 1.1.2024	12,008	297	(29,391)	(535)	(17,621)
Credited to profit or loss (Note 10(a))	23,698	168	3,563	1,466	28,895
Exchange adjustments	324	2	6	(20)	312
At 30.6.2025 and 1.7.2025	36,030	467	(25,822)	911	11,586
Credited to profit or loss (Note 10(a))	3,496	758	12,695	–	16,949
Exchange adjustments	2,070	52	(1,108)	49	1,063
At 30.6.2026	**41,596**	**1,277**	**(14,235)**	**960**	**29,598**

11. DEFERRED TAXATION *(continued)*

Represented by:–

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Deferred tax assets	**42,921**	36,496
Deferred tax liabilities	**(13,323)**	(24,910)
	29,598	11,586

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

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Deductible temporary differences (note)		
Decelerated tax allowances	**36,800**	2,372
Unutilised tax losses	**469,125**	419,015
	505,925	421,387

Note:–

Deductible temporary differences have not been recognised in these consolidated financial statements owing to unforeseeability 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$268,790,000 (eighteen months ended 30 June 2025: HK$246,051,000) and HK$4,414,000 (eighteen months ended 30 June 2025: HK$4,436,000), respectively, can be carried forward indefinitely and the unutilised tax losses accumulated in the PRC amounted to HK$195,921,000 (eighteen months ended 30 June 2025: HK$168,528,000) can be carried forward for five years following the year when the losses were incurred.

(c) As at 30 June 2026, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB130,501,000 (equivalent to approximately HK$150,731,000) (eighteen months ended 30 June 2025: RMB126,688,000 (equivalent to approximately HK$138,825,000)). The related deferred tax liabilities of approximately HK$7,537,000 (eighteen months ended 30 June 2025: HK$6,941,000) 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.

12. DIVIDENDS

The directors of the Company do not recommend or declare the payment of any dividend in respect of the year ended 30 June 2026 (eighteen months ended 30 June 2025: Nil).

13. LOSS PER SHARE

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

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Loss		
Loss for the year/period attributable to shareholders of the Company	**(159,140)**	(161,360)

	For the year ended 30 June 2026	Eighteen months ended 30 June 2025
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	**5,458,144,247**	5,484,358,647

The weighted average number of ordinary shares for the purpose of basic earnings per share was derived after deducting the shares held by the trustee for the Share Award Scheme of the Company as defined and described in Note 34.

The diluted loss per share is equal to the basic loss per share for the year ended 30 June 2026 and eighteen months ended 30 June 2025 as there was no dilutive potential ordinary share in issue.

14. 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 30 June 2026 amounted to approximately HK$235,000 (eighteen months ended 30 June 2025: HK$371,000).

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.

14. RETIREMENT BENEFIT COSTS *(continued)*

The Group's contribution to the state-sponsored retirement plan for the year ended 30 June 2026 amounted to approximately HK$7,805,000 (eighteen months ended 30 June 2025: HK$10,294,000).

During the year ended 30 June 2026 and eighteen months ended 30 June 2025, 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 30 June 2026 and 30 June 2025, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contribution.

15. 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 30.6.2026									
Opening net book value	71,391	172,828	16,153	740	2,453	-	1,560	27,150	292,275
Exchange adjustments	1,872	9,307	717	198	124	-	19	1,566	13,803
Additions	-	2,110	14	6,042	169	-	-	6,808	15,143
Written-off	-	-	(8)	-	(6)	-	-	(32)	(46)
Transfer	-	3,801	157	-	-	-	-	(3,958)	-
Depreciation	(5,759)	(18,349)	(2,623)	(1,493)	(1,284)	-	(179)	-	(29,687)
Impairment	(3,276)	(16,886)	(1,210)	(6)	(189)	-	-	-	(21,567)
Closing net book value	64,228	152,811	13,200	5,481	1,267	-	1,400	31,534	269,921
At 30.6.2026									
Cost	158,652	507,408	35,325	13,424	13,163	445	4,731	31,534	764,682
Aggregate depreciation	(78,925)	(292,349)	(18,993)	(7,937)	(11,502)	(445)	(3,331)	-	(413,482)
Aggregate impairment loss	(15,499)	(62,248)	(3,132)	(6)	(394)	-	-	-	(81,279)
Net book value	64,228	152,811	13,200	5,481	1,267	-	1,400	31,534	269,921

15. 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
Eighteen months ended 30.6.2025									
Opening net book value	81,885	193,754	19,478	1,005	4,588	–	1,604	29,545	331,859
Exchange adjustments	(676)	(303)	(54)	(8)	(28)	–	(1)	(35)	(1,105)
Additions	–	13,709	277	283	300	–	180	9,921	24,670
Disposals	–	(7,120)	(152)	–	(8)	–	(4)	(1,027)	(8,311)
Transfer	–	10,904	350	–	–	–	–	(11,254)	–
Depreciation	(9,818)	(38,116)	(3,746)	(540)	(2,399)	–	(219)	–	(54,838)
Closing net book value	71,391	172,828	16,153	740	2,453	–	1,560	27,150	292,275
At 30.6.2025									
Cost	152,980	466,009	32,455	6,900	12,352	445	4,573	27,150	702,864
Aggregate depreciation	(69,839)	(249,295)	(14,519)	(6,160)	(9,710)	(445)	(3,013)	–	(352,981)
Aggregate impairment loss	(11,750)	(43,886)	(1,783)	–	(189)	–	–	–	(57,608)
Net book value	71,391	172,828	16,153	740	2,453	–	1,560	27,150	292,275

The Group's properties are situated in:–

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Hong Kong	**3,243**	3,405
The PRC	**60,985**	67,986
	64,228	71,391

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. Upon completion, the Group is the registered owner of the buildings. As at 30 June 2026, the Group's buildings and structure with a net carrying amount of approximately HK$410,000 (30 June 2025: HK$487,000) 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$67,000 (eighteen months ended 30 June 2025: HK$54,000) and had made a provision accordingly.

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

Impairment assessment related to provision of water supply and related services

The provision of water supply and related services represent a group of CGUs which comprise Qinghui Properties Limited and its subsidiaries ("**Qinghui Group**") and Taihe Water.

For the year ended 30 June 2026 and the eighteen months ended 30 June 2025, due to the narrowing of profit margin resulted from the increasing operating costs, the management of the Group concluded that there was an indication of impairment and conducted impairment assessment on recoverable amounts of the water supply services CGUs.

At 30 June 2026, the recoverable amount of the provision of water supply and related services has been determined based on a value in use calculation, which is determined by the directors with reference to a professional valuation performed by Apex Appraisal Limited, an independent firm of professional qualified valuers.

The value-in-use calculation of Qinghui Group was based on cash flow projections derived from financial budgets approved by management, covering a five-year period (30 June 2025: five years). The pre-tax discount rate applied was 11.3% (30 June 2025: 9.6%).

The value-in-use calculation of Taihe Water was based on cash flow projections derived from financial budgets approved by management, covering the remaining concession periods of five months (30 June 2025: one and a half years). The pre-tax discount rate applied was 18.4% (30 June 2025: 16.6%). No terminal value (30 June 2025: nil) was assigned beyond the concession period.

As disclosed in Note 19 to the consolidated financial statements, Taihe Water was granted operating rights for certain water supply plants in Qingyuan, Guangdong Province for a 20-year period from 2006 to November 2026, under a BOT concession agreement. When assessing the value-in-use, management took into account the essential utility nature of water supply, the oligopolistic market structure in Qingyuan, the strong demand exceeding supply, and the stable urban growth in Guangdong Province. Furthermore, pursuant to the service concession agreement, the operating rights and underlying infrastructure assets will either be extended through negotiation or repurchased/transferred back to the relevant local government authorities based on the appraised value assessed by an independent valuer jointly appointed by both parties. As the renewal of the concession agreement had not been agreed as at 30 June 2026, management considered it appropriate to include the project cash flows for the entirety of the remaining concession period of five months and the estimated compensation receivable from the grantor upon the transfer of the relevant water supply plants.

Other key assumptions applied in the value-in-use calculations included estimated average gross margins throughout the budget period of 19.83% (30 June 2025: 15.93%) for Qinghui Group and 49.47% (30 June 2025: 49.18%) for Taihe Water. These estimates were based on the historical performance of each CGU and management's expectations regarding future market development.

At 30 June 2025, management assessed that the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets, including allocated corporate assets, within the CGUs had already been reduced to their recoverable amounts through impairment losses recognised in prior years, and has therefore concluded that no additional impairment loss was required for the eighteen months ended 30 June 2025. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU of provision of water supply and related services to exceed the recoverable amount as at 30 June 2025.

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

Provision of water supply and related services *(continued)*

At 30 June 2026, management assessed that the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets, including allocated corporate assets, within the CGU exceeded its recoverable amounts, and has therefore concluded that an impairment loss of HK$21,567,000 was recognised for the year ended 30 June 2026. Management believes that any adverse change in any of these assumptions would result in further impairment losses on property, plant and equipment as at 30 June 2026.

Financial services

At 30 June 2026, management assessed that the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets, including allocated corporate assets, within the CGU had already been reduced to their recoverable amounts through impairment losses recognised in the prior year, and has therefore concluded that no additional impairment loss was required for the year ended 30 June 2026. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU of financial services to exceed the recoverable amount as at 30 June 2026.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1.1.2024	603,127
Net decrease in fair value recognised in the consolidated statement of profit or loss	(40,554)
Exchange adjustments	(213)
At 30.6.2025 and 1.7.2025	562,360
Additions	14,772
Disposal	(26,334)
Net decrease in fair value recognised in the consolidated statement of profit or loss	(58,486)
Exchange adjustments	27,930
At 30.6.2026	**520,242**

The Group's investment properties are all situated in the PRC and certain investment properties are leased to third parties under medium-term operating leases.

The Group's investment properties were revalued on 30 June 2026 based on valuations performed by Graval Consulting Limited, an independent firm of surveyors, 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.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

Investment properties with carrying amount of HK$503,271,000 (30 June 2025: HK$517,436,000) were pledged to secure the Group's bank borrowings (Note 32).

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement at 30 June 2026 using
	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurement for:	
Industrial properties located in Qingyuan, Guangdong Province, the PRC	**2,571**
Commercial properties located in Qingyuan, Guangdong Province, the PRC	**14,400**
Commercial properties located in Guangzhou, the PRC	**503,271**

	Fair value measurement at 30 June 2025 using
	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurement for:	
Residential properties located in Shanghai, the PRC	25,861
Industrial properties located in Qingyuan, Guangdong Province, the PRC	2,559
Commercial properties located in Qingyuan, Guangdong Province, the PRC	16,504
Commercial properties located in Guangzhou, the PRC	517,436

During the current year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (30 June 2025: Nil).

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range At 30 June 2026	At 30 June 2025
Residential properties located in Shanghai, the PRC	Market comparison approach	Premium on characteristics of the properties	**N/A**	-5%
Industrial properties located in Qingyuan, Guangdong Province, the PRC	Market comparison approach (note (a))	Premium on the location of land	**-10% to 30%**	-10% to 30%
	Depreciated replacement cost approach (note (b))	Adjusted replacement cost per square metre	**RMB2,690**	RMB2,770
		Depreciation rate per year	**2.5%**	2.5%
Commercial properties located in Qingyuan, Guangdong Province, the PRC	Market comparison approach (note (a))	Premium on characteristics of the properties	**-10% to 1%**	-15% to 1%
Commercial properties located in Guangzhou, Guangdong Province, the PRC	Income capitalisation approach (note (c))	Prevailing market rents per square meter per month	**RMB99 to RMB790**	RMB105 to RMB835
		Capitalisation rates	**4.5%**	4.5%

Notes:–

(a) 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.

(b) 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. The fair value measurement is positively correlated to depreciation rate.

(c) 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.

17. RIGHT-OF-USE ASSETS

	Leased properties (note (a))	Prepaid land lease premium (note (b))	Total
	HK$'000	HK$'000	HK$'000
At 1.1.2024	6,254	22,450	28,704
Additions	36,648	–	36,648
Depreciation charge	(8,170)	(815)	(8,985)
Termination of lease	(725)	–	(725)
Exchange adjustment	448	(251)	197
At 30.6.2025 and 1.7.2025	34,455	21,384	55,839
Additions	575	–	575
Modification	2,625	–	2,625
Depreciation charge	(10,006)	(730)	(10,736)
Exchange adjustment	1,570	747	2,317
At 30.6.2026	**29,219**	**21,401**	**50,620**

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Expense relating to short-term leases	**512**	333
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**47**	31
Total cash outflow for leases	**12,453**	5,320

Notes:

(a) The Group owns leasehold land where its industrial, residential and commercial buildings are primarily located. The Group is the registered owner of these property interests, 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.

(b) For the year/period, the Group leases various office premises and a staff quarter for its operations. During the current period, lease contracts were entered into for fixed terms of 2 to 5 years (30 June 2025: 2 to 5 years). Lease terms are negotiated on an individual basis and contained a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. RIGHT-OF-USE ASSETS *(continued)*

Lease liabilities of approximately HK$34,526,000 (30 June 2025: HK$39,269,000) are recognised with related right-of-use assets of approximately HK$50,620,000 (30 June 2025: HK$55,839,000) as at 30 June 2026. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

As at 30 June 2026, no (30 June 2025: one) lease agreement imposes termination options which is exercisable by the Group and not by the lessor. The remaining lease agreements do not impose any extension and termination options which are exercisable only by the Group and not by the respective lessors.

Details of total cashflow for leases for the year ended 30 June 2026 and the eighteen months ended 30 June 2025 are set out in Note 42 to the consolidated financial statements.

18. INTEREST IN A JOINT VENTURE

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Unlisted equity, at cost	**3,681**	3,681
Share of post-acquisition losses and other comprehensive expense	**(3,681)**	(3,681)
Amount due from a joint venture (note)	**234,669**	222,639
Share of post-acquisition loss that is in excess of the cost of the investment	**(12,704)**	(11,947)
	221,965	210,692

Note:

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	30% (30 June 2025: 30%)	(note)	30% (30 June 2025: 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.

18. 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:

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Cash and cash equivalents	**9**	80
Other current assets	**789,530**	749,113
Current assets	**789,539**	749,193
Current liabilities	**831,887**	789,015
Net liabilities	**(42,348)**	(39,822)

	For the year ended 30 June 2026 HK$'000	For the eighteen months ended 30 June 2025 HK$'000
Revenue	**–**	–
Interest income	**–**	1
Operating expenses	**(361)**	(24,426)
Income tax expense	**–**	–
Loss for the year/period	**(361)**	(24,425)
Total comprehensive loss for the year/period	**(2,526)**	(24,425)

19. INTANGIBLE ASSETS

	Other intangible asset HK$'000	Financial services licences HK$'000	Total HK$'000
At 1.1.2024			
Cost	467,184	1,990	469,174
Accumulated amortisation	(313,195)	–	(313,195)
Accumulated impairment loss	(31,649)	(1,990)	(33,639)
Net book value	122,340	–	122,340
For the eighteen months ended 30.6.2025			
Opening net book value	122,340	–	122,340
Additions	17,057	–	17,057
Amortisation	(83,158)	–	(83,158)
Exchange adjustments	(775)	–	(775)
Closing net book value	55,464	–	55,464
At 1.7.2025			
Cost	484,441	1,990	486,431
Accumulated amortisation	(397,333)	–	(397,333)
Accumulated impairment loss	(31,644)	(1,990)	(33,634)
Net book value	55,464	–	55,464
For the year ended 30.6.2026			
Opening net book value	**55,464**	**–**	**55,464**
Additions	**18,235**	**–**	**18,235**
Amortisation	**(65,095)**	**–**	**(65,095)**
Exchange adjustments	**508**	**–**	**508**
Closing net book value	**9,112**	**–**	**9,112**
At 30.6.2026			
Cost	**524,390**	**1,990**	**526,380**
Accumulated amortisation	**(481,924)**	**–**	**(481,924)**
Accumulated impairment loss	**(33,354)**	**(1,990)**	**(35,344)**
Net book value	**9,112**	**–**	**9,112**

19. INTANGIBLE ASSETS *(continued)*

Notes:

(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 30 June 2026, land use right held by the Group under service concession arrangement with a net carrying amount of RMB198,000 (equivalent to approximately HK$229,000) (30 June 2025: RMB396,000 (equivalent to approximately HK$434,000)) was pledged to secure the Group's bank borrowings (Note 32).

(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 30 June 2026 and the eighteen months ended 30 June 2025, no change of estimation 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 registered under the Securities and Futures Ordinance (the "**SFO**") for type 1, 6 and 9 business 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 indefinite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

20. GOODWILL

	HK$'000
Cost:–	
At 1.1.2024, 30.6.2025, 1.7.2025 and 30.6.2026	**110,365**
Impairment:–	
At 1.1.2024, 30.6.2025, 1.7.2025 and 30.6.2026	**110,365**
Carrying amount:–	
At 30.6.2026	–
At 30.6.2025	–

The Group tests for impairment of goodwill annually and in the financial year/period in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, the carrying value of the goodwill has been allocated to the following CGUs:

– Provision of water supply and related services

– Financial services

As at 30 June 2026 and 30 June 2025, the carrying amount of goodwill allocated to both the CGUs was HK$Nil, as the goodwill attributable to these CGUs had been fully impaired in prior years.

21. DEPOSITS PAID FOR ACQUISITION OF INVESTMENT PROPERTIES AND A SUBSIDIARY

(a) On 5 June 2023, the Group entered into a non-legally binding memorandum of understanding ("**New MOU 1**") with a vendor, pursuant to which the Group proposed to acquire certain property interests. Under the terms of the New MOU 1, the Group paid to a vendor a refundable earnest money of RMB150,000,000 (equivalent to HK$165,750,000). Details by this transaction were set out in the Company's announcement date 5 June 2023. Loss allowance on the deposits paid for acquisition of investment properties of HK$21,296,000 was recognised during the year ended 30 June 2026 (During the eighteen months ended 30 June 2025: HK$4,961,000).

(b) On 17 October 2023, the Group entered into a non-legally binding memorandum of understanding ("**New MOU 2**") with a vendor, pursuant to which the Group proposed to acquire 70% equity interest of a company. Under the terms of the New MOU 2, the Group paid to a vendor a refundable earnest money of RMB25,000,000 (equivalent to HK$27,397,000). Reversal of loss allowance on the deposit paid for acquisition of a subsidiary of HK$1,657,000 was recognised during the year ended 30 June 2026 (During the eighteen months ended 30 June 2025: provision for loss allowance of HK$832,000). The deposit paid for acquisition of a subsidiary has been recovered during the current year.

(c) On 1 August 2025, the Group entered into a non-legally binding memorandum of understanding ("**New MOU 3**") with a vendor, pursuant to which the Group proposed to acquire certain property interests. Under the terms of the New MOU 3, the Group paid to a vendor a refundable earnest money of RMB100,000,000 (equivalent to HK$115,501,000). Details by this transaction were set out in the Company's announcement dated 1 August 2025. Loss allowance on the deposits paid for acquisition of investment properties of HK$6,550,000 was recognised during the year ended 30 June 2026.

22. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

(a) Properties under development

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Properties under development	–	21,863

The properties under development are located in Australia. During the year ended 30 June 2026, all properties under development with carrying amount of approximately Australian dollars ("AUD")4,502,000 (equivalent to approximately HK$24,324,000) were completed and transferred to properties held for sale upon completion. As at 30 June 2026, no properties under development are expected to be completed and realised less than twelve months (30 June 2025: approximately AUD4,232,000 (equivalent to approximately HK$21,863,000)) from the end of the reporting period.

22. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE
(continued)

(b) Properties held for sale

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Properties held for sale	**24,324**	–

The properties held for sale are located in Australia.

23. INVENTORIES

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Water supply and related services		
– Raw materials	**292**	254
– Finished goods	**1,845**	3,642
	2,137	3,896

Notes:

a) All of the inventories are expected to be recovered within one year.

b) During the year ended 30 June 2026, a provision of HK$1,754,000 (eighteen months ended 30 June 2025: HK$Nil) was made to write down the inventories and cost of revenue.

24. DEBTORS

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Trade debtors arising from water supply and related services and rental receivables	**53,706**	44,136
Less: loss allowance (note (c))	**(6,110)**	(3,321)
	47,596	40,815
Trade receivables arising from the ordinary course of business of dealing in securities		
Cash clients	**74**	76
Less: loss allowance (note (c))	**(42)**	(42)
	32	34
	47,628	40,849

24. DEBTORS *(continued)*

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 risk associated with debtors, credit evaluations of customers are performed periodically.

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:–

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
0 – 6 months	**47,244**	40,756
7 – 12 months	**12**	45
1 – 2 years	**340**	14
	47,596	40,815

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

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

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
At 1 July 2025/1 January 2024	**3,363**	2,604
Impairment loss recognised	**2,775**	749
Written-off	**(220)**	–
Exchange adjustments	**234**	10
At 30 June 2026/30 June 2025	**6,152**	3,363

(d) At 30 June 2026, receivables with carrying amount of RMB40,831,000 (equivalent to approximately HK$47,160,000) (30 June 2025: RMB36,971,000 (equivalent to approximately HK$40,513,000)) were pledged to secure bank borrowings granted to the Group.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Utilities and deposits	**3,427**	982
Prepayments	**921**	4,225
Interest receivable	**5**	2,298
Loans receivable (note (a))	**47,183**	103,508
Other receivables	**20,958**	25,040
	72,494	136,053
Less: loss allowance on other receivables (note (b))	**(9,613)**	(7,201)
	62,881	128,852

Notes:–

(a) The amount represented loans granted by the Group to two (30 June 2025: four) independent third parties which are companies incorporated in the PRC. The loan amounts are respectively RMB35,000,000 and RMB4,400,000 (30 June 2025: RMB29,500,000, RMB22,000,000, RMB23,000,000 and RMB12,000,000) are unsecured and bear interest at the rate range from 4% to 5% per annum (30 June 2025: 4.85% to 5.9% per annum). The maturity dates of the outstanding loans principal and accrued interest are 25 January 2026 and 5 February 2027 (30 June 2025: 11 July 2024, 30 September 2024, 30 September 2024 and 10 October 2025) respectively. At 30 June 2026, an aggregate amount of RMB35,000,000 of the outstanding loans granted was past due.

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

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
At 1 July 2025/1 January 2024	**7,201**	3,095
Impairment loss recognised	**1,956**	4,109
Exchange adjustments	**456**	(3)
At 30 June 2026/30 June 2025	**9,613**	7,201

26. PLEDGED TIME DEPOSITS AND RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES

(a) Pledged time deposits

Pledged bank deposits of United States dollars ("USD") Nil (30 June 2025: USD10,570,000 (equivalent to HK$82,084,000)) carry fixed interest rate of Nil (30 June 2025: 4.30% and 4.20%) per annum and are pledged to banks to secure bank loans granted to the Group.

(b) Cash and bank balances

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Cash and bank balances:		
General accounts and cash	**54,796**	168,873
Client accounts	**5,483**	3,751
	60,279	172,624

As at 30 June 2026, cash and bank balances of general accounts of the Group denominated in Renminbi amounted to HK$27,620,000 (30 June 2025: HK$145,505,000). 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.

(c) Restricted bank deposits

As at 30 June 2026, the Group's restricted bank deposits were mainly frozen as a result of the dispute/litigation with Government-designated Water Plant (as defined in Note 41). Details of litigation are set out in Note 41.

27. TRADE PAYABLES

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Trade payables arising from water supply and related services	**520,201**	496,424
Trade payables arising from the ordinary course of business of dealing in securities		
Cash clients	**3,309**	3,207
Margin clients	**2,170**	541
	525,680	500,172

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

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
0 – 12 months	**136,021**	126,705
Over one year	**384,180**	369,719
	520,201	496,424

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.

28. PAYABLE TO MERCHANTS

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

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Over one year	–	3,006

29. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Deposits received	**9,869**	6,370
Accruals (note (a))	**41,908**	24,169
Other payables (note (b))	**204,376**	135,656
Construction fee payable	**64,777**	42,019
Other tax payable	**36,129**	27,672
	357,059	235,886

Note:–

(a) Interest payable on loan from a third party of RMB3,415,000 (equivalent to approximately HK$3,944,000) (30 June 2025: RMB3,469,000 (equivalent to approximately HK$3,802,000)) is included in accruals.

(b) Included in the other payables as at 30 June 2026 are mainly (i) compensation payable of approximately HK$13,407,000 (30 June 2025: HK$34,232,000) relating to the Government-designated Water Plant dispute, as explained in Note 41 to the consolidated financial statements; and (ii) sewage treatment fees and domestic waste treatment fees collected on behalf of government authorities in the PRC of HK$125,935,000 (30 June 2025: HK$68,347,000).

30. CONTRACT LIABILITIES

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Contract liabilities regarding water supply and related business	**24,127**	24,946

Revenue that was included in the contract liability balance at the beginning of the reporting period in the amount of HK$16,933,000 (30 June 2025: HK$14,101,000) was recognised in the reporting period.

31. 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	
	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000	**At 30 June 2026 HK$'000**	At 30 June 2025 HK$'000
Within 1 year	**9,779**	8,296	**11,460**	9,496
More than one year, but not exceeding two years	**9,317**	7,912	**10,482**	6,478
More than two years, but not more than five years	**15,430**	23,061	**16,138**	24,821
	34,526	39,269	**38,080**	40,795
Less: Future finance charges			**(3,554)**	(1,526)
Present value of lease obligation			**34,526**	39,269

Note:–

The weighted average incremental borrowing rate applied to lease liabilities range from 3.5% to 5.8% (30 June 2025: from 4.8% to 5.8%).

Lease liabilities denominated in RMB amounting to approximately HK$33,529,000 (30 June 2025: approximately HK$38,182,000).

32. BANK BORROWINGS

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Bank loans, secured	**679,367**	742,361
Carrying amount repayable:		
– Within one year or on demand	**51,651**	96,901
– More than one year, but not exceeding two years	**58,120**	37,027
– More than two years, but not exceeding five years	**443,145**	229,220
– Over five years	**126,451**	379,213
	679,367	742,361

32. BANK BORROWINGS *(continued)*

The Group had the following banking facilities:–

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Total banking facilities granted	**1,212,765**	1,377,444
Less: banking facilities utilised by the Group	**(763,037)**	(961,730)
Unutilised banking facilities	**449,728**	415,714

Notes:–

At 30 June 2026, these banking facilities were secured by:–

i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB198,000 (equivalent to approximately HK$229,000);

ii. charges over the investment properties with carrying amounts of RMB435,727,000 (equivalent to approximately HK$503,271,000);

iii. pledge of trade receivables with a carrying amount of RMB40,831,000 (equivalent to approximately HK$47,160,000);

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

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

vi. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;

vii. guarantee by Guangzhou Yicheng Investment Holdings Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;

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

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

At 30 June 2025, these banking facilities were secured by:–

i. charge over a time deposit amounting to USD10,570,000 (equivalent to approximately HK$82,084,000);

ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB396,000 (equivalent to approximately HK$434,000);

iii. charges over the investment properties with carrying amounts of RMB472,000,000 (equivalent to approximately HK$508,300,000);

iv. pledge of trade receivables with a carrying amount of RMB36,971,000 (equivalent to approximately HK$40,513,000);

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 its business associate.

33. SHARE CAPITAL

(a) Share capital

	The Group and the Company	
	Number of shares	**HK$'000**
Ordinary share of HK$0.01 each		
Authorised:–		
At 1.1.2024, 30.6.2025, 1.7.2025 and 30.6.2026	20,000,000,000	200,000
Issued and fully paid:–		
At 1.1.2024, 30.6.2025, 1.7.2025 and 30.6.2026	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 30 June 2026 and 30 June 2025 were as follows:–

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Total liabilities	**1,632,477**	1,548,437
Total assets	**1,686,057**	1,866,642
Gearing ratio	**96.82%**	82.95%

Hooray Securities Limited, Hooray Capital Limited and Hooray Asset Management Limited are licensed with the SFC for the business they operate. These companies are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("**SF(FR)R**") adopted by the SFC. Under the SF(FR)R, Hooray Securities Limited, Hooray Capital Limited and Hooray Asset Management Limited must maintain its liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3,000,000, HK$100,000 and HK$100,000 respectively, or 5% of their respective total adjusted liabilities, whichever is higher.

34. 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.

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 30 June 2026, the Group purchased 4,780,000 (30 June 2025: 29,210,000) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK$645,000 (the eighteen months ended 30 June 2025: HK$4,467,000). No shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme during the year ended 30 June 2026 and eighteen months ended 30 June 2025.

35. 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 1.1.2024	1,255,017	481	(6,804)	(691,155)	557,539
Purchase of shares for share award scheme	–	–	(4,467)	–	(4,467)
Total comprehensive loss for the period	–	–	–	(301,477)	(301,477)
At 30.6.2025 and 1.7.2025	1,255,017	481	(11,271)	(992,632)	251,595
Purchase of shares for share award scheme	–	–	(645)	–	(645)
Total comprehensive loss for the year	–	–	–	(97,952)	(97,952)
At 30.6.2026	**1,255,017**	**481**	**(11,916)**	**(1,090,584)**	**152,998**

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 30 June 2026, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK$152,517,000 (30 June 2025: HK$251,114,000) 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 minimum of 25% of the share capital after such issuance. During the year/period, the Board of Directors of the subsidiary resolved to appropriate Nil (30 June 2025: Nil) from retained profits to statutory reserve fund.

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

(a) During the year ended 30 June 2026, the Group entered into lease contracts in which addition and modification to right-of-use assets and lease liabilities amounting to approximately HK$575,000 and HK$2,625,000 respectively (30 June 2025: addition HK$36,648,000) were recognised.

37. OPERATING LEASE ARRANGEMENTS

At 30 June 2026, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases are as follows:–

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Within one year	**28,304**	30,730
In the second year	**25,647**	25,888
In the third year	**18,952**	25,983
In the fourth year	**11,700**	31,765
In the fifth year	**3,992**	17,450
After five years	**4,832**	9,429
	93,427	141,245

The Group leases its investment properties under operating leases. The leases were negotiated for terms ranging from one to ten years (30 June 2025: one to eight years).

38. CAPITAL COMMITMENTS

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

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Property, plant and equipment	**4,390**	12,386

39. FINANCIAL INSTRUMENTS

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 debt, other receivables, amount due from a joint venture and refundable deposits, fixed deposits, restricted bank 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, fixed and pledged time deposits at banks since they are substantially deposited at medium or large-sized banks regulated by government law and regulation.

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 debtors attributable to dealing in securities, debtors are due within 60 days from water supply related services and rental receivable 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.

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 30 June 2026, except for a receivable of HK$42,000 (30 June 2025: HK$42,000) 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.

39. FINANCIAL INSTRUMENTS *(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 30 June 2026		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
0-6 months	**2.88**	**48,586**	**1,397**
7-12 months	**10.81**	**111**	**12**
1-2 years	**87.31**	**2,680**	**2,340**
Over 2 years	**100.00**	**2,403**	**2,403**
		53,780	**6,152**

	At 30 June 2025		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
0-6 months	1.53	41,423	633
7-12 months	13.46	52	7
1-2 years	80.82	73	59
Over 2 years	100.00	2,664	2,664
		44,212	3,363

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.

39. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Loan and other receivables, deposits paid and amount due from a joint venture

The Group uses three categories approach for other receivables, including deposits paid, loans receivable and amount due from a joint venture, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit risk ratings.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Definition of category	Basis for recognition of ECL provision
Stage one	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ("**12m**") expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is a credit loss since initial recognition	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

39. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Loan and other receivables, deposits paid and amount due from a joint venture (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for loan and other receivables, deposits paid and amount due from a joint venture which has significant increase in the credit risk:

Internal credit rating	Expected loss rate %	30 June 2026 Gross carrying amount HK$'000	Loss allowance HK$'000
Stage 1	**10.04**	**547,120**	**54,909**
Stage 2	**18.66**	**41,914**	**7,822**
Stage 3	**N/A**	**–**	**–**
		589,034	**62,731**

Internal credit rating	Expected loss rate %	30 June 2025 Gross carrying amount HK$'000	Loss allowance HK$'000
Stage 1	5.94	542,001	32,184
Stage 2	N/A	–	–
Stage 3	N/A	–	–
		542,001	32,184

The maximum exposure to credit risk in respect of deposits paid, loans receivable and amount due from a joint venture at the end of the reporting period, without taking into account the collateral, and the key terms of the deposits paid, loans receivable and amount due from a joint venture are disclosed in Notes 21, 25 and 18 respectively. The credit quality of the material deposits paid, loans receivable and amount due from a joint venture has been assessed with reference to the independent qualified professional valuer, Apex Appraisal Limited. Except for the impairment loss that has been recognised on deposits paid, other receivables and amount due from a joint venture amounted to HK$62,731,000 (30 June 2025: HK$32,184,000), the ECL of remaining deposits and other receivables is assessed to be close to zero and no provision was made as of 30 June 2026.

39. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a source of liquidity. At 30 June 2026, the Group has available unutilised banking facilities of approximately RMB389,300,000 (equivalent to approximately HK$449,728,000) (30 June 2025: RMB379,370,000 (equivalent to approximately HK$415,714,000)). Details of which are set out in Note 32 to the consolidated financial statements.

Maturities of the non-derivative financial liabilities of the Group at 30 June 2026 and 30 June 2025 were as follows:–

	30 June 2026				
	Less than 1 year or on demand HK$'000	In 2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Total amounts of contractual undiscounted obligations:–					
Bank borrowings	82,331	590,736	144,927	817,994	679,367
Trade payables	525,680	–	–	525,680	525,680
Deposits received, other payables and accruals	320,930	–	–	320,930	320,930
Lease liabilities	11,460	26,620	–	38,080	34,526
	940,401	617,356	144,927	1,702,684	1,560,503

	30 June 2025				
	Less than 1 year or on demand HK$'000	In 2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Total amounts of contractual undiscounted obligations:–					
Bank borrowings	114,028	324,574	410,442	849,044	742,361
Trade payables	500,172	–	–	500,172	500,172
Payable to merchants	3,006	–	–	3,006	3,006
Deposits received, other payables and accruals	208,214	–	–	208,214	208,214
Lease liabilities	9,496	31,299	–	40,795	39,269
	834,916	355,873	410,442	1,601,231	1,493,022

39. FINANCIAL INSTRUMENTS *(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 30 June 2026 and 30 June 2025 exposed to currency risk were as follows:-

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Financial assets denominated in foreign currencies:-		
Deposits and other receivables	**–**	8
Fixed deposits	**22,491**	52,490
Restricted bank deposits	**9,236**	–
Pledged time deposits	**–**	82,084
Cash and bank balances	**8,923**	7,330
	40,650	141,912
Financial liabilities denominated in foreign currencies:-		
Payable to merchants	**–**	(122)
	–	(122)
Net financial assets exposed to currency risk	**40,650**	141,790

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

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
AUD	**598**	1,162
USD	**33,876**	82,109
RMB	**6,176**	58,519
	40,650	141,790

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.

39. FINANCIAL INSTRUMENTS *(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 30 June 2026 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 30 June 2026 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 30 June 2026 would be increased/decreased by HK$677,000 (30 June 2025: HK$5,968,000); and loss for the year ended 30 June 2026 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.

39. FINANCIAL INSTRUMENTS *(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 30 June 2026 and 30 June 2025:–

	At 30 June 2026		At 30 June 2025	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed rate financial assets				
Fixed deposits	1.01% to 2.41%	29,067	0.01% to 0.86%	59,067
Pledged time deposits	N/A	–	4.20% to 4.30%	82,084
Fixed rate financial liabilities				
Bank borrowings	N/A	–	3.20%	(74,848)
Lease liabilities	3.50% to 5.84%	(34,526)	4.75% to 5.84%	(39,269)
Variable rate financial assets				
Restricted bank deposits	0.05%	137,839	N/A	–
Bank balances	0.05% to 0.45%	50,295	0.05% to 0.25%	106,203
Variable rate financial liabilities				
Bank borrowings	3.85% to 5.35%	(679,367)	3.85% to 6.15%	(667,513)
		(496,692)		(534,276)

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would result in an increase in the Group's loss for the year ended 30 June 2026 by approximately HK$3,657,000 (eighteen months ended 30 June 2025: HK$4,228,000).

The sensitivity analysis above has been determined based on the exposure to interest rate risk for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability remained outstanding at the end of reporting period was outstanding throughout the whole year. A 100 basis point increase is 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) Categories of financial instruments

	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
Financial assets:		
Financial assets at amortised cost	821,484	882,667
Financial liabilities:		
Financial liabilities at amortised cost	1,560,503	1,493,022

39. FINANCIAL INSTRUMENTS *(continued)*

(g) 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 30 June 2026 and 2025.

40. RELATED PARTY TRANSACTIONS

(a) Transaction with related party

Apart from the transactions disclosed in Note 32 to the consolidated financial statements, the Group had the following material transaction with its related party during the year:–

Particulars	Relationship	**For the year ended 30 June 2026 HK$'000**	Eighteen months ended 30 June 2025 HK$'000
Rental income	Common shareholder	**594**	845

(b) Key management personnel compensation

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Fees for key management personnel	**1,305**	2,193
Salaries, allowances and other benefits in kind	**5,460**	8,189
Pension scheme contributions	**103**	27
	6,868	10,409

41. LITIGATION

The followings are the 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 Qingyuan Water Supply Development Company Limited ("**WSD Company**") (a subsidiary of the Group) and the commencement of full water intake from another water plant designated by Qingyuan Government (the "**Government-designated Water Plant**"), and the previous financial reports of the Company. Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement and the previous financial reports of the Company.

As disclosed in the Cessation Notice Announcement and the previous financial reports of the Company, since October 2020, WSD Company received various 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. At the relevant time, after seeking advice from its PRC legal advisers, WSD Company was of the view that the dispute originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore was without legal basis (the "**Group's View**"). However, the Group has made provision on the basis of its own estimation of the cost of water supply in its consolidated financial statements, pending the resolution of the relevant disputes and litigations.

In August and September 2024, the Group received civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, notifying the Group that the Group's View was disagreed by the Court and ordering the WSD Company to pay water charges and litigation and related charges, to the Government-designated Water Plant. Regarding the cases for which final civil judgments were rendered by the Court, the Company will continue to seek legal advice including without limitation as regards the reasonableness of water unit charges, interest rate and accruing period. Regarding the cases for which final civil judgments were yet to be rendered, the Group will continue to seek legal advice to uphold its position, and/or take other actions as may be appropriate in the circumstances.

Apart from seeking legal advice to uphold its position in the Disputes and Litigations, the Group was also in negotiation with the Government-designated Water Plant with the view to exploring the possibility of reaching an amicable resolution of the Disputes and Litigations. However, as disclosed in the Company's announcement dated 30 June 2026, such negotiation was still ongoing and no binding agreement has been concluded or reached with the counterparty at this stage.

As disclosed in the Company's circular dated 25 August 2026 in relation to the Disposal, the Disputes and Litigations are solely related to WSD Company, and the Group excluding the Target Group (the "**Remaining Group**") has not provided any guarantee to the Target Company and its subsidiaries (the "**Target Group**"). As no member of the Remaining Group is a party to the Disputes and Litigations, it is the Directors' view that the Remaining Group will be released from further litigation risks with the Government-designated Water Plant upon Completion of the Disposal, which is expected to take place in October 2026.

42. 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 borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1.1.2024	866,798	6,387	873,185
Changes from financing cash flows:			
Lease rentals paid	–	(3,637)	(3,637)
Proceeds from bank loans	73,836	–	73,836
Interest paid	(57,654)	(1,319)	(58,973)
Repayment of bank loans	(196,511)	–	(196,511)
	686,469	1,431	687,900
Exchange adjustments	(1,762)	525	(1,237)
Other changes:			
New lease	–	36,648	36,648
Termination of lease	–	(654)	(654)
Interest expenses	57,491	1,319	58,810
Capitalised borrowing costs	163	–	163
At 30.6.2025 and 1.7.2025	**742,361**	**39,269**	**781,630**
Changes from financing cash flows:			
Lease rentals paid	–	**(9,777)**	**(9,777)**
Interest paid	**(32,125)**	**(2,117)**	**(34,242)**
Repayment of bank loans	**(99,617)**	–	**(99,617)**
	610,619	**27,375**	**637,994**
Exchange adjustments	**36,623**	**1,834**	**38,457**
Other changes:			
New lease	–	**575**	**575**
Lease modification	–	**2,625**	**2,625**
Interest expenses	**32,028**	**2,117**	**34,145**
Capitalised borrowing costs	**97**	–	**97**
At 30.6.2026	**679,367**	**34,526**	**713,893**

42. 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:–

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Within:–		
Operating cash flows	**(559)**	(364)
Financing cash flows	**(11,894)**	(4,956)
	(12,453)	(5,320)

These amounts relate to the following:–

	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Lease rentals paid	**(12,453)**	(5,320)

43. SEGMENT REPORTING

The Chief Operating Decision Maker ("**CODM**") has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following reportable segments.

(a) Water supply and related services

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

(b) Properties investment and development

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

43. SEGMENT REPORTING *(continued)*

(a) Segments results, assets and liabilities

The following tables present the information for the Group's reporting segments for the year ended 30 June 2026 and the eighteen months ended 30 June 2025:–

	Reportable Segments									
	Water supply and related services		Properties investment and development		Financial services		Others		Consolidated	
	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000
Disaggregated by timing of revenue recognition										
Point in time	236,806	351,374	–	–	65	305	–	–	236,871	351,679
Over time	47,729	64,325	31,056	35,295	201	2	–	–	78,986	99,622
Reportable segment revenue	284,535	415,699	31,056	35,295	266	307	–	–	315,857	451,301
Reportable segment (loss)/profit	(93,705)	(127,953)	18,159	45,830	(4,643)	(6,885)	(18,195)	(49,774)	(98,384)	(138,782)
Interest on bank deposits									2,069	8,002
Government subsidy									124	217
Changes in fair value of investment properties	–	–	(58,486)	(40,554)	–	–	–	–	(58,486)	(40,554)
Impairment loss on non-current assets	(21,567)	–	–	–	–	–	–	–	(21,567)	–
Net impairment loss on deposits and receivables	(3,134)	(596)	(27,786)	(10,055)	–	–	–	–	(30,920)	(10,651)
Impairment loss on amount due from a joint venture	–	–	–	(13,865)	–	–	–	–	–	(13,865)
Share of loss of a joint venture									(108)	(7,328)
Finance costs									(34,340)	(59,100)
Loss before income tax									(241,612)	(262,061)
Income tax (expense)/credit									(4,585)	2,677
Loss for the year/period									(246,197)	(259,384)
Depreciation for the year/period	28,132	54,047	9,313	4,314	17	54	2,231	4,593	39,693	63,008
Amortisation	65,325	83,503	500	470	–	–	–	–	65,825	83,973
Capital expenditure incurred during the period/year	26,015	41,258	7,360	228	–	6	3	235	33,378	41,727
Interest in a joint venture	–	–	221,965	210,692	–	–	–	–	221,965	210,692
Reportable segment assets	499,480	477,528	1,109,279	1,205,345	22,628	21,159	54,670	162,610	1,686,057	1,866,642
Unallocated assets									42,921	36,496
Total assets									1,728,978	1,903,138
Reportable segment liabilities	798,392	1,162,696	802,128	363,214	5,747	4,002	14,492	15,728	1,620,759	1,545,640
Unallocated liabilities									25,041	27,707
Total liabilities									1,645,800	1,573,347

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in the year ended 30 June 2026 and eighteen months ended 30 June 2025.

43. SEGMENT REPORTING *(continued)*

(b) Geographical information

	PRC		Hong Kong		Consolidated	
	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000	**For the year ended 30 June 2026 HK$'000**	Eighteen months ended 30 June 2025 HK$'000	**For the year ended 30 June 2026 HK$'000**	Eighteen months ended 30 June 2025 HK$'000
Reportable segment revenue	**315,591**	450,994	**266**	307	**315,857**	451,301
	At 30 June 2026	At 30 June 2025	**At 30 June 2026**	At 30 June 2025	**At 30 June 2026**	At 30 June 2025
Non-current assets	**1,317,224**	1,352,454	**4,678**	4,953	**1,321,902**	1,357,407

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, deposits paid and statutory deposits for financial service business.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**28**	91
Interests in subsidiaries		**520,035**	530,832
Right-of-use assets		**985**	1,018
		521,048	531,941
CURRENT ASSETS			
Deposits, prepayments and other receivables		**1,783**	5,161
Restricted bank deposit		**3,190**	–
Fixed deposits		**–**	6,005
Cash and bank balances		**2,343**	82,085
		7,316	93,251
DEDUCT:–			
CURRENT LIABILITIES			
Sundry creditors and accruals		**12,738**	10,879
Amounts due to subsidiaries		**306,501**	306,502
Lease liabilities		**997**	1,086
		320,236	318,467
NET CURRENT LIABILITIES		**(312,920)**	(225,216)
NET ASSETS		**208,128**	306,725
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	33(a)	**55,130**	55,130
Reserves	35	**152,998**	251,595
TOTAL EQUITY		**208,128**	306,725

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The details of the principal subsidiaries at 30 June 2026 and 30 June 2025 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		Group's effective interest	Principal activities
				Directly	Indirectly		
Universal Cyberworks International Limited	British Virgin Islands ("**BVI**")	Limited liability company	2 ordinary shares of US$1 each	100% (2025: 100%)	—	100% (2025: 100%)	Investment holding
Universal Property Holdings Limited	Hong Kong	Limited liability company	HK$10,000	—	100% (2025: 100%)	100% (2025: 100%)	Investment holding
Hooray Asset Management Limited	Hong Kong	Limited liability company	HK$9,240,000	—	100% (2025: 100%)	100% (2025: 100%)	Provision of investment advisory services
Hooray Securities Limited	Hong Kong	Limited liability company	HK$148,979,990 (2025: HK$144,979,990)	—	100% (2025: 100%)	100% (2025: 100%)	Securities dealing
Hooray Capital Limited	Hong Kong	Limited liability company	HK$8,400,000	—	100% (2025: 100%)	100% (2025: 100%)	Provision of corporate financial advisory services
Wayland Asia Pacific Estate Pty Ltd	Australia	Limited liability company	AUD100	—	100% (2025: 100%)	100% (2025: 100%)	Estate development
Shenzhen Huanye Universal Technologies Limited[*#]	PRC	Wholly foreign owned enterprise	RMB176,735,054 (2025: RMB173,935,054)	—	100% (2025: 100%)	100% (2025: 100%)	Investment holding
Qinghui Properties Limited[#] (Note)	PRC	Limited liability company	RMB50,000,000	—	49% (2025: 49%)	49% (2025: 49%)	Investment holding
Dongguan Xinhongcheng Enterprise Management Company Limited[#]	PRC	Limited liability company	RMB15,000,000	—	49% (2025: 49%)	49% (2025: 49%)	Investment holding
Qingyuan Jingyu Properties Company Limited[#]	PRC	Limited liability company	RMB1,000,000	—	49% (2025: 49%)	49% (2025: 49%)	Properties investment
Qingyuan Jinhong Industrial Company Limited[#]	PRC	Limited liability company	RMB1,000,000	—	49% (2025: 49%)	49% (2025: 49%)	Properties investment
Qingyuan Water Supply Development Company Limited[#]	PRC	Limited liability company	RMB98,521,440	—	49% (2025: 49%)	49% (2025: 49%)	Provision of water supply business
Qingyuan Jincheng Water Testing Company Limited[#]	PRC	Limited liability company	RMB1,600,000	—	49% (2025: 49%)	49% (2025: 49%)	Provision of water quality testing service

45. 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		Group's effective interest	Principal activities
				Directly	Indirectly		
Qingyuan Qingxin District Huike Properties Company Limited#	PRC	Limited liability company	RMB2,000,000	—	49% (2025: 49%)	49% (2025: 49%)	Investment holding
Qingyuan Qingxin District Taihe Water Company Limited ("**Taihe Water**")#	PRC	Limited liability company	RMB23,254,000	—	49% (2025: 49%)	24.99% (2025: 24.99%)	Provision of water supply business
Chevalier Earth Group Limited	BVI	Limited liability company	HK$100	100% (2025: 100%)	—	100% (2025: 100%)	Investment holding
Heng Hui Property Investment Limited	Hong Kong	Limited liability company	HK$130,000	—	100% (2025: 100%)	100% (2025: 100%)	Investment holding
Guangzhou Yicheng Investment Holdings Limited*#	PRC	Wholly foreign owned enterprise	RMB200,000,000	—	100% (2025: 100%)	100% (2025: 100%)	Investment holding
Guangzhou Hengxin Yuxuan Industrial Development Limited#	PRC	Limited liability company	RMB200,000,000	—	100% (2025: 100%)	100% (2025: 100%)	Properties investment

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

\# English name for identification purpose only.

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.

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

The following table lists out the information relating to Qinghui Properties Limited, 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.

	At 30 June 2026		At 30 June 2025	
	Qinghui Properties Limited and WSD Company	**Taihe Water**	Qinghui Properties Limited and WSD Company	Taihe Water
NCI Percentage	**51%**	**75.01%**	51%	75.01%

	At 30 June 2026		At 30 June 2025	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Current assets	**266,173**	**99,661**	185,013	78,980
Non-current assets	**301,036**	**10,339**	344,804	55,669
Current liabilities	**(880,655)**	**(95,602)**	(712,093)	(67,726)
Non-current liabilities	**(362,520)**	**(64,570)**	(362,491)	(82,000)
Net liabilities	**(675,966)**	**(50,172)**	(544,767)	(15,077)
Carrying amount of NCI	**(344,743)**	**(37,634)**	(277,831)	(11,309)

	For the year ended 30 June 2026		Eighteen months ended 30 June 2025	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Revenue	**213,647**	**105,673**	329,240	139,821
Loss for the year/period	**(97,217)**	**(33,041)**	(135,971)	(43,200)
Other comprehensive loss	**(33,982)**	**(2,054)**	(1,866)	(594)
Total comprehensive loss for the year/period	**(131,199)**	**(35,095)**	(137,837)	(43,794)
Loss allocated to NCI	**(66,912)**	**(26,325)**	(70,297)	(32,850)
Cash flows (used in)/generated from operating activities	**(41,627)**	**15,419**	114,265	37,621
Cash flows used in investing activities	**(9,882)**	**(31,976)**	(18,087)	(12,593)
Cash flows used in financing activities	**(26,254)**	**(6,714)**	(38,712)	(15,700)

* WSD Company is a wholly owned subsidiary of Qinghui Properties Limited.

46. EVENT AFTER REPORTING PERIOD

On 5 June 2026, the Company, Shenzhen Huanye Universal Technologies Limited ("**Huanye**"), an indirect wholly-owned subsidiary of the Company, Dongguan Hongshun Shaohe Development Co., Ltd. (the "**Purchaser**") and Qinghui Properties Limited (the "**Target Company**") entered into the sale and purchase agreement, pursuant to which Huanye conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 49% equity in the Target Company for the consideration of RMB8,500,000 (equivalent to approximately HK$9,800,000). Prior to the Disposal, the Target Company was owned as to 49% by Huanye and as to 51% by the Purchaser. The Purchaser is wholly, ultimately and beneficially owned by Ms. Zhu Fenglian and her spouse. Ms. Zhu Fenglian is an executive Director and a substantial Shareholder deemed to be interested in 1,561,140,000 Shares (representing approximately 28.32% of the issued share capital of the Company).

The Disposal was subsequently approved by the independent shareholders of the Company on 29 September 2026 and is expected to be completed by mid-October 2026. Details of the transaction were set out in the Company's announcements dated 5 June 2026, 4 August 2026 and 29 September 2026, and the circular dated 25 August 2026.

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
Dongshan Jinxuan Xiandai City located at No. 6 Nonglinxia Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Shopping arcade	Medium

2. PROPERTIES HELD FOR SALE

Location	Existing use	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	885	N/A	100%

Five-Year Financial Summary

For the year ended 30 June 2026

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

			Year ended 31 December		
	For the year ended 30 June 2026 HK$'000	Eighteen months ended 30 June 2025 HK$'000	2023 HK$'000	2022 HK$'000	2021 HK$'000
Revenue	**315,857**	451,301	319,147	349,000	368,501
Loss for the year	**(246,197)**	(259,384)	(192,709)	(163,556)	(60,873)
Attributable to:					
Shareholders of the Company	**(159,140)**	(161,360)	(137,336)	(104,068)	(39,102)
Non-controlling interests	**(87,057)**	(98,024)	(55,373)	(59,488)	(21,771)
	(246,197)	(259,384)	(192,709)	(163,556)	(60,873)

ASSETS AND LIABILITIES

			At 31 December		
	At 30 June 2026 HK$'000	At 30 June 2025 HK$'000	2023 HK$'000	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS	**1,364,823**	1,393,903	1,517,086	1,734,307	1,742,761
CURRENT ASSETS	**364,155**	509,235	525,296	787,860	1,148,695
DEDUCT:					
CURRENT LIABILITIES	**(980,014)**	(872,004)	(785,097)	(639,845)	(642,806)
NET CURRENT (LIABILITIES)/ASSETS	**(615,859)**	(362,769)	(259,801)	148,015	505,889
	748,964	1,031,134	1,257,285	1,882,322	2,248,650
DEDUCT:					
NON-CURRENT LIABILITIES	**(665,786)**	(701,343)	(643,772)	(797,167)	(929,494)
NET ASSETS	**83,178**	329,791	613,513	1,085,155	1,319,156