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UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

環球實業科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1026)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS OF THE YEAR

- Revenue for the year ended 31 December 2021 amounted to HK\$368.50 million (2020: HK\$344.75 million), representing an increase of HK\$23.75 million or 7% as compared to last year. Such increase was mainly due to increase in revenue of the Group's water supply business and rental income from commercial properties in China.
- Net loss attributable to shareholders of the Company for the year ended 31 December 2021 was HK\$39.10 million (2020: HK\$36.34 million), representing an increase of HK\$2.76 million as compared with the year ended 31 December 2020. The increase in loss was mainly due to the increase in finance costs of the Group's properties investment and development business, partially offset by the decrease in general and administrative expenses and income tax expenses of the Group's water supply business for the year.
- Basic and diluted loss per share for the year ended 31 December 2021 amounted to HK0.71 cent (2020: HK0.66 cent) and HK0.71 cent (2020: HK0.66 cent), respectively.
- The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: HK\$Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Revenue	3	368,501	344,748
Cost of sales/services rendered		<u>(320,151)</u>	<u>(293,214)</u>
Gross profit		48,350	51,534
Other income and gains	4	11,325	16,032
General and administrative expenses		(70,893)	(87,902)
Share of loss of a joint venture		<u>(141)</u>	<u>(106)</u>
Loss from operations		(11,359)	(20,442)
Finance costs	5(a)	<u>(53,140)</u>	<u>(38,793)</u>
Loss before income tax	5	(64,499)	(59,235)
Income tax credit/(expense)	7	<u>3,626</u>	<u>(12,023)</u>
Loss for the year		<u>(60,873)</u>	<u>(71,258)</u>
Attributable to: –			
Shareholders of the Company		(39,102)	(36,337)
Non-controlling interests		<u>(21,771)</u>	<u>(34,921)</u>
Loss for the year		<u>(60,873)</u>	<u>(71,258)</u>
Loss per share (in cents)	9		
– Basic		(0.71)	(0.66)
– Diluted		<u>(0.71)</u>	<u>(0.66)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK\$'000	2020 <i>HK\$'000</i>
Loss for the year	<u>(60,873)</u>	<u>(71,258)</u>
Other comprehensive income:–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of financial statements of overseas operations	28,672	58,991
Release of exchange differences upon disposal of a subsidiary	<u>–</u>	<u>65</u>
Other comprehensive income for the year, net of tax	<u>28,672</u>	<u>59,056</u>
Total comprehensive loss for the year	<u>(32,201)</u>	<u>(12,202)</u>
Total comprehensive income/(loss) attributable to:–		
Shareholders of the Company	(17,075)	16,713
Non-controlling interests	<u>(15,126)</u>	<u>(28,915)</u>
	<u>(32,201)</u>	<u>(12,202)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		450,423	446,589
Prepaid land lease premium		25,791	25,996
Investment properties		709,387	686,103
Right-of-use assets		4,761	5,605
Interest in a joint venture		268,172	259,789
Intangible assets		260,324	294,892
Goodwill		11,328	–
Statutory deposits for financial services business		400	–
Deferred tax assets	<i>8(a)</i>	12,175	2,047
		1,742,761	1,721,021
CURRENT ASSETS			
Inventories		16,722	16,085
Debtors	<i>10</i>	56,691	47,787
Deposits, prepayments and other receivables	<i>11</i>	16,571	9,712
Fixed deposits		66,638	143,614
Pledged time deposit		192,441	–
Cash and bank balances		799,632	999,061
		1,148,695	1,216,259

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings		217,849	40,362
Trade payables	<i>12</i>	272,454	121,862
Payable to merchants	<i>13</i>	3,021	3,011
Deposits received, sundry creditors and accruals		122,269	113,274
Contract liabilities	<i>14</i>	20,606	25,981
Lease liabilities		4,505	2,728
Amount due to a related company	<i>15</i>	49	47
Tax payable		2,053	11,967
		<u>642,806</u>	<u>319,232</u>
NET CURRENT ASSETS		<u>505,889</u>	<u>897,027</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,248,650</u>	<u>2,618,048</u>
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings		874,157	1,202,459
Lease liabilities		408	2,896
Deferred tax liabilities	<i>8(a)</i>	54,929	52,161
		<u>929,494</u>	<u>1,257,516</u>
NET ASSETS		<u>1,319,156</u>	<u>1,360,532</u>
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital		55,130	55,130
Reserves		1,067,711	1,091,009
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>1,122,841</u>	<u>1,146,139</u>
NON-CONTROLLING INTERESTS		<u>196,315</u>	<u>214,393</u>
TOTAL EQUITY		<u>1,319,156</u>	<u>1,360,532</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to shareholders of the Company												
	Share capital	Share redemption premium	Capital		Special reserve	Exchange reserve	Share options reserve	Shares held under		Statutory reserve	Accumulated losses	Non-controlling interests Total	Total equity
			reserve	reserve				share award	scheme				
			HK\$'000	HK\$'000				HK\$'000	HK\$'000				
At 1.1.2020	55,128	1,247,414	481	1,093	10,754	12,930	-	-	21,644	(220,059)	1,129,385	198,348	1,327,733
Capital contribution from non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	59,496	59,496
Share-based payments	-	-	-	-	-	-	3	-	-	-	3	-	3
Shares issued under share option scheme	2	39	-	-	-	-	(3)	-	-	-	38	-	38
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,345)	(1,345)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(13,191)	(13,191)
Total comprehensive loss for the year	-	-	-	-	-	53,050	-	-	-	(36,337)	16,713	(28,915)	(12,202)
Transferred to statutory reserve	-	-	-	-	-	-	-	-	3,593	(3,593)	-	-	-
At 31.12.2020 and 1.1.2021	55,130	1,247,453	481	1,093	10,754	65,980	-	-	25,237	(259,989)	1,146,139	214,393	1,360,532
Purchase of shares for share award scheme (note)	-	-	-	-	-	-	-	(6,223)	-	-	(6,223)	-	(6,223)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,952)	(2,952)
Total comprehensive loss for the year	-	-	-	-	-	22,027	-	-	-	(39,102)	(17,075)	(15,126)	(32,201)
Transferred to statutory reserve	-	-	-	-	-	-	-	-	1,998	(1,998)	-	-	-
At 31.12.2021	55,130	1,247,453	481	1,093	10,754	88,007	-	(6,223)	27,235	(301,089)	1,122,841	196,315	1,319,156

Note: During the year ended 31 December 2021, 17,610,000 (2020: nil) shares were purchased from the open market at the aggregate consideration of HK\$6,223,000 pursuant to the share award scheme adopted by the Company on 15 January 2021.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room A & B2, 11/F, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

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

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

b. Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent concessions beyond 30 June 2021 (early adopted)

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

3. REVENUE

The Group is principally engaged in investment holding, property investment and development, building management, water supply and related services and financial services business. 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:–

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Water supply and related services income	320,165	306,146
Construction services of infrastructure under concession arrangement (<i>note</i>)	7,564	(239)
Provision of financial services		
– Interest income from securities margin financing	74	–
– Service fee income	10	–
– Commission and brokerage income	4	–
– Advisory income	230	–
Revenue from other sources		
Rental and building management service income	40,454	38,841
	<u>368,501</u>	<u>344,748</u>

Note:

The amount represents revenue recognised during the construction stage of the service concession period. During the year ended 31 December 2021, changes of estimation of HK\$96,000 (2020: HK\$486,000) were made when the Group finalised the construction costs with sub-contractors.

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

4. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank deposits	3,704	2,956
Government subsidy	150	237
Net increase in fair value of investment properties	761	48
Gain on disposal of a subsidiary	–	4,584
Gain on disposal of investment properties	–	4,273
Exchange gain, net	6,006	2,433
Others	704	1,501
	<u>11,325</u>	<u>16,032</u>

5. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans	52,721	37,529
Less: interest capitalised included in property, plant and equipment and other intangible assets (<i>note</i>)	(3,062)	–
Interest on lease liabilities	237	112
Interest on loan from a third party	2,997	1,043
Bank charges	247	109
	<u>53,140</u>	<u>38,793</u>

Note:

The capitalisation rate was ranged from 5.53% to 5.60% (2020: nil).

(b) Other items

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	1,165	1,135
– Other services	480	516
	1,645	1,651
Cost of inventories sold	6,942	4,622
Staff costs (including directors' remuneration)		
– Salaries and other benefits	55,366	47,941
– Pension scheme contributions	7,297	2,174
– Share-based payments	–	3
	62,663	50,118
Depreciation of property, plant and equipment	42,715	42,860
Depreciation of right-of-use assets	3,184	2,926
Impairment loss on debtors	69	308
Impairment loss on other receivables	2	47
Impairment loss on property, plant and equipment	–	6,025
Deposit paid for acquisition of property, plant and equipment written-off	–	12,719
Amortisation of intangible assets	51,765	46,006
Amortisation of prepaid land lease premium	780	742
Short-term lease expenses	122	234
Low value lease expenses	16	16
Loss on disposal of property, plant and equipment	79	7,224
Rental income less direct outgoings of HK\$12,185,000 (2020: HK\$9,502,000)	(27,920)	(29,212)
	<u>(27,920)</u>	<u>(29,212)</u>

6. SEGMENT REPORTING

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

During the year, the Group commenced the business of provision of corporate finance advisory, asset management, securities brokerage services and margin financing. With the acquisition of Hooray Securities Limited and Hooray Capital Limited, the financial services segment is considered as a new operating and reportable segment by the CODM.

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.

(a) Segments results, assets and liabilities

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

	Reportable Segments								Consolidated	
	Water supply and related services		Properties investment and development		Financial services		Others			
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Disaggregated by timing of revenue recognition										
Point in time	10,116	17,078	-	-	14	-	-	-	10,130	17,078
Over time	317,613	288,829	40,454	38,841	304	-	-	-	358,371	327,670
Reportable segment revenue	<u>327,729</u>	<u>305,907</u>	<u>40,454</u>	<u>38,841</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>368,501</u>	<u>344,748</u>
Reportable segment (loss)/profit	(11,280)	(31,610)	16,022	33,805	(3,173)	-	(17,402)	(24,331)	(15,833)	(22,136)
Interest on bank deposits									3,704	2,956
Government subsidy									150	237
Net increase in fair value of investment properties									761	48
Impairment loss on property, plant and equipment	-	(6,025)	-	-	-	-	-	-	-	(6,025)
Gain on disposal of a subsidiary									-	4,584
Share of loss of a joint venture									(141)	(106)
Finance costs									(53,140)	(38,793)
Loss before income tax									(64,499)	(59,235)
Income tax credit/(expense)									3,626	(12,023)
Loss for the year									<u>(60,873)</u>	<u>(71,258)</u>

	Reportable Segments									
	Water supply and related services		Properties investment and development		Financial services		Others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Attributable to:										
– Shareholders of the Company									(39,102)	(36,337)
– Non-controlling interests									(21,771)	(34,921)
									<u>(60,873)</u>	<u>(71,258)</u>
Depreciation for the year	<u>40,049</u>	<u>39,586</u>	<u>3,002</u>	<u>3,293</u>	<u>274</u>	<u>–</u>	<u>2,574</u>	<u>2,907</u>	<u>45,899</u>	<u>45,786</u>
Amortisation	<u>52,195</u>	<u>46,408</u>	<u>350</u>	<u>340</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,545</u>	<u>46,748</u>
Capital expenditure incurred during the year	<u>43,861</u>	<u>11,575</u>	<u>316</u>	<u>63</u>	<u>16</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>44,193</u>	<u>11,638</u>
Interest in a joint venture	<u>–</u>	<u>–</u>	<u>268,172</u>	<u>259,789</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>268,172</u>	<u>259,789</u>
Reportable segment assets	<u>822,286</u>	<u>911,019</u>	<u>1,571,326</u>	<u>1,788,671</u>	<u>114,360</u>	<u>–</u>	<u>371,309</u>	<u>235,543</u>	<u>2,879,281</u>	<u>2,935,233</u>
Unallocated assets									<u>12,175</u>	<u>2,047</u>
Total assets									<u>2,891,456</u>	<u>2,937,280</u>
Reportable segment liabilities	<u>972,949</u>	<u>923,337</u>	<u>417,012</u>	<u>532,629</u>	<u>75,052</u>	<u>–</u>	<u>50,305</u>	<u>56,654</u>	<u>1,515,318</u>	<u>1,512,620</u>
Unallocated liabilities									<u>56,982</u>	<u>64,128</u>
Total liabilities									<u>1,572,300</u>	<u>1,576,748</u>

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

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	<u>368,183</u>	<u>344,748</u>	<u>318</u>	<u>–</u>	<u>368,501</u>	<u>344,748</u>
Non-current assets	<u>1,708,971</u>	<u>1,710,217</u>	<u>21,615</u>	<u>8,757</u>	<u>1,730,586</u>	<u>1,718,974</u>

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

7. INCOME TAX (CREDIT)/EXPENSE

- (a) No provision for Hong Kong profits tax and Australia corporate income tax has been provided as the Company's subsidiaries operating in Hong Kong and Australia have no estimated assessable profits for both years.

The Company's subsidiaries operating in the PRC are subject to enterprise income tax at 25% (2020: 25%).

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

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Current year	4,257	13,160
Under/(over)-provision in respect of previous years	<u>2</u>	<u>(16)</u>
Deferred taxation (<i>Note 8(a)</i>):	4,259	13,144
Current year	<u>(7,885)</u>	<u>(1,121)</u>
	<u>(3,626)</u>	<u>12,023</u>

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

	2021 HK\$'000	2020 HK\$'000
Loss before income tax	(64,499)	(59,235)
Tax on loss before income tax, calculated at the applicable tax rates	(15,131)	(13,842)
Tax effect of non-deductible expenses in determining taxable profit	3,011	21,666
Tax effect of non-taxable income in determining taxable profit	(1,865)	(3,259)
Tax effect of unrecognised decelerated depreciation allowance	(14)	(11)
Tax effect of unrecognised tax loss	12,016	7,745
Tax effect of utilising unrecognised tax losses	(1,142)	–
Others	(503)	(260)
Under/(over)-provision in respect of previous year	<u>2</u>	<u>(16)</u>
Income tax (credit)/expense	<u>(3,626)</u>	<u>12,023</u>

8. DEFERRED TAXATION

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

	Provision <i>HK\$'000</i>	Impairment loss on debtors <i>HK\$'000</i>	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties <i>HK\$'000</i>	Temporary differences on intangible assets recognised under service concession arrangement <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.1.2020	4,177	352	(42,004)	(13,747)	(51,222)
<i>Credited/(charged) to profit or loss</i>					
– <i>Note 8(b)</i>	(1,089)	40	(2,507)	4,677	1,121
<i>Disposal of a subsidiary</i>	–	–	771	–	771
Exchange adjustments	198	24	(911)	(95)	(784)
At 31.12.2020 and 1.1.2021	3,286	416	(44,651)	(9,165)	(50,114)
<i>Credited/(charged) to profit or loss</i>					
– <i>Note 8(b)</i>	9,864	(244)	(5,041)	3,306	7,885
Exchange adjustments	279	5	(794)	(15)	(525)
At 31.12.2021	<u>13,429</u>	<u>177</u>	<u>(50,486)</u>	<u>(5,874)</u>	<u>(42,754)</u>

Represented by:–

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deferred tax assets	12,175	2,047
Deferred tax liabilities	<u>(54,929)</u>	<u>(52,161)</u>
	<u>(42,754)</u>	<u>(50,114)</u>

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

	2021	2020
	HK\$'000	HK\$'000
Deductible temporary differences – <i>note (i)</i>		
Decelerated tax allowances	1,081	1,136
Unutilised tax losses	248,198	141,988
	249,279	143,124
Taxable temporary difference – <i>note (ii)</i>		
Accelerated tax allowances	(282)	(250)
	248,997	142,874

Notes:–

- (i) Deductible temporary differences have not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary difference. The unutilised tax losses accumulated in Hong Kong and Australia in the amount of HK\$152,573,000 (2020: HK\$62,642,000) and HK\$3,701,000 (2020: HK\$3,407,000), respectively, can be carried forward indefinitely and the unutilised tax losses accumulated in the PRC in the amount of HK\$91,924,000 (2020: HK\$75,939,000) can be carried forward for five years following the year when the losses were incurred.
- (ii) Taxable temporary difference has not been recognised in the consolidated financial statements owing to its immateriality.
- (c) As at 31 December 2021, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB87,229,000 (equivalent to approximately HK\$106,917,000) (2020: RMB92,152,000 (equivalent to approximately HK\$109,363,000)). The related deferred tax liabilities of approximately HK\$5,346,000 (2020: HK\$5,468,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiaries and the directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

9. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to shareholders of the Company	<u>(39,102)</u>	<u>(36,337)</u>
	2021	2020
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted loss per share	<u>5,513,000,000</u>	<u>5,512,921,563</u>

The diluted loss per share is equal to the basic loss per share for the years ended 31 December 2021 and 2020 as there was no dilutive potential ordinary share in issue.

10. DEBTORS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables arising from water supply and related services and rental receivables	53,283	50,471
Less: Loss allowance – <i>Note 10(c)</i>	<u>(2,771)</u>	<u>(2,684)</u>
	<u>50,512</u>	<u>47,787</u>
Trade receivables arising from the ordinary course of business of dealing in securities:		
– HKSCC	493	–
– Cash clients	124	–
– Margin clients	<u>5,606</u>	–
	6,223	–
Less: Loss allowance – <i>Note 10(c)</i>	<u>(44)</u>	–
	<u>6,179</u>	–
	<u>56,691</u>	<u>47,787</u>

Notes:–

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

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 6 months	50,335	47,699
7 – 12 months	152	65
1 – 2 years	25	23
	50,512	47,787

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	2,684	2,269
Impairment loss recognised	69	308
Exchange adjustments	62	107
At 31 December	2,815	2,684

- (d) At 31 December 2021, the receivables with a carrying amount of RMB40,901,000 (equivalent to approximately HK\$50,133,000) (2020: RMB34,449,000 (equivalent to approximately HK\$40,883,000)) were pledged to secure bank loans granted to the Group.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Utilities and deposits	1,810	1,138
Prepayments	1,383	1,147
Interest receivable	1,720	8
Other receivables	<u>11,768</u>	<u>7,524</u>
	16,681	9,817
Less: loss allowance on other receivables – <i>Note 11(a)</i>	<u>(110)</u>	<u>(105)</u>
	<u>16,571</u>	<u>9,712</u>

Note:–

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	105	55
Impairment loss recognised	2	47
Exchange adjustments	<u>3</u>	<u>3</u>
At 31 December	<u>110</u>	<u>105</u>

12. TRADE PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables arising from water supply and related services	199,960	121,862
Trade payables arising from the ordinary course of business of dealing in securities		
– Cash clients	71,649	–
– Margin clients	<u>845</u>	<u>–</u>
	<u>272,454</u>	<u>121,862</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 12 months	131,958	108,721
Over one year	68,002	13,141
	<u>199,960</u>	<u>121,862</u>

The normal settlement terms of trade payables arising from dealing in securities are two days after trade days.

13. PAYABLE TO MERCHANTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 12 months	–	–
Over one year	3,021	3,011
	<u>3,021</u>	<u>3,011</u>

14. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities regarding water supply and related business	20,606	25,981

Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to HK\$18,211,000 (2020: HK\$30,410,000) was recognised in the reporting period.

15. AMOUNT DUE TO A RELATED COMPANY

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue and loss for the year

During the current fiscal year, the Group recorded a revenue of HK\$368,501,000, representing an increase of 7% or HK\$23,753,000 as compared with the last fiscal year. Loss attributable to shareholders of the Company for the year ended 31 December 2021 was HK\$39,102,000, representing an increase of HK\$2,765,000 as compared to the last fiscal year. Increase in revenue was mainly due to increase in revenue of the Group's water supply business and rental income from commercial properties in China. The increase in net loss was mainly due to the increase in finance costs of the Group's properties investment and development business, partially offset by the decrease in general and administrative expenses and income tax expenses of the Group's water supply business for the year.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered in the amount of HK\$320,151,000, representing an increase of HK\$26,937,000 as compared to the last fiscal year. The increase of cost of sales/services rendered was mainly attributable to the Group's businesses of water supply services and properties investment and development business.

Other income and gains

Other income and gains consist of interest income on bank deposits, exchange gains and other miscellaneous income.

During the current fiscal year, the Group recorded other income and gains of HK\$11,325,000, representing a decrease of 29% as compared with the last fiscal year. The decrease in other income and gains was mainly due to the gain on disposal of a subsidiary for last year while no such income was recognised for the current year.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK\$70,893,000, representing a decrease of 19% as compared with the last fiscal year. The decrease in general and administrative expenses was mainly attributable to the impairment loss on property, plant and equipment and deposit paid for acquisition of plant and equipment for last year while no such impairment loss was recognised for the current year.

Share of loss of a joint venture

During the current fiscal year, the Group recorded a share of loss of a joint venture of HK\$141,000, representing an increase of HK\$35,000 as compared with the last fiscal year. It was mainly attributable to the loss from a joint venture during the year.

Finance costs

During the current fiscal year, the Group recorded finance costs of HK\$53,140,000, representing an increase of 37% as compared with the last fiscal year. It was mainly due to the increase in interest on bank loans during the year.

Income tax credit/(expense)

During the current fiscal year, the Group recorded an income tax credit of HK\$3,626,000, in contrast to the income tax expense of HK\$12,023,000 last year. It was mainly attributable to the tax credit of the water supply and related business of the Group.

Property, plant and equipment

The Group's property, plant and equipment increased by HK\$3,834,000 from HK\$446,589,000 as at 31 December 2020 to HK\$450,423,000 as at 31 December 2021. The increase was mainly due to the increase in the Group's RMB-denominated property, plant and equipment resulting from the appreciation of RMB against the functional currency of the Group and addition of property, plant and equipment, partially offset by the depreciation charge during the year.

Prepaid land lease premium

The Group's prepaid land lease premium as at 31 December 2021 amounted to HK\$25,791,000, which is similar to the figure as at 31 December 2020.

Investment properties

The Group's investment properties increased by HK\$23,284,000 from HK\$686,103,000 as at 31 December 2020 to HK\$709,387,000 as at 31 December 2021. It was mainly attributable to the increase in the Group's RMB-denominated investment properties resulting from the appreciation of RMB against the functional currency of the Group during the current year.

Right-of-use assets

The Group's right-of-use assets decreased by HK\$844,000 from HK\$5,605,000 as at 31 December 2020 to HK\$4,761,000 as at 31 December 2021. The decrease was mainly due to the depreciation for the current year.

Interest in a joint venture

The Group's interest in a joint venture increased by HK\$8,383,000 from HK\$259,789,000 as at 31 December 2020 to HK\$268,172,000 as at 31 December 2021. It was mainly attributable to the increase in the Group's RMB-denominated interest in a joint venture resulting from the appreciation of RMB against the functional currency of the Group during the current year.

Intangible assets

The Group's intangible assets decreased by HK\$34,568,000 from HK\$294,892,000 as at 31 December 2020 to HK\$260,324,000 as at 31 December 2021. The decrease was mainly due to the amortisation for the current fiscal year.

Goodwill

The Group's goodwill increased by HK\$11,328,000 from HK\$nil as at 31 December 2020 to HK\$11,328,000 as at 31 December 2021. The increase was attributable to the newly acquired financial services business for the current fiscal year.

Deferred tax assets

The Group's deferred tax assets increased by HK\$10,128,000 from HK\$2,047,000 as at 31 December 2020 to HK\$12,175,000 as at 31 December 2021. It was mainly attributable to the tax credit of water supply and related business of the Group.

Inventories

The Group's inventories as at 31 December 2021 amounted to HK\$16,722,000, which is similar to the figure as at 31 December 2020.

Debtors

The Group's debtors increased by HK\$8,904,000 or 19% from HK\$47,787,000 as at 31 December 2020 to HK\$56,691,000 as at 31 December 2021. The increase in debtors was attributable to the newly acquired financial services business for the current year.

Deposits, prepayments and other receivables

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

The Group's deposits, prepayments and other receivables increased by HK\$6,859,000 from HK\$9,712,000 as at 31 December 2020 to HK\$16,571,000 as at 31 December 2021. The increase was mainly due to provision of funds to the trustee for purchasing shares under the Share Award Scheme for the current year.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK\$276,405,000 from HK\$1,142,675,000 as at 31 December 2020 to HK\$866,270,000 as at 31 December 2021. The decrease in cash and bank balances and fixed deposits was mainly due to the repayment of loan advanced by a third party which was partially offset by the additional cash and bank balances from the newly acquired financial services business during the current year. As at 31 December 2021, 76% (31 December 2020: 93%) of cash and bank balances was denominated in RMB.

Pledged time deposit

The Group's pledged time deposit increased by HK\$192,441,000 from nil as at 31 December 2020 to HK\$192,441,000 as at 31 December 2021. The pledged time deposit was denominated in RMB and was used to guarantee the Group's new bank loan.

Bank and other borrowings

The Group's bank and other borrowings decreased by HK\$150,815,000 from HK\$1,242,821,000 as at 31 December 2020 to HK\$1,092,006,000 as at 31 December 2021. The decrease was mainly attributable to the repayment of loan advanced by a third party, which was partially offset by the additional loan obtained by the Group during the current year.

Trade payables

The Group's trade payables increased by HK\$152,592,000 from HK\$121,862,000 as at 31 December 2020 to HK\$272,454,000 as at 31 December 2021. The increase in trade payables was due to (a) the provision of costs of sales pending the resolution of disputes and litigations as more particularly set out in the section headed "Litigation" of this announcement; and (b) trade payables of the newly acquired financial services business.

Payable to merchants

The Group's payable to merchants as at 31 December 2021 amounted to approximately HK\$3,021,000, which is similar to the figure as at 31 December 2020.

Deposits received, sundry creditors and accruals

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

The Group's deposits received, sundry creditors and accruals increased by HK\$8,995,000 from HK\$113,274,000 as at 31 December 2020 to HK\$122,269,000 as at 31 December 2021. The increase was mainly attributable to the increase in accruals and construction fee payable of the water supply business, which was partially offset by the decrease in amount due to independent third parties of the water supply business for the current year.

Contract liabilities

The Group's contract liabilities decreased by HK\$5,375,000 from HK\$25,981,000 as at 31 December 2020 to HK\$20,606,000 as at 31 December 2021. The decrease was mainly due to the decrease in contract income of the Group's water supply and related business for the current year.

Lease liabilities

The Group's lease liabilities decreased by HK\$711,000 from HK\$5,624,000 as at 31 December 2020 to HK\$4,913,000 as at 31 December 2021. The decrease was in line with decrease in right-of-use assets.

Amount due to a related company

The Group's amount due to a related company as at 31 December 2021 amounted to HK\$49,000, which is similar to the figure as at 31 December 2020.

Tax payable

The Group's tax payable decreased by HK\$9,914,000 from HK\$11,967,000 as at 31 December 2020 to HK\$2,053,000 as at 31 December 2021. The decrease was in line with decrease in income tax expense during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had net current assets of HK\$505,889,000. Current assets comprised inventories of HK\$16,722,000, debtors of HK\$56,691,000, deposits, prepayments and other receivables of HK\$16,571,000, fixed deposits of HK\$66,638,000, pledged time deposit of HK\$192,441,000 and cash and bank balances of HK\$799,632,000.

Current liabilities comprised bank and other borrowings of HK\$217,849,000, trade payables of HK\$272,454,000, payable to merchants of HK\$3,021,000, deposits received, sundry creditors and accruals of HK\$122,269,000, contract liabilities of HK\$20,606,000, lease liabilities of HK\$4,505,000, amount due to a related company of HK\$49,000, and tax payable of HK\$2,053,000.

The gearing ratio, which is defined as a percentage of the total liabilities (excluding deferred tax liabilities) over the total assets (excluding deferred tax assets), of the Group as at 31 December 2021 was 53% (2020: 52%).

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

BUSINESS REVIEW AND PROSPECTS

Business Review

For the year ended 31 December 2021, the Group was principally engaged in the business of water supply and related services as well as property investment and development. Revenue from the principal business amounted to approximately HK\$368,501,000, representing an increase of 7% or approximately HK\$23,753,000 as compared with the revenue of approximately HK\$344,748,000 for the last year. Water supply and related business (including water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) recorded a revenue of approximately HK\$327,729,000, representing an increase of 7% or approximately HK\$21,822,000 as compared with the revenue of approximately HK\$305,907,000 for the last year, which was primarily attributable to the increased demand in tap water supply and the appreciation of Renminbi due to urban development and the gradual improvement of supporting facilities.

The property investment and development business of the Group mainly comprise the rental operation of the Group's commercial properties in Guangzhou. During the year, the property development and investment segment of the Group recorded revenue of approximately HK\$40,454,000, representing an increase of 4% or approximately HK\$1,613,000 as compared with the revenue of approximately HK\$38,841,000 for the last year. The increase in rental income was primarily due to the appreciation of RMB against the functional currency of the Group.

For the year ended 31 December 2021, the Group recorded a net loss attributable to shareholders of the Company of approximately HK\$39,102,000, representing an increase of HK\$2,765,000 as compared to the previous year's net loss attributable to shareholders of approximately HK\$36,337,000. The increase in the loss was mainly attributed to the increase in finance costs for the Group's property investment and development business, partially offset by the decrease in general and administrative expenses and income tax expenses of the Group's water supply business for the year.

The Group has long valued the personnel training and believes that the knowledge and experience of its employees is a crucial element for the long-term sustainability of the Group. The Group is committed to enhancing the capabilities of its staff by providing training to them and offering incentive schemes to motivate and retain talents. As disclosed in the Company's announcement dated 15 January 2021, the Company has adopted a share award scheme (the "**Share Award Scheme**") as an incentive to retain and attract the right people for the continued operation, growth and development of the Group.

While the Group focuses on property investment and development in the PRC and overseas, it also continues to explore potential investment and development opportunities in other sectors.

In May 2021, the Group entered into an acquisition agreement to acquire the entire equity interest in Hooray Capital Limited and Hooray Securities Limited (the “**Target Companies**”), which are companies licensed by the Securities and Futures Commission of Hong Kong (the “**SFC**”) to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. The Group considers that the securities brokerage and financial advisory businesses of the Target Companies would be complimentary to the existing financial licenses held by the Group with the view to developing the Group into an integrated financial holding company providing full-range financial services to our customers. The acquisition was completed on 3 November 2021.

PROSPECTS

Since early 2022, the global economy has become unstable and volatile due to increased expectations of interest rate hikes in the United States, political tensions in Russia and Ukraine, and the uncertainty arising from the development of the pandemic on a worldwide basis. The Group has been closely monitoring the situation and will strictly adhere to its cost control policy. In the meantime, it is expected that the water supply business and the property investment and development business will continue to provide a stable source of income for the Group. The Group will strive to diversify risks by enhancing its market competitiveness and consolidating its core business, while exploring new business and investment opportunities in the PRC and overseas to diversify the Group’s business, create new revenue streams for the Group and achieve continuous growth.

In addition to business development, the Group acknowledges that enterprises shall bear responsibilities and commitments to the environment, society and governance in different aspects. As such, the Group is committed to the maintenance of good corporate governance standards and procedures, and the implementation of effective management systems and resource allocation with the aim to enhancing its competitiveness and long-term returns for shareholders. As part of the Group’s environmental, social and governance initiatives, the Group also provides training and career paths for its staff to develop their potential, skills and sense of belonging in order to achieve sustainable development of the Group.

THE IMPACT OF NOVEL CORONAVIRUS EPIDEMIC

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

The Epidemic has resulted in adverse impact on the business performance of the Group. The Group has taken all practicable measures to cope with the challenges ahead, including the implementation of cost-control measures and the exploration of opportunities to further develop its business and enhance its growth potential. In the meantime, the Group is striving for the highest caution standard to protect the health and safety of our staff.

Pending the putting under control of the Epidemic on a worldwide basis, further changes in economic conditions may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of the Epidemic and global economy and react actively to any impact on the financial position and operating results of the Group.

EMPLOYEES

As at 31 December 2021, the total number of employees of the Group was 427 (2020: 400). The remuneration of the employees (including directors) were determined according to their performance and work experience. In addition to basic salaries, discretionary bonus, award shares and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance. The Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

The Company would like to thank its staff for their continual dedication and contribution.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

In February 2021, Qinghui Properties Limited (“**Qinghui**”), a 49%-owned subsidiary of the Group, proposed to participate in the fund-raising round of Guangdong Nanyue Bank Co., Ltd. (“**Nanyue Bank**”), through the proposed subscription of a maximum of 177,000,000 shares of Nanyue Bank (the “**Financial Investment**”) for the subscription price of up to RMB380,550,000 (equivalent to approximately HK\$455,203,000) in cash. As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules are less than 25%, the proposed subscription of the Financial Investment constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. The proposed subscription of the Financial Investment did not proceed to completion. Further details regarding the Financial Investment were disclosed in the Company's announcement dated 2 February 2021.

(ii) Connected transaction in relation to the acquisition of two licensed corporations licensed by the SFC

On 25 May 2021, Universal Technologies Capital Holdings Limited (“**UTCHL**”), a wholly owned subsidiary of the Group, and Ms. Zhu Fenglian (an executive Director and the controller of Ever City Industrial Development Limited, a substantial shareholder of the Company) (“**Ms. Zhu**”) entered into the acquisition agreement (the “**Acquisition Agreement**”), pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of Hooray Securities Limited and Hooray Capital Limited (the “**Target Companies**”) for a total cash consideration of HK\$36,500,000 (the “**Acquisition**”). Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of the Target Companies were legally and beneficially owned by Ms. Zhu. Ms. Zhu is a connected person of the Company, and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As

the Acquisition is conducted on normal commercial terms or better and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are all less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the Acquisition is exempt from circular (including independent financial advice) and independent shareholders' approval requirements but is only subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. The Acquisition completed on 3 November 2021. Further details regarding the Acquisition were disclosed in the Company's announcements dated 25 May 2021 and 3 November 2021.

Save as disclosed above, the Group did not have any other significant investments, acquisitions and disposals for the year ended 31 December 2021.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2021 were secured by:

- i. charges over a time deposit amounting to RMB157,000,000 (equivalent to approximately HK\$192,441,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,979,000 (equivalent to approximately HK\$2,426,000);
- iii. charges over the investment properties with carrying amounts of RMB537,000,000 (equivalent to approximately HK\$658,201,000);
- iv. pledge of trade receivables with a carrying amount of RMB40,901,000 (equivalent to approximately HK\$50,133,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by Guangzhou Yinyu Business Management Co., Ltd.;
- x. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and
- xi. guarantee by the non-controlling shareholders of subsidiaries.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In February 2021, Qinghui, a 49%-owned subsidiary of the Group, proposed to participate in the fund-raising round of Nanyue Bank currently taking place, through the proposed subscription of a maximum of 177,000,000 shares of Nanyue Bank Shares for the subscription price of up to RMB380,550,000 (equivalent to approximately HK\$455,203,000) in cash. The proposed subscription did not proceed to completion. Further details regarding the Financial Investment were disclosed in the Company's announcement dated 2 February 2021.

Save as disclosed above, there was no other future plan for material investments or capital assets for the year ended 31 December 2021.

CURRENCY RISK

The Group's core businesses are mainly transacted and settled in Renminbi (“**RMB**”) and the majority of assets and liabilities are denominated in RMB and Hong Kong dollar (“**HK\$**”). There are no significant assets and liabilities denominated in other currencies. During the year ended 31 December 2021, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK\$ or RMB may have an impact on the operating results of the Group.

The exchange rate of RMB to HK\$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$6,891,000 (2020: approximately HK\$4,572,000) comprising acquisition of property, plant and equipment which being in connection with the capital expenditures of the Group's water supply and related business.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities as at 31 December 2021.

LITIGATION

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

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

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

DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021 (2020: Nil). The Directors does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: HK\$Nil).

CLOSURE OF REGISTER OF MEMBERS

The Company will give further notice of forthcoming annual general meeting of the Company, which is currently expected to be held on 28 June 2022. The register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive) to facilitate the processing of proxy voting. In order to be entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the share registrar of the Company in Hong Kong, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 22 June 2022.

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

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

CORPORATE GOVERNANCE

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Listing Rules in the construction of its corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasize on a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability to all stakeholders of the Company. A full description of the Company’s corporate governance will be set out in the section headed “Corporate Governance” contained in the 2021 annual report.

The Company has applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “**CG Code**”). The Company has complied with the applicable Code Provisions of the CG Code save for the deviation mentioned below:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Company’s directors, the directors have complied with the required standard set out in the Model Code throughout year ended 31 December 2021.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group’s audited financial statements for the year ended 31 December 2021, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal controls, risk management and financial reporting matters.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company. The 2021 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company on or before 30 April 2021.

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

Hong Kong, 30 March 2022

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