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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 2023

HIGHLIGHTS OF THE YEAR

- Revenue for the year ended 31 December 2023 amounted to HK\$319.15 million (2022: HK\$349.00 million), representing a decrease of HK\$29.85 million or 8.6% as compared to last year. Such decrease was mainly due to the decrease in revenue of the Group's water supply business and the decrease in rental income from the Group's commercial properties in China.
- Net loss attributable to shareholders of the Company for the year ended 31 December 2023 was HK\$137.34 million (2022: HK\$104.07 million), representing an increase of HK\$33.27 million as compared to last year. The increase in loss was mainly due to the impairment losses on assets due to unfavourable market outlook and the decrease in fair value of investment properties.
- Basic and diluted loss per share for the year ended 31 December 2023 amounted to 2.49 HK cents (2022: 1.89 HK cent) and 2.49 HK cents (2022: 1.89 HK cent), respectively.
- The Board of Directors does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: HK\$Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	3	319,147	349,000
Cost of revenue		<u>(301,376)</u>	<u>(319,643)</u>
Gross profit		17,771	29,357
Other income and gains/(losses)	4	2,658	(6,630)
Impairment loss on goodwill		(11,328)	–
Impairment losses on non-current assets		(52,009)	(33,134)
Net impairment loss on deposits and receivables	11	(8,177)	(436)
Changes in fair value of investment properties		(32,590)	1,260
General and administrative expenses		(67,887)	(84,417)
Share of loss of a joint venture		<u>(5,300)</u>	<u>(2,717)</u>
Loss from operations		(156,862)	(96,717)
Finance costs	5(a)	<u>(48,597)</u>	<u>(53,824)</u>
Loss before income tax	5	(205,459)	(150,541)
Income tax credit/(expense)	7	<u>12,750</u>	<u>(13,015)</u>
Loss for the year		<u><u>(192,709)</u></u>	<u><u>(163,556)</u></u>
Attributable to: –			
Shareholders of the Company		(137,336)	(104,068)
Non-controlling interests		<u>(55,373)</u>	<u>(59,488)</u>
Loss for the year		<u><u>(192,709)</u></u>	<u><u>(163,556)</u></u>
Loss per share (in cents)	9		
– Basic		(2.49)	(1.89)
– Diluted		<u>(2.49)</u>	<u>(1.89)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
Loss for the year	<u>(192,709)</u>	<u>(163,556)</u>
Other comprehensive income/(loss):–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of financial statements of overseas operations	<u>3,289</u>	<u>(66,932)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>3,289</u>	<u>(66,932)</u>
Total comprehensive loss for the year	<u>(189,420)</u>	<u>(230,488)</u>
Total comprehensive loss attributable to:–		
Shareholders of the Company	(158,374)	(164,662)
Non-controlling interests	<u>(31,046)</u>	<u>(65,826)</u>
	<u>(189,420)</u>	<u>(230,488)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		331,859	398,381
Prepaid land lease premium		22,450	23,686
Investment properties		603,127	656,381
Right-of-use assets		6,254	348
Interest in a joint venture		232,095	244,955
Intangible assets		122,340	189,370
Goodwill		–	11,328
Statutory deposits for financial service business		400	400
Deposits paid for acquisition of investment properties		159,586	198,100
Deposit paid for acquisition of a subsidiary		26,602	–
Deferred tax assets	<i>8(a)</i>	12,373	11,358
		1,517,086	1,734,307
CURRENT ASSETS			
Properties under development		13,549	–
Inventories		5,627	14,783
Debtors	<i>10</i>	34,472	42,659
Deposits, prepayments and other receivables	<i>11</i>	100,962	16,502
Fixed deposits		123,632	137,706
Pledged time deposit		141,020	149,422
Cash and bank balances		106,034	426,788
		525,296	787,860

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings		255,975	201,205
Trade payables	12	350,443	266,707
Payable to merchants	13	3,006	3,010
Deposits received, sundry creditors and accruals		154,217	146,301
Contract liabilities	14	14,101	15,873
Lease liabilities		3,432	338
Amount due to a related company	15	44	45
Tax payable		3,879	6,366
		<u>785,097</u>	<u>639,845</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(259,801)</u>	<u>148,015</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,257,285</u>	<u>1,882,322</u>
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings		610,823	748,747
Lease liabilities		2,955	38
Deferred tax liabilities	8(a)	29,994	48,382
		<u>643,772</u>	<u>797,167</u>
NET ASSETS		<u><u>613,513</u></u>	<u><u>1,085,155</u></u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital		55,130	55,130
Reserves		744,094	902,963
		<u>799,224</u>	<u>958,093</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>799,224</u>	<u>958,093</u>
NON-CONTROLLING INTERESTS		<u>(185,711)</u>	<u>127,062</u>
TOTAL EQUITY		<u><u>613,513</u></u>	<u><u>1,085,155</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to shareholders of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special reserve	Exchange reserve	Shares held under		Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity
							share award	scheme					
							HK\$'000	HK\$'000					
At 1.1.2022	55,130	1,247,453	481	1,093	10,754	88,007	(6,223)	27,235	(301,089)	1,122,841	196,315	1,319,156	
Purchase of shares for share award scheme (Note)	—	—	—	—	—	—	(86)	—	—	(86)	—	(86)	
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	(3,427)	(3,427)	
Total comprehensive loss for the year	—	—	—	—	—	(60,594)	—	—	(104,068)	(164,662)	(65,826)	(230,488)	
Transferred to statutory reserve	—	—	—	—	—	—	—	459	(459)	—	—	—	
At 31.12.2022 and 1.1.2023	<u>55,130</u>	<u>1,247,453</u>	<u>481</u>	<u>1,093</u>	<u>10,754</u>	<u>27,413</u>	<u>(6,309)</u>	<u>27,694</u>	<u>(405,616)</u>	<u>958,093</u>	<u>127,062</u>	<u>1,085,155</u>	
Capital reduction in a subsidiary	—	—	—	—	—	—	—	—	—	—	(279,778)	(279,778)	
Purchase of shares for share award scheme (Note)	—	—	—	—	—	—	(495)	—	—	(495)	—	(495)	
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	(1,949)	(1,949)	
Total comprehensive loss for the year	—	—	—	—	—	(21,038)	—	—	(137,336)	(158,374)	(31,046)	(189,420)	
Transferred to statutory reserve	—	—	—	—	—	—	—	5	(5)	—	—	—	
At 31.12.2023	<u>55,130</u>	<u>1,247,453</u>	<u>481</u>	<u>1,093</u>	<u>10,754</u>	<u>6,375</u>	<u>(6,804)</u>	<u>27,699</u>	<u>(542,957)</u>	<u>799,224</u>	<u>(185,711)</u>	<u>613,513</u>	

Note: During the year ended 31 December 2023, 3,680,000 (2022: 630,000) shares were purchased from the open market at the aggregate consideration of HK\$495,000 (2022: HK\$86,000) 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. MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Statement of compliance

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

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

(b) Application of new and amendments to HKFRSs

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:-

HKFRS 17 and amendments to HKFRS 17	Insurance Contracts and Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 17	Initial Application of HKFRS 17 and HKFRS 9 Comparative Information
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

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

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group is obliged to pay LSP to Hong Kong employees under certain circumstances. Starting from June 2022, the Government of the HKSAR abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”).

In July 2023, the HKICPA published guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively.

The Group considered the accrued benefits arising from employer MPF contributions which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group accounted for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these deemed contributions should be attributed to periods of service in the same manner as the LSP benefit applying paragraph 93(a) of HKAS 19. The Group has not recognised any cumulative catch-up adjustment in profit or loss for the service cost and interest expense for the year ended 31 December 2022 as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition is immaterial.

This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2022 and the cash flows amounts for the year ended 31 December 2022.

(c) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. During the year ended 31 December 2023, the Group incurred a net loss of HK\$192,709,000 and as of that date, the Group had net current liabilities of HK\$259,801,000. These consolidated financial statements have been prepared on a going concern basis due to the reasons that (i) as at 31 December 2023, the Group had unutilised banking facilities of HK\$420,326,000; (ii) 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; and (iii) the Group, from time to time, reviews the portfolio of investment properties and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

After taking into consideration of the above factors and funds expected to be generated internally from operations based on the directors' estimation on the future cash flows of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis because there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.

3. REVENUE

The Group is principally engaged in investment holding, property investment and development, building management, provision of water supply and related services and financial services. Revenue for the year represents revenue recognised from rental and building management service income, water supply and related services income and financial services income. Disaggregation of revenue from contracts with customers and other sources by service lines is as follows:–

	2023 HK\$'000	2022 HK\$'000
Provision of water supply and related services		
Water supply and related services income	286,829	302,238
Construction services of infrastructure under concession arrangement (<i>Note</i>)	9,283	9,759
Provision of financial services		
Interest income from securities margin financing	237	441
Service fee income	12	38
Commission and brokerage income	10	143
Advisory income	–	2,670
Placement income	–	656
Revenue from other sources		
Rental and building management service income	22,776	33,055
	319,147	349,000

Note:

The amount represents revenue recognised during the construction stage of the service concession period. During the year ended 31 December 2023, no change of estimation (2022: HK\$Nil) was made when the Group finalised the construction costs with sub-contractors.

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

4. OTHER INCOME AND GAINS/(LOSSES)

	2023 HK\$'000	2022 HK\$'000
Interest on bank deposits	8,063	7,878
Interest on loans receivable	1,017	–
Government subsidy	115	745
Exchange loss, net	(7,218)	(17,058)
Others	681	1,805
	2,658	(6,630)

5. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank loans	48,287	54,868
Less: interest capitalised included in property, plant and equipment and other intangible assets (<i>Note</i>)	(192)	(1,360)
Interest on lease liabilities	328	123
Bank charges	174	193
	<u>48,597</u>	<u>53,824</u>

Note:

The capitalisation rate was ranged from 5.21% to 5.53% (2022: 5.53% to 5.61%).

(b) Other items

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	1,198	1,198
– Other services	480	480
	1,678	1,678
Cost of inventories recognised in profit or loss	5,661	7,103
Staff costs (including directors' remuneration)		
– Salaries and other benefits	53,509	60,043
– Pension scheme contributions	7,350	7,625
	60,859	67,668
Depreciation of property, plant and equipment	35,450	40,554
Depreciation of right-of-use assets	2,928	4,355
Impairment loss on goodwill	11,328	–
Impairment losses on non-current assets	52,009	33,134
Impairment/(reversal of impairment) loss on debtors	41	(48)
Impairment loss on other receivables	2,542	484
Impairment loss on deposits paid	5,594	–
Amortisation of intangible assets	51,728	52,070
Amortisation of prepaid land lease premium	716	755
Short-term lease expenses	236	123
Low value lease expenses	18	10
(Gain)/loss on disposal of property, plant and equipment	(1)	86
Rental income less direct outgoings of HK\$13,250,000 (2022: HK\$11,636,000)	(9,526)	(20,985)
	<u>(9,526)</u>	<u>(20,985)</u>

6. SEGMENT REPORTING

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

The Group has presented the following reportable segments.

(a) Water supply and related services

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

(b) Properties investment and development

This segment is engaged in development, leasing and management of land, commercial and residential properties. Currently the Group’s activities in this regard are carried out in the 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		2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Disaggregated by timing of revenue recognition										
Point in time	240,697	275,141	-	-	22	837	-	-	240,719	275,978
Over time	57,382	36,856	20,809	33,055	237	3,111	-	-	78,428	73,022
Reportable segment revenue	<u>298,079</u>	<u>311,997</u>	<u>20,809</u>	<u>33,055</u>	<u>259</u>	<u>3,948</u>	<u>-</u>	<u>-</u>	<u>319,147</u>	<u>349,000</u>
Reportable segment (loss)/profit	(30,645)	(40,172)	15,695	17,140	(6,692)	(10,643)	(33,994)	(37,074)	(55,636)	(70,749)
Interest on bank deposits									8,063	7,878
Government subsidy									115	745
Changes in fair value of investment properties	-	-	(32,590)	1,260	-	-	-	-	(32,590)	1,260
Impairment loss on goodwill	-	-	-	-	(11,328)	-	-	-	(11,328)	-
Impairment losses on non-current assets	(50,019)	(33,134)	-	-	(1,990)	-	-	-	(52,009)	(33,134)
Net impairment loss on deposits and receivables	(106)	(484)	(8,071)	-	-	-	-	-	(8,177)	(484)
Share of loss of a joint venture									(5,300)	(2,717)
Finance costs									(48,597)	(53,824)
Loss before income tax									(205,459)	(150,541)
Income tax credit/(expense)									12,750	(13,015)
Loss for the year									<u>(192,709)</u>	<u>(163,556)</u>
Attributable to:										
- Shareholders of the Company									(137,336)	(104,068)
- Non-controlling interests									(55,373)	(59,488)
									<u>(192,709)</u>	<u>(163,556)</u>
Depreciation for the year	<u>34,754</u>	<u>40,413</u>	<u>775</u>	<u>492</u>	<u>49</u>	<u>1,639</u>	<u>2,800</u>	<u>2,365</u>	<u>38,378</u>	<u>44,909</u>
Amortisation	<u>52,123</u>	<u>52,487</u>	<u>321</u>	<u>338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,444</u>	<u>52,825</u>

	Reportable Segments									
	Water supply and related services		Properties investment and development		Financial services		Others		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure incurred during the year	<u>22,665</u>	<u>48,304</u>	<u>108</u>	<u>464</u>	<u>-</u>	<u>61</u>	<u>64</u>	<u>-</u>	<u>22,837</u>	<u>48,829</u>
Interest in a joint venture	<u>-</u>	<u>-</u>	<u>232,095</u>	<u>244,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,095</u>	<u>244,955</u>
Reportable segment assets	<u>542,363</u>	<u>640,280</u>	<u>1,181,720</u>	<u>1,514,861</u>	<u>29,541</u>	<u>45,377</u>	<u>276,385</u>	<u>310,291</u>	<u>2,030,009</u>	<u>2,510,809</u>
Unallocated assets									<u>12,373</u>	<u>11,358</u>
Total assets									<u>2,042,382</u>	<u>2,522,167</u>
Reportable segment liabilities	<u>974,764</u>	<u>947,796</u>	<u>397,709</u>	<u>419,085</u>	<u>3,518</u>	<u>3,475</u>	<u>19,005</u>	<u>11,908</u>	<u>1,394,996</u>	<u>1,382,264</u>
Unallocated liabilities									<u>33,873</u>	<u>54,748</u>
Total liabilities									<u>1,428,869</u>	<u>1,437,012</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	
	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue	<u>318,888</u>	<u>345,052</u>	<u>259</u>	<u>3,948</u>	<u>319,147</u>	<u>349,000</u>
Non-current assets	<u>1,494,394</u>	<u>1,704,958</u>	<u>10,319</u>	<u>17,991</u>	<u>1,504,713</u>	<u>1,722,949</u>

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

7. INCOME TAX (CREDIT)/EXPENSE

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

The Company's subsidiaries operating in the PRC are subject to enterprise income tax at 25% (2022: 25%).

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

	2023 HK\$'000	2022 <i>HK\$'000</i>
Current tax:		
Current year	4,472	11,729
Under-provision in respect of previous years	–	5,693
	4,472	17,422
Deferred taxation (<i>Note 8(a)</i>):		
Current year	(17,222)	(4,407)
	(12,750)	13,015

- (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:–

	2023 HK\$'000	2022 <i>HK\$'000</i>
Loss before income tax	(205,459)	(150,541)
Tax on loss before income tax, calculated at the applicable tax rate	(47,793)	(34,141)
Tax effect of non-deductible expenses in determining taxable profit	21,509	26,049
Tax effect of non-taxable income in determining taxable profit	(1,223)	(1,476)
Tax effect of unrecognised decelerated depreciation allowance	(92)	(28)
Tax effect of unrecognised tax loss	14,569	14,778
Others	280	2,140
Under-provision in respect of previous year	–	5,693
Income tax (credit)/expense	(12,750)	13,015

8. DEFERRED TAXATION

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

	Provision <i>HK\$'000</i>	Impairment loss on debtors <i>HK\$'000</i>	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties <i>HK\$'000</i>	Temporary differences on intangible assets recognised under service concession arrangement <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.1.2022	13,429	177	(50,486)	(5,874)	(42,754)
Credited/(charged) to profit or loss – <i>Note 7(b)</i>	–	113	(98)	4,392	4,407
Exchange adjustments	(1,026)	(17)	2,396	(30)	1,323
At 31.12.2022 and 1.1.2023	12,403	273	(48,188)	(1,512)	(37,024)
Credited/(charged) to profit or loss – <i>Note 7(b)</i>	–	33	16,204	985	17,222
Exchange adjustments	(395)	(9)	2,593	(8)	2,181
At 31.12.2023	12,008	297	(29,391)	(535)	(17,621)

Represented by:–

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deferred tax assets	12,373	11,358
Deferred tax liabilities	(29,994)	(48,382)
	(17,621)	(37,024)

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

	2023	2022
	HK\$'000	HK\$'000
Deductible temporary differences – <i>Note (i)</i>		
Decelerated tax allowances	18,546	942
Unutilised tax losses	365,150	312,967
	383,696	313,909
Taxable temporary difference – <i>Note (ii)</i>		
Accelerated tax allowances	(200)	(314)
	383,496	313,595

Notes:–

- (i) Deductible temporary differences have not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary difference. The unutilised tax losses accumulated in Hong Kong and Australia amounted to HK\$210,157,000 (2022: HK\$182,565,000) and HK\$3,858,000 (2022: HK\$3,965,000), respectively, can be carried forward indefinitely and the unutilised tax losses accumulated in the PRC amounted to HK\$151,135,000 (2022: HK\$126,437,000) can be carried forward for five years following the year when the losses were incurred.
- (ii) Taxable temporary difference has not been recognised in these consolidated financial statements owing to its immateriality.
- (c) As at 31 December 2023, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB97,599,000 (equivalent to approximately HK\$106,958,000) (2022: RMB92,636,000 (equivalent to approximately HK\$104,864,000)). The related deferred tax liabilities of approximately HK\$5,348,000 (2022: HK\$5,243,000) 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:–

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss for the year attributable to shareholders of the Company	<u>(137,336)</u>	<u>(104,068)</u>
	2023	2022
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	<u>5,513,000,000</u>	<u>5,513,000,000</u>

The diluted loss per share is equal to the basic loss per share for the years ended 31 December 2023 and 2022 as there was no dilutive potential ordinary share in issue.

10. DEBTORS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade debtors arising from water supply and related services and rental receivables	36,988	39,755
Less: loss allowance – <i>Note 10(c)</i>	<u>(2,562)</u>	<u>(2,577)</u>
	<u>34,426</u>	<u>37,178</u>
Trade receivables arising from the ordinary course of business of dealing in securities		
HKSCC	12	–
Cash clients	76	80
Margin clients, secured	<u>–</u>	<u>5,443</u>
	88	5,523
Less: loss allowance – <i>Note 10(c)</i>	<u>(42)</u>	<u>(42)</u>
	<u>46</u>	<u>5,481</u>
	<u>34,472</u>	<u>42,659</u>

Notes:–

- (a) The credit terms given to the customers of the water supply and properties investment segments vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit 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:–

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 6 months	34,155	37,062
7 – 12 months	102	70
1 – 2 years	169	46
	<u>34,426</u>	<u>37,178</u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	2,619	2,815
Impairment loss recognised/(reversal of impairment loss)	41	(48)
Exchange adjustments	(56)	(148)
At 31 December	<u>2,604</u>	<u>2,619</u>

- (d) At 31 December 2023, the receivables with a carrying amount of RMB31,272,000 (equivalent to approximately HK\$34,271,000) (2022: RMB32,466,000 (equivalent to approximately HK\$36,751,000)) were pledged to secure bank loans granted to the Group.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Utilities and deposits	1,084	1,289
Prepayments	1,503	1,867
Interest receivable	2,403	2,008
Loans receivable – <i>Note 11(a)</i>	81,645	–
Other receivables	17,422	11,909
	<u>104,057</u>	<u>17,073</u>
Less: loss allowance on other receivables – <i>Note 11(b)</i>	(3,095)	(571)
	<u><u>100,962</u></u>	<u><u>16,502</u></u>

Note:–

- (a) The amount represented loans granted by the Group to three independent third parties which are companies incorporated in the PRC. The loan amounts are respectively RMB29,500,000, RMB22,000,000 and RMB23,000,000 are unsecured and bear interest at the rate of 5.9% per annum. The maturity dates of the outstanding loans principal and accrued interest are 11 July 2024, 30 September 2024 and 30 September 2024, respectively.
- (b) The movement in the loss allowance on other receivables during the years is as follows:–

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	571	110
Impairment loss recognised	2,542	484
Exchange adjustments	(18)	(23)
	<u>3,095</u>	<u>571</u>

12. TRADE PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables arising from water supply and related services	347,183	264,069
Trade payables arising from the ordinary course of business of dealing in securities		
Cash clients	2,873	2,396
Margin clients	387	242
	<u>350,443</u>	<u>266,707</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 12 months	120,540	144,902
Over one year	229,903	119,167
	350,443	264,069

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

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

13. PAYABLE TO MERCHANTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 12 months	–	–
Over one year	3,006	3,010
	3,006	3,010

14. CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities regarding water supply and related business	14,101	15,873

Revenue that was included in the contract liability balance at the beginning of the reporting period in the amount of HK\$10,095,000 (2022: HK\$13,740,000) was recognised in the reporting period.

15. AMOUNT DUE TO A RELATED COMPANY

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue and loss for the year

During the year ended 31 December 2023, the Group recorded a revenue of HK\$319,147,000, representing a decrease of 8.6% or HK\$29,853,000 as compared with last year. Loss attributable to shareholders of the Company for the year ended 31 December 2023 was HK\$137,336,000, representing an increase of HK\$33,268,000 as compared to last year. The decrease in revenue was mainly due to the decrease in the Group's water supply business revenue and the decrease in the rental income from the Group's commercial properties in China. The increase in loss was mainly due to the impairment losses on assets due to unfavourable market outlook and the decrease in fair value of investment properties.

Cost of revenue

During the year ended 31 December 2023, the Group recorded a cost of revenue in the amount of HK\$301,376,000, representing a decrease of HK\$18,267,000 as compared to last year. The decrease in the cost of revenue was mainly attributable to the Group's water supply and related business.

Impairment loss on goodwill

During the year ended 31 December 2023, the Group recorded an impairment loss on goodwill of HK\$11,328,000, representing an increase of HK\$11,328,000 as compared with last year. The increase was mainly attributable to the Group's financial services business.

Impairment losses on non-current assets

During the year ended 31 December 2023, the Group recorded an impairment losses on non-current assets of HK\$52,009,000, representing an increase of HK\$18,875,000 as compared with last year. The increase was mainly attributable to the Group's water supply and related business.

Net impairment loss on deposits and receivables

During the year ended 31 December 2023, the Group recorded a net impairment loss on deposits and receivables of HK\$8,177,000, representing an increase of HK\$7,741,000 as compared with last year. The increase in net impairment loss was primarily due to the impairment recognised on the loans receivable from independent third parties and deposits paid during the year.

Other income and gains/(losses)

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

During the year ended 31 December 2023, the Group recorded other income and gains/(losses) of HK\$2,658,000, representing an increase of HK\$9,288,000 as compared with last year. The increase was mainly due to an increase in bank interest income and loan interest income from independent third parties for the water supply business.

Changes in fair value of investment properties

During the year ended 31 December 2023, the Group recorded a fair value loss of HK\$32,590,000 on investment properties, in contrast to a fair value gain on investment properties of HK\$1,260,000 in last year. 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 31 December 2023, the Group recorded general and administrative expenses of HK\$67,887,000, representing a decrease of 19.6% as compared with last year. During the current fiscal year, general and administrative expenses decreased in terms of staff costs and other expenses.

Share of loss of a joint venture

During the year ended 31 December 2023, the Group recorded a share of loss of a joint venture of HK\$5,300,000, representing an increase of HK\$2,583,000 as compared with last year. It was mainly attributable to the loss from a joint venture during the year.

Finance costs

During the year ended 31 December 2023, the Group recorded finance costs of HK\$48,597,000, representing a decrease of 9.7% as compared with the last fiscal year, which was principally due to the partial repayment of bank loans by the Group during the year.

Income tax credit/(expense)

During the year ended 31 December 2023, the Group recorded an income tax credit of HK\$12,750,000, in contrast to the income tax expense of HK\$13,015,000 last year. It was mainly due to (i) recognition of impairment losses on certain assets of the Group's water supply and related business; (ii) decrease in fair value on investment properties of the properties investment and development business; and (iii) decrease in taxable income of the Group's water supply and related business during the year.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK\$66,522,000 from HK\$398,381,000 as at 31 December 2022 to HK\$331,859,000 as at 31 December 2023. The decrease was mainly due to (i) impairment loss on property, plant and equipment of the Group's water supply and related business; and (ii) the decrease in the Group's RMB-denominated assets resulted from the depreciation of RMB against the functional currency of the Group during the year.

Prepaid land lease premium

The Group's prepaid land lease premium decreased by HK\$1,236,000 from HK\$23,686,000 as at 31 December 2022 to HK\$22,450,000 as at 31 December 2023. The decrease was mainly due to the amortisation during the year.

Investment properties

The Group's investment properties decreased by HK\$53,254,000 from HK\$656,381,000 as at 31 December 2022 to HK\$603,127,000 as at 31 December 2023. It was mainly attributable to (i) impairment loss on investment properties of the properties investment and development business; and (ii) the decrease in the Group's RMB-denominated assets resulted from the depreciation of RMB against the functional currency of the Group during the current year.

Right-of-use assets

The Group's right-of-use assets increased by HK\$5,906,000 from HK\$348,000 as at 31 December 2022 to HK\$6,254,000 as at 31 December 2023. The increase was mainly due to a new lease agreement in Hong Kong during the current year.

Interest in a joint venture

The Group's interest in a joint venture decreased by HK\$12,860,000 from HK\$244,955,000 as at 31 December 2022 to HK\$232,095,000 as at 31 December 2023. It was mainly attributable to the loss from a joint venture during the current year.

Intangible assets

The Group's intangible assets decreased by HK\$67,030,000 from HK\$189,370,000 as at 31 December 2022 to HK\$122,340,000 as at 31 December 2023. The decrease was mainly due to (i) impairment loss on intangible assets of the Group's water supply and related business; and (ii) the amortisation for the current fiscal year.

Goodwill

The Group's goodwill decreased by HK\$11,328,000 from HK\$11,328,000 as at 31 December 2022 to HK\$nil as at 31 December 2023. The decrease was primarily due to the recognition of an impairment loss on goodwill of the financial services business during the current year.

Deposit paid for acquisition of a subsidiary

The Group's deposit paid for acquisition of a subsidiary increased by HK\$26,602,000 from HK\$nil as at 31 December 2022 to HK\$26,602,000 as at 31 December 2023. The increase was attributable to the payment of refundable earnest money for the acquisition of equity interests in a company in the PRC.

Deposit paid for acquisition of investment properties

The Group's deposit paid for acquisition of investment properties decreased by HK\$38,514,000 from HK\$198,100,000 as at 31 December 2022 to HK\$159,586,000 as at 31 December 2023. The decrease was attributable to the payment of refundable earnest money for the possible acquisition of property interests in the PRC during the year as more particularly set out in the section headed "Significant investments, acquisitions and disposals" of this announcement.

Inventories

The Group's inventories decreased by HK\$9,156,000 from HK\$14,783,000 as at 31 December 2022 to HK\$5,627,000 as at 31 December 2023. The decrease was mainly due to reclassification of certain inventories to properties under development for the current fiscal year.

Properties under development

The Group's properties under development increased by HK\$13,549,000 from HK\$nil as at 31 December 2022 to HK\$13,549,000 as at 31 December 2023. The increase was attributable to the reclassification of overseas properties under development from inventories during the year.

Debtors

The Group's debtors decreased by HK\$8,187,000 or 19% from HK\$42,659,000 as at 31 December 2022 to HK\$34,472,000 as at 31 December 2023. The decrease in debtors was attributable to the decrease in revenue for water supply and related business for the current fiscal year.

Deposits, prepayments and other receivables

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

The Group's deposits, prepayments and other receivables increased by HK\$84,460,000 from HK\$16,502,000 as at 31 December 2022 to HK\$100,962,000 as at 31 December 2023. The increase was attributable to the loan receivables from independent third parties for water supply business. These receivables are unsecured and interest-bearing at 5.9% per annum.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK\$334,828,000 from HK\$564,494,000 as at 31 December 2022 to HK\$229,666,000 as at 31 December 2023. The decrease in cash and bank balances and fixed deposits was mainly due to the repayment of bank loans and payment of deposit for acquisition of investment properties during the current year. As at 31 December 2023, 68% (31 December 2022: 91%) of cash and bank balances was denominated in RMB.

Pledged time deposit

The Group's pledged time deposit decreased by HK\$8,402,000 from HK\$149,422,000 as at 31 December 2022 to HK\$141,020,000 as at 31 December 2023. The pledged time deposit was denominated in RMB and was used to guarantee the Group's bank loan. The decrease in pledged time deposit was due to the repayment of bank loan during the year.

Bank and other borrowings

The Group's bank and other borrowings decreased by HK\$83,154,000 from HK\$949,952,000 as at 31 December 2022 to HK\$866,798,000 as at 31 December 2023. The decrease was mainly attributable to the repayment of bank loans during the current year.

Trade payables

The Group's trade payables increased by HK\$83,736,000 from HK\$266,707,000 as at 31 December 2022 to HK\$350,443,000 as at 31 December 2023. 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 announcement.

Payable to merchants

The Group's payable to merchants as at 31 December 2023 amounted to approximately HK\$3,006,000, which is similar to the figure as at 31 December 2022.

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\$7,916,000 from HK\$146,301,000 as at 31 December 2022 to HK\$154,217,000 as at 31 December 2023. The increase was mainly attributable to the increase in construction fee payable resulted from the undertaking of more construction projects by the Group's water supply business during the year.

Contract liabilities

The Group's contract liabilities decreased by HK\$1,772,000 from HK\$15,873,000 as at 31 December 2022 to HK\$14,101,000 as at 31 December 2023. 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 increased by HK\$6,011,000 from HK\$376,000 as at 31 December 2022 to HK\$6,387,000 as at 31 December 2023. The increase was in line with the increase in right-of-use assets as a result of the entering into of new lease agreement.

Amount due to a related company

The Group's amount due to a related company as at 31 December 2023 amounted to HK\$44,000, which is similar to the figure as at 31 December 2022.

Tax payable

The Group's tax payable decreased by HK\$2,487,000 from HK\$6,366,000 as at 31 December 2022 to HK\$3,879,000 as at 31 December 2023. The decrease was in line with the turning from income tax expense for the last year to income tax credit for this year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had net current liabilities of HK\$259,801,000. Current assets comprised properties under development of HK\$13,549,000, inventories of HK\$5,627,000, debtors of HK\$34,472,000, deposits, prepayments and other receivables of HK\$100,962,000, fixed deposits of HK\$123,632,000, pledged time deposit of HK\$141,020,000 and cash and bank balances of HK\$106,034,000.

Current liabilities comprised bank and other borrowings of HK\$255,975,000, trade payables of HK\$350,443,000, payable to merchants of HK\$3,006,000, deposits received, sundry creditors and accruals of HK\$154,217,000, contract liabilities of HK\$14,101,000, lease liabilities of HK\$3,432,000, amount due to a related company of HK\$44,000 and tax payable of HK\$3,879,000.

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 2023 was 69% (2022: 55%).

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

As of 2023, the Group was principally 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\$319,147,000, representing a decrease of 8.6% or approximately HK\$29,853,000 as compared with the revenue of HK\$349,000,000 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\$296,112,000, representing a decrease of 5% or approximately HK\$15,885,000 as compared with the revenue of approximately HK\$311,997,000 for the corresponding period last year, mainly due to the decline in the exchange rate of RMB against Hong Kong dollar, resulting in a relative decrease in the translation of RMB revenue into Hong Kong dollar and lower water consumption by commercial customers.

The property investment and development business of the Group mainly comprises the rental operation of the Group's commercial properties in Guangzhou and the Group's property development project in Australia. During the year, the property investment and development segment of the Group recorded revenue of approximately HK\$22,776,000, representing a decrease of approximately HK\$10,279,000 as compared with the revenue of approximately HK\$33,055,000 for the last year. The decrease was due to weaker market recovery and consumers' sentiment than expected, resulting in higher vacancy rates of the shopping mall in 2023.

The financial services business of the Group mainly comprises the provision of corporate finance advisory, asset management, margin financing and stockbroking services. For the year ended 31 December 2023, the financial services segment of the Group recorded revenue of approximately HK\$259,000, representing a decrease of approximately HK\$3,689,000 as compared to HK\$3,948,000 last year. This was due to the decreases in advisory fees and placing commissions in the year due to the poor performance of the Hong Kong stock market.

For the year ended 31 December 2023, the Group recorded a net loss attributable to shareholders of the Company of approximately HK\$137,336,000, representing an increase of approximately HK\$33,268,000 as compared to approximately HK\$104,068,000 last year. The increase in loss was mainly due to the impairment losses on assets due to unfavourable market outlook and the decrease in fair value on investment properties.

The Group will continue to adopt a prudent approach to focus on property investment and development in the PRC and overseas, and will continue to explore potential investment and development opportunities in the property market to increase recurrent income and for the purpose of capital appreciation. As disclosed in the announcement of the Company dated 5 June 2023, the Company entered into a non-legally binding memorandum of understanding with Dongguan Zhaoyu Real Estate Co., Ltd. and Qingyuan Xuhong Industrial Co., Ltd. for the investment of property projects in the PRC. The Company has yet to conclude the commercial negotiation and binding documentation, as the restructuring of the target assets are still ongoing. Further announcement(s) will be made as and when any disclosure obligation is triggered by material development of these proposed acquisitions. In the meantime, the Group will continue to explore other suitable investment and diversification development opportunities to increase its revenue stream, maintain sustainable growth and protect the interests of its shareholders.

PROSPECTS

Looking ahead to 2024, the global economic growth is expected to slow down, accompanied by a downward trend in inflation and the possible end to the interest rate hike cycle of the US Federal Reserve. However, uncertainties such as international geopolitical risks is expected to remain. Under the uncertain global economic environment, in order to cope with the ever-changing external environment, the Group will adopt a prudent approach, regularly review its existing business and regularly evaluate its business strategies in response to market conditions, and strengthen its risk management and strictly comply with its cost control policies, with a view to improving the Group's business operations and financial position. It is expected that the water supply business and the property investment and development business will continue to provide a stable income for the Group. In the meantime, the Group will strive to explore promising property projects in the PRC and overseas and identify potential and new businesses and investment opportunities to enhance its market competitiveness, spread its risks and expand its revenue sources, so as to diversify the Group's business, strengthen its core business and achieve sustainable growth.

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

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was 412 (2022: 405). 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

Discloseable Transaction Relating to the Payment of Earnest Money for the Possible Acquisition of Certain Property Interest in 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. (the “**Vendor**”) and Qingyuan Xuhong Industrial Co., Ltd. (“**Target Company**”), 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 the Target Company (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 the Vendor (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 announcement, the Group did not have any other significant investments, acquisitions and disposals for the year ended 31 December 2023.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2023 were secured by:

- i. charges over a time deposit amounting to RMB128,680,000 (equivalent to approximately HK\$141,020,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,187,000 (equivalent to approximately HK\$1,301,000);

- iii. charges over the investment properties with carrying amounts of RMB508,300,000 (equivalent to approximately HK\$557,046,000);
- iv. pledge of trade receivables with a carrying amount of RMB31,272,000 (equivalent to approximately HK\$34,271,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had capital expenditure contracted but not provided for in respect of property, plant and equipment in the amount of approximately HK\$14,968,000 as at 31 December 2023.

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 contemplated under the MOU as detailed above, there was no other future plan for material investments or capital assets for the year ended 31 December 2023. 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 possible acquisitions under the MOU, the Company would consider settling the acquisition consideration partly or fully by debt or equity. Up to the date of this announcement, no legally binding agreement has been entered into in respect of the MOU. 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**”) and the majority of assets and liabilities are denominated in Renminbi and Hong Kong dollar (“**HK\$**”). There are no significant assets and liabilities denominated in other currencies. During the year ended 31 December 2023, 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 2023, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$14,968,000 (2022: approximately HK\$15,165,000) 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 2023.

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 2022 Annual Report are as follows:

1. Mr. Chen Jinyang was appointed as (i) the chairman of the nomination committee (“the **Nomination Committee**”) and a member of the remuneration committee (the **Remuneration Committee**) of the Company with effect from 23 May 2023; (ii) a director of Hooray Securities Limited (“**HSL**”) and Hooray Capital Limited (“**HCL**”), both being wholly-owned subsidiaries of the Company, with effect from 30 June 2023; and (iii) a director of Heng Hui Property Investment Limited, a wholly-owned subsidiary of the Company, with effect from 1 April 2023. Mr. Chen ceased to be (i) the legal representative, the chairman and a director of Qinghui Properties Limited (“**Qinghui**”), a 49%-owned subsidiary of the Company, with effect from 19 May 2023; and (ii) the legal representative, the chairman and a director of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Company, with effect from 6 July 2023.

2. Ms. Zhu Fenglian ceased to be (i) a director of Zhongshan Securities Co., Ltd., with effect from 11 February 2023; (ii) a director and the general manager of Qinghui, a 49%-owned subsidiary of the Company, with effect from 19 May 2023; (iii) a director and the manager of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Company, with effect from 6 July 2023; (iv) a director of Qingyuan Water Supply Development Company Limited, a 49%-owned subsidiary of the Company, with effect from 2 June 2023; and (v) the legal representative, an executive director and the manager of Qingyuan Jinhong Industrial Company Limited, a 49%-owned subsidiary of the Company, with effect from 9 June 2023.
3. Ms. Zhang Haimei ceased to be (i) a director of HSL and HCL with effect from 30 June 2023; (ii) a deputy general manager and a financial controller of Guangdong Golden Dragon Development Inc.. (“**GD**”, the shares of which are listed on the Shenzhen Stock Exchange with stock code: 000712) with effect from 26 April 2023; and (iii) a supervisor of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49%-owned subsidiary of the Company, with effect from 6 July 2023. She was appointed as a general manager of GD with effect from 26 April 2023.
4. Dr. Cheung Wai Bun, Charles, J.P. retired as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee and a member of the audit committee of the Company (the “**Audit Committee**”) and the Nomination Committee at the conclusion of the AGM on 30 June 2023.
5. Mr. Yeung Kin Chung Clifton, M.H. was elected by the Shareholders as an independent non-executive Director, taking effect at the conclusion of the AGM on 30 June 2023. Mr. Yeung was appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee, in each case taking effect simultaneously with the appointment of Mr. Yeung as a Director.
6. Mr. David Tsoi ceased to be: (i) an independent non-executive director, the chairman of the audit committee and nomination committee and a member of the remuneration committee of Guoen Holdings Limited (stock code: 8121) with effect from 8 August 2023; and (ii) an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of VPower Group International Holdings Limited (stock code: 1608) with effect from 5 December 2023.
7. Mr. Chao Po Shu George ceased to be the chairman of the Nomination Committee of the Company with effect from 23 May 2023.

LITIGATION

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

Reference is made to the Company’s announcement dated 3 March 2020 (the “**Cessation Notice Announcement**”) regarding the Cessation Notice issued by the Bureau on the cessation of water intake of Qixinggang Water Plant operated by 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**”). Unless the context otherwise requires, capitalized terms in this section shall have the same meanings as defined in the Cessation Notice Announcement.

As disclosed in the Cessation Notice Announcement, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government-designated Water Plant. Since October 2020, WSD Company received 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. After seeking advice from its PRC legal advisers, WSD Company was of the view that the dispute was originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore without legal basis. However, the Group has made provision on the basis of our own estimation of cost of water supply in its consolidated financial statements, pending the resolution of the relevant disputes and litigations.

The Group will continue to seek legal advice to uphold its position, and/or take action as may be appropriate in the circumstances with the view to resolving the disputes. 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 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Company will give further notice of the forthcoming annual general meeting of the Company, which is currently expected to be held on or before 30 June 2024, and the relevant book close arrangements for the purposes of determining the eligibility to attend and vote at the Annual General Meeting.

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

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

CORPORATE GOVERNANCE

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Listing Rules in the construction of its corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasize on a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability to all stakeholders of the Company. A full description of the Company's corporate governance will be set out in the section headed "Corporate Governance" contained in the 2023 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 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.

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 C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

AUDIT COMMITTEE

The Company established 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, Mr. Yeung Kin Chung Clifton, M.H., 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 2023, 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 2023 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 2023. 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 (<http://www.uth.com.hk>). The 2023 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 2024.

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

Hong Kong, 28 March 2024

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 Mr. Yeung Kin Chung Clifton, M.H., Mr. David Tsoi and Mr. Chao Pao Shu George.