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## 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).

### BOARD OF DIRECTORS

#### Executive Directors:

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

#### Non-Executive Director:

Xuan Zhensheng

#### Independent Non-Executive Directors:

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

### COMPANY SECRETARY

Tang Chi Wai

### AUDIT COMMITTEE

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

### AUTHORISED REPRESENTATIVES

Chen Jinyang  
Tang Chi Wai

### AUDITOR

PKF Hong Kong Limited  
Certified Public Accountants

### LEGAL ADVISER

Lawrence Chan & Co.

### WEBSITE

[www.uth.com.hk](http://www.uth.com.hk)

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### REGISTERED OFFICE

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANKER

CMB Wing Lung Bank  
Dah Sing Bank

## Chairman's Statement

On behalf of the board of directors (the “**Board**”), I hereby present the annual report of Universal Technologies Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021.

### REVIEW

In 2021, the Group recorded revenue of approximately HK\$368,501,000, representing an increase of 7% as compared with the revenue of approximately HK\$344,748,000 for the previous year. The increase in revenue was mainly attributable to (i) the revenue from water supply and related services (including water quality inspection, water pipe repairs and maintenance, water meter maintenance and replacement and other related services) 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 previous year, as a result of the appreciation of Renminbi and the increased demand in water supply following the urban development with gradual improved supporting facilities; and (ii) the revenue of approximately HK\$40,454,000 recorded for the property investment and development segment of the Group, representing an increase of 4% or approximately HK\$1,613,000 as compared with the revenue of approximately HK\$38,841,000 for the previous year, as a result of the appreciation of Renminbi against the functional currency of the Group. Despite the increase in revenue from the principal business, due to the increase in finance costs of the Group's property investment and property development, which were 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 recorded a net loss attributable to shareholders of the Company of approximately HK\$39,102,000, representing an increase of 8% as compared with the net loss attributable to shareholders of the Company of approximately HK\$36,337,000 for the previous year.

In 2021, under the actively coordinated pandemic prevention and control, China created a stable internal environment and achieved economic recovery against the downward trend. From the perspective of global environment, due to the remaining impact of the multiple waves of the COVID-19 pandemic, as well as the amplified conflicts such as supply chain crisis and shortage of energy under the pandemic, there were still full of risks and uncertainties on the road to global economic recovery. The significant rise in energy costs brought new challenges to the Company's development. In order to prepare ourselves to respond to the challenging environment, we constantly strengthened our risk management in all aspects and continued to improve our risk prevention and control capabilities so as to maintain a high standard of corporate governance for the Company to attain healthy and sustainable development.

During the year, in spite of the fluctuated situation of the COVID-19 pandemic, the Group paid close attention to its operational management with a focus on maintaining safety and stable water supply, and seriously carried out various tasks and implemented prevention and control measures to ensure the quality and safety of water supply, thereby maintaining the normal operation of the Company. Meanwhile, the Group's shopping malls and investment properties continued to contribute stable rental income to the Group despite the impact caused by the COVID-19 pandemic to a certain extent.

Under the complex, volatile and difficult business environment, the Group understands that employees are the key to our sustainable and steady development. In January 2021, the Company adopted the Share Award Scheme to offer eligible employees the opportunity to own equity interests in the Group, in order to retain them to serve the Group for its continuous operation, growth and development and to attract suitable personnel, while providing them with direct economic benefits for the achievement of the Company's long-term business objectives.

### PROSPECTS

In 2022, amid the ever-changing global environment, the spread of COVID-19 remains as a pandemic around the world. Against the backdrop of the more and more complex global economic trend and in the face of the unprecedented changes of the century, both challenges and opportunities exist. Inflation has led to the gradual adjustment to the relaxed monetary policies in major developed countries and possible interest rate hikes and austerity measures to be taken in the future. The impact of Russia-Ukraine war and sanctions on the global economy has yet to be seen. For the Group, there are both difficulties and hopes in 2022. The Group has been endeavoring to improve its overall operating efficiency and adjusting its business portfolio and strategy in order to leverage its strengths to seize new investment opportunities while fighting against the adverse economic condition. During the year, the Group completed the acquisition of the securities brokerage and financial advisory businesses, which will complement the Group's existing financial licenses for asset management and lending business, thereby facilitating the Group to develop into an integrated financial holding company that provides customers with a full range of financial services. With the expansion of its existing business scope, the Group plans to expedite its development in the financial sector in the future to enhance its overall business competitiveness and optimize its profitability.

The Group will strive to develop attractive property projects in the PRC and overseas, and continue to explore attractive and suitable investment opportunities in the market. The stable sources of revenue and cash flows have laid a solid foundation for the Group's future development and enabled the Group to seize good acquisition opportunity to create long-term returns.

I would like to take this opportunity to express my sincere gratitude to the Board, the senior management and our staff for their continued efforts, and the long-standing support from our shareholders and business partners. Looking ahead, the Group will remain flexible and vigilant while striving to explore its sustainable development, with an aim to create value for shareholders.

**Chen Jinyang**

*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2022

# 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 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.

## FINANCIAL OVERVIEW *(continued)*

### 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.



# Management Discussion and Analysis

## FINANCIAL OVERVIEW *(continued)*

### 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.

## FINANCIAL OVERVIEW *(continued)*

### 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 report; 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.

## Management Discussion and Analysis

### 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 completed on 3 November 2021.

# Management Discussion and Analysis

## 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 was completed on 3 November 2021. Further details regarding the Acquisition were disclosed in the Company’s announcement 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 Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

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

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



## Management Discussion and Analysis

### DISCLOSURE OF CHANGES IN DIRECTOR'S INFORMATION OF DIRECTORS 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 2020 Annual Report are as follows:

1. Ms. Zhu Fenglian is a director of Hooray Securities Limited and Hooray Capital Limited, which became subsidiaries of the Company on completion of acquisition on 3 November 2021.
2. Ms. Zhang Haimei was appointed as a director of Hooray Securities Limited and Hooray Capital Limited, being the subsidiaries of the Company with effect from 3 November 2021.
3. Mr. Xuan Zhensheng was appointed as a supervisor of Shenzhen Huanye Universal Technologies Limited, the subsidiary of the Company with effect from 26 May 2021.
4. Dr. Cheung Wai Bun, Charles, J.P. resigned as an independent non-executive director, the Chairman of the nomination committee and the member of the audit committee of Yin He Holdings Limited (stock code: 8260) with effect from 23 August 2021. Further update information regarding Dr. Cheung's information are set out in the Company's announcement dated 9 March 2022.
5. Mr. David Tsoi was appointed as an independent non-executive director, the Chairman of Audit Committee and a member of each of the Compensation and Benefits Committee and the Nomination Committee of InvesTech Holdings Limited (stock code: 1087) with effect from 14 May 2021.

Save as disclosed above, there are no other changes to the Directors' information that is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

### LITIGATION

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

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

As disclosed in the Cessation Notice Announcement, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government-designated Water Plant. 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, it is difficult to predict the outcome of the litigation. However, 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.

### DIRECTORS

#### Executive Directors

##### Mr. Chen Jinyang

Mr. Chen, aged 51, was appointed as an Executive Director, the Chairman of the Board, Chief Executive Officer and an authorised representative of the Group on 18 December 2012, 16 September 2013, 3 June 2019 and 29 October 2015 respectively. Prior to joining the Company, Mr. Chen already had substantial experience and knowledge of banking industry and investment business in the PRC. Mr. Chen is currently a responsible officer and director of Hooray Asset Management Limited, a type-9 licensed corporation and a wholly-owned subsidiary of the Company.

##### Ms. Zhu Fenglian

Ms. Zhu, aged 57, was appointed as an Executive Director of the Group on 19 May 2016. She graduated from the Department of Chinese of Sun Yat-Sen University, China in 1985 with a Bachelor's degree. She has extensive experience in corporate management. Ms. Zhu was formerly a director of Dongguan Hongshun Shaohe Development Co., Ltd.; and a director, the chairperson and Legal Representative of Guangdong Golden Dragon Development Inc. ("GD", the shares of which are listed on the Shenzhen Stock Exchange with stock code: 000712). She is currently (i) the chairperson of Dongguan New Century School; (ii) a director of Hooray Securities Limited, a wholly-owned subsidiary of the Company; (iii) a director of Hooray Capital Limited, a wholly-owned subsidiary of the Company; (iv) a director of Hooray Asset Management Limited, a wholly-owned subsidiary of the Company; (v) a director of Ruijin Equity Investment Fund Management (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company; (vi) a director and the general manager of Qinghui, a 49% owned subsidiary of the Company; (vii) a director and the manager of Dongguan Xinhongcheng Enterprise Management Company Limited, a 49% owned subsidiary of the Company; (viii) the Legal Representative and an Executive Director of Qingyuan Jinhong Industrial Company Limited, a wholly-owned subsidiary of Qinghui; (ix) a director of Qingyuan Water Supply Development Company Limited, a wholly-owned subsidiary of Qinghui; (x) a chairperson of Dongguan Jinshun Real Estate Investment Limited and Dongguan Jincheng Real Estate Investment Limited; (xi) a manager and executive director of Dongguan Yuhe Shiye Limited; and (xii) a director of Dongguan Securities Limited and Zhongshan Securities Co., Ltd.

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

## Directors and Senior Management

### **DIRECTORS** *(continued)*

#### **Executive Directors** *(continued)*

##### **Ms. Zhang Haimei**

Ms. Zhang, aged 54, was appointed as a Non-Executive Director of the Group on 23 December 2015 and re-designated as an Executive Director of the Group on 23 April 2018. Ms. Zhang is experienced in financial management. Ms. Zhang obtained a diploma in accounting and possesses the qualification of junior level accounting in the PRC.

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

### **DIRECTORS** *(continued)*

#### **Non-Executive Directors**

##### **Mr. Xuan Zhensheng**

Mr. Xuan, aged 52, was appointed as Non-Executive Director of the Group on 23 April 2018. Mr. Xuan obtained a diploma in Economics Management in the PRC, and specialty in accountant qualifications issued by the Ministry of Personnel of PRC.

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

## Directors and Senior Management

### DIRECTORS *(continued)*

#### Independent Non-Executive Directors

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

Dr. Cheung, aged 85, is an Independent Non-Executive Director, the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company.

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

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

Dr. Cheung is currently an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Jiayuan International Group Limited (Stock Code: 2768) and Modern Dental Group Limited (Stock Code: 3600), and a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which are listed on the Main Board of the Stock Exchange. Dr. Cheung was an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), from September 2014 to August 2021, which is listed on the GEM of the Stock Exchange. He was formerly an independent non-executive director of China Financial International Investments Limited (Stock Code: 721), from March 2001 to September 2018, and China Taifeng Beddings Holdings Limited (Stock Code: 873), from April 2017 to July 2018 and Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), from December 2017 to December 2020, which are listed on the Main Board of the Stock Exchange.

### **DIRECTORS** *(continued)*

#### **Independent Non-Executive Directors** *(continued)*

##### **Mr. David Tsoi**

Mr. Tsoi, aged 74, was appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company on 3 June 2013. Mr. Tsoi is the managing director of Alliot, Tsoi CPA Limited. Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, the Institute of Chartered Accountants of England and Wales, the Society of Chinese Accountants and Auditors and the CPA Australia, respectively, and a member of Chartered Professional Accountants of British Columbia, Canada. Mr. Tsoi is currently (i) an independent non-executive director, chairman of Audit Committee and Remuneration Committee of Green International Holdings Limited (stock code: 2700); (ii) an independent non-executive director of Guru Online (Holdings) Limited (stock code: 8121); (iii) an independent non-executive director of Tianli Holdings Group Limited (stock code: 117); (iv) an independent non-executive director and chairman of Audit Committee of VPower Group International Holdings Limited (stock code: 1608); (v) an independent non-executive director and chairman of Audit Committee of Everbright Grand China Asset Limited (stock code: 3699); and (vi) an independent non-executive director and chairman of Audit Committee of InvesTech Holdings Limited (stock code: 1087), the shares of which are all listed on the Hong Kong Stock Exchange.

## Directors and Senior Management

### **DIRECTORS** *(continued)*

#### **Independent Non-Executive Directors** *(continued)*

##### **Mr. Chao Pao Shu George**

Mr. Chao, aged 75, was appointed as an Independent Non-Executive Director, a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company on 16 September 2013, and further appointed as Chairman of Nomination Committee of the Company on 13 January 2016.

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

### **SENIOR MANAGEMENT**

##### **Mr. Chen Jinyang**

Mr. Chen, aged 51, was appointed as Chief Executive Officer on 3 June 2019. He is also the Chairman of the Board, an Executive Director and an authorised representative of the Group. Please refer to the paragraph headed "Directors" in this section above for his biography.

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Listing Rules in the construction of its corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasize on a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability to all stakeholders of the Company.

### CORPORATE GOVERNANCE PRACTICES

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

During the Year, Mr. Chen Jinyang has been acting as an executive Director, the chairman of the Board as well as the chief executive officer of the Company. This arrangement deviates from Code Provision 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.

### BOARD OF DIRECTORS

#### Board Composition

The Board comprises seven Directors, including three Executive Directors, namely, Mr. Chen Jinyang (Chairman and Chief Executive officer), Ms. Zhu Fenglian and Ms. Zhang Haimei; one Non-Executive Director, namely Mr. Xuan Zhensheng; and three Independent Non-Executive Directors, namely Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George. Throughout the year and up to the date of this report, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. To comply with Rule 3.10A of the Listing Rules, Independent Non-Executive Directors represented at least one-third of the Board throughout the year ended 31 December 2021.

The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-Executive Directors are considered to be independent. Brief biographical particulars of the Directors are set out on pages 17 to 22.



# Corporate Governance Report

## BOARD OF DIRECTORS *(continued)*

### Board's Responsibilities and Delegation

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

The participation of Non-Executive Directors in the Board brings independent judgement on issues relating to the Company's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board delegates day-to-day operations of the Company to Executive Directors and senior management, while reserving certain key matters for Board's approval. Decisions of the Board are communicated to the management through Executive Directors who have attended at Board meetings.

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

### Compliance with the Model Code for Directors' Securities Transactions

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

Having made specific enquiry of all Directors, the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout year ended 31 December 2021.

### Meetings

Board members attended the Company's Board meetings either in person or through telephone conferencing means in accordance with the provisions of the Company's articles of association. The attendance record of each director at the Board meetings and annual general meeting held during the year is set out below:

Directors	Number of meeting attended/held	
	Board meetings	AGM
Mr. Chen Jinyang	7/7	1/1
Ms. Zhu Fenglian	7/7	1/1
Ms. Zhang Haimei	7/7	1/1
Mr. Xuan Zhensheng	7/7	1/1
Dr. Cheung Wai Bun, Charles, <i>J.P.</i>	7/7	1/1
Mr. David Tsoi	7/7	1/1
Mr. Chao Pao Shu George	7/7	1/1

## **BOARD OF DIRECTORS** *(continued)*

### **Corporate governance functions**

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

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

### **Directors' Continuing Professional Development Programme**

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors and Directors have provided the Company with their respective training records pursuant to the CG Code.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

Under the CG Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The Company does not at present separate roles of the chairman and chief executive officer. Mr. Chen Jinyang is the chairman of the Board and the Chief Executive Officer. The Directors are of the opinion that the current arrangement will enable stronger leadership for managing the Company and will carry out effective and efficient management and solid business and strategic planning. Therefore, the Directors consider that the deviation from Code Provision A.2.1 (subsequently rearranged and renumbered as C.2.1) of the CG Code is appropriate in such circumstance. Notwithstanding from above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

### APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

### COMPANY SECRETARY

Mr. Tang Chi Wai is the company secretary, the financial controller and an authorised representative of the Company. Mr. Tang is responsible for the overall financial and accounting affairs, treasury management and company secretarial matters of the Group.

Mr. Tang supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year 2021.

### REMUNERATION COMMITTEE

The Board established the remuneration committee in July 2006. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. The remuneration committee shall determine, with delegated responsibility, the individual remuneration package of each Executive Director and senior management including benefits in kind and pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). When determining remuneration packages of the Executive Directors and senior management of the Company, the remuneration committee takes into consideration factors such as time commitment, responsibilities, employment condition and remuneration packages of executive directors of comparable companies.

The remuneration committee currently comprises three Independent Non-Executive Directors, namely, Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George, and is chaired by Dr. Cheung Wai Bun, Charles, J.P..

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

## REMUNERATION COMMITTEE *(continued)*

The remuneration committee held one meeting for the year ended 31 December 2021. The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:–

Remuneration Committee	Attendance
Dr. Cheung Wai Bun, Charles, <i>J.P. (Chairman)</i>	1/1
Mr. David Tsoi	1/1
Mr. Chao Pao Shu George	1/1

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 7(b) to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2021 is set out below:

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

## NOMINATION COMMITTEE

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

The nomination committee currently comprises three Independent Non-Executive Directors, namely, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George, and is chaired by Mr. Chao Pao Shu George.

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

The nomination committee held one meeting for the year ended 31 December 2021. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:–

Nomination Committee	Attendance
Mr. Chao Pao Shu George <i>(Chairman)</i>	1/1
Dr. Cheung Wai Bun, Charles, <i>J.P.</i>	1/1
Mr. David Tsoi	1/1

## NOMINATION COMMITTEE *(continued)*

### Board Diversity Policy

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

### Nomination Policy

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

### Selection Criteria

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

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

## NOMINATION COMMITTEE *(continued)*

### Nomination Policy *(continued)*

#### Nomination Procedures

##### *a. Appointment of New Director*

- (i) Meetings or written resolutions of the Nomination Committee shall be arranged for nominating candidate for the consideration by the Nomination Committee upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board shall rank them by order of preference based on the needs of the Company.
- (iii) The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

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

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

- (i) The Nomination Committee and/or the Board shall review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board shall also review and determine whether the retiring director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

## **NOMINATION COMMITTEE** *(continued)*

### **Nomination Policy** *(continued)*

#### **Nomination Procedures (continued)**

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

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

#### **Monitoring, Reporting and Regular review**

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

## **RISKS MANAGEMENT AND INTERNAL CONTROLS**

The Board has the responsibility to maintain an effective risk management and internal control system in order to safeguard the Group's assets and investments and the shareholders' interest and conducts a review on an annual basis. During the year, the Board had conducted review of the effectiveness of the risk management and internal control system of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions before the date of this report through effort of the Audit Committee.

During the year, the Company engaged an external independent consultant to conduct a review on the internal control system and risk management of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control system was in place and effective.

## ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company. The financial statements set out on pages 76 to 162. Financial results of the Company are announced in a timely manner in accordance with statutory and/or regulatory requirements. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, and have therefore prepared the Company's accounts on a going concern basis.

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

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2021 are set out in the Independent Auditor's Report on pages 71 to 75.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the remuneration paid and payable to the external auditor of the Group for services provided are set out as follows:

SERVICES RENDERED	Fee Paid/Payable 2021 HK\$'000
Statutory audit services	1,165
Review of interim results	480
Taxation services	78
	1,723



## AUDIT COMMITTEE

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

The audit committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial report judgments contained therein. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, systems of internal controls and risk management and compliance issues.

The audit committee currently comprises three Independent Non-Executive Directors, namely, Mr. David Tsoi, Dr. Cheung Wai Bun, Charles, J.P. and Mr. Chao Pao Shu George, and is chaired by Mr. David Tsoi.

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

The audit committee held two meetings for the year ended 31 December 2021. The composition of the audit committee during the year as well as the meeting attendance of the committee members are as follows:-

Audit Committee	Attendance
Mr. David Tsoi ( <i>Chairman</i> )	2/2
Dr. Cheung Wai Bun, Charles, <i>J.P.</i>	2/2
Mr. Chao Pao Shu George	2/2

## Dividend Policy

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

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to convene an extraordinary general meeting

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

### Procedures for putting forward proposals by Shareholders at Shareholders' meeting

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

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

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

### Voting by Poll

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

### Shareholders' Communication Policy

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

## INVESTOR RELATIONS

There was no amendment made to the constitutional documents of the Company during the year.

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

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

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

## ABOUT THE REPORT

This is the sixth Environmental, Social and Governance (“ESG”) report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

### Scope and Reporting Period

This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the three major operations of water treatment and distribution services, property leasing services, and the headquarters office, from 1 January 2021 to 31 December 2021 (“Reporting Period”), unless otherwise stated.

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

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

The headquarters office, located in Sheung Wan, Hong Kong (the “Headquarters”), manages the above operations.

During the Reporting Period, the Group acquired the entire issued share capital of Hooray Capital Limited (licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activities) and Hooray Securities Limited (licensed by the SFC to conduct Type 1 (dealing in securities) regulated activities). The acquisition was completed on 3 November 2021. However, since revenue from the newly acquired subsidiaries only constitutes approximately 0.09% of the total revenue of the Group during the Reporting Period, operations of the newly acquired subsidiaries are considered insignificant and thus are not part of Reporting Scope for the Reporting Period.

### Reporting Principles

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

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

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

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

## THE GROUP'S SUSTAINABILITY MISSION AND VISION

### Mission

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

### Vision on Sustainability

As a responsible enterprise, the Group acknowledges that it must consider the environmental footprint of its business operation while enjoying financial stability. Hence, the Group is always continuously looking for different ways that would help reduce and improve its environmental impacts. The Group is also committed to enhancing governance, promoting employee benefits and development, protecting the environment, and giving back to society to fulfil social responsibility and achieve sustainable growth.

### Major Challenges and Development

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

- Reconstruction of DN250 water supply pipeline along Binjiang Road
- Reconstruction of DN200 water supply pipeline along fencing of No.4 Elementary School
- Upgrade of monitoring system at No.1 Water Plant of Taihe Company
- Investment of 3.39 million RMB by WSD Company to upgrade and reconstruct old water supply pipeline network
- Investment of 14.76 million RMB by WSD Company to construct additional pumping stations

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

### Major Challenges and Development *(continued)*

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

- Increasing frequency of pipelines inspection to identify and seal any leakage found
- Improving transparency of existing pipelines locations and enhancing communication with construction workers to prevent damage during construction
- Arranging relevant repair plans and leakage detection systems to reduce leakage
- Upgrading water supply networks and pumping stations to reduce water loss
- Strengthening the use of information system to enhance management efficiency and issues identifications

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

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

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

## CHAIRMAN'S STATEMENT

Looking back at 2021, with the continuous spread of COVID-19 around the world, although international trade frictions and the difficult macroeconomic situation remained, the Group was still determined to improve the sustainability performance of our operations and flighted against the challenges with endless efforts to achieve a sustainable strategy.

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

In respect of employee responsibility, nurturing and retaining talents is also crucial to the Group's business growth. In view of the fact that introducing and nurturing talents is an integral part of corporate development, the Group provides them with fair opportunities and adequate support and career development to our employees through diversified learning and training programs. In January 2021, the Group also adopted the Share Award Scheme to offer eligible employees the opportunity to own equity interests in the Group, in order to retain them to serve the Group for its continuous operation, growth and development and to attract suitable personnel to endeavor to create a working environment with aspirations and belongingness within the enterprise. Meanwhile, we regard the safety of our employees as our first priority. During the outbreak of COVID-19, the Group demonstrated its responsiveness and took prompt action through effective cross-departmental cooperation to update and release epidemic prevention measures in a timely manner.

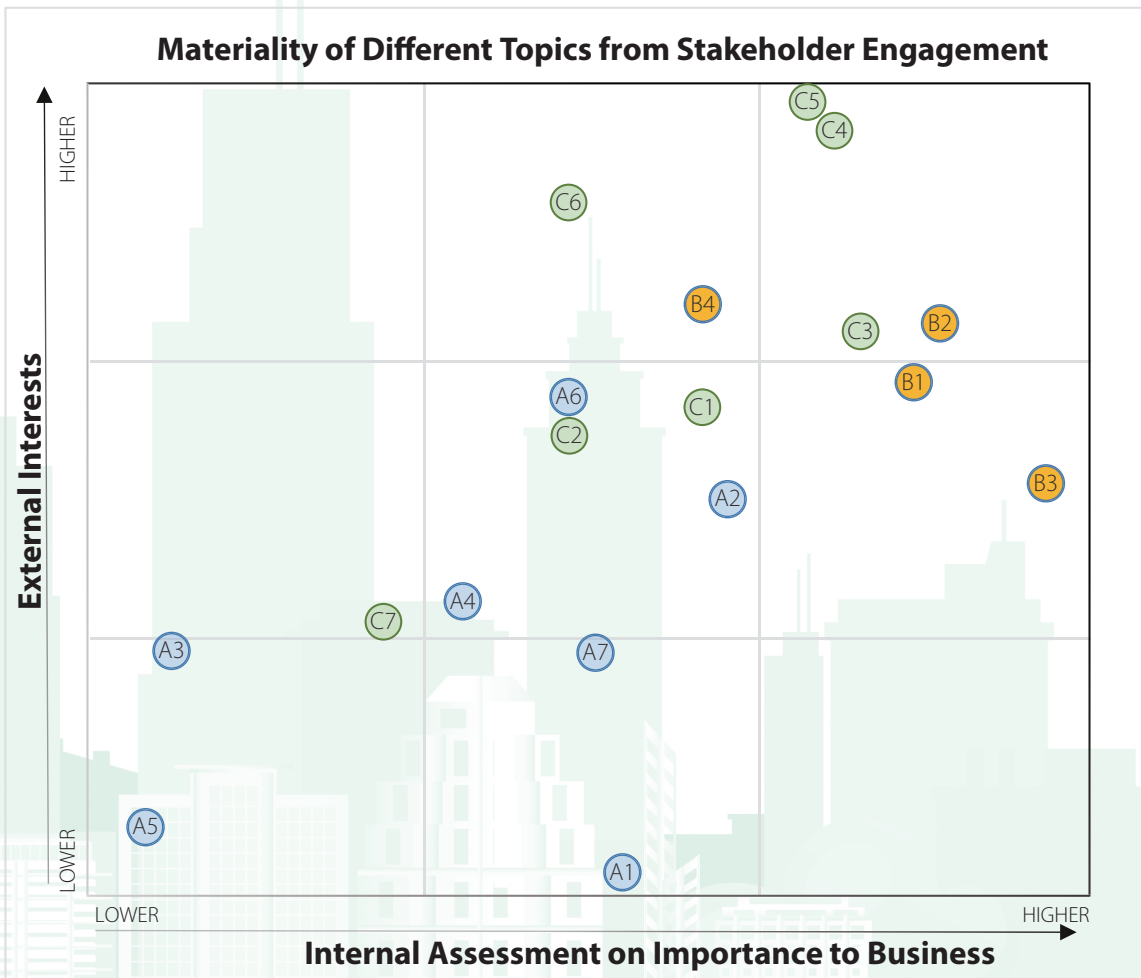
Looking ahead, we hope to maintain a steady and efficient sustainable business development and promote sustainable development together with our stakeholders, thereby fulfilling our corporate and social responsibilities to create a promising future.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

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

## STAKEHOLDER ENGAGEMENT AND MATERIALITY *(continued)*

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



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



## STAKEHOLDER ENGAGEMENT AND MATERIALITY *(continued)*

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

Material Aspects	Management Approach on the Aspects
Product/Service Quality	Ensure quality and safety of water (including surface water, raw water, supply water and pipe network water) through frequent laboratory tests, and chemical use, hygiene, and safety control throughout the treatment process.
Customer Service	Ensure publicly accessible hotlines, WeChat account, and other communication channels are available for users'/customers'/clients' feedback and enquiries, and handle enquiries or complaint promptly.
Occupational Health and Safety	Provide medical insurance, annual body checks, annual women health checks, proper Personal Protective Equipment ("PPE") and health and safety trainings to employees.
Development and Training	Development and training programmes are formulated by each department based on the needs of employees, allowing employees to develop their work skills as appropriate to their workplace.
Data Protection	Ensure that electronic data is stored appropriately in the database with encryption programmes; hard copies are documented in files room and to be placed in the custody of an appointed person.

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

## STAKEHOLDERS' FEEDBACK

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

## A. ENVIRONMENTAL

The operations of the Water Supply Companies, Dongshan Mall, and Headquarters involve the emission of certain substances. Having said that, all laws and regulations outlined by respective governing authorities were complied with during the Reporting Period. The Group also strives to continuously develop with consideration on the environment. Therefore, the Group has implemented a number of policies to help with this aim.

### A1. Emissions

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

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

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

#### A1.1. Air Emissions

During the Reporting Period, Towngas and LPG was consumed for canteen operation, while petrol and diesel were consumed for Group-owned vehicles, which contributed to the emission of 347.34 kg of nitrogen oxides ("NOx"), 0.46 kg of sulphur oxides ("SOx") and 32.29 kg of particulate matters ("PM"). The overall intensity was 895.22 g of NOx, 1.19 g of SOx, and 83.23 g of PM per employee, or 200.71 g of NOx, 0.27 g of SOx, and 18.66 g of PM per hectare of total area.

## A. ENVIRONMENTAL *(continued)*

### A1. Emissions *(continued)*

#### A1.2. Greenhouse Gas (“GHG”) Emissions

During the Reporting Period, 19,863.27 tonnes of carbon dioxide equivalent (“tCO<sub>2</sub>e”) GHG (mainly carbon dioxide, nitrous oxides and methane) were emitted from Group’s operations. The annual emission intensity was 51.19 tCO<sub>2</sub>e/employee, or 1.15 tCO<sub>2</sub>e/hectare.

Sources of Greenhouse Gas Emissions		Emission (tCO <sub>2</sub> e)	Sub-total (tCO <sub>2</sub> e)	Total Emission (%)
Scope 1 – Direct Emission	Combustion of fuels in stationary sources	8.01	345.10	1.74
	Combustion of fuels in mobiles sources	81.88		
	Release of refrigerants from the operation of equipment and systems	255.21		
Scope 2 – Energy Indirect Emission	Purchased electricity	19,461.80	19,463.44	97.99
Scope 3 – Other Indirect Emission	Purchased towngas	1.64	54.73	0.28
	Paper waste disposal	12.01		
	Electricity used by third parties for processing fresh water and sewage	42.72		
<b>Total</b>			<b>19,863.27</b>	<b>100</b>

Note1: Group-owned vehicles include only Group-owned vehicles in the Water Supply Companies and the Headquarters.

Note2: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note3: An emission factor of 0.6101 tCO<sub>2</sub>/kWh was used for purchased electricity in Guangdong Province of the PRC.

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

## A. ENVIRONMENTAL *(continued)*

### A1. Emissions *(continued)*

#### A1.3. Hazardous Waste

The Water Plant operations consumed chemicals including, polyaluminium chloride ("PAC"), hydrochloric acid, sodium chlorate and sodium hypochlorite. When disposed of improperly, hazardous waste poses potential hazard to human health and the environment. Therefore, hazardous materials used by the water treatment operations are handled carefully. A total of 120.00 kg of laboratory waste was generated during the Reporting Period. Laboratory waste generated were all collected by licensed collectors.

Furthermore, there was 9.00 kg of hazardous waste generated by the Headquarters during the Reporting Period, which was comprised of printer ink cartridges. While for Dongshan Mall, its daily operations did not generate any significant amounts of hazardous waste. However, Dongshan Mall strictly follows the guidance provided by the government when handling such waste.

In total, 0.129 tonnes of hazardous waste were generated from daily business operations of the Group during the Reporting Period. The intensity was 0.33 kg of hazardous waste per employee, or 0.01 kg per hectare of total area.

#### A1.4. Non-hazardous Waste

Non-hazardous waste generated from the Group are mainly mud from dewatered mud in the water treatment operations and paper from the office operations. The mud is first stored in the plant, and after reaching a certain amount, it will be sent to the site designated by the environmental department for landfill. A total of 266,000 tonnes of mud was generated and disposed of by the Water Supply Companies during the Reporting Period.

The Headquarters had generated 120.00 kg of paper waste from daily office operations such as documents printing and deliverables packaging. Printed documents are usually filed and stored for record. In addition, 480.00 kg of everyday waste was generated by employees of the Headquarters.

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

In total, 266,000.60 tonnes of non-hazardous waste were generated from daily business operations of the Group during the Reporting Period. The intensity was 685.57 tonnes of non-hazardous waste per employee, or 15.37 tonnes per hectare of total area.

## A. ENVIRONMENTAL *(continued)*

### A1. Emissions *(continued)*

#### A1.5. Measures to Mitigate Emissions

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

In the Water Supply Companies especially, greening has been worked on to improve the air quality for a comfortable working environment. Preference is given to energy-efficient or environmentally friendly products when purchasing new equipment. Furthermore, the Water Supply Companies have eliminated the use of heating during winter months.

As for Dongshan Mall, it does not own any cars. The indoor temperature of Dongshan Mall is controlled at 26°C in summer and switched off in other seasons, where only ventilating systems will be left in operation to reduce emission.

Through the above measures, the Group aims to achieve a 10% reduction in overall emissions intensity in 10 years, or by 2031.

#### A1.6. Waste Reduction and Initiatives

The Group understands that high paper consumption piles pressure on the Earth's natural forests and endangered wildlife. Therefore, it encourages paperless administrative procedures as much as possible. When paper use is inevitable, paper saving practices shall be adopted. For example, employees are encouraged to use duplex printing for internal documents and adopt environmentally friendly photocopying habits. Wastepaper recycling trays for paper, as well as recycling bins for other waste such as lightbulbs are provided in prominent areas for proper reuse or recycling. Employees are also encouraged to bring in their own utensils for use in canteen to reduce the use of single-use tableware. In general, a sense of anti-waste is promoted within the Group to contribute to preservation of resources, and reduction in consumption. During the Reporting Period, 50.90 kg of paper was recycled, contributing to a reduction of 0.24 tCO<sub>2</sub>e emission.

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

Through the above measures, the Group aims to achieve a 10% reduction in overall waste generation intensity in 10 years, or by 2031.

## A. ENVIRONMENTAL *(continued)*

### A2. Use of Resources

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

#### A2.1. Energy Consumption

The energy use involved in the Water Supply Companies, and the Headquarters during the Reporting Period included the consumption of electricity, petrol, diesel, towngas, and LPG. The annual energy consumption was 32,218.20 MWh, and the consumption intensity was 1.86 MWh/hectare, or 83.04 MWh/employee.

Type of Energy	Consumption	Consumption (in kWh)
Electricity	31,894,794.30 kWh	31,894,794.30
Petrol	19,920.50 litres	176,995.90
Diesel	10,514.27 litres	105,122.98
Towngas	2773.33 units	36,977.78
LPG	309.00 kg	4,307.03

#### A2.2. Water Consumption

During the Reporting Period, a total of 2.00 million m<sup>3</sup> of water was consumed by the Group for its operational purposes<sup>1</sup>, over 96.5% of which were consumed by the Water Supply Companies. The overall intensity was 115.51 m<sup>3</sup>/hectare, or 5,152.15 m<sup>3</sup>/employee. Taihe Company sources raw water directly from the local Beijiang River and its tributary with licences and approvals from the local government, while the WSD Company sources water from the Government-designated Water Plant. There was no issue in sourcing water fit for purpose during the Reporting Period.

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

#### A2.3. Energy Use Efficiency Initiatives

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

- Enhancing efficiency of their water pumps and equipment
- Bringing in frequency inverters to adjust power supply according to the different pressure levels automatically
- Carrying out technological upgrade and regular maintenance for energy-consuming equipment and circuits to reduce energy depletion

<sup>1</sup> Water consumption figure excludes water which was distributed to household, commercials and industrial units

## A. ENVIRONMENTAL *(continued)*

### A2. Use of Resources *(continued)*

#### A2.3. Energy Use Efficiency Initiatives *(continued)*

- Setting electricity consumption as an aspect for assessment
- Making energy efficiency and environmental friendliness mandatory criteria to be fulfilled when purchasing new equipment

The Dongshan Mall has formulated measures to enhance the efficiency of energy use. These measures include the use of LED lights, energy efficient lifts and air conditioners, energy management systems, and imposing central lighting and ventilation schedules on tenants.

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

Through the above measures, the Group aims to achieve a 10% reduction in overall energy consumption intensity in 10 years, or by 2031.

#### A2.4. Water Use Efficiency Initiatives

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

- Adopting a more efficient and water-saving siphoning method during sludge treatment and discharge
- Collecting treated backwash water for reuse at other procedures, which amounted to 2.21 million m<sup>3</sup> during the Reporting Period
- Controlling the consumption, frequency and time length of backwash water depending on raw water turbidity
- Frequently searching for and repairing points of water leakage
- Constantly promoting water conservation messages within the companies and to communities

Through the above measures, the Group aims to achieve a 10% reduction in overall water consumption intensity in 10 years, or by 2031.

## A. ENVIRONMENTAL *(continued)*

### A2. Use of Resources *(continued)*

#### A2.5. Packaging Materials

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

### A3. The Environment and Natural Resources

#### A3.1. Significant Impacts of Activities on the Environment

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

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

### A4. Climate Change

Climate change poses a huge threat to all businesses, and that of the Group's is not an exception. Both physical and transitional risks may be threats that the Group's operations will face. Involved in a business that heavily relies on the quality of water in rivers, Taihe Company has outlined emergency response plans in preparation for occurrences of extreme weather events or leak of fossil fuel, both of which will significantly cause an impact to the waters' quality and suitability for human consumption. The Group will keep an eye on potential risks caused by climate change and develop measures to control and manage relevant threats properly to minimise challenges faced by its operations.

## B. SOCIAL

### 1. Employment and Labour Practices

To run the Group's Water Supply Companies, property leasing and office operations, a large pool of employees is recruited to assist in delivering quality output for the business. Hence, employment and labour practices are big topics for the Group. Great emphasis is put onto providing employees benefits and welfare, granting them equal opportunities, and paying attention to their needs to retain talents. Additionally, the Group also makes sure the health and safety of employees are safeguarded, and that employees are constantly empowered and improved in terms of their industry knowledge. To achieve that, certain policies, drills, and trainings are regularly carried out to equip employees with necessary preparation and skills for different circumstances. The Group also strictly follows laws in providing employees a satisfactory working environment and operating with cautious practices to give customers fulfilling services.



## B. SOCIAL (continued)

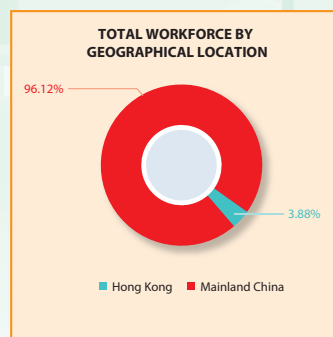
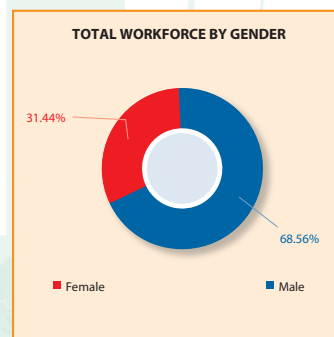
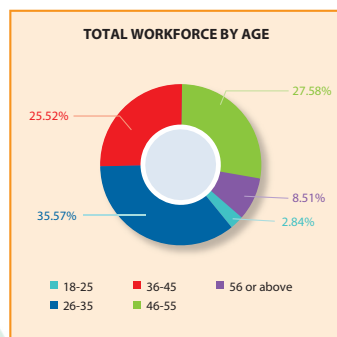
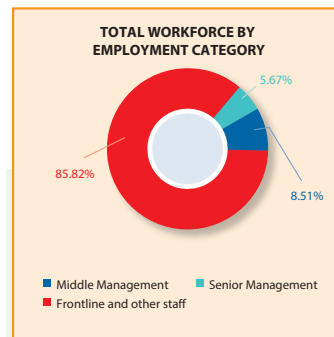
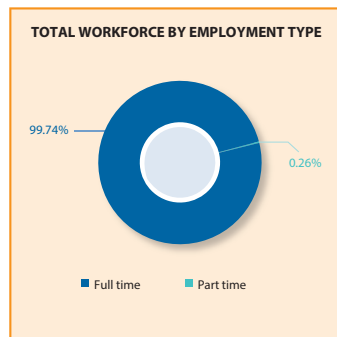
### B1. Employment

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

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

#### B1.1 Total Workforce

The Water Supply Companies, Dongshan Mall and Headquarters (excluding the supporting units) had a total number of 388 employees as of 31 December 2021.

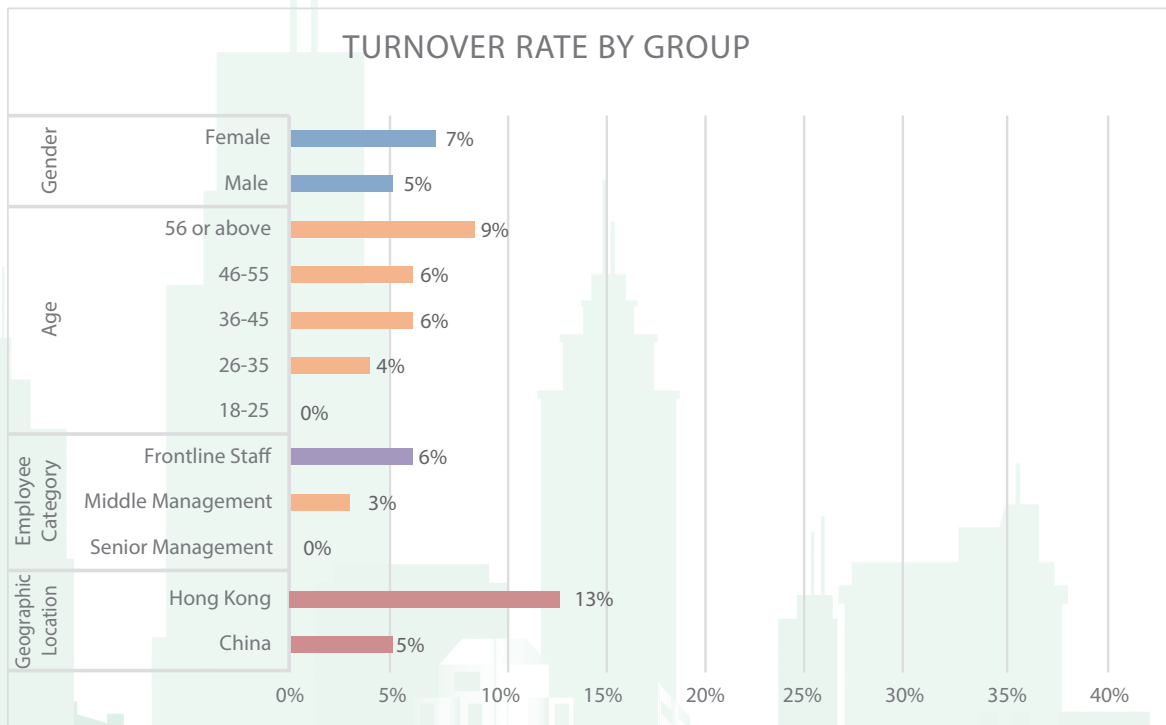


## B. SOCIAL *(continued)*

### B1. Employment *(continued)*

#### B1.2 Turnover Rate

A total of 21 employees left the Water Supply Companies, Dongshan Mall, and Headquarters during the Reporting Period, which is a relatively low turnover rate of 5.41%. All of those who left worked full time.



#### *Remuneration and Benefits*

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

## B. SOCIAL *(continued)*

### B1. Employment *(continued)*

#### B1.2 Turnover Rate *(continued)*

##### *Awards and Penalty System*

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

##### *Equal Opportunity*

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

##### *Employment Communication*

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

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

## B. SOCIAL *(continued)*

### B1. Employment *(continued)*

#### B1.2 Turnover Rate *(continued)*

##### *COVID-19 Response*

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

### B2. Occupational Health and Safety

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

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

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

In the water supply operations, a responsible person for safety management is appointed to assist in establishing a safety management system and targeting at a workplace with zero occupational disease incidents. For employees who deal with hazardous materials, chemicals, toxic substances, and radioactive sources, there are strict requirements for them to carry out body checks before and throughout their work period. In cases when employees are diagnosed with occupational diseases, they are immediately transferred to other posts which are not exposed to relevant risks of occupational disease. High-temperature subsidy is provided to employees working under high temperature according to the statutory heatstroke prevention and cooling measures. A Production Safety and Accidents Emergency Plan, in which potential risks and hazards are identified and comprehensive contingency plans are developed, is available for both production related or non-related accidents (such as natural disasters, water pollution and contamination, pipe network destruction, war and terrorist activities). Through drills and training, employees are aware of the potential risks, hazards, and actions to be taken when accidents occurred. To make sure fire distinguishers work normally, internal fire safety inspection is conducted annually. Water tanks are locked to avoid unauthorised access. Policies on management of precursor chemicals (e.g. hydrochloric acid) and rules on storing hydrochloric acid are posted at conspicuous locations. Storage area with explosives (e.g. chlorine dioxide) are also installed with gas detectors and surveillance camera to avoid explosion and unauthorised access respectively.

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

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

**B. SOCIAL** *(continued)*

**B2. Occupational Health and Safety** *(continued)*

**COVID-19 Measures**

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

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

**B2.1 Work-related fatalities and injury**

**Occupational Health and Safety Data in 2021**

Work related fatality	0
Fatality rate	0.00%
Work injury cases >3 days	2
Work injury cases ≤3 days	0
Lost days due to work injury	9

**Occupational Health and Safety Data in 2020**

Work related fatality	0
Fatality rate	0.00%

**Occupational Health and Safety Data in 2019**

Work related fatality	0
Fatality rate	0.00%

## B. SOCIAL *(continued)*

### B3. Development and Training

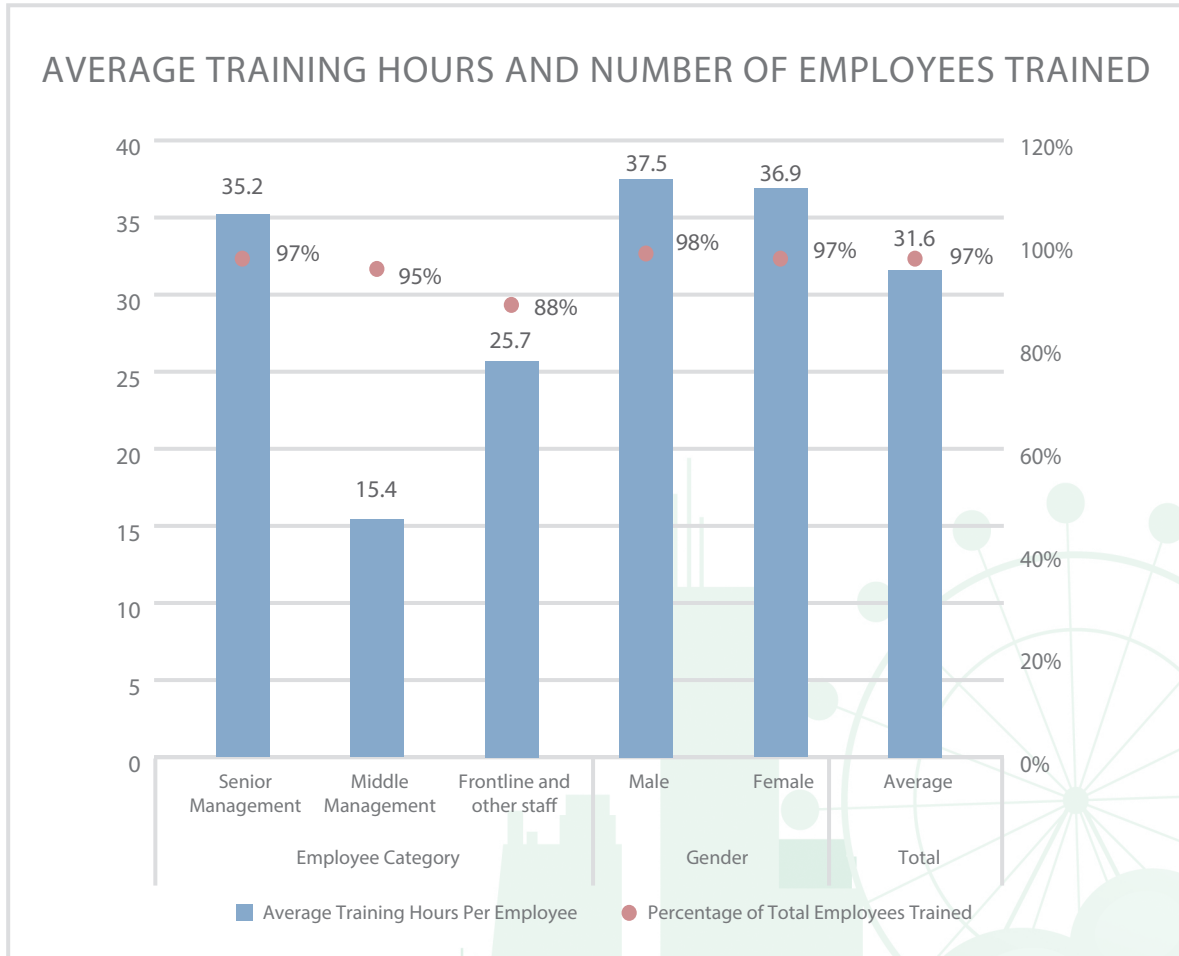
The Group believes that training serves useful purpose in employees' continuous development and work efficiency enhancement. Hence, comprehensive training is provided for the Group's employees. To ensure that every employee meets standards of safe and quality production, employees are only allowed to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

Types of training	Description
<b>Induction training</b>	<ul style="list-style-type: none"> <li>Familiarise newly recruited employees with the Group's work environment</li> <li>Introduce background information, culture, regulations, and code of the Group</li> <li>Include topics on basic safety knowledge, operation procedures and protective equipment</li> </ul>
<b>Internal training</b>	<ul style="list-style-type: none"> <li>Provide employees with duty-related training</li> <li>Include topics on management, mergers and acquisition, general operation, plant management, and customer services</li> </ul>
<b>External training</b>	<ul style="list-style-type: none"> <li>Strengthen employees' skills by external organisations</li> <li>Include topics on office management, office secretary, human resources management and financial management</li> </ul>
<b>Transferral training</b>	<ul style="list-style-type: none"> <li>Assist employees to transfer from one position to the other with relevant skills</li> </ul>
<b>Specialised training</b>	<ul style="list-style-type: none"> <li>Provide laboratory technicians, electricians, welders, lifting machines operators and mobile machinery operators with professional safety skills and knowledge</li> </ul>
<b>Training for New Technologies</b>	<ul style="list-style-type: none"> <li>Train employees on operation procedures of the newly introduced technologies, processes, products and equipment</li> </ul>
<b>Personal Development training</b>	<ul style="list-style-type: none"> <li>Encourage employees to participate external training for self-development</li> </ul>

## B. SOCIAL (continued)

### B3. Development and Training (continued)

During the Reporting Period, the Water Supply Companies, Dongshan Mall and Headquarters delivered training to 97% of its employees, each receiving 35.2 hours of training on average.



## B. SOCIAL *(continued)*

### B4. Labour Standard

In pursuance of the Labour Law of the PRC and the Employment Ordinance of the Laws of Hong Kong, there is no child nor forced labour in the Group's operation. The Group strictly abides by the guidelines of recruitment procedures in the employees' handbook. The Human Resources Department authenticates employee candidates' identity cards, educational certificates, employee registration forms and photos, and does background check prior to establishing any formal employment relationships. Candidates or employees providing false certificates are in breach of the Group's policies and can be dismissed without any compensation. No non-compliance was found during the Reporting Period.

### 2. Operational Practices

As the Group's works are mainly services-based, the user experience and the protection of users' data, no matter of the water supply or property leasing, are top priorities for the Group. Since the Group's operations act as providers to different communities, the management of the supply chain and services are significant to the end products of the Group. To maintain an efficient internal operation, it is necessary that briberies and dishonesties do not exist in the Group. To repay local communities, charitable acts are also performed by the Group. All operating practices of the Group followed laws and regulations and no non-compliance was found during the Reporting Period. Together with its investment in local communities, the Group hopes to establish itself as a Group that carries great corporate social responsibility.

### B5. Supply Chain Management

#### *B5.1 Suppliers by Geographical Region*

The Group has an organised procurement system to ensure smooth production and operation, and to optimise allocation of resources and continuous improvement of the system. During the Reporting Period, the Group worked with 71 major suppliers from different provinces in Mainland China.

#### *B5.2 Practices Relating to Engaging Suppliers*

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

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



## B. SOCIAL *(continued)*

### B5. Supply Chain Management *(continued)*

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

To identify environmental and social risks along the supply chain, the Group organises random site visits to its suppliers. During these inspections, the Group shall assess the quality, equipment, licenses, and other aspects of raw material procurement by the supplier, and determine whether there are any environmental or social risks.

#### *B5.4 Practices Used to Promote Environmentally Conscious Suppliers*

To promote the use of environmentally preferable products and services among suppliers, the Group has required its suppliers to procure raw materials that have met national water, hygienic, and environmental standards.

### B6. Product Responsibility

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

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

#### *B6.1 Water Supply Quality and Safety*

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

To achieve that, the Water Supply Companies carry out laboratory tests for raw water (12 parameters), supply water (13 parameters) and pipe network water (13 parameters) each day. Weekly/biweekly laboratory tests are also conducted for raw water (18 parameters), supply water (20 parameters) and pipe network water (20 parameters); and monthly laboratory tests are conducted for surface water (41 parameters), raw water (74 parameters), supply water (78 parameters) and pipe network water (78 parameters). Supply water must also pass the half-yearly laboratory tests (106 parameters) carried out by qualified water quality testing laboratories.

## B. SOCIAL *(continued)*

### B6. Product Responsibility *(continued)*

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

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

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

#### B6.2 Property Safety

To ensure the safety of Dongshan Mall in case of a fire, fire equipment, such as fire extinguishers that are placed around Dongshan Mall, are regularly inspected to make sure that they function properly in case of a fire. Escape routes are clearly written and illustrated at all levels of Dongshan Mall, and areas where fire shutters are located at prohibit the placement of any objects at all times. To ensure sufficient air flow in Dongshan Mall, a ventilation system is also installed to maintain the indoor air quality at high levels.

In order to ensure that customers enjoy their shopping experience while tenants get enough flow of visitors, the Group tries its best to make Dongshan Mall a pleasant environment. Apart from ensuring Dongshan Mall's safety, Dongshan Mall also makes sure its supply of water, electricity, and other facilities is stable. Dongshan Mall is also regularly inspected, maintained, and upgraded if necessary to keep up with its standard. During festive seasons, Dongshan Mall puts up decorations to attract visitors as well.

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

#### B6.3 Customer Service

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

Apart from allowing the public to understand the Group's recent plans and initiatives, to create a two-way communication, channels are also provided for end-users to voice their opinions and raise complaints. Enquiries and complaints can be raised through the government hotline, the Water Supply Companies' direct line, WeChat public accounts, suggestions collection boxes, and receptions at the plants' operation centres. The Water Supply Companies had recorded 153 requests or complaints regarding water supply, water pressure, water meters, and other relevant issues in the Reporting Period. All complaints have been followed up and resolved.

## B. SOCIAL *(continued)*

### B6. Product Responsibility *(continued)*

#### B6.3 Customer Service *(continued)*

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

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

#### B6.4 Intellectual Property ("IP")

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

#### B6.5 Information Security

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

By signing the confidentiality contract, employees confirm that they would not disclose any information and trade secrets. Employees undertook to use their best endeavours to prevent any unauthorised access, use, publication or disclosure of trade secret or confidential information related to the business and finance of the Group. All documents (including correspondence, lists of customers, notes, memoranda, plans, drawings and other documents of any nature), computer software, computer hardware, computer files, hard copy files, models or samples made or compiled by or delivered to employees during their employment and concerning the business, finance or affairs of any subsidiary in the Group are to and shall remain exclusively the property of the Group and shall not be removed from the premises of the Group in any way without the prior written approval of the Group. Data collected will be kept in the files room, and under no circumstances would they be handed to any third parties. Employees violating the confidentiality undertakings are subject to disciplinary actions including summary dismissal. The confidentiality contract also seeks to cover customer information. Customer information is carefully protected by a designated information security team. Access to any sensitive and sensitive and personal information is restricted to only designated personnel. Firewalls are also installed to ensure safe web surfing.

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

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

## B. SOCIAL *(continued)*

### B7. Anti-corruption

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

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

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

In order to enhance the anti-corruption awareness and level of employees, during the Reporting Period, the directors and employees of the Company received anti-corruption training, with 246 employees receiving 976 hours of anti-corruption training, meaning that the average training hours that each employee received (inclusive of those who did not received training) was 2.52 hours.

### B8. Community Investment

Although the Group has no policy on community engagement, as a public utility, the Group cares for the community and strives to improve quality of life in the region.

#### *Raising Environmental and Social Awareness*

The Group is aware of the global environmental and social movements and responds to the movements through various awareness raising events during the Reporting Period.

Under the outbreak of the coronavirus disease, the Group had not organised communal events during the Reporting Period. Nevertheless, the Group had participated in educational events on promoting water conservation whenever possible, such as student lectures on producing potable water to instil awareness on reducing water consumption.

Through these promotional events, the Group showcased its social responsibility as an enterprise by educating and resolving misunderstandings on water quality and water supply. Its efforts in reaching out a wider audience through means of cooperating with the government and the media has also exhibited its determination in improving the quality of life of the region.

## Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES

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

### BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2021, and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report.

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

### Environmental policies and performance

For the year ended 31 December 2021, the Group's business operation made continuous effort in minimizing damage to the environment, conserving water resources, and ensuring quality and stable water supply to the community. No non-compliance in relation to environmental and social aspects was recorded. Engagement with stakeholders has resulted in raised concerns on key material issues, which include (i) water at source, (ii) occupational health and safety, (iii) customer data protection, (iv) customer service and (v) water supply quality and safety. These aspects had already been managed by the Group and the Group will continue to keep close communication with its stakeholders for advancing its environmental, social and governance management.

### Compliance with law and regulations

The Group has ongoing review and continues to update the newly enacted laws and regulations in various countries affecting the business and operation of the Group, particularly in Hong Kong and the PRC. During the year ended 31 December 2021 and up to the date of this annual report, the Group was not aware of any non-compliance with laws and regulations that has significant impact relating to relevant law and regulations in Hong Kong and the PRC in all respects.

### RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Company and of the Group at 31 December 2021 are set out in the consolidated financial statements on pages 76 to 162.

No interim dividend was declared and paid during the year (2020: HK\$Nil).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: HK\$Nil).

### FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 164. This summary does not form part of the audited consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment in the amount of HK\$36,141,000 during the year.

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

### INVESTMENT PROPERTIES

At 31 December 2021, the investment properties of the Group were revalued by independent valuers on an open market value basis at HK\$709,387,000.

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

### BANK AND OTHER BORROWINGS

At 31 December 2021, the Group has secured bank loan and unsecured loan from a third party in the amount of HK\$1,092,006,000. Details of bank and other borrowings are set out in note 30 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 31(a) to the consolidated financial statements.

### RESERVES

Details of movements in reserves of the Company during the year are set out in note 33 to the consolidated financial statements.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 3 December 2020, Qinghui, a 49%-owned subsidiary of the Group and Qinghui Shareholders entered into the Capital Contribution Agreement pursuant to which the Qinghui Shareholders agreed to increase the paid-up registered capital of Qinghui, with the additional paid-up registered capital of RMB100,000,000 (HK\$117,647,000) in aggregate being contributed by Huanye, an indirect wholly-owned subsidiary of the Group and Hongshun in proportion to their respective voting rights of 49:51 in Qinghui.

As Hongshun is controlled by Ms. Zhu (an executive Director and the controller of Ever City, a substantial shareholder of the Company) and her associates, being an associate of a connected person of the Company at the issuer level) exercises 10% or more of the voting right of Qinghui (excluding any indirect interest through the Company), the Capital Contribution by Huanye to Qinghui (being a connected subsidiary) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Capital Contribution by Huanye is conducted on normal commercial terms and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Capital Contribution by Huanye are all less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the Capital Contribution by Huanye 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. Details of the Connected transaction were set out in the Company's announcement dated 3 December 2020.

On 25 May 2021, UTCHL, a wholly owned subsidiary of the Group, and Ms. Zhu entered into the Acquisition Agreement, pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of the Target Companies for a total cash consideration of HK\$36,500,000.

Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of the Target Companies were legally and beneficially owned by Ms. Zhu. Ms. Zhu, is an executive Director of the Company. Ever City (a controlled corporation of Ms. Zhu) is a substantial shareholder of the Company interested in, directly and indirectly through Eastcorp, 1,561,140,000 Shares, representing approximately 28.32% of the issued share capital of the Company. As Ms. Zhu is a connected person of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Acquisition is conducted on normal commercial terms or better and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are all less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the Acquisition is exempt from circular (including independent financial advice) and independent shareholders' approval requirements but is only subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. The Acquisition was completed on 3 November 2021. Further details regarding the acquisition were disclosed in the Company's announcement dated 25 May 2021 and 3 November 2021.

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

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2021.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the year ended 31 December 2021 and as at the date of this report were:

#### Executive Directors:

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

#### Non-Executive Director:

Xuan Zhensheng

#### Independent Non-Executive Directors:

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

### EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

### PENSION

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

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

As at 31 December 2021 and 2020, no forfeited contribution is available to reduce the contribution payable in the future years.



### EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsiding at the end of the year are set out below:

#### Share Options

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

The Board adopted a new share option scheme (the “**New Share Option Scheme**”) at the Company’s extraordinary general meeting held on 12 August 2010. The purpose of the New Share Option Scheme is to enable the Company to grant options to eligible participants including employees, proposed employees, nonexecutive directors, suppliers and customers of the Group or any invested entities, shareholders of any members of the Group or any invested entities, and any other participants determined by the Directors as having contributed or may contribute by way of joint ventures, business alliances or other business arrangements to the development and growth of the Group (collectively, the “**Eligible Participants**”), an incentive or rewards for their contributions to the Group. A summary of the principal terms of the New Share Option Scheme can be founded on pages 9 to 19 of the Company’s circular dated 19 July 2010.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 to 11 August 2020, after which period no further options were offered or granted but the provisions of the scheme were remained in full force and effect in all other respects with regard to options granted during the life of the scheme. Offers for grant of options shall be valid for acceptance within 21 days after the date of offer, when the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme (the “**Scheme Mandate Limit**”) was 10% of the shares in issue as at the date of approval of the New Share Option Scheme. The maximum entitlement of each Eligible Participant in any 12-month period must not exceed 1% of the shares in issue, provided that the maximum entitlement for any grantee being a substantial shareholder or an independent non-executive director or their associates shall be capped at 0.1% of the shares in issue (or HK\$5 million in value based on the closing price of the shares underlying the options, whichever is higher). Any grant exceeding these individual limits shall be subject to shareholders’ approval, with the relevant grantees and their associates abstaining from voting. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

## EQUITY-LINKED AGREEMENTS *(continued)*

### Share Options *(continued)*

The Scheme Mandate Limit was last refreshed at the annual general meeting of the Company held on 30 June 2015, authorising the Board to grant up to 207,044,885 options. Before 1 January 2020, no option has been granted under the New Share Option Scheme. As disclosed in the Company's announcement dated 15 April 2020, 241,242 options (the "2020 Options") were granted to eligible employees of the Group (not being connected persons of the Company) at the exercise price of HK\$0.16 per share on 15 April 2020 (the "Date of Grant") under the New Share Option Scheme, and all the 2020 Options vested and were duly exercised by grantees also during the current period such that no granted option is outstanding at the year ended 31 December 2020. On 11 August 2020, the New Share Option Scheme lapsed and no option can be granted thereunder any further. The closing price of the Company's shares on the day (i.e. on 14 April 2020) immediately before the Date of Grant was HK\$0.150. The fair value of the 2020 Options amounted to HK\$3,000, all of which being vested, exercised and recognized in the Company's financial statements as share-based payment expenses in the current fiscal year. The fair value of the 2020 Options is measured on the Date of Grant of 15 April 2020 based on binomial option pricing model using the following key inputs and assumptions: (a) an expected volatility of 46.84% based on historical annualized volatility which is not less than one year; (b) no annual dividends being made based on historical dividend pattern in the most recent five years; and (c) a risk-free interest rate of 0.61% based on the yields of Hong Kong Exchange Fund Notes. For the purpose of the calculation of fair value, no adjustment was made for options expected to be forfeited due to the expected insignificant staff turnover and the lack of historical data. While the binomial option pricing model is regarded as a generally accepted methodology to calculate the fair value of options, it requires the input of subjective assumptions (including share price volatility) and any changes in subjective input assumptions could materially affect the fair value estimate. Therefore, the Directors are of the view that the model does have limitations and does not necessarily provide a reliable single measurement of the fair value of the share options.

On 11 August 2020, the New Share Option Scheme lapsed and no option can be granted thereunder any further. At the time of lapse of the New Share Option scheme, no option had remained outstanding.

A summary of the movements of the share options granted under the New Share Option Scheme during the year is as follows:-

Grantees	Date of grant	Vesting period	Exercise period	Exercised price	Number of share options				Outstanding at 31 December 2021	Market value per share at date of grant of option	Market value per share on exercise of option
					Outstanding at 1 January 2021	Granted during the year	Exercise during the year	Cancellation during the year			
Staff of the Group	15 April 2020	Fully vested on 15 April 2020	15 April 2020 to 11 August 2020	HK\$0.16	—	—	—	—	—	HK\$0.155	—

Note: The Company received a consideration of HK\$1.00 from each of the grantees of the New Share Option Scheme.

## Directors' Report

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

As at 31 December 2021, the interests or short positions of the Directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:-

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

Notes:

- Ms. Zhu Fenglian is deemed to be interested in the 1,561,140,000 shares attributable to Ms. Zhu and her controlled corporation, Affluent Vast Holdings Limited ("Affluent Vast"), Ever City and Eastcorp International Limited ("Eastcorp"). For more details on the deemed interest of Ms. Zhu, Affluent Vast and Ever City, please refer to Note 1 to the section headed "Persons who have an Interest or a Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholding".
- There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2021.

Save as disclosed above, so far as the Directors are aware as at 31 December 2021, none of the Directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The Directors confirmed that as at 31 December 2021 and for the year ended 31 December 2021:-

- the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings according to the Model Code; and
- all the Directors complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions.

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2021, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or who have direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:–

#### Long positions in the shares of the Company

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

Notes:

- Ms. Zhu, Affluent Vast and Ever City are deemed to be interested in 1,561,140,000 shares of the Company, representing 28.32% of the total issued share capital of the Company, which comprises (a) 961,140,000 shares directly held by Ever City; and (b) 600,000,000 shares held by Eastcorp. Ever City is wholly and beneficially owned by Affluent Vast. Affluent Vast is wholly and beneficially owned by Ms. Zhu. Therefore, Ever City is deemed to be a controlled corporation of Affluent Vast and Ms. Zhu. Eastcorp is wholly and beneficially owned by Ever City. Therefore, Eastcorp is deemed to be a controlled corporation of Ever City, Affluent Vast and Ms. Zhu.
- According to the disclosure of interest ("DI") filings, (a) Global Pay Easy (Hongkong) Technology Limited ("GPE HK") was interested in 550,000,000 shares of the Company, representing 9.98% of the total issued share capital of the Company; (b) GPE HK was wholly owned by Global Pay Easy Technology Company Limited ("GPE Guangzhou"), which was in turn 85% owned by Wang Yingqi ("Ms. Wang") and Ms. Wang was personally interested in 20,000 shares of the Company.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 December 2021, no other persons had notified the Company of any interest or short position in the shares or underlying shares of equity derivatives of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or any direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company.

### MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, as at 31 December 2021, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

### PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision that provides for indemnity against liability incurred by directors and chief executives of the Group is currently in force and was in force throughout the year ended 31 December 2021.

### SHARE AWARD SCHEME

The Company has adopted a share award scheme ("**Share Award Scheme**") as an incentive scheme to recognize the contributions by Eligible Participants and to retain them and attract suitable personnel for the continuing operation, growth and development of the Group. The Share Award Scheme was adopted by the Board on 15 January 2021 and shall lapse on 31 December 2035. Under the Share Award Scheme, Shares may be purchased and subscribed by the Trustee out of cash contributions made by the Company or its subsidiaries, awarded to Grantees as may be selected by the Administration Committee, with any Awarded Shares to be held on trust until they vest in the Grantee upon the satisfaction of any Vesting Dates and/or vesting conditions as may be decided by the Administration Committee in its absolute discretion. Further details of the Share Award Scheme are disclosed in the Company's announcement dated 15 January 2021.

For the year ended 31 December 2021, the Group purchased 17,610,000 (2020: nil) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK\$6,223,000, but no shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme.

### CONNECTED TRANSACTIONS

As disclosed in Note 18 to the consolidated financial statements, as at and throughout the year ended 31 December 2021, the Group had certain banking facilities which were not only secured by land charges, and investment properties, pledge of trade receivables, pledge of equity interest in the Group's subsidiaries and intra-group corporate guarantees, but also guaranteed by the following connected persons or associates of the Company (the "**Guarantee by CP**"), namely: New Century, Ms. Zhu Fenglian and her spouse, and the non-controlling shareholders of subsidiaries. Since the Guarantee by CP is conducted on normal commercial terms or better to the Company, no consideration is required to be paid by the Company for the Guarantee by CP and the Guarantee by CP is not secured by any assets of the Company or its subsidiaries, the Guarantee by CP is fully exempt under Rule 14A.90 from all disclosure, annual review, circular and shareholders' approval requirements of the Listing Rules.

On 25 May 2021, UTCHL, a wholly owned subsidiary of the Group, and Ms. Zhu entered into the Acquisition Agreement, pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of the Target Companies for a total cash consideration of HK\$36,500,000.

### **CONNECTED TRANSACTIONS** *(continued)*

Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of the Target Companies were legally and beneficially owned by Ms. Zhu. Ms. Zhu, is an executive Director of the Company. Ever City (a controlled corporation of Ms. Zhu) is a substantial shareholder of the Company interested in, directly and indirectly through Eastcorp, 1,561,140,000 Shares, representing approximately 28.32% of the issued share capital of the Company. As Ms. Zhu is a connected person of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Acquisition is conducted on normal commercial terms or better and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are all less than 5%, under Rule 14A.76(2)(a) of the Listing Rules, the Acquisition is exempt from circular (including independent financial advice) and independent shareholders' approval requirements but is only subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. The acquisition was completed on 3 November 2021. Further details regarding the acquisition were disclosed in the Company's announcement dated 25 May 2021 and 3 November 2021.

### **COMPETITION AND CONFLICT OF INTERESTS**

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

### **MAJOR CUSTOMERS AND SUPPLIERS**

Sales to the Group's five largest customers accounted for approximately 8% of the total sales for the year and sales to the largest customer included therein amounted to approximately 3%. Purchases from the Group's five largest suppliers accounted for approximately 8% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 6%.

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

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

### **PRE-EMPTIVE RIGHTS**

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 23 to 34 of the Annual Report.

### AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control, risk management and financial reporting matters.

### AUDITOR

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

On behalf of the Board

**Chen Jinyang**  
*Chairman*

Hong Kong, 30 March 2022



26/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

大信梁學濂(香港)會計師事務所有限公司

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Universal Technologies Holdings Limited and its subsidiaries (together the "Group") set out on pages 76 to 162, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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



# Independent Auditor's Report

## KEY AUDIT MATTERS

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

### Key audit matter

### How our audit addressed the key audit matter

#### Impairment assessment of intangible assets

Refer to note 18 to the consolidated financial statements.

The Group has intangible assets of HK\$258,334,000 relating to the water supply business segments. No impairment loss has been made over intangible assets.

Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and application of significant judgement.

In the annual impairment review, management has concluded that no impairment loss in respect of the intangible assets is considered necessary. This conclusion was based on a value-in-use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth.

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

- Obtain an understanding of the Group's procedures and method of estimation, including any control activities applied, significant assumptions made and management's assessment of estimation uncertainty;
- Re-calculate the estimation made by the management;
- Review outcome of estimation made in prior period and management's judgements and decisions for possible management bias;
- Evaluate whether the method of estimation and assumptions made are appropriate;
- Test the data used by the management in the estimation;
- Review subsequent events relevant to the estimation;
- Evaluate the disclosures made by management; and
- Evaluate the sensitivity analysis performed by the management on the key assumptions used in the impairment assessment and assess the potential impacts of a range of possible outcomes.

### Valuation of investment properties

Refer to note 15 to the consolidated financial statements.

The Group holds a portfolio of investment properties in Hong Kong and the People's Republic of China (the "PRC") with an aggregate fair value of HK\$709,387,000 which accounted for 25% of the Group's total assets at 31 December 2021.

The fair values of investment properties at 31 December 2021 were assessed by the directors based on independent valuations prepared by qualified external property valuer. The net fair value gain on investment properties of HK\$761,000 recorded in the consolidated statement of profit or loss represented 1.2% of the Group's loss before income tax for the year ended 31 December 2021.

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

- Evaluate the external valuer's competence, capabilities and objectivity;
- Obtain an understanding of the valuation process and techniques adopted by the external valuer to assess if they are consistent with industry norms; and
- Obtain the valuation reports and discuss with the external valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data used by the valuer and check, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rates, market rent and market price, to the recent renewal of lease or sale transactions of the Group and of the market.

### **OTHER INFORMATION**

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

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

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

## Independent Auditor's Report

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**PKF Hong Kong Limited**  
*Certified Public Accountants*  
Hong Kong, 30 March 2022

## Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	4	368,501	344,748
Cost of sales/services rendered		(320,151)	(293,214)
Gross profit		48,350	51,534
Other income and gains	5	11,325	16,032
General and administrative expenses		(70,893)	(87,902)
Share of loss of a joint venture		(141)	(106)
Loss from operations		(11,359)	(20,442)
Finance costs	6(a)	(53,140)	(38,793)
Loss before income tax	6	(64,499)	(59,235)
Income tax credit/(expense)	8	3,626	(12,023)
Loss for the year		(60,873)	(71,258)
<b>Attributable to: –</b>			
Shareholders of the Company		(39,102)	(36,337)
Non-controlling interests		(21,771)	(34,921)
Loss for the year		(60,873)	(71,258)
Loss per share (in cents)	11		
– Basic		(0.71)	(0.66)
– Diluted		(0.71)	(0.66)

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Loss for the year	(60,873)	(71,258)
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	—	65
Other comprehensive income for the year, net of tax	28,672	59,056
Total comprehensive loss for the year	(32,201)	(12,202)
Total comprehensive income/(loss) attributable to:–		
Shareholders of the Company	(17,075)	16,713
Non-controlling interests	(15,126)	(28,915)
	(32,201)	(12,202)

## Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	450,423	446,589
Prepaid land lease premium	14	25,791	25,996
Investment properties	15	709,387	686,103
Right-of-use assets	16	4,761	5,605
Interest in a joint venture	17	268,172	259,789
Intangible assets	18	260,324	294,892
Goodwill	19	11,328	—
Statutory deposits for financial service business		400	—
Deferred tax assets	9(a)	12,175	2,047
		<b>1,742,761</b>	<b>1,721,021</b>
<b>CURRENT ASSETS</b>			
Inventories	20	16,722	16,085
Debtors	21	56,691	47,787
Deposits, prepayments and other receivables	22	16,571	9,712
Fixed deposits		66,638	143,614
Pledged time deposit	23(a)	192,441	—
Cash and bank balances	23(b)	799,632	999,061
		<b>1,148,695</b>	<b>1,216,259</b>
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Bank and other borrowings	30	217,849	40,362
Trade payables	24	272,454	121,862
Payable to merchants	25	3,021	3,011
Deposits received, sundry creditors and accruals	26	122,269	113,274
Contract liabilities	27	20,606	25,981
Lease liabilities	28	4,505	2,728
Amount due to a related company	29	49	47
Tax payable		2,053	11,967
		<b>642,806</b>	<b>319,232</b>
<b>NET CURRENT ASSETS</b>		<b>505,889</b>	<b>897,027</b>

# Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,248,650</b>	2,618,048
<b>DEDUCT:</b>			
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	30	874,157	1,202,459
Lease liabilities	28	408	2,896
Deferred tax liabilities	9(a)	54,929	52,161
		<b>929,494</b>	1,257,516
<b>NET ASSETS</b>		<b>1,319,156</b>	1,360,532
<b>REPRESENTING:</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	31	55,130	55,130
Reserves	33	1,067,711	1,091,009
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<b>1,122,841</b>	1,146,139
<b>NON-CONTROLLING INTERESTS</b>		<b>196,315</b>	214,393
<b>TOTAL EQUITY</b>		<b>1,319,156</b>	1,360,532

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 30 MARCH 2022

**ZHU FENGLIAN**  
DIRECTOR

**CHEN JINYANG**  
DIRECTOR



## Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax		(64,499)	(59,235)
Adjustments for:-			
Interest on bank deposits		(3,704)	(2,956)
Interest expenses on bank and other borrowings		52,656	38,572
Interest expenses on lease liabilities		237	112
Depreciation of property, plant and equipment		42,715	42,860
Depreciation of right-of-use assets		3,184	2,926
Amortisation of prepaid land lease premium		780	742
Amortisation of intangible assets		51,765	46,006
Loss on disposal of property, plant and equipment		79	7,224
Gain on disposal of a subsidiary		—	(4,584)
Gain on disposal of investment properties		—	(4,273)
Net increase in fair value of investment properties		(761)	(48)
Impairment loss on debtors		69	308
Impairment loss on property, plant and equipment		—	6,025
Impairment loss on other receivables		2	47
Deposit paid for acquisition of property, plant and equipment written-off		—	12,719
Share of loss of a joint venture		141	106
Operating profit before working capital changes		82,664	86,551
Changes in working capital:			
Inventories		(978)	13,506
Debtors		(1,453)	(17,194)
Deposits, prepayments and other receivables		(2,552)	1,653
Bank balances – client accounts		(2,052)	—
Trade payables		77,062	73,446
Deposits received, sundry creditors and accruals		(7,875)	(8,831)
Contract liabilities		(6,121)	(19,217)
Cash from operations		138,695	129,914
Bank interest received		1,992	2,952
Tax paid		(12,051)	(6,607)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>128,636</b>	<b>126,259</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advances to a joint venture		—	(256,341)
Capital injection into a joint venture		—	(3,560)
Payments to acquire property, plant and equipment		(33,471)	(24,851)
Proceeds from disposal of property, plant and equipment		2,092	—
Proceeds from disposal of investment properties		—	49,144
Payments to acquire intangible assets		(7,660)	(247)
Net cash outflow arising on acquisition of assets through acquisition of subsidiaries		—	(64,375)
Net cash outflow from acquisition of subsidiaries	34	(19,838)	—
Net cash inflow arising on disposal of a subsidiary	35	—	5,824
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(58,877)</b>	<b>(294,406)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in pledged time deposit		(189,154)	—
(Repayment to)/loan from a third party		(566,256)	557,779
Capital contribution from non-controlling shareholder		—	59,496
Proceeds from new bank loans		457,705	—
Other interest paid		(52,721)	(37,529)
Repayment of bank loans		(79,774)	(36,763)
Capital element of lease rentals paid		(3,111)	(2,970)
Interest element of lease rentals paid		(237)	(112)
Dividend paid to non-controlling shareholder of a subsidiary		(2,952)	(13,191)
Purchase of shares under share award scheme		(6,223)	—
Proceeds from issuing shares		—	41
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(442,723)</b>	<b>526,751</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(372,964)</b>	<b>358,604</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>		<b>24,239</b>	<b>50,610</b>
		<b>1,142,675</b>	<b>733,461</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>		<b>793,950</b>	<b>1,142,675</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		727,312	999,061
Fixed deposits		66,638	143,614
		<b>793,950</b>	<b>1,142,675</b>

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to shareholders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Shares		Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
							Share options reserve HK\$'000	Share held under share award scheme 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL INFORMATION

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Statement of compliance

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to 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 Concession 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.

### (c) Measurement basis

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

### (d) Basis of consolidation

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Basis of consolidation *(continued)*

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

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

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

### (e) Subsidiaries

Subsidiaries are entities controlled by the Group.

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

### (f) Investment in a joint venture

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Segment reporting

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

### (h) Foreign currency translation

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

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

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

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

### (i) Property, plant and equipment and depreciation

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

### (j) Prepaid land lease payments

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (k) Leases

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

#### *As a lessee*

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (k) Leases *(continued)*

#### *As a lessee (continued)*

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

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

#### *As a lessor*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (I) Investment property

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

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

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) Intangible assets

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

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

#### ***SFC licenses***

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

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

### (n) Goodwill

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

### (o) Credit losses and impairment of assets

#### ***i. Credit losses from financial instruments and contract assets***

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

Measurement of ECLs

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

ECLs are measured on either the following bases:-

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

#### Written-off policy

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

#### ii. Impairment of other non-current assets

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

### (p) Inventories

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

- Water supply and related services

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

- Property development

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Service concession arrangements

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

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

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

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

Service concession arrangements are accounted for as follows if:–

- (i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- (ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

#### *The Group’s rights over the infrastructure*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Service concession arrangements *(continued)*

#### *Consideration received or receivable by the Group for the construction services*

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

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

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

#### *Construction or upgrade services*

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

#### *Operating services*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (r) Construction contracts

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

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

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

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

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

### (s) Trade and other receivables

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

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

### (t) Government grants

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (u) Cash equivalents

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

### (v) Trade and other payables

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

### (w) Financial liabilities

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

### (x) Interest-bearing borrowings and borrowing costs

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

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

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

### (y) Share capital

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (z) Income tax

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (z) Income tax *(continued)*

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

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

### (aa) Employee benefits

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (ab) Provisions and contingent liabilities

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

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

### (ac) Revenue and other income

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

- (i) Revenue arising from water supply is recognised when the related services are rendered.
- (ii) Water supply related installation, construction and maintenance income is recognised when services are rendered.
- (iii) Revenue from long-term construction contracts is recognised in accordance with accounting policy as set out in note 2(r) to the consolidated financial statements.
- (iv) Interest income is recognised on a time proportion basis using the effective interest method.
- (v) Rental income receivable under operating lease is recognised on a straight-line basis over the terms of the relevant lease.
- (vi) Building management service income is recognised over the relevant period in which the services are rendered.
- (vii) Commission and brokerage income on securities dealing is recognised at a point in time when the underlying transactions are executed.
- (viii) Handling fee income is recognised at a point in time when the related services are rendered.
- (iv) Advisory income is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

### (ad) Related parties

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amendments to HKFRSs which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	<b>Effective for annual periods beginning on or after</b>
HKFRS 17, Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12, Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRSs, Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (i) Inventories

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

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

### (ii) Depreciation

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

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

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

### (iii) Estimation of fair value of investment properties

Investment properties were revalued at 31 December 2021 based on the appraised market value by independent valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amount of investment properties at 31 December 2021 was HK\$709,387,000 (2020: HK\$686,103,000).

### (iv) PRC enterprise income tax and deferred tax

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

### (v) Construction contracts

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 4. REVENUE

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

	2021 HK\$'000	2020 HK\$'000
Provision of water supply and related services		
Water supply and related services income	320,165	306,146
Construction services of infrastructure under concession arrangement (note)	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
	<b>368,501</b>	<b>344,748</b>

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 42 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 5. OTHER INCOME AND GAINS

	2021 HK\$'000	2020 HK\$'000
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 – Note 35	—	4,584
Gain on disposal of investment properties	—	4,273
Exchange gain, net	6,006	2,433
Others	704	1,501
	<b>11,325</b>	<b>16,032</b>

### 6. LOSS BEFORE INCOME TAX

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

#### (a) Finance costs

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

Note:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. LOSS BEFORE INCOME TAX (continued)

### (b) Other items

	2021 HK\$'000	2020 HK\$'000
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)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

### (a) Directors

Directors' remuneration is as follows:–

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

Name of director	Year ended 31 December 2020					
	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000 (note i)	Pension scheme contributions HK\$'000	Sub-total HK\$'000	Share- based payment HK\$'000	Total HK\$'000
Mr. Chen Jinyang	60	2,096	32	2,188	—	2,188
Dr. Cheung Wai Bun, Charles, J.P.	360	—	—	360	—	360
Mr. Chau Cheuk Wah (note ii)	248	—	—	248	—	248
Mr. Chao Pao Shu, George	240	—	—	240	—	240
Mr. David Tsoi	240	—	—	240	—	240
Ms. Zhang Haimei	60	1,560	—	1,620	—	1,620
Ms. Zhu Fenglian	60	1,560	—	1,620	—	1,620
Mr. Xuan Zhensheng	600	50	—	650	—	650
	1,868	5,266	32	7,166	—	7,166



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (a) Directors *(continued)*

Notes :-

- i. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to the statement of profit or loss during the year disregarding whether the options have been exercised or not.
- ii. Retired on 29 May 2020.

No directors waived any emolument during the year.

### (b) Five highest paid individuals

Among the five highest paid individuals of the Group, of which three (2020: three) are directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining two (2020: two) highest paid individual were as follows:-

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and other benefits in kind	2,072	2,000
Pension scheme contributions	18	18
	<b>2,090</b>	<b>2,018</b>

	2021	2020
HK\$		
Nil to 1,000,000	1	1
1,000,001 to 1,500,000	1	1
	<b>2</b>	<b>2</b>

During the year, no share option (2020: Nil) was granted to the above highest paid employees in respect of their services to the Group.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 8. 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% (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	2	(16)
	4,259	13,144
Deferred taxation (Note 9(a)):		
Current year	(7,885)	(1,121)
	(3,626)	12,023

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

- (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 rate	(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	2	(16)
<b>Income tax (credit)/expense</b>	<b>(3,626)</b>	<b>12,023</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 9. DEFERRED TAXATION

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

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

Represented by:–

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. DEFERRED TAXATION *(continued)*

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

	2021 HK\$'000	2020 HK\$'000
Deductible temporary differences – note (i)		
Decelerated tax allowances	1,081	1,136
Unutilised tax losses	248,198	141,988
	249,279	143,124
Taxable temporary difference – note (ii)		
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 amounted to 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 amounted to 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 these 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021 (2020: Nil).

## 11. LOSS PER SHARE

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

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

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.

## 12. RETIREMENT BENEFIT COSTS

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

The Group's contribution to such scheme for the year ended 31 December 2021 amounted to HK\$179,000 (2020: HK\$163,000).

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 12. RETIREMENT BENEFIT COSTS (continued)

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2021 amounted to HK\$7,118,000 (2020: HK\$2,011,000).

During the years ended 31 December 2021 and 2020, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contributions, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2021 and 2020, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contribution.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Properties held under medium-term lease HK\$'000	Water pipelines HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Office equipment, computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
For the year ended 31.12.2020									
Opening net book value	90,734	303,345	9,288	655	1,648	15	1,425	63,940	471,050
Exchange adjustments	2,961	16,476	535	21	183	—	14	1,736	21,926
Additions	—	476	786	51	1,845	—	—	8,233	11,391
Impairment loss	(3,560)	(440)	(1,830)	—	(195)	—	—	—	(6,025)
Disposals	—	—	—	—	(4)	—	—	(7,220)	(7,224)
Disposal of a subsidiary	(1,669)	—	—	—	—	—	—	—	(1,669)
Transfer from CIP	37,841	1,888	1,413	—	—	—	—	(41,142)	—
Depreciation	(11,353)	(28,843)	(1,099)	(400)	(987)	(9)	(169)	—	(42,860)
Closing net book value	114,954	292,902	9,093	327	2,490	6	1,270	25,547	446,589
At 31.12.2020									
Cost	158,376	434,227	18,429	5,312	6,304	431	4,124	25,547	652,750
Aggregate depreciation	(39,665)	(140,861)	(7,405)	(4,985)	(3,608)	(425)	(2,854)	—	(199,803)
Aggregate impairment loss	(3,757)	(464)	(1,931)	—	(206)	—	—	—	(6,358)
Net book value	114,954	292,902	9,093	327	2,490	6	1,270	25,547	446,589

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

	Properties held under medium-term lease HK\$'000	Water pipelines HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Office equipment, computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
For the year ended 31.12.2021									
Opening net book value	114,954	292,902	9,093	327	2,490	6	1,270	25,547	446,589
Exchange adjustments	2,009	8,862	425	11	106	—	11	635	12,059
Additions	—	426	2,781	510	1,266	—	402	31,148	36,533
Acquisition of a subsidiary – Note 34	—	—	—	—	126	2	—	—	128
Disposals	—	—	(64)	—	(11)	—	—	(2,096)	(2,171)
Transfer from CIP	—	11,717	6,051	—	—	—	—	(17,768)	—
Depreciation	(7,195)	(32,123)	(1,510)	(482)	(1,227)	(4)	(174)	—	(42,715)
Closing net book value	109,768	281,784	16,776	366	2,750	4	1,509	37,466	450,423
At 31.12.2021									
Cost	161,061	460,402	26,726	7,165	8,315	629	4,588	37,466	706,352
Aggregate depreciation	(47,414)	(178,139)	(7,955)	(6,799)	(5,354)	(625)	(3,079)	—	(249,365)
Aggregate impairment loss	(3,879)	(479)	(1,995)	—	(211)	—	—	—	(6,564)
Net book value	109,768	281,784	16,776	366	2,750	4	1,509	37,466	450,423

The Group's properties are situated in:–

	2021 HK\$'000	2020 HK\$'000
Hong Kong	3,972	4,135
The PRC	105,796	110,819
	<b>109,768</b>	114,954

Included in the property, plant and equipment is the Group's right-of-use assets of which the Group is the registered owner of these properties interests. The Group holds industrial, residential and commercial properties for its operations in Hong Kong and the PRC, where its office premises, staff quarters and factories are located. Lump sum payments were made upfront to acquire these property interests from their previous registered owners in Hong Kong, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The Group constructed buildings on the leasehold land located in the PRC (Note 14). Upon completion, the Group is the registered owner of the buildings.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

As at 31 December 2021, the Group's buildings and structure with a net carrying amount of approximately HK\$891,000 (2020: HK\$961,000) was in the process of obtaining the construction plan permits, construction commencement permits and construction completion reports. These structures have erected on land for which the relevant land use right certificates have not been obtained by the Group. The directors of the Group consider that the risk for the structure will be demolished is relatively low and there is no legal obstacle for the Group to obtain the relevant certificates and permits mentioned above. In accordance with the relevant regulations, the directors of the Group estimated the fine of approximately HK\$71,000 (2020: HK\$69,000) and had made a provision accordingly.

### 14. PREPAID LAND LEASE PREMIUM

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

	2021 HK\$'000	2020 HK\$'000
Opening net book value	25,996	28,097
Disposal of a subsidiary – Note 35	—	(2,366)
Exchange adjustments	575	1,007
Amortisation of prepaid land lease premium	(780)	(742)
Closing net book value	25,791	25,996

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. INVESTMENT PROPERTIES

	HK\$'000
At 1.1.2020	691,076
Net increase in fair value recognised in the consolidated statement of profit or loss	48
Disposal of a subsidiary – Note 35	(392)
Disposal during the year	(44,871)
Exchange adjustments	40,242
At 31.12.2020 and 1.1.2021	686,103
Net increase in fair value recognised in the consolidated statement of profit or loss	761
Exchange adjustments	22,523
<b>At 31.12.2021</b>	<b>709,387</b>

Notes :-

- (a) The Group's properties interest held under operating leases to earn rentals or for long-term capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These properties are located at the PRC and held under medium-term lease.
- (b) The Group's investment properties were revalued at 31 December 2021. The valuation was carried out by an independent firm of surveyors, Graval Consulting Limited, who have among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management had discussed with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.
- (c) The fair value of the Group's investment properties measured at the end of the reporting period is categorised as Level 3 of fair value hierarchy as defined in HKFRS 13.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. INVESTMENT PROPERTIES (continued)

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

	Valuation techniques	Unobservable input	Range	Weighted average
Residential properties in Shanghai City, the PRC	Market comparison approach	Premium (discount) on quality of the buildings	-5% to 0%	-1.67%
Industrial properties in Qingyuan City, Guangdong Province, the PRC	Market comparison approach and depreciated replacement cost approach	Premium (discount) on the location of land Premium (discount) on the quality of the buildings and considered of depreciation	0% to 5%	0% to 2.5%
Commercial properties in Qingyuan City, Guangdong Province, the PRC	Market comparison approach	Premium (discount) on quality of the buildings	-5% to 0%	-1.67%
Commercial properties in Guangzhou City, Guangdong Province, the PRC	Income capitalisation approach	Prevailing market rents	RMB38 to RMB1,621 per square meter per month	RMB157 square meter per month
		Capitalisation rates	4.75%	4.75%

- (e) The market comparison approach is based on reference to recent sales price of comparable properties on a price per square metre basis, adjusted by quality and location of the Group's investment properties compared to the recent sales. The fair value measurement is positively correlated to risk-adjusted discount rates.
- (f) The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, less deductions for physical deterioration and all relevant forms of obsolescence and optimization, whether arising from physical, functional or economic causes. Actual costs incurred for upgrading of the assets to be appraised will also be considered in this approach.
- (g) The income capitalisation approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the capitalisation rates, the lower the fair value. The higher the prevailing market rents, the higher the fair value. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.
- (h) Fair value adjustment of investment properties is recognised in the line item "Net increase in fair value of investment properties" on the other income and gains of the consolidated statement of profit or loss.
- (i) Investment properties with carrying amount of HK\$658,201,000 (2020: HK\$nil) were pledged to secure the Group's bank and other borrowings (note 30).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 16. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
Cost:–	
At 1.1.2020	4,964
Additions	5,992
Expiry of lease arrangements	(4,906)
Exchange adjustment	68
At 31.12.2020 and 1.1.2021	6,118
Adjustment for lease modification	448
Acquisition of a subsidiary – Note 34	4,784
Exchange adjustment	48
<b>At 31.12.2021</b>	<b>11,398</b>
Aggregate depreciation:–	
At 1.1.2020	2,480
Charge for the year	2,926
Expiry of lease arrangements	(4,906)
Exchange adjustment	13
At 31.12.2020 and 1.1.2021	513
Acquisition of a subsidiary – Note 34	2,924
Charge for the year	3,184
Exchange adjustment	16
<b>At 31.12.2021</b>	<b>6,637</b>
Net book value:–	
<b>At 31.12.2021</b>	<b>4,761</b>
At 31.12.2020	5,605

The Group has entered into lease agreements to obtain the right to use properties as its office premises and as a result incurred lease liabilities (Note 28). The leases typically run for an initial period of two to five years.

In addition to the above, the Group has right-of-use assets related to property interests of which the Group is the registered owner. They are included in “property, plant and equipment”, “prepaid land lease premium” and “investment properties”, details of which are set out in notes 13, 14 and 15 to the consolidated financial statements. The aggregated depreciation of right-of-use assets is HK\$11,159,000 (2020: HK\$15,021,000) for the year ended 31 December 2021.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 17. INTEREST IN A JOINT VENTURE

	2021 HK\$'000	2020 HK\$'000
Unlisted equity, at cost	3,681	3,560
Share of post-acquisition loss and reserves	(260)	(112)
Amount due from a joint venture	264,751	256,341
	<b>268,172</b>	<b>259,789</b>

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

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

Name	Particulars of issued shares	Place of establishment and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
東莞市偉騏置業投資有限公司	Registered capital of RMB 10,000,000	PRC/ Mainland China	30 (2020: 30)	(note)	30 (2020: 30)	Land auctions and property development

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 18. INTANGIBLE ASSETS

	Other intangible asset HK\$'000	Financial services licences HK\$'000	Total HK\$'000
<b>At 1.1.2020</b>			
Cost	449,075	—	449,075
Accumulated amortisation	(120,259)	—	(120,259)
Accumulated impairment loss	(1,319)	—	(1,319)
<b>Net book value</b>	<b>327,497</b>	<b>—</b>	<b>327,497</b>
<b>For the year ended 31.12.2020</b>			
Opening net book value	327,497	—	327,497
Additions	247	—	247
Adjustments – Note 18(c)	(486)	—	(486)
Amortisation	(46,006)	—	(46,006)
Exchange adjustments	13,640	—	13,640
<b>Closing net book value</b>	<b>294,892</b>	<b>—</b>	<b>294,892</b>
<b>At 31.12.2020</b>			
Cost	471,154	—	471,154
Accumulated amortisation	(174,862)	—	(174,862)
Accumulated impairment loss	(1,400)	—	(1,400)
<b>Net book value</b>	<b>294,892</b>	<b>—</b>	<b>294,892</b>
<b>For the year ended 31.12.2021</b>			
Opening net book value	294,892	—	294,892
Additions	7,660	—	7,660
Acquisition of subsidiaries – Note 34	—	1,990	1,990
Adjustments – Note 18(c)	(96)	—	(96)
Amortisation	(51,765)	—	(51,765)
Exchange adjustments	7,643	—	7,643
<b>Closing net book value</b>	<b>258,334</b>	<b>1,990</b>	<b>260,324</b>
<b>At 31.12.2021</b>			
Cost	491,232	1,990	493,222
Accumulated amortisation	(231,452)	—	(231,452)
Accumulated impairment loss	(1,446)	—	(1,446)
<b>Net book value</b>	<b>258,334</b>	<b>1,990</b>	<b>260,324</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 18. INTANGIBLE ASSETS (continued)

Notes : –

- (a) Pursuant to a concession agreement between a subsidiary, Qingyuan Qingxin District Taihe Water Company Limited (“Taihe Water”) and a relevant authority in the PRC dated 21 November 2006, Taihe Water obtained the right to operate certain water supply plants located at Qingyuan City of Guangdong Province in the PRC for a period of 20 years on a BOT basis. Taihe Water is entitled to use all the property, plant and equipment of the water supply plants.
- (b) As at 31 December 2021, land use right held by the Group under service concession arrangement with a net carrying amount of RMB1,979,000 (equivalent to approximately HK\$2,426,000) (2020: RMB2,375,000 (equivalent to approximately HK\$2,671,000)) was pledged to secure the Group’s bank and other borrowings (note 30).
- (c) The fair values of construction services provided pursuant to the concession arrangement are subject to management’s estimation on the values of services sub-contracted to third parties. During the year ended 31 December 2021, changes of estimation of HK\$96,000 (2020: HK\$486,000) were made when the Group finalised the construction costs with sub-contractors.
- (d) The financial services licenses (“Licenses”) are considered by the management of the Group as having indefinite useful lives because it is expected that the Licenses will continue to be valid and will contribute net cash inflows for the Group in the foreseeable future. The Licenses will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

## 19. GOODWILL AND IMPAIRMENT ASSESSMENT

	HK\$'000
Cost:–	
At 1.1.2020, 31.12.2020 and 1.1.2021	99,037
Acquisition of subsidiaries – Note 34	11,328
At 31.12.2021	110,365
Impairment:–	
At 1.1.2020, 31.12.2020, 1.1.2021 and 31.12.2021	99,037
Carrying amount:–	
At 31.12.2021	11,328
At 31.12.2020	—



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 19. GOODWILL AND IMPAIRMENT ASSESSMENT *(continued)*

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

	2021 HK\$'000	2020 HK\$'000
Water supply services (note)	90,290	90,290
Financial services	20,075	8,747
	110,365	99,037

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

Water supply services represent a single group of CGUs for the purpose of impairment assessment, which consist of Qinghui Group and Taihe Water. For Qinghui Group under water supply services segment, the recoverable amount of the CGU is determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period (2020: five year period). A discount factor at a rate of 9.77% (2020: 10.27%) was applied in the value-in-use model of Qinghui Group. Cash flows of Qinghui Group beyond the five-year period are extrapolated using 3% (2020: 3%) average growth rate, benchmarked against GDP and inflation rate in China. For Taihe Water under water supply services segment, the recoverable amount of the CGU is determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering the remaining concession periods of 5 years (2020: 6 years). As disclosed in note 18 to the consolidated financial statements, Taihe Water was granted right by the relevant authority in the PRC to use and operate certain water supply plants located at Qingyuan City for the period of 20 years from 2006 to 2026, pursuant to a concession agreement on a BOT basis. Taking into account the utility nature of water supply business, the oligopolised market of water supply in Qingyuan City, the robust demand of water exceeding supply and the stable city growth in Guangdong Province, the management considers a projection for the entire six years of the remaining concession period is appropriate. No terminal value was attributed to Taihe Water CGU beyond the five-year period. A discount factor at a rate of 13.28% (2020: 13.4%) was applied in the value-in-use model of Taihe Water.

For the years ended 31 December 2020 and 2021, due to the receiving of the cessation notice of water intake by the water plant operated by Qinghui Group and the narrowing of profit margin resulted from the switching of water supply as disclosed in the Company's announcement dated 3 March 2020, the management of the Company concluded there was an indication of impairment and conducted impairment assessment on recoverable amounts of water supply services CGU. Impairment assessment on the water supply services CGU as at 31 December 2020 and 2021 is based on the valuations by an independent professional valuer, Graval Consulting Limited.

### 19. GOODWILL AND IMPAIRMENT ASSESSMENT *(continued)*

The key assumptions used by the Group for the value-in-use calculations include budgeted average gross profit margin for water supply services and discount rate. The budgeted average gross profit margin used in the financial budgets covering a five-year period and the remaining concession period of Qinghui Group and Taihe Water for the year ended 31 December 2021 were 7.78% (2020: 8.23%) and 11.97% (2020: 12.94%), respectively.

For the year ended 31 December 2021, based on the result of the assessment, the management of the Company determined that the recoverable amount of water supply service CGU of HK\$736,033,000 (2020: HK\$719,715,000) is not lower than the carrying amount. No impairment loss was recognised against the water supply service CGU. The goodwill allocated to the water supply service was fully impaired in prior year.

The carrying amount of goodwill allocated to financial services comprises: (i) goodwill of HK\$8,747,000 brought forward from previous year, which has been fully impaired in prior year; and (ii) aggregated goodwill of HK\$11,328,000 arising from acquisitions of subsidiaries (Note 34) during the year.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the most five years with the residual period using the growth rate of 2.5% for financial services business acquired during the year. The pre-tax rate used to discount the forecasted cash flows is 13.61%. No impairment loss was recognised on the financial service business acquired during the year.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 20. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Water supply and related services		
– Raw materials	1,055	2,146
– Finished goods	5,724	3,577
	<b>6,779</b>	5,723
Property development		
– Land held for future development for sale	13,339	13,946
Less: Impairment loss – Note 20(b)	(3,396)	(3,584)
	<b>9,943</b>	10,362
	<b>16,722</b>	16,085

Notes:–

- (a) The land held for future development are located in Australia and expected to be recovered after more than one year. All of the other inventories are expected to be recovered within one year.
- (b) The movement in the impairment loss on land held for future development for sale during the years is as follows:–

	2021 HK\$'000	2020 HK\$'000
At 1 January	3,584	3,276
Exchange adjustments	(188)	308
At 31 December	<b>3,396</b>	3,584

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. DEBTORS

	2021 HK\$'000	2020 HK\$'000
Trade debtors arising from water supply and related services and rental receivables	53,283	50,471
Less: loss allowance – Note 21(c)	(2,771)	(2,684)
	<b>50,512</b>	<b>47,787</b>
Trade receivables arising from the ordinary course of business of dealing in securities		
HKSCC	493	—
Cash clients	124	—
Margin clients, secured	5,606	—
	<b>6,223</b>	—
Less: loss allowance – Note 21(c)	(44)	—
	<b>6,179</b>	—
	<b>56,691</b>	<b>47,787</b>

Notes:–

- (a) The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically. Further details on the Group's credit policy and credit risk arising from debtors are set out in note 38(a) to the consolidated financial statements.

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

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. DEBTORS (continued)

Notes:– (continued)

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

	2021 HK\$'000	2020 HK\$'000
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 (note 30).

## 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Utilities and deposits	1,810	1,138
Prepayments	1,383	1,147
Interest receivable	1,720	8
Other receivables	11,768	7,524
Less: loss allowance on other receivables – Note 22(a)	16,681 (110)	9,817 (105)
	16,571	9,712

Note:–

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 23. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

#### (a) Pledged time deposits

Pledged bank deposit of RMB157,000,000 (equivalent to HK\$192,441,000) carries fixed interest rate of 2.7% per annum and is pledged to banks to secure bank loans granted to the Group.

#### (b) Cash and bank balances

	2021 HK\$'000	2020 HK\$'000
Cash and bank balances:		
General accounts and cash	727,312	999,061
Client accounts	72,320	—
	<b>799,632</b>	<b>999,061</b>

As at 31 December 2021, cash and bank balances of general accounts of the Group denominated in Renminbi amounted to HK\$606,254,000 (2020: HK\$926,000,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

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

### 24. TRADE PAYABLES

	2021 HK\$'000	2020 HK\$'000
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	845	—
	<b>272,454</b>	<b>121,862</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 24. TRADE PAYABLES (continued)

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

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

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.

### 25. PAYABLE TO MERCHANTS

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

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

### 26. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Deposits received	7,048	7,703
Accruals	21,374	16,223
Sundry creditors	62,702	53,153
Construction fee payable	23,231	31,672
Other tax payable	7,914	4,523
	<b>122,269</b>	<b>113,274</b>

Notes:–

Interest payable on loan from a third party of RMB3,415,000 (equivalent to approximately HK\$4,185,000) (2020: RMB927,000 (equivalent to approximately HK\$1,043,000)) is included in accruals.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 27. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
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.

### 28. LEASE LIABILITIES

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

	Present value of minimum lease payments		Minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Amounts payable:-				
Within one year	4,505	2,728	4,630	3,059
In the second to fifth year	408	2,896	418	2,873
	4,913	5,624	5,048	5,932
Less: Future finance charges			135	308
Present value of lease obligation			4,913	5,624

### 29. AMOUNT DUE TO A RELATED COMPANY

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 30. BANK AND OTHER BORROWINGS

As at 31 December 2021, the bank and other borrowings were analysed as follows:-

	Note	2021 HK\$'000	2020 HK\$'000
Bank loans, secured	(a)	1,092,006	684,692
Government loans, unsecured		—	350
Loan from a third party	(b)	—	557,779
		<b>1,092,006</b>	<b>1,242,821</b>
Due for payment:-			
– Within one year		217,849	40,362
– Within two to five years		644,033	473,668
– Over five years		230,124	728,791
		<b>1,092,006</b>	<b>1,242,821</b>

Notes:-

(a) The Group had the following banking facilities:-

	At 31 December	
	2021 HK\$'000	2020 HK\$'000
Total banking facilities granted	1,483,097	949,411
Less: banking facilities utilised by the Group	(1,092,006)	(684,692)
Unutilised banking facilities	<b>391,091</b>	<b>264,719</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. BANK AND OTHER BORROWINGS *(continued)*

Notes:– *(continued)*

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

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

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

As at 31 December 2020, these banking facilities were secured by:–

- i. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB2,375,000 (equivalent to approximately HK\$2,671,000) (note 18);
  - ii. pledge of trade receivables with a carrying amount of RMB34,449,000 (equivalent to approximately HK\$40,883,000) (note 22);
  - iii. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
  - iv. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
  - v. guarantee by Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;
  - vi. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse; and
  - vii. guarantee by the non-controlling shareholders of subsidiaries.
- (b) As at 31 December 2020, a third party advanced approximately HK\$557,779,000 to the Group by way of the third party subscribing the equity of a subsidiary. The issued instrument carried a cumulative fixed-rate interest of 3% per annum, had no voting right, and was not entitled to profit distribution. The third party had no right to call for redemption unless the subsidiary agrees, while the subsidiary can redeem the equity at its own discretion. The directors classify the proceeds as liabilities and the loan was fully repaid during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 31. SHARE CAPITAL

### (a) Share capital

	The Group and the Company	
	Number of shares	HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:–		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	20,000,000,000	200,000
Issued and fully paid:–		
At 1 January 2020	5,512,758,758	55,128
Shares issued under share option scheme – note a	241,242	2
At 31 December 2020, 1 January 2021 and 31 December 2021	5,513,000,000	55,130

Notes:–

- a. On 29 April 2020, 241,242 share options were exercised by the eligible option holders, resulting in the issue of 241,242 shares of HK\$0.01 each of the Company at a total consideration of approximately HK\$38,000.

### (b) Capital management

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

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2021 and 31 December 2020 were as follows:–

	2021 HK\$'000	2020 HK\$'000
Total liabilities	1,517,371	1,524,587
Total assets	2,879,281	2,935,233
Gearing ratio	52.70%	51.94%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 32. SHARE OPTIONS

Pursuant to the Company transferred the listing of its share from GEM to the Main Board of the Stock Exchange on 22 June 2010, the Company adopted a new share option scheme which is compliance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010 ("**New Share Option Scheme**"). The three share option schemes adopted on 12 October 2001 ("**GEM Share Option Schemes**") have been terminated and no further options under such schemes have been granted thereunder upon the adoption of the New Share Option Scheme. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme.

The subscription price of the New Share Option Scheme shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

- (a) A summary of the movements of share options granted under the New Share Option Scheme during each of the two years ended 31 December 2021 is as follows:–

Date of grant	Exercise period	Exercise price	Number of share options						
			Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Outstanding at 31 December 2020 and 1 January 2021	Granted during the year	Exercised during the year	Outstanding at 31 December 2021
15 April 2020	15 April 2020 to 11 August 2020	HK\$0.16	—	241,242	(241,242)	—	—	—	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 32. SHARE OPTIONS *(continued)*

(b) The number and weighted average of exercise prices of share options are as follows:–

	2021 Weighted average of exercise price HK\$	Number of options	2020 Weighted average of exercise price HK\$	Number of options
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	0.16	241,242
Exercised during the year	—	—	0.16	(241,242)
Outstanding at the end of year	—	—	—	—
Exercisable at the end of year	—	—	—	—

There were 241,242 share options granted and exercised during the year ended 31 December 2020.

#### (c) Fair value of share options granted

241,242 (“Option 2020”) share options under the New Share Option Scheme were granted during the years ended 31 December 2020.

Fair values of share options granted during the years ended 31 December 2020 were as follows:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

	Option 2020
Fair value at measurement date	HK\$0.01220
Share price	HK\$0.155
Exercise price	HK\$0.16
Expected volatility	46.84%
Expected dividend yield	0%
Risk-free interest rate	0.61%

The expected volatility is based on the historic volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. RESERVES

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

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Share held under share award scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.1.2020	1,254,978	481	—	—	(250,370)	1,005,089
Share-based payments	—	—	3	—	—	3
Shares issued under share option scheme	39	—	(3)	—	—	36
Total comprehensive loss for the year	—	—	—	—	(30,904)	(30,904)
At 31.12.2020 and 1.1.2021	1,255,017	481	—	—	(281,274)	974,224
Purchase of shares for share award scheme	—	—	—	(6,223)	—	(6,223)
Total comprehensive loss for the year	—	—	—	—	(5,840)	(5,840)
<b>At 31.12.2021</b>	<b>1,255,017</b>	<b>481</b>	<b>—</b>	<b>(6,223)</b>	<b>(287,114)</b>	<b>962,161</b>

Notes:–

- (i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- (ii) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.
- (iii) As at 31 December 2021, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK\$961,680,000 (2020: HK\$973,743,000) subject to the restrictions as stated above.
- (iv) The special reserve in the consolidated statement of changes in equity represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the reorganisation completed in 2001.
- (v) The subsidiary established in the PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a statutory reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The statutory reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the statutory reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the Board of Directors of the subsidiary resolved to appropriate HK\$1,998,000 (2020: HK\$3,593,000) from retained profits to statutory reserve fund.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. ACQUISITION OF SUBSIDIARIES

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 34. ACQUISITION OF SUBSIDIARIES *(continued)*

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. DISPOSAL OF A SUBSIDIARY

On 8 May 2020, Qinghui Properties Limited (“**Qinghui**”), an indirect non-wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Qingyuan Yuncheng Properties Company Limited (“**Yuncheng**”), an independent third party, pursuant to which Qinghui agreed to sell (the “**Disposal**”) and Yuncheng agreed to purchase 100% equity interests in Qingyuan Kaipeng Properties Company Limited (“**Kaipeng**”) at a total consideration of RMB5,300,000 (equivalent to approximately HK\$5,942,000).

After the completion of the Disposal on 13 May 2020, Kaipeng ceased to be a subsidiary of the Group.

	HK\$'000
<b>Net assets disposed of:-</b>	
Property, plant and equipment – Note 13	1,669
Prepaid land lease premium – Note 14	2,366
Investment properties – Note 15	392
Deposits, prepayments and other receivables	6
Cash and bank balances	118
Deposits received, sundry creditors and accruals	(1,142)
Deferred tax liabilities – Note 9(a)	(771)
Net assets disposed of	2,638
Release of exchange reserve	65
Non-controlling interest	(1,345)
Gain on disposal of a subsidiary – Note 5	4,584
	5,942
Satisfied by:	
Cash consideration	5,942

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Kaipeng during the year was as follows:-

Cash consideration	5,942
Cash and cash equivalents disposed of	(118)
Net inflow of cash and cash equivalents in respect of the disposal of Kaipeng	5,824

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. OPERATING LEASE ARRANGEMENTS

As at 31 December 2021, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:-

	2021 HK\$'000	2020 HK\$'000
Within one year	15,335	18,663
After one year but within five years	4,692	4,891
Over five years	—	354
	20,027	23,908

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

### 37. CAPITAL COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment	6,891	4,572

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

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

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

### (a) Credit risk

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

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

#### *Debtors*

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (a) Credit risk *(continued)*

##### **Debtors** *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for debtors at 31 December 2021:–

	2021		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
0-6 months	1.57%	51,137	802
7-12 months	46.48%	284	132
1-2 years	86.56%	186	161
Over 2 years	100.00%	1,676	1,676
		<b>53,283</b>	<b>2,771</b>
	2020		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
0-6 months	1.72%	48,534	835
7-12 months	46.72%	122	57
1-2 years	90.91%	253	230
Over 2 years	100.00%	1,562	1,562
		<b>50,471</b>	<b>2,684</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (b) Liquidity risk

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

Maturities of the non-derivative financial liabilities of the Group at 31 December 2021 were as follows:-

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

	2020				
	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Less than 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
Total amounts of contractual undiscounted obligations:-					
Bank and other borrowings	685,042	836,891	77,036	583,565	176,290
Loan from a third party	557,779	557,779	—	—	557,779
Trade payables	121,862	121,862	121,862	—	—
Payable to merchants	3,011	3,011	3,011	—	—
Sundry creditors and accruals	113,267	113,267	113,267	—	—
Lease liabilities	5,624	5,932	3,059	2,873	—
Amount due to a related company	47	47	47	—	—
	<b>1,486,632</b>	<b>1,638,789</b>	<b>318,282</b>	<b>586,438</b>	<b>734,069</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Carrying amounts of financial assets and financial liabilities at 31 December 2021 exposed to currency risk were as follows:-

	2021 HK\$'000	2020 HK\$'000
Financial assets denominated in foreign currencies:-		
Deposits and other receivables	166	166
Fixed deposits	63,635	5,417
Pledged time deposits	192,441	—
Cash and bank balances	1,414	18,100
	<b>257,656</b>	<b>23,683</b>
Financial liabilities denominated in foreign currencies:-		
Payable to merchants	(136)	(126)
	<b>(136)</b>	<b>(126)</b>
Net financial assets exposed to currency risk	<b>257,520</b>	<b>23,557</b>

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

	2021 HK\$'000	2020 HK\$'000
Australian dollars	1	1
United States dollars	1,516	1,508
Renminbi	256,003	22,048
	<b>257,520</b>	<b>23,557</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (c) Currency risk *(continued)*

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

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote. Should Hong Kong dollars at 31 December 2021 devalue by 10% against all foreign currencies except United States dollars, the carrying amount of the net financial assets of the Group exposed to currency risk at 31 December 2021 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2021 would be increased/decreased by HK\$25,600,000 (2020: HK\$2,205,000); and loss for the year ended 31 December 2021 would be decreased/increased by the same amount.

### (d) Market price risk

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

The Group has no significant exposure to market price risk.

### (e) Interest rate risk

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (e) Interest rate risk *(continued)*

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 31 December 2021 and 2020:–

	At 31 December 2021		At 31 December 2020	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
<b>Fixed rate financial assets</b>				
Fixed deposits	0.2% to 2.46%	66,638	0.25%-2.46%	143,614
Pledged time deposits	2.7%	192,441	N/A	—
<b>Fixed rate financial liabilities</b>				
Lease liabilities	4.98%	(4,913)	4.98%	(5,624)
Loan from a third party	N/A	—	3%	(557,779)
<b>Variable rate financial assets</b>				
Bank balances	0.05% to 0.35%	628,077	0.05%-0.35%	917,426
<b>Variable rate financial liabilities</b>				
Bank and other borrowings	3.9% to 6.5%	(1,092,006)	3.3%-5.64%	(685,042)
		(209,763)		(187,405)

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year ended 31 December 2021 would be increased (2020: increased) and respective accumulated losses would be increased (2020: increased) by approximately HK\$3,465,000 (2020: HK\$1,747,000).

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

### (f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 2020.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) On 25 May 2021, UTCHL and Ms. Zhu Fenglian (“Ms. Zhu”) entered into the acquisition agreement (the “Acquisition Agreement”), pursuant to which UTCHL conditionally agreed to acquire from Ms. Zhu, and Ms. Zhu agreed to sell, the entire issued share capital of HSL and HCL (the “Target Companies”) for a total cash consideration of HK\$36,500,000 (the “Acquisition”). Prior to the entering into of the Acquisition Agreement, the entire issued share capitals of the Target Companies were legally and beneficially owned by Ms. Zhu. Ms. Zhu is an executive Director of the Company. Ever City Industrial Development Limited (a controlled corporation of Ms. Zhu) is a substantial shareholder of the Company interested in, directly and indirectly through Eastcorp International Limited, 1,561,140,000 shares, representing approximately 28.32% of the issued share capital of the Company. Accordingly, Ms. Zhu is a connected person of the Company, and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition was completed on 3 November 2021. Further details regarding the Acquisition were disclosed in the Company’s announcement dated 25 May 2021 and 3 November 2021.
- (b) Apart from the transaction as disclosed in notes 29 and 30 to the consolidated financial statements, the Group had other material transaction with its related party during the year as follows:–

Particulars	Relationship	2021	2020
		HK\$’000	HK\$’000
Rental income	Common shareholder	493	554

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (c) Key management personnel compensation

	2021 HK\$'000	2020 HK\$'000
Fees for key management personnel	1,620	1,868
Salaries, allowances and other benefits in kind	5,377	5,266
Pension scheme contributions	67	32
	<b>7,064</b>	<b>7,166</b>

## 40. LITIGATION

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

As disclosed in the Announcement, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government-designated Water Plant. 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 directors consider difficult to predict the outcome of the litigation. However, the Group has provided the cost of water supply, based on a reasonable estimation, in the consolidated financial statements, pending the resolution of the relevant disputes and litigations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
<b>At 1 January 2020</b>	681,666	2,547	684,213
<b>Changes from financing cash flows:</b>			
Lease rentals paid	—	(2,970)	(2,970)
Interest paid	(37,529)	(112)	(37,641)
Repayment of bank loans	(36,763)	—	(36,763)
Loan from a third party	557,779	—	557,779
	1,165,153	(535)	1,164,618
<b>Exchange adjustments</b>	40,139	55	40,194
<b>Other changes:</b>			
New leases	—	5,992	5,992
Interest expenses	37,529	112	37,641
<b>At 31 December 2020 and 1 January 2021</b>	<b>1,242,821</b>	<b>5,624</b>	<b>1,248,445</b>
<b>Changes from financing cash flows:</b>			
Lease rentals paid	—	(3,111)	(3,111)
Proceeds from bank loans	457,705	—	457,705
Interest paid	(52,721)	(237)	(52,958)
Repayment of bank loans	(79,774)	—	(79,774)
Repayment to a third party	(566,256)	—	(566,256)
	1,001,775	2,276	1,004,051
<b>Exchange adjustments</b>	37,510	33	37,543
<b>Other changes:</b>			
Adjustment for lease modification	—	488	488
Acquisition of a subsidiary – Note 34	—	1,919	1,919
Interest expenses	49,659	237	49,896
Capitalised borrowing costs	3,062	—	3,062
<b>At 31 December 2021</b>	<b>1,092,006</b>	<b>4,913</b>	<b>1,096,919</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(continued)

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

	2021 HK\$'000	2020 HK\$'000
Within:-		
Operating cash flows	(138)	(250)
Investing cash flows	—	(64,375)
Financing cash flows	(3,348)	(3,082)
	<b>(3,486)</b>	<b>(67,707)</b>

These amounts relate to the following:-

	2021 HK\$'000	2020 HK\$'000
Lease rentals paid	(3,486)	(3,332)
Purchase of land and buildings	—	(64,375)
	<b>(3,486)</b>	<b>(67,707)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 42. SEGMENT REPORTING

The CODM has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

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 HSL and HCL, the financial service 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 42. SEGMENT REPORTING (continued)

### (a) Segments results, assets and liabilities

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

	Reportable Segments									
	Water supply and related services		Properties investment and development		Financial services		Others		Consolidated	
	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	279,880	241,045	—	—	14	—	—	—	279,894	241,045
Over time	47,849	64,862	40,454	38,841	304	—	—	—	88,607	103,703
Reportable segment revenue	327,729	305,907	40,454	38,841	318	—	—	—	368,501	344,748
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									(60,873)	(71,258)
Attributable to:										
– Shareholders of the Company									(39,102)	(36,337)
– Non-controlling interests									(21,771)	(34,921)
									(60,873)	(71,258)
Depreciation for the year	40,049	39,586	3,002	3,293	274	—	2,574	2,907	45,899	45,786
Amortisation	52,195	46,408	350	340	—	—	—	—	52,545	46,748
Capital expenditure incurred during the year	43,861	11,575	316	63	16	—	—	—	44,193	11,638
Interest in a joint venture	—	—	268,172	259,789	—	—	—	—	268,172	259,789
Reportable segment assets	822,286	911,019	1,571,326	1,788,671	114,360	—	371,309	235,543	2,879,281	2,935,233
Unallocated assets									12,175	2,047
Total assets									2,891,456	2,937,280
Reportable segment liabilities	972,949	923,367	417,012	532,599	75,052	—	50,305	56,654	1,515,318	1,512,620
Unallocated liabilities									56,982	64,128
Total liabilities									1,572,300	1,576,748

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 42. SEGMENT REPORTING *(continued)*

### (b) Geographical information

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

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, and the location of operation, in the case of interest in a joint venture and statutory deposits for financial service business.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		16	36
Interests in subsidiaries		1,197,345	1,142,603
Right-of-use assets		2,191	4,580
		<b>1,199,552</b>	<b>1,147,219</b>
<b>CURRENT ASSETS</b>			
Deposits, prepayments and other receivables		5,005	1,676
Fixed deposits		51,980	143,614
Cash and bank balances		91,934	59,122
		<b>148,919</b>	<b>204,412</b>
<b>DEDUCT:-</b>			
<b>CURRENT LIABILITIES</b>			
Sundry creditors and accruals		7,167	7,143
Amounts due to subsidiaries		321,768	310,549
Lease liabilities		2,245	2,340
		<b>331,180</b>	<b>320,032</b>
<b>NET CURRENT LIABILITIES</b>		<b>(182,261)</b>	<b>(115,620)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,017,291</b>	<b>1,031,599</b>
<b>DEDUCT:-</b>			
<b>NON-CURRENT LIABILITY</b>			
Lease liabilities		—	2,245
<b>NET ASSETS</b>		<b>1,017,291</b>	<b>1,029,354</b>
<b>REPRESENTING:-</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	31(a)	55,130	55,130
Reserves	33	962,161	974,224
<b>TOTAL EQUITY</b>		<b>1,017,291</b>	<b>1,029,354</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The details of the principal subsidiaries at 31 December 2021 are as follows:-

Name of company	Place of incorporation/ establishment and operation	Legal form of entity	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company		Group's effective interest	Principal activities
				Directly	Indirectly		
Universal Cyberworks International Limited	British Virgin Islands ("BVI")	Limited liability company	2 ordinary shares of US\$1 each	100% (2020: 100%)	—	100% (2020: 100%)	Investment holding
Universal Property Holdings Limited	Hong Kong	Limited liability company	HK\$10,000	—	100% (2020: 100%)	100% (2020: 100%)	Investment holding
Hooray Asset Management Limited	Hong Kong	Limited liability company	HK\$7,240,000 (2020: HK\$6,440,000)	—	100% (2020: 100%)	100% (2020: 100%)	Provision of investment advisory services
Hooray Securities Limited	Hong Kong	Limited liability company	HK\$133,979,990	—	100% (2020: nil)	100% (2020: nil)	Securities dealing
Hooray Capital Limited	Hong Kong	Limited liability company	HK\$8,400,000	—	100% (2020: nil)	100% (2020: nil)	Provision of corporate financial advisory services
Wayland Asia Pacific Estate Pty Ltd	Australia	Limited liability company	AUD100	—	100% (2020: 100%)	100% (2020: 100%)	Estate development
Shenzhen Huanye Universal Technologies Limited* ("Huanye")	PRC	Wholly foreign owned enterprise	RMB85,000,000	—	100% (2020: 100%)	100% (2020: 100%)	Investment holding
Qinghui Properties Limited (note)	PRC	Limited liability company	RMB510,000,000 (2020: RMB980,000,000)	—	49% (2020: 49%)	49% (2020: 49%)	Investment holding
Dongguan Xinhongcheng Enterprise Management Company Limited	PRC	Limited liability company	RMB15,000,000	—	49% (2020: 49%)	49% (2020: 49%)	Investment holding
Qingyuan Jingyu Properties Company Limited	PRC	Limited liability company	RMB1,000,000	—	49% (2020: 49%)	49% (2020: 49%)	Properties investment
Qingyuan Jinhong Industrial Company Limited	PRC	Limited liability company	RMB1,000,000	—	49% (2020: 49%)	49% (2020: 49%)	Properties investment
Qingyuan Water Supply Development Company Limited ("Water Supply Development")	PRC	Limited liability company	RMB98,521,440	—	49% (2020: 49%)	49% (2020: 49%)	Provision of water supply business
Qingyuan Jincheng Water Testing Company Limited	PRC	Limited liability company	RMB1,600,000	—	49% (2020: 49%)	49% (2020: 49%)	Provision of water quality testing service
Qingyuan Qingxin District Huike Properties Company Limited	PRC	Limited liability company	RMB2,000,000	—	49% (2020: 49%)	49% (2020: 49%)	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Name of company	Place of incorporation/ establishment and operation	Legal form of entity	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company		Group's effective interest	Principal activities
				Directly	Indirectly		
Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water")	PRC	Limited liability company	RMB23,254,000	—	49% (2020: 49%)	24.99% (2020: 24.99%)	Provision of water supply business
Chevalier Earth Group Limited	BVI	Limited liability company	HK\$100	100% (2020: 100%)	—	100% (2020: 100%)	Investment holding
Heng Hui Property Investment Limited	Hong Kong	Limited liability company	HK\$130,000	—	100% (2020: 100%)	100% (2020: 100%)	Investment holding
Guangzhou Yicheng Investment Holdings Limited*	PRC	Wholly foreign owned enterprise	RMB200,000,000	—	100% (2020: 100%)	100% (2020: 100%)	Investment holding
Guangzhou Hengxin Yuxuan Industrial Development Limited	PRC	Limited liability company	RMB200,000,000	—	100% (2020: 100%)	100% (2020: 100%)	Properties investment

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

Note:—

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

- (i) no resolutions relating to amending the articles of association; increase or decrease of the registered capital; merger, dissolution, winding-up or changing the company form of Qinghui shall be passed unless consents from the shareholders representing two thirds or more of the voting rights have been obtained;
- (ii) save for the aforesaid, the board of directors shall be delegated with the authority to deal with all other matters in relation to Qinghui and such delegation shall not be revoked unless the shareholders of the Qinghui representing two thirds or more of the voting rights agree;
- (iii) the vendor has right to appoint one director to the board of directors of Qinghui and the Group has right to appoint two directors to the board of directors of Qinghui;
- (iv) no resolutions relating to management, operational activities, profit distribution or return on investment shall be passed unless more than 50% of directors agree; and
- (v) any amendments to the articles of the association of Qinghui will require the approval from the shareholders of Qinghui representing two thirds or more of the voting right.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

	2021		2020	
	Water Supply Development	Taihe Water	Water Supply Development	Taihe Water
NCI Percentage	51%	75.01%	51%	75.01%
	2021		2020	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	454,487	65,960	452,246	47,357
Non-current assets	405,618	211,961	386,264	239,142
Current liabilities	(306,663)	(50,546)	(246,145)	(33,524)
Non-current liabilities	(485,630)	(128,468)	(497,456)	(147,741)
Net assets	67,812	98,907	94,909	105,234
Carrying amount of NCI	34,584	74,190	48,404	78,936
	2021		2020	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	261,472	113,926	253,005	91,011
Loss for the year	(29,696)	(3,589)	(62,265)	(1,465)
Other comprehensive income	2,599	3,286	6,901	6,139
Total comprehensive (loss)/income for the year	(27,097)	(303)	(55,364)	4,674
(Loss)/profit allocated to NCI	(15,145)	(2,692)	(31,755)	(1,099)
Cash flows generated from operating activities	68,111	43,417	108,414	40,512
Cash flows used in investing activities	(101,367)	(1,439)	(266,670)	(14,000)
Cash flows (used in)/generated from financing activities	(59,245)	(25,424)	(84,265)	(18,691)

## 1. PROPERTIES HELD FOR INVESTMENT

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

## 2. PROPERTIES UNDER DEVELOPMENT FOR SALE

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

## Five Years Financial Summary

For the year ended 31 December 2021

### RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	368,501	344,748	303,598	271,909	248,536
(Loss)/profit for the year	(60,873)	(71,258)	(116,702)	(10,017)	24,576
Attributable to:					
Shareholders of the Company	(39,102)	(36,337)	(116,634)	(26,805)	2,660
Non-controlling interests	(21,771)	(34,921)	(68)	16,788	21,916
	(60,873)	(71,258)	(116,702)	(10,017)	24,576

### ASSETS AND LIABILITIES

	At 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS	1,742,761	1,721,021	1,534,499	1,034,746	1,109,810
CURRENT ASSETS	1,148,695	1,216,259	801,028	345,600	644,788
DEDUCT:					
CURRENT LIABILITIES	(642,806)	319,232	309,886	179,340	601,402
NET CURRENT ASSETS	505,889	897,027	491,142	166,260	43,386
	2,248,650	2,618,048	2,025,641	1,201,006	1,153,196
DEDUCT:					
NON-CURRENT LIABILITIES	(929,494)	(1,257,516)	(697,908)	(505,943)	(431,635)
NET ASSETS	1,319,156	1,360,532	1,327,733	695,063	721,561