



TECHNOLOGIES

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026



2024/25

ANNUAL REPORT





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Highlights of the Year

- Revenue for the eighteen months ended 30 June 2025 amounted to HK\$451.30 million (Year ended 31 December 2023: HK\$319.15 million), representing an increase of HK\$132.15 million or 41.41% as compared to the last fiscal year. Such increase was mainly due to the increase in revenue of the Group's water supply business and rental income from the Group's commercial properties in China.
- Net loss attributable to shareholders of the Company for the eighteen months ended 30 June 2025 was HK\$161.36 million (Year ended 31 December 2023: HK\$137.34 million), representing an increase of HK\$24.02 million as compared to the last fiscal year. The increase in loss was mainly due to the increase in provision of cost of sales of the Group's water supply and related business and the increases in the operating costs and administrative expenses.
- Basic and diluted loss per share for the eighteen months ended 30 June 2025 amounted to 2.93 HK cents (Year ended 31 December 2023: 2.49 HK cents) and 2.93 HK cents (Year ended 31 December 2023: 2.49 HK cents), respectively.
- The Board of Directors does not recommend the payment of any final dividend for the eighteen months ended 30 June 2025 (Year ended 31 December 2023: HK\$Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Chen Jinyang (*Chairman and Chief Executive Officer*)
Zhu Fenglian
Xuan Zhensheng (re-designated on 28 June 2024)
Zhang Haimei (retired on 28 June 2024)

Non-Executive Director:

Chen Lang (appointed on 28 June 2024)

Independent Non-Executive Directors:

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

COMPANY SECRETARY

Tang Chi Wai

AUDIT COMMITTEE

David Tsoi (*Committee Chairman*)
Yeung Kin Chung Clifton, M.H.
Chao Pao Shu George

AUTHORISED REPRESENTATIVES

Chen Jinyang
Tang Chi Wai

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
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LEGAL ADVISER

Lawrence Chan & Co.

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

CMB Wing Lung Bank
Dah Sing Bank

Chairman's Statement

On behalf of the board of directors (the “**Board**”), I hereby present the annual report of Universal Technologies Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the eighteen months ended 30 June 2025.

REVIEW

For the eighteen months ended 30 June 2025 (the “**Period**”), the Group recorded revenue of approximately HK\$451,301,000, representing an increase of 41.41% or approximately HK\$132,154,000 as compared with revenue of approximately HK\$319,147,000 for the previous fiscal year (for the year ended 31 December 2023). Such increase was mainly due to the increase in revenue from the Group's water supply business and rental income from commercial properties in China.

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) amounted to approximately HK\$415,699,000 during the Period, representing an increase of 39.46% as compared with the previous fiscal year, mainly due to the increase in revenue from water supply related installation, construction and maintenance during the Period. The property investment and development segment recorded revenue of approximately HK\$35,295,000, representing an increase of approximately HK\$14,486,000 as compared with the previous fiscal year, reflecting the market recovery and improved consumer confidence, which have driven up foot traffic and lowered the vacancy rate in shopping malls. The financial services segment recorded revenue of approximately HK\$307,000, representing a slight increase as compared with the previous year, mainly due to the increases in advisory fees and commissions during the period.

Despite an increase in revenue, net loss attributable to shareholders of the Company for the Period was approximately HK\$161,360,000, representing an increase of approximately HK\$24,024,000 as compared with the loss of approximately HK\$137,336,000 for the previous fiscal year. The increase in loss was mainly due to the increase in provision of cost of sales for water supply and related business, as well as the increases in operating costs and administrative expenses.

During the Period, the global economy still faced challenges such as deglobalization, regional military conflicts and geopolitical tensions. The economy of China has been gradually stabilized with policy support, but the recovery momentum was affected by the uncertainty of the external environment. Despite the difficult business environment, the Group has adhered to its established strategies, striven to control costs and enhanced operational efficiency to cope with the challenges.

During the Period, the Group continued to fulfill its mission of ensuring water supply, strengthening of control and rectifying of hidden hazards. The Group continued to offer rental discounts to property tenants to help them cope with operational pressure and maintain its property occupancy rates.

PROSPECTS

Looking ahead, it is expected that global economic growth will be subject to multiple challenges, with geopolitical and macroeconomic uncertainties continuously impacting market confidence. The Group will closely monitor policy developments, seize market opportunities, prudently adjust business strategies, strengthen risk management, and implement cost control measures. We will proactively seek external financing and asset disposal opportunities to improve our liquidity condition, and continue to focus on property investment and development, in order to provide a stable source of income for the Group.

Meanwhile, the Group will strive to explore property projects and other investment opportunities with potential in China and overseas to enhance its market competitiveness, diversify its risk exposure and expand its source of income, thereby achieving business diversification and sustainable growth.

On behalf of the Board, I would like to express my sincere gratitude to all employees for their hard works and contributions and to our shareholders and partners for their long-term trust and support. We will continue to adhere to the principles of corporate governance, optimize resources allocation, seize the opportunities of market recovery, and create long-term value for our shareholders.

Chen Jinyang

Chairman and Chief Executive Officer

Hong Kong, 30 September 2025

Management Discussion and Analysis

FINANCIAL OVERVIEW

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

During the eighteen months ended 30 June 2025, the Group recorded a revenue of approximately HK\$451,301,000 (Year ended 31 December 2023 ("Year 2023"): approximately HK\$319,147,000), representing an increase of approximately 41.41% or HK\$132,154,000. The increase in revenue was mainly due to the increase in revenue of the Group's water supply business and rental income from the Group's commercial properties in China. The net loss attributable to shareholders of the Company for the eighteen months ended 30 June 2025 was approximately HK\$161,360,000 (Year 2023: approximately HK\$137,336,000), representing an increase of HK\$24,024,000 as compared to the last fiscal year. The increase in loss was mainly due to the increase in provision of cost of sales of the Group's water supply and related business and the increases in the operating costs and administrative expenses.

Cost of revenue

During the eighteen months ended 30 June 2025, the Group recorded a cost of revenue in the amount of approximately HK\$478,064,000, representing an increase of approximately HK\$176,688,000 as compared to the last fiscal year. The increase in cost of sales/services rendered was mainly attributable to the increase in provision of cost of sales/services rendered of the Group's businesses of water supply and related services and property investment and development business.

Impairment loss on goodwill

During the eighteen months ended 30 June 2025, the Group recorded an impairment loss on goodwill of approximately HK\$Nil, representing a decrease of approximately HK\$11,328,000 as compared with the last fiscal year. The decrease was mainly attributable to the Group's financial services business.

Impairment losses on non-current assets

During the eighteen months ended 30 June 2025, the Group recorded impairment losses on non-current assets of Nil, representing a decrease of HK\$52,009,000 as compared with the last fiscal year. The decrease was mainly attributable to the Group's water supply and related business.

Net impairment loss on deposits and receivables

During the eighteen months ended 30 June 2025, the Group recorded a net impairment loss on deposits and receivables of HK\$10,651,000, representing an increase of HK\$2,474,000 as compared with the last fiscal year. The increase in net impairment loss was primarily due to the impairment loss recognised on the loans receivable from independent third parties and deposits paid during the period.

Other income and gains, net

Other income and gains, net consist of interest income on bank deposits and loans receivable, exchange losses and other miscellaneous income.

During the eighteen months ended 30 June 2025, the Group recorded other income and gains, net of HK\$9,115,000, representing an increase of HK\$6,457,000 as compared with the last fiscal year. The increase was mainly due to an increase in the interest income from banks and independent third parties.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Changes in fair value of investment properties

During the eighteen months ended 30 June 2025, the Group recorded a fair value loss of HK\$40,554,000 on investment properties, representing an increase of HK\$7,964,000 as compared with the last fiscal year. The fair value of investment properties was affected by the economy and properties market of the PRC.

General and administrative expenses

During the eighteen months ended 30 June 2025, the Group recorded general and administrative expenses of HK\$112,915,000, representing an increase of 66.33% as compared with the last fiscal year. During the current fiscal period, general and administrative expenses increased in terms of staff costs, exchange loss and other expenses.

Share of loss of a joint venture

During the eighteen months ended 30 June 2025, the Group recorded a share of loss of a joint venture of HK\$7,328,000, representing an increase of HK\$2,028,000 as compared with the last fiscal year. It was mainly attributable to the loss from a joint venture during the current fiscal period.

Finance costs

During the eighteen months ended 30 June 2025, the Group recorded finance costs of HK\$59,100,000, representing an increase of 21.61% as compared with the last fiscal year, which was principally due to the increase in interest rate on bank loans of the Group.

Income tax credit

During the eighteen months ended 30 June 2025, the Group recorded an income tax credit of HK\$2,677,000, representing a decrease of 79.00% as compared with the last fiscal year. It was mainly due to increase in taxable income of the Group's water supply and related business during the period.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK\$39,584,000 from HK\$331,859,000 as at 31 December 2023 to HK\$292,275,000 as at 30 June 2025. The decrease was mainly due to (i) depreciation for the current fiscal period; and (ii) the decrease in the Group's RMB-denominated assets resulted from the depreciation of RMB against the functional currency of the Group during the current fiscal period.

Investment properties

The Group's investment properties decreased by HK\$40,767,000 from HK\$603,127,000 as at 31 December 2023 to HK\$562,360,000 as at 30 June 2025. It was mainly attributable to (i) impairment loss on investment properties of the properties investment and development business; and (ii) the decrease in the Group's RMB-denominated assets resulted from the depreciation of RMB against the functional currency of the Group during the current fiscal period.

Right-of-use assets

The Group's right-of-use assets increased by HK\$27,135,000 from HK\$28,704,000 as at 31 December 2023 to HK\$55,839,000 as at 30 June 2025. The increase was mainly due to the entering into of a new lease agreement in Guangzhou during the current fiscal period.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Interest in a joint venture

The Group's interest in a joint venture decreased by HK\$21,403,000 from HK\$232,095,000 as at 31 December 2023 to HK\$210,692,000 as at 30 June 2025. It was mainly attributable to the (i) loss from a joint venture; and (ii) impairment loss on amount due from a joint venture during the current fiscal period.

Intangible assets

The Group's intangible assets decreased by HK\$66,876,000 from HK\$122,340,000 as at 31 December 2023 to HK\$55,464,000 as at 30 June 2025. The decrease was mainly due to the amortisation for the current fiscal period.

Deposit paid for acquisition of a subsidiary

The Group's deposit paid for acquisition of a subsidiary decreased by HK\$834,000 from HK\$26,602,000 as at 31 December 2023 to HK\$25,768,000 as at 30 June 2025. The decrease was attributable to the impairment loss on the deposit paid for acquisition of a subsidiary of HK\$832,000 being recognised during the current fiscal period.

Deposits paid for acquisition of investment properties

The Group's deposits paid for acquisition of investment properties decreased by HK\$4,977,000 from HK\$159,586,000 as at 31 December 2023 to HK\$154,609,000 as at 30 June 2025. The decrease was mainly attributable to the impairment loss on the deposits paid for acquisition of investment properties of HK\$4,961,000 being recognised during the current fiscal period.

Inventories

The Group's inventories decreased by HK\$1,731,000 from HK\$5,627,000 as at 31 December 2023 to HK\$3,896,000 as at 30 June 2025. The decrease was mainly due to the decrease in purchase of material for water supply and related business for the current fiscal period.

Properties under development

The Group's properties under development increased by HK\$8,314,000 from HK\$13,549,000 as at 31 December 2023 to HK\$21,863,000 as at 30 June 2025. The increase was attributable to the increase in the construction costs incurred during the current fiscal period.

Debtors

The Group's debtors increased by HK\$6,377,000 or 18.50% from HK\$34,472,000 as at 31 December 2023 to HK\$40,849,000 as at 30 June 2025. The increase in debtors was attributable to the increase in revenue for water supply and related business for the current fiscal period.

Deposits, prepayments and other receivables

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

The Group's deposits, prepayments and other receivables increased by HK\$27,890,000 from HK\$100,962,000 as at 31 December 2023 to HK\$128,852,000 as at 30 June 2025. The increase was attributable to the loans receivable from independent third parties for water supply business. These receivables are unsecured and interest-bearing at the rate range from 4.85% to 5.9% per annum.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits increased by HK\$2,025,000 from HK\$229,666,000 as at 31 December 2023 to HK\$231,691,000 as at 30 June 2025. As at 30 June 2025, 84% (31 December 2023: 68%) of cash and bank balances was denominated in RMB.

Pledged time deposits

The Group's pledged time deposits decreased by HK\$58,936,000 from HK\$141,020,000 as at 31 December 2023 to HK\$82,084,000 as at 30 June 2025. The pledged time deposits was denominated in USD and was used to guarantee the Group's bank loan. The decrease in pledged time deposits was due to the repayment of bank loan during the current fiscal period.

Bank borrowings

The Group's bank borrowings decreased by HK\$124,437,000 from HK\$866,798,000 as at 31 December 2023 to HK\$742,361,000 as at 30 June 2025. The decrease was mainly attributable to the repayment of bank loans during the current fiscal period.

Trade payables

The Group's trade payables increased by HK\$149,729,000 from HK\$350,443,000 as at 31 December 2023 to HK\$500,172,000 as at 30 June 2025. The increase in trade payables was due to increase in provision of costs of water supply pending the resolution of disputes and litigations as more particularly set out in the section headed "Litigation" of this report.

Payable to merchants

The Group's payable to merchants as at 30 June 2025 amounted to approximately HK\$3,006,000, which is similar to the figure as at 31 December 2023.

Deposits received, other payables and accruals

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

The Group's deposits received, other payables and accruals increased by HK\$81,669,000 from HK\$154,217,000 as at 31 December 2023 to HK\$235,886,000 as at 30 June 2025. The increase was mainly attributable to (i) the increase in construction fee payable resulted from the undertaking of more construction projects by the Group's water supply business; and (ii) the increase in compensation payable relating to the Government-designated water plant dispute during the current fiscal period.

Contract liabilities

The Group's contract liabilities increased by HK\$10,845,000 from HK\$14,101,000 as at 31 December 2023 to HK\$24,946,000 as at 30 June 2025. The increase was mainly due to the increase in contract income of the Group's water supply and related business for the current fiscal period.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Lease liabilities

The Group's lease liabilities increased by HK\$32,882,000 from HK\$6,387,000 as at 31 December 2023 to HK\$39,269,000 as at 30 June 2025. The increase was in line with the increase in right-of-use assets as a result of the entering into of new lease agreement.

Amount due to a related company

The Group's amount due to a related company decreased by HK\$44,000 from HK\$44,000 as at 31 December 2023 to HK\$Nil as at 30 June 2025. The decrease was mainly attributable to the settlement to related companies on the amount due.

Tax payable

The Group's tax payable decreased by HK\$1,082,000 from HK\$3,879,000 as at 31 December 2023 to HK\$2,797,000 as at 30 June 2025. The decrease was in line with the turning from income tax expense for the last year to income tax credit for the current fiscal period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group had net current liabilities of HK\$362,769,000. Current assets comprised properties under development of HK\$21,863,000, inventories of HK\$3,896,000, debtors of HK\$40,849,000, deposits, prepayments and other receivables of HK\$128,852,000, fixed deposits of HK\$59,067,000, pledged time deposits of HK\$82,084,000 and cash and bank balances of HK\$172,624,000.

Current liabilities comprised bank borrowings of HK\$96,901,000, trade payables of HK\$500,172,000, payable to merchants of HK\$3,006,000, deposits received, other payable and accruals of HK\$235,886,000, contract liabilities of HK\$24,946,000, lease liabilities of HK\$8,296,000 and tax payable of HK\$2,797,000.

The gearing ratio, which is defined as a percentage of the total liabilities (excluding deferred tax liabilities) over the total assets (excluding deferred tax assets), of the Group as at 30 June 2025 was 83% (31 December 2023: 69%).

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.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Business Review

For the eighteen months ended 30 June 2025 (the “Period”), the Group was primarily engaged in the business of water supply and related services, property investment and development, and financial services. Revenue from the principal business amounted to approximately HK\$451,301,000 (Year ended 31 December 2023 (“Year 2023”): approximately HK\$319,147,000), representing an increase of 41.41% or approximately HK\$132,154,000. 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\$415,699,000, representing an increase of 39.46% or approximately HK\$117,620,000 as compared with the revenue of approximately HK\$298,079,000 for the last fiscal year, mainly due to the increase in water supply related installation, construction and maintenance income during the Period.

The property investment and development business of the Group mainly comprises the rental operation of the Group’s commercial properties in Guangzhou. For the Period, the property investment and development segment of the Group recorded a revenue of approximately HK\$35,295,000 (Year 2023: approximately HK\$20,809,000), representing an increase of approximately HK\$14,486,000. The increase in rental income was driven by a resurgence in market recovery and improved consumer sentiment, leading to heightened foot traffic and a lower vacancy rate in shopping malls.

The financial services business of the Group mainly comprises the provision of corporate finance advisory, asset management, margin financing and stockbroking services. For the Period, the financial services segment of the Group recorded revenue of approximately HK\$307,000 (Year 2023: approximately HK\$259,000), representing an increase of approximately HK\$48,000 or 18.53%. The increase in revenue in the financial services business was due to the increases in advisory fees and commissions during the Period.

For the Period, the Group recorded a net loss attributable to shareholders of the Company of approximately HK\$161,360,000 (Year 2023: approximately HK\$137,336,000), representing an increase of approximately HK\$24,024,000 or 17.49% as compared with Year 2023. The increase in loss for the Period for the Group was mainly due to the increase in provision for cost of sales for the Group’s water supply and related business and the increase in operating costs and administrative expenses.

During the Period, the Group was committed to achieving sustainable development by enhancing its competitiveness in the market while maintaining good corporate governance standards and procedures, effective management systems and allocation of resources, with a view to improving its competitiveness and maximizing the value of investment for its shareholders. The Group paid attention to talent training, holding the belief that the expertise and experience of employees is an important element in the long-term sustainability of the Group. The Group is committed to providing training and career paths for employees to develop their potentials, skills and sense of belonging, as well as providing incentive programs to motivate and retain talents, so as to promote the long-term operation and development of the Group.

Management Discussion and Analysis

PROSPECTS

Looking ahead, it is expected that the global economic growth will continue to face challenges in 2025. In order to cope with the ever-changing external environment amidst the uncertainties in the global economy, the Group will closely monitor the situation, maintain a cautious approach as well as regularly evaluate its business strategies. We will strengthen risk management, implement cost control measures, seek external financing and consider the possibility of asset disposals with the view to alleviating the liquidity and improving the Group's operational and financial position. In addition, the Group will continue to focus on its property investment and development business, which provides a stable source of income for the Group. In the meantime, the Group will strive to explore promising property projects in the PRC and overseas and identify potential and new businesses and investment opportunities to enhance its market competitiveness, spread its risks and expand its revenue sources, so as to diversify the Group's business, strengthen its core business and achieve sustainable growth.

EMPLOYEES

As at 30 June 2025, the total number of employees of the Group was 412 (Year 2023: 412). The remuneration of the employees (including directors) were determined according to their performance and work experience. In addition to basic salaries, discretionary bonus, award shares and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance. The Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS *(continued)*

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

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

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

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

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

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

Save as disclosed in this report, the Group did not have any other significant investments, acquisitions and disposals for the eighteen months ended 30 June 2025.

Management Discussion and Analysis

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 30 June 2025 were secured by:

- i. charges over a time deposit amounting to USD10,570,000 (equivalent to approximately HK\$82,084,000);
- ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB396,000 (equivalent to approximately HK\$434,000);
- iii. charges over the investment properties with carrying amounts of RMB472,000,000 (equivalent to approximately HK\$508,300,000);
- iv. pledge of trade receivables with a carrying amount of RMB36,971,000 (equivalent to approximately HK\$40,513,000);
- v. pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- vi. pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- vii. pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- viii. guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- ix. guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse; and
- x. guarantee by the non-controlling shareholders of subsidiaries and business associate.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had capital expenditure contracted but not provided for in respect of property, plant and equipment in the amount of approximately HK\$12,386,000 as at 30 June 2025.

The Board considers that the Group's existing financial resources are sufficient to fulfill its current commitments and working capital requirements, and the Group should be able to fund its foreseeable expenditures through cash flows from operations. Save for the said capital commitments and the possible acquisitions as detailed above, there was no other future plan for material investments or capital assets for the Period. If the Group launches any massive scale of expansion, development, investment or acquisition, additional debt or equity financing may be required. The Company will only consider raising additional debt or equity to finance its expansion, development, investment or acquisition if it is in the best interests of the Company and its shareholders to do so. When negotiating the terms of the said possible acquisitions, the Company would consider settling the acquisition consideration partly or fully by debt or equity. Up to the date of this report, no legally binding agreement has been entered into in respect of any of the said acquisitions. Further announcement(s) will be made as and when any disclosure obligation is triggered by material development of these acquisitions.

Management Discussion and Analysis

CURRENCY RISK

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

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

CAPITAL COMMITMENTS

As at 30 June 2025, the Group had capital commitments contracted but not provided for in the amount of approximately HK\$12,386,000 (Year 2023: approximately HK\$14,968,000) comprising acquisition of property, plant and equipment which being in connection with the capital expenditures of the Group's water supply and related business.

CHANGE OF BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

On 1 November 2024, the Company's branch share registrar and transfer office in Hong Kong was changed to Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

CHANGE OF FINANCIAL YEAR END DATE

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

Management Discussion and Analysis

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

Pursuant to Rule 13.51B of the Listing Rules, the changes in the information of the Directors subsequent to the date of the 2023 Annual Report are as follows:

1. Mr. Xuan Zhensheng, previously a non-executive Director of the Company, (i) was re-designated as an executive Director of the Company with effect from 28 June 2024; (ii) was appointed as a director of Chevalier Earth Group Limited (a direct wholly-owned subsidiary of the Company) with effect from 28 June 2024; and (iii) was appointed as a non-independent director and general manager of Guangdong Golden Dragon Development Inc. ("GD", whose shares are listed on the Shenzhen Stock Exchange with stock code: 000712), taking effect from 24 June 2024.
2. Ms. Zhang Haimei (i) ceased to be a director of Chevalier Earth Group Limited with effect from 28 June 2024; (ii) retired as an executive Director taking effect at the conclusion of the annual general meeting of the Company (the "AGM") on 28 June 2024; and (iii) ceased to be a general manager and a director of GD with effect from 24 June 2024.
3. Mr. Chen Lang was elected by the Shareholders as a non-executive Director, taking effect at the conclusion of the AGM on 28 June 2024.
4. Mr. David Tsoi ceased to be an independent non-executive director of Tianli Holdings Group Limited (stock code: 117) with effect from 31 January 2025, resigned as an independent non-executive director and chairman of Audit Committee of Investech Holdings Limited (stock code: 1087) with effect from 3 April 2025, and retired as an independent non-executive director and chairman of Audit Committee and Remuneration Committee of Green International Holdings Limited (stock code: 2700) with effect from 26 June 2025.
5. Ms. Zhu Fenglian, an executive Director, (i) ceased to be a director of Dongguan Securities Limited, a licensed corporation in the PRC and an associate of GD with effect from 10 October 2024; and (ii) has been appointed as a member of the nomination committee of the Company with effect from 1 July 2025.

Management Discussion and Analysis

LITIGATION

The followings are the litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

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

As disclosed in the Cessation Notice Announcement and the previous financial reports of the Company, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government designated Water Plant. Since October 2020, WSD Company received various writs of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" for various time periods. At the relevant time, after seeking advice from its PRC legal advisers, WSD Company was of the view that the dispute originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore was without legal basis (the "**Group's View**"). However, the Group has made provision on the basis of our own estimation of the cost of water supply in its consolidated financial statements, pending the resolution of the relevant disputes and litigations.

In August and September 2024, the Group received civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, notifying the Group that the Group's View was disagreed by the Court and ordering the WSD Company to pay water charges of RMB35,526,147, RMB40,561,779 and RMB77,039,424 (plus overdue interest accruing at the rate of 1-year term loan market quoted interest rate) and litigation and related charges, to the Government-designated Water Plant. As of 30 June 2025, the carrying amount of the liability for water charges was RMB143,609,589. Regarding the cases for which final civil judgments were rendered by the Court, the Company will continue to seek legal advice including without limitation as regards the reasonableness of water unit charges, interest rate and accruing period. Regarding the cases for which final civil judgments were yet to be rendered, the Group will continue to seek legal advice to uphold its position, and/or take other actions as may be appropriate in the circumstances.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chen Jinyang

Mr. Chen, aged 54, was appointed as an Executive Director on 18 December 2012, the Chairman of the Board on 16 September 2013, an authorised representative of the Company on 29 October 2015, the Chief Executive Officer on 3 June 2019, and the chairman of the nomination committee and a member of the remuneration committee of the Company on 23 May 2023. Prior to joining the Company, Mr. Chen already had substantial experience and knowledge of banking industry and investment business in the PRC. Mr. Chen is currently (i) a responsible officer and director of Hooray Asset Management Limited (“HAML”), a type-9 licensed corporation; (ii) a director of Hooray Securities Limited (“HSL”), a type-1 (dealing in securities) licensed corporation; and (iii) a director of Hooray Capital Limited (“HCL”), a type-6 (advising on corporate finance) licensed corporation, all being wholly-owned subsidiaries of the Company.

Ms. Zhu Fenglian

Ms. Zhu, aged 61, was appointed as an Executive Director and a member of the nomination committee of the Company on 19 May 2016 and 1 July 2025 respectively. She graduated from the Department of Chinese of Sun Yat-Sen University, China in 1985 with a Bachelor’s degree. She has extensive experience in corporate management. Ms. Zhu was formerly (i) a director of Dongguan Hongshun Shaohe Development Co., Ltd.; (ii) a director, the chairperson and Legal Representative of Guangdong Golden Dragon Development Inc. (“GD”, the shares of which are listed on the Shenzhen Stock Exchange with stock code: 000712); (iii) a director of Zhongshan Securities Co., Ltd., a licensed corporation in the PRC and a subsidiary of GD; and (iv) a director of Dongguan Securities Limited, a licensed corporation in the PRC and an associate of GD. She is currently (i) the chairperson of Dongguan New Century School; (ii) a director of HSL, HCL, HAML and Ruijin Equity Investment Fund Management (Shenzhen) Company Limited (“Ruijin”), all being wholly-owned subsidiaries of the Company; (iii) a chairperson of Dongguan Jinshun Real Estate Investment Limited and Dongguan Jincheng Real Estate Investment Limited; and (iv) a manager and executive director of Dongguan Yuhe Industrial Co., Ltd. (“Yuhe”).

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

Directors and Senior Management

DIRECTORS *(continued)*

Executive Directors *(continued)*

Ms. Zhang Haimei

Ms. Zhang, aged 57, was appointed as a Non-Executive Director of the Company on 23 December 2015 and re-designated as an Executive Director of the Company on 23 April 2018. Ms. Zhang retired as an Executive Director at the conclusion of the AGM on 28 June 2024. 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 was formerly (i) a deputy general manager and the financial controller of GD; (ii) a director of Chevalier Earth Group Limited, a subsidiary of the Company; (iii) a general manager and a director of GD; and (iv) a member of the supervision committee of Dongguan Securities Limited, a licensed corporation in the PRC and an 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").

Mr. Xuan Zhensheng

Mr. Xuan, aged 55, was appointed as Non-Executive Director of the Company on 23 April 2018 and re-designated as an Executive Director of the Company on 28 June 2024. Mr. Xuan obtained a diploma in Economics Management in the PRC, and specialty in accountant qualifications issued by the Ministry of Personnel of PRC.

Mr. Xuan is currently (i) a director and general manager of New Century (a company in which Ms. Zhu and her family own shareholding interest); (ii) a supervisor of Yuhe (a company in which Ms. Zhu and her family own shareholding interest); and (iii) a non-independent director and general manager of GD. Mr. Xuan was previously a director and the chairman of supervision committee of GD in which Ms. Zhu and her family own shareholding interest in GD through New Century.

Non-Executive Director

Mr. Chen Lang

Mr. Chen, aged 32, was appointed as Non-Executive Director of the Company on 28 June 2024. He graduated from Beijing Forestry University with a Bachelor's degree in Law, and obtained a Legal Professional Qualification, Board Secretary Qualification, Securities, Funds, and Futures Practitioner Qualification and Accounting Professional and Technical Qualification (Junior Level) in the PRC.

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

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors

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

Mr. Yeung, aged 62, was appointed as an independent non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company on 30 June 2023. Mr. Yeung obtained a degree of master of education from The University of Hong Kong and a degree of bachelor of education with honours from The Chinese University of Hong Kong.

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

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

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

Dr. Cheung, aged 89, was appointed as an Independent Non-Executive Director, the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company on 6 September 2011, 3 June 2013, 6 September 2011 and 29 March 2012 respectively. Dr. Cheung retired as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee at the conclusion of the AGM on 30 June 2023.

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.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. David Tsoi

Mr. Tsoi, aged 78, was appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company on 3 June 2013. Mr. Tsoi was formerly director of 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. Chao Pao Shu George

Mr. Chao, aged 79, was appointed as an Independent Non-Executive Director, a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company on 16 September 2013. He acted as the Chairman of Nomination Committee of the Company during the period from 13 January 2016 to 22 May 2023.

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

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Jinyang

Mr. Chen, aged 54, was appointed as Chief Executive Officer on 3 June 2019. He is also the Chairman of the Board, an Executive Director, an authorised representative, the chairman of the nomination committee and a member of the remuneration committee of the Company. Please refer to the paragraph headed “Directors” in this section above for his biography.

Mr. Tang Chi Wai

Mr. Tang, aged 52, has been appointed as financial controller, company secretary and authorised representative of the Company since June 2008. He is responsible for the overall financial and accounting affairs, treasury management, corporate finance and company secretarial and compliance related matters of the Group. Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He has over 20 years of extensive experience in auditing, accounting, taxation, company secretarial work, corporate finance and financial management.

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

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

Corporate Governance Report

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 C1 of the Listing Rules (the “CG Code”). The Company has complied with the applicable Code Provisions of the CG Code save for the deviation mentioned below:

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

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

CORPORATE CULTURE AND STRATEGY

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

Corporate Governance Report

BOARD OF DIRECTORS

Board Composition

The Board comprises seven Directors, including three Executive Directors, namely, Mr. Chen Jinyang (Chairman and Chief Executive officer), Ms. Zhu Fenglian and Mr. Xuan Zhensheng; one Non-Executive Director, namely Mr. Chen Lang; and three Independent Non-Executive Directors, namely Mr. Yeung Kin Chung, Clifton, M.H., Mr. David Tsoi and Mr. Chao Pao Shu George. Throughout the eighteen months ended 30 June 2025 (the “Period”) 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 Period. The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-Executive Directors are considered to be independent.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company, designed to bring in sufficient balance of independent views and a sufficient coverage of expertise ranging from entrepreneur insights, management experience, business connections, industry knowledge, understanding of capital market, financial management and governance aspects. Brief biographical particulars of the Directors are set out on pages 18 to 23.

Board’s Responsibilities and Delegation

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

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

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

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Supply of and Access to Information

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

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

Insurance

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

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

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

Meetings

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

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Meetings *(continued)*

During the Period, the Company held nine board meetings, three audit committee meetings, three nomination committee meetings, three remuneration committee meetings, and one annual general meeting held on 28 June 2024. Board members attended the Company's Board, Board committee and general meetings either in person or through telephone conferencing means. The attendance record of each director at the Board and Board committee meetings and annual general meeting held during the Period is set out below:

Directors	Board meetings	Number of meeting attended/held			AGM
		Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	
Mr. Chen Jinyang	9/9	N/A	3/3	3/3	1/1
Ms. Zhu Fenglian	9/9	N/A	N/A	N/A	1/1
Ms. Zhang Haimei (retired on 28 June 2024)	2/2	N/A	N/A	N/A	1/1
Mr. Xuan Zhensheng	9/9	N/A	N/A	N/A	1/1
Mr. Chen Lang (appointed on 28 June 2024)	7/7	N/A	N/A	N/A	0/0
Mr. Yeung Kin Chung Clifton, M.H.	9/9	3/3	3/3	3/3	1/1
Mr. David Tsoi	9/9	3/3	3/3	3/3	1/1
Mr. Chao Pao Shu George	9/9	3/3	3/3	3/3	1/1

Corporate governance functions

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

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix C1 to the Listing Rules.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

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.

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

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

Name of directors	Type of Trainings
EXECUTIVE DIRECTORS	
Mr. Chen Jinyang	A, B
Ms. Zhu Fenglian	A, B
Mr. Xuan Zhensheng (re-designated on 28 June 2024)	A, B
Ms. Zhang Haimei (retired on 28 June 2024)	A, B
NON-EXECUTIVE DIRECTOR	
Mr. Chen Lang (appointed on 28 June 2024)	A, B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Yeung Kin Chung Clifton, M.H.	A, B
Mr. David Tsoi	A, B
Mr. Chao Pao Shu George	A, B

Remarks:

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

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

BOARD INDEPENDENCE

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

- (a) Three out of seven Directors are INEDs, satisfying the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.
- (b) INEDs are encouraged to join Board committees to ensure independent views are available at committee levels.
- (c) The Nomination Committee will assess the independence of a candidate who is nominated to be a new INED before appointment. The Nomination Committee will also assess the continued independence of the long-serving INEDs on an annual basis.
- (d) The INEDs are required to inform the Company as soon as practicable if there is any change in their personal particulars that may materially affect their independence.
- (e) All INEDs are required to submit a written confirmation to the Company annually to confirm their independence.
- (f) All Directors are encouraged to seek further information and documentation from the management on the matters to be discussed at or outside Board and Board committee meetings.
- (g) All Directors are aware of their right to seek assistance from the Company's management and company secretary and, where necessary, to seek independent advice from external professional advisers at the Company's expense.
- (h) All Directors are encouraged to express their views in an open and candid manner at or outside Board and Board committee meetings.
- (i) All Directors are reminded at Board and Board committee meetings to disclose any material interest in contract, transaction or arrangement and where such material interest does exist, shall abstain from voting and not be counted in the quorum on any Board or committee resolution approving the same.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

The Articles of Association of the Company provides that any Director appointed by the Board to fill a casual vacancy in, or as an addition to, the Board shall hold office until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

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

COMPANY SECRETARY

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

Mr. Tang supports the Board, ensures good information flow within the Board and Board policy and that procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. In addition, he has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the eighteen months ended 30 June 2025.

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

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

The remuneration committee currently comprises one Executive Director, namely, Mr. Chen Jinyang, and three Independent Non-Executive Directors, namely, Mr. Yeung Kin Chung Clifton, M.H., Mr. David Tsoi and Mr. Chao Pao Shu George, and is chaired by Mr. Yeung Kin Chung Clifton, M.H..

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

Corporate Governance Report

NOMINATION COMMITTEE

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

The nomination committee currently comprises two Executive Directors, namely, Mr. Chen Jinyang and Ms. Zhu Fenglian, and three Independent Non-Executive Directors, namely, Mr. Yeung Kin Chung Clifton, M.H., Mr. David Tsoi and Mr. Chao Pao Shu George, and is chaired by Mr. Chen Jinyang.

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

Board Diversity Policy

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

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

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

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 30 June 2025 was 86%: 14% (male: female). In hiring employees, the Company considers various factors including gender, age, cultural and education background, qualification, professional experience, skills, knowledge and length of service. The Company will encourage gender diversity across the entire workforce of the Group.

Corporate Governance Report

NOMINATION COMMITTEE *(continued)*

Nomination Policy

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

Selection Criteria

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

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company’s business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company’s business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Corporate Governance Report

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

Nomination Procedures

a. Appointment of New Director

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

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

b. Re-election of Director at General Meeting

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

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

Corporate Governance Report

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

Monitoring, Reporting and Regular review

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

RISKS MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

During the Period, 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.

Corporate Governance Report

RISKS MANAGEMENT AND INTERNAL CONTROLS *(continued)*

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

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the financial statements which can truly reflect the state of affairs of the Company. The financial statements are set out on pages 85 to 170. Financial results of the Company are announced in a timely manner in accordance with statutory and/or regulatory requirements. In preparing the consolidated financial statements for the Period, the Board ensured the consolidated financial statements were prepared on a "going concern" basis, with supporting assumptions or qualifications as necessary.

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

The responsibilities of the external auditor with respect to the financial statements for the Period are set out in the Independent Auditor's Report on pages 82 to 84.

Corporate Governance Report

AUDITORS' REMUNERATION

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

	Fee Paid/Payable 30 June 2025 HK\$'000
Services rendered by McMillan Woods	
Statutory audit services	1,250
Non-audit services	–
Services rendered by PKF	
Statutory audit services	–
Non-audit services	980

AUDIT COMMITTEE

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

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

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

Corporate Governance Report

AUDIT COMMITTEE *(continued)*

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

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

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

Corporate Governance Report

SHAREHOLDERS' RIGHTS *(continued)*

Procedures for putting forward proposals by Shareholders at Shareholders' meeting

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

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

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

Voting by Poll

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Effective Communication

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

- (i) corporate communications such as annual reports, interim reports and circulars are available on the websites of the Stock Exchange and the Company;
- (ii) announcements and press releases are published on the websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website; and
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS *(continued)*

Effective Communication *(continued)*

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

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

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

Shareholders' Communication Policy

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

WHISTLE-BLOWING POLICY

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

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

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

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. In order to (i) bring the Company's Articles of association (the "**Articles**") in line with the latest legal and regulatory requirements including the Core Shareholder Protection Standards as set out in Appendix A1 of the Listing Rules; (ii) specify the procedures regarding the conduct of hybrid and electronic meetings; and (iii) make other consequential and housekeeping amendments, amended Articles were approved by the Company's shareholders at its AGM on 30 June 2023. Please refer to the Company's circular dated 29 May 2023 for details of the amendments.

INVESTOR RELATIONS

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

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong.

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

Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance (“ESG”) report is published by Universal Technologies Holdings Limited (the “**Company**” and collectively with its subsidiaries referred to as the “**Group**”), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix C2 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

Scope and Reporting Period

This ESG report 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 2024 to 30 June 2025 (“**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-mentioned operations.

In addition, the Group also owns Hooray Capital Limited and Hooray Securities Limited, which are licensed by the Securities and Futures Commission to conduct Type 6 (advising on corporate finance) regulated activities and Type 1 (dealing in securities) regulated activities respectively. However, as their revenue only constitutes approximately 0.07% of the total revenue of the Group during the Reporting Period, operations of the newly acquired subsidiaries were deemed to be insignificant and thus are not included in the Reporting Scope for the Reporting Period.

There were no major operational changes in the scope of this report compared with that for the period from 1 January 2023 to 31 December 2023 (“**Last 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 (“**KPIs**”) 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.

Environmental, Social and Governance Report

ABOUT THE REPORT *(continued)*

Reporting Principles *(continued)*

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

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

THE GROUP'S SUSTAINABILITY MISSION AND VISION

Mission and Vision

The core mission of the Group is to provide safe and reliable water supply services and high-quality property management for the operational areas. We are committed to creating long-term value for our customers, employees and shareholders through robust operation, while fulfilling our corporate social responsibilities.

Environmental management

We attach great importance to the environmental impact during the operation process and continuously focus on the efficiency of resources utilization. In the water supply business, we strictly enforce monitoring standards on water quality to ensure the safety of water supply. In the property management, we focus on optimizing our energy management and strive to enhance our operational efficiency.

Major Challenges and Development

The Group acknowledges the significant challenges posed by climate change, including both acute and chronic physical risks. These encompass extreme weather events and long-term shifts in climate patterns, which can disrupt operations, damage infrastructure, and impact revenue. In response, the Group has developed specific contingency plans, such as the Code of Practice during Typhoon, Heavy Rain, Thunderstorm and Storm Surge Warnings, to ensure employee safety and business continuity.

To systematically address these and other climate-related transition risks, the Board and senior management have established a risk management framework. An ESG Working Group has been tasked with leading the Group's climate action initiatives, overseeing emission reduction efforts, and coordinating the implementation of strategic goals. The Group is further committed to long-term environmental targets, including reaffirming its goals of achieving a 10% reduction in greenhouse gas emissions, energy consumption, and waste generation intensity over a 10-year period. Key initiatives to achieve these goals include promoting energy efficiency by turning off non-essential equipment during idle hours, implementing waste reduction and recycling programs in offices, and continuously monitoring its climate resilience.

Environmental, Social and Governance Report

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

Major Challenges and Development *(continued)*

In addition, the Board receives analysis and insights from the ESG Working Group, which helps identify and assess various risks. Management then shares this analysis with the Board during their meetings to raise awareness of these risks. This ensures that board discussions include a comprehensive understanding of the potential risks and enables informed decision-making to address and mitigate them effectively. By fostering open communication and sharing risk analysis, the Group aims to proactively address challenges and enhance the overall risk management framework.

Operations at the Water Supply Companies abide by the Water Supply Management Method of Qingyuan, the Civilisation Convention of Qingyuan and the applicable laws and regulations of the PRC. While the economic downturn has led to reduced industrial and domestic water consumption in recent years, the Group still expects there to be an overall trend of escalating freshwater demand in the future, which would increase pressure on the water treatment operations. At the same time, ageing pipelines and distribution networks have also increased risks of leakage and bursts.

Specifically, Taihe Company faces the challenge of aging water pipes in the water supply coverage. The water supply network consists of over 480km of pipes, and approximately 67% of the pipes are made of plastic material. Replacing aging water pipes is a major challenge for the Company, and the pace of updates is relatively slow due to limited self-funding. Despite these difficulties, the Company continues to conduct annual renovation projects for the old pipe network, and its strives to ensure the daily operation and management of the water supply network remain uninterrupted. Below are the relevant measures taken by Taihe Company:

- Annual renovation plans are implemented to improve the water supply network portion by portion gradually;
- Dedicated inspectors are assigned to conduct daily inspections and notify nearby construction units of any potential risks;
- Leak detection teams are organized to identify and repair leaks in the water supply network;
- Online pressure monitoring points are installed to monitor pressure levels across the water supply network; and
- The water plant and operation department collaborate closely to investigate abnormal flow fluctuations.

Over the next three to five years, Taihe Company will prioritize the renovation of water supply pipelines that have been in service for an extended period, experienced repeated bursts, or pose safety risks. Furthermore, Taihe Company will also be actively responding to government policies by implementing mandatory direct meter reading services for end-users, as well as completing the unified replacement of over 45,000 domestic water meters that have expired but have not yet been replaced within its water supply coverage network by December 31, 2025.

Environmental, Social and Governance Report

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

Major Challenges and Development *(continued)*

During the Reporting Period, the Water Supply Companies established and commenced a series of improvement measures to improve water supply stability and efficiency. Some of the finished projects include but are not limited to:

- DN250 Pipeline Renovation Project on Jianshe Road, Taihe Town
- DN300 Pipeline Renovation Project on Xinning Road
- DN200 Pipeline Renovation Project for Huangkeng Teams 14 & 17 on Qinghe Avenue
- DN300 Pipeline Renovation Project at Longhu Yuan, Qingxin Avenue, District 31
- Installation of DN400 Electromagnetic Flow Meter at Taihedong Intersection on Huancheng Road

The Water Supply Companies will keep on investing in transformation work to ensure a stable supply of water for the residents' daily needs. Some of the planned upgrade measures include but are not limited to:

- Renovation of DN300-400 pipelines from Xincheng Road to Qingxin Avenue
- Replacement of DN200/DN150 pipes along the southern side of Qinghe Avenue
- Replacement of the DN150 steel pipeline located behind the CNPC Qinghe Fuel Station on Qingxin Avenue
- Renewal of DN150 pipelines on the western side of Jianshe Road

For Dongshan Mall, the ongoing efforts 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
- Renovations to turn 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 the air quality of the town.

Environmental, Social and Governance Report

THE CHAIRMAN'S STATEMENT

Over the past eighteen months, the global economic environment remained complex and volatile. Against this backdrop, the Group has consistently adhered to the principle of responsible operation, while integrating environmental protection, social responsibilities and corporate governance into daily operations and being committed to pursuing sustainable business development.

EMPLOYEES AND SOCIAL RESPONSIBILITIES

Employees are the most valuable assets of the Group. We provide our employees with a safe and inclusive working environment, while supporting their career development through systematic training programs and incentive mechanisms. As at 30 June 2025, the Group has a total of 412 employees, and we keep offering comprehensive welfare benefits for our employees.

We also value our engagement with the community, while fulfilling our responsibilities as corporate citizenship by providing reliable public services and participating in community activities.

OUTLOOK

Looking ahead, the Group will continue to optimize its environmental, social and governance management systems, while balancing economic benefits with social responsibility in business development. We believe that through continuously improving governance standards, focusing on employee development, and fulfilling social responsibilities, we can create long-term value for our stakeholders more robustly.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

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

Environmental, Social and Governance Report

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 highlight the topics that are important to the Group and its external stakeholders.

Materiality Matrix

Materiality of Different Topics from Stakeholder Engagement



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

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT AND MATERIALITY *(continued)*

Materiality Matrix *(continued)*

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

Material Aspects	Management Approach on the Aspects
Environmental Protection Policies	Implement rigorous measures to manage fuel usage, promote energy efficiency, and reduce emissions. Through greening initiatives, preference for environmentally friendly equipment, and sustainable practices, they demonstrate their commitment to minimizing environmental impact.
Occupational Health and Safety	Ensure the compliance of relevant laws and regulations regarding occupational health and safety.
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.
Product/Service Quality	Implement regular testing and monitoring of systems, such as the water quality three-tier testing system for water supply, and maintaining high safety and operational standards at Dongshan Mall. Customer feedback is actively sought and addressed through multiple communication channels to ensure continuous service improvement and satisfaction.
Anti-corruption	The Group has enforced a strict anti-corruption policy that prohibits bribery, extortion, fraud, and money laundering, and requires all directors and employees to adhere to these principles. The Group has also established a whistle-blowing policy for reporting improprieties and provides regular anti-corruption training to enhance employee awareness and compliance.

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.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

In recognition of the mounting challenges posed by climate change, the Group upheld its environmental stewardship by strictly complying with all pertinent environmental legislation and regulations throughout the Reporting Period. While the operations of the Water Supply Companies, Dongshan Mall, and Headquarters inevitably involve the consumption of natural resources, the Group has undertaken proactive measures to reduce its carbon footprint and minimize environmental impact.

Since 2021, the Group has set targets to reduce emissions, waste, energy consumption, and water consumption, demonstrating its commitment to building a sustainable future. However, since the Group has changed its financial year end date during the Reporting Period, this Reporting Period covers an 18-month period rather than a 12-month period. As a result, the Group's environmental performance may appear to have regressed during the Reporting Period, when in reality these figures encompass an extra 6 months of operations. The Group expects its environmental performance to return to normal levels from the Next Reporting Period going forward, which would once again cover a 12-month period. However, the Group plans to review its environmental targets during the upcoming year, and shall decide whether to update its environmental targets with a new baseline year in the Next Reporting Period.

The table below gives an overview on the environmental targets and their progress in 2024/25:

Indicator	Targets	2021 baseline	2023 performance	2024/25 performance
Overall Emissions Intensity	10% reduction in 10 years	1.15 tCO ₂ e/hectare	0.69	1.94
Overall Waste Generation Intensity ¹	10% reduction in 10 years	15.41 kg/hectare	15.26	64,337.03
Energy consumption Intensity	10% reduction in 10 years	1.86 MWh/hectare	0.9	2.97
Water Consumption Intensity	10% reduction in 10 years	115.51m ³ /hectare	52.73	165.94

Note 1: Due to the change in water source since 2021, a significant increase in water turbidity has been recorded, which has compounded with the prolonged length of reporting period to cause the exponential rise in overall waste generation intensity.

The economic downturn has had a sustained impact on the industry, with the real estate sector being particularly affected during the Reporting Period. This has resulted in a decrease in industrial and domestic water consumption. In response to the lowered water demand, one of the water plants operated by the Water Supply Companies has continued to be placed in standby mode.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

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 pollution and have complied with all environmental-related national laws and regulations, including but not limited to the following:

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

	2024/25	2023	2022
NO _x	130.68 kg	800.51 kg	76.29 kg
SO _x	0.71 kg	0.47 kg	0.48 kg
PM	12.01 kg	76.46 kg	6.62 kg

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

GHG emissions were generated directly from the consumption of stationary and mobile fuel. Indirect GHG emissions were also generated from the consumption of purchased electricity and purchased town gas, processing of freshwater and sewage, and processing of paper waste generated in operations.

As to gain a more comprehensively understanding of Scope 3 emissions connected to the Group's value chain, the Group shall also endeavour to disclose 15 reporting categories of Scope 3 emissions where applicable to the Group's operations from this Reporting Period onward.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

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

During the Reporting Period, 32,876.94 tonnes of carbon dioxide equivalent ("tCO₂e") GHG (mainly carbon dioxide, nitrous oxides and methane) were emitted from Group's operations. The annual emission intensity was 86.98 tCO₂e/employee, or 1.90 tCO₂e/hectare.

Sources of Greenhouse Gas Emissions		2024/25 (in tCO ₂ e)	2023 (in tCO ₂ e)	2022 (in tCO ₂ e)
Scope 1 – Direct Emission ¹	Combustion of fuels in stationary sources	33.23	7.84	96.09
	Combustion of fuels in mobile sources ²	124.43	83.43	79.95
	Release of refrigerants from the operation of equipment and systems	800.86	N/A	1,557.22
	Sub-total	958.52	91.27	1,733.26
Scope 2 – Energy Indirect Emission	Purchased electricity ³	31,520.05	11,775.73	13,044.87
	Purchased town gas	6.80	1.77	2.02
	Sub-total	31,526.85	11,777.50	13,046.89
Scope 3 – Other Indirect Emission ^{4,5}	Paper waste disposal	122.85	8.40	7.39
	Electricity used by third parties for processing fresh water and sewage	267.49	120.64	33.41
	Category 6: Business Travel	0.81	N/A	N/A
	Category 7: Employee Commuting	0.43	N/A	N/A
	Sub-total	391.58	129.04	40.8
Overall emission		32,876.94	11,997.81	14,820.95

Note 1: Emission factors were made reference to Appendix C2 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Group-owned vehicles include only Group-owned vehicles in the Water Supply Companies and the Headquarters.

Note 3: An emission factor of 0.6205 kg CO₂/kWh was used for purchased electricity in Mainland China with reference to The Ministry of Ecology and Environment of People's Republic of China (2025).

Note 4: Scope 3 GHG emissions were calculated based on available emission factors referred to Appendix C2 to the Listing Rules and their referred documentation.

Note 5: Data for other categories of scope 3 emissions have not yet been collected, and the Group currently does not have the capability to conduct data collection for these categories; however, the Group shall endeavour to dedicate resources to complete scope 3 emissions disclosure in due time.

Environmental, Social and Governance Report

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 450 kg of laboratory waste was generated during the Reporting Period. Laboratory waste generated were all collected by licensed collectors.

Furthermore, there was 130 kg of hazardous waste generated by the Headquarters and the Water Plants 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, 0.58 tonnes of hazardous waste were generated from daily business operations of the Group during the Reporting Period. The intensity was 1.53 kg of hazardous waste per employee, or 0.03 kg per hectare of total area.

A1.4. Non-hazardous Waste

Non-hazardous waste generated from the Group are mainly mud from the water treatment operations and paper from the office operations. The mud is first stored in the plant, and after reaching a certain amount, it will be sent to the site designated by the environmental department for landfill. 1,113,423 tonnes of mud was generated and disposed of by the Taihe Company during the Reporting Period, while the Water Supply Development Company did not generate any during the Reporting Period.

The Headquarters had generated 180 kg of paper waste from daily office operations such as document printing and deliverables packaging. Printed documents are usually filed and stored for record. In addition, 720 kg of daily waste was generated by employees of the Headquarters and the office of the Water Supply Companies.

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

In total, 1,113,423.90 tonnes of non-hazardous waste were generated from daily business operations of the Group during the Reporting Period. The intensity was 2,945,565.87 kg of non-hazardous waste per employee, or 64,336.99 kg per hectare of total area.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

A1.5. Measures to Mitigate Emissions

The Group demonstrates its commitment to environmental stewardship through rigorous operational controls. The Water Supply Companies and the Headquarters enforce strict management of fuel consumption and vehicle travel, which are supported by monthly estimation, verification, and reporting of fuel consumption. The Group's vehicle acquisition strategy favors low-emission, fuel-efficient, or hybrid alternatives, while in-vehicle energy conservation measures are mandated, where air conditioners in vehicles are only used during hot weather, rainy, or foggy days to conserve energy. Employees are encouraged to utilize public transit for commuting.

Further operational efficiencies are achieved by procuring energy-efficient equipment and implementing greening initiatives to improve air quality at the Water Supply Companies. In addition, heating is eliminated during winter months to reduce energy consumption.

Notably, Dongshan Mall has also implemented initiatives to minimize its emissions. The indoor temperature at the mall is controlled at 26°C during summer and turned off in other seasons, with only ventilation systems operating to minimize emissions. Furthermore, Dongshan Mall does not own nor operate any company vehicles.

A1.6. Waste Reduction and Initiatives

The Group recognizes the environmental impact of high paper consumption on natural forests and endangered wildlife. Therefore, the Group actively promotes paperless operations to cut its paper use. When paper use is unavoidable, the Group encourages conservation practices such as duplex printing. To further minimize waste, recycling stations for paper, lightbulbs, and other materials are located in key locations to promote their usage, and employees are encouraged to use reusable utensils in the canteen. These efforts are part of the Group's ongoing environmental strategy of resource preservation and waste reduction.

Dongshan Mall has taken steps to reduce paper towel usage by installing hand dryers in specific washrooms. Professional waste management services have been engaged to handle restaurant waste within the mall, and regular inspections of wastewater generated by Dongshan Mall have been implemented. Wastewater from the restaurants within the mall was handled and purified by a third party. Recycle bins are strategically placed throughout the premises. Going forward, Dongshan Mall remains committed to finding additional ways to reduce waste in various areas.

Environmental, Social and Governance Report

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 natural gas. The annual energy consumption was 51,411.4 MWh, and the consumption intensity was 3.0 MWh/hectare, or 136.0 MWh/employee.

Type of Energy	2024/25 consumption	2024/25 (in MWh)	2023 (in MWh)
Electricity	50,800.08 MWh	50,800.08	20,648.31
Petrol	28,309.09 litres	260.90	181.67
Diesel	17,747.73 litres	177.44	129.66
Towngas	12,384 unit	165.12	40.96
Natural Gas	792 m ³	7.83	–

A2.2. Water Consumption

During the Reporting Period, a total of 2.87 million m³ of water was consumed by the Group for its operational purposes¹, over 99% of which were consumed by the Water Supply Companies. The overall intensity was 165.94 m³/hectare, or 7,597.19 m³/employee. Taihe Company sources raw water directly from the local Beijiing River and its tributary with licences and approvals from the local government, while the WSD Company sources water from the Government-designated Water Plant. There was no issue in sourcing water fit for purpose during the Reporting Period.

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

¹ Water consumption figure excludes water which was distributed to households, commercials, and industrial units

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources *(continued)*

A2.3. Energy Use Efficiency Initiatives

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

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

The Dongshan Mall has formulated measures to enhance the efficiency of energy use. These measures include the use of LED lights, regular monitoring of energy consumption, 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.

A2.4. Water Use Efficiency Initiatives

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

- Posting water-saving slogans and reminders at prominent spots
- Adopting a more efficient and water-saving siphoning method during sludge treatment and discharge
- Strengthening the management and daily maintenance of water equipment to prevent dripping, seepage, or leakage
- Collecting treated backwash water for reuse at other procedures, which amounted to 2.06 million m³ during the Reporting Period
- Controlling the consumption, frequency and time length of backwash water depending on raw water turbidity

Environmental, Social and Governance Report

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

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

A4. Climate Change

The Group acknowledges climate change as a critical global threat and recognizes its potential impact on business operations. In response, the Board and senior management have developed a risk management framework to formulate countermeasures and strategies for climate-related risks and opportunities.

In alignment with TCFD recommendations, the Group discloses its climate-related information based on the four core elements of Governance, Strategy, Risk Management, and Metrics and Targets.

A4.1. Governance

The Board and senior management oversee the Group's approach to climate-related risks and opportunities. An ESG Working Group has been established to lead the Group's climate action initiatives. This group is responsible for overseeing emission reduction efforts, setting strategic carbon goals, managing data collection and reporting, and coordinating the implementation of reduction targets across the Group's operations.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.2. Strategy

The Group has identified several climate-related risks and opportunities over short-term (0-3 years) and long-term (10+ years) horizons. The Group's strategy involves proactively managing these risks through a combination of adaptation and mitigation efforts to ensure long-term resilience. The climate risks identified, their time horizon, implication on business, and risk level affecting the Group are shown below.

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

A4.3. Risk Management

The Group's processes for identifying, assessing, and monitoring climate-related risks are integrated into its overall risk management framework. While a formal internal process for climate-specific risk identification is under development, the Group currently addresses these risks through established contingency plans, such as the Code of Practice for extreme weather events, and by appointing professionals to provide advice on climate-related issues.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

A4. Climate Change *(continued)*

A4.4. Metrics and Targets

The Group is committed to a long-term environmental goal of reducing its emission intensity. The key target is a 10% reduction in overall GHG emissions intensity over 10 years, with 2021 as the base year.

Progress against this target is monitored annually. The primary strategies to achieve this goal include:

- Implementing energy-saving measures, such as turning off computers, monitors, and lights during non-operational hours;
- Appointing an ESG Working Group to oversee and coordinate emission reduction efforts across all operations; and
- Continuously monitoring the latest climate-related regulations and trends to inform strategic planning.

The Group monitors its Scope 1, Scope 2, and Scope 3 GHG emissions (in tCO₂e) and its GHG emission intensity regularly. For detailed emissions data, please refer to the “A1. Emissions” section of this report.

B. SOCIAL

1. Employment and Labour Practices

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

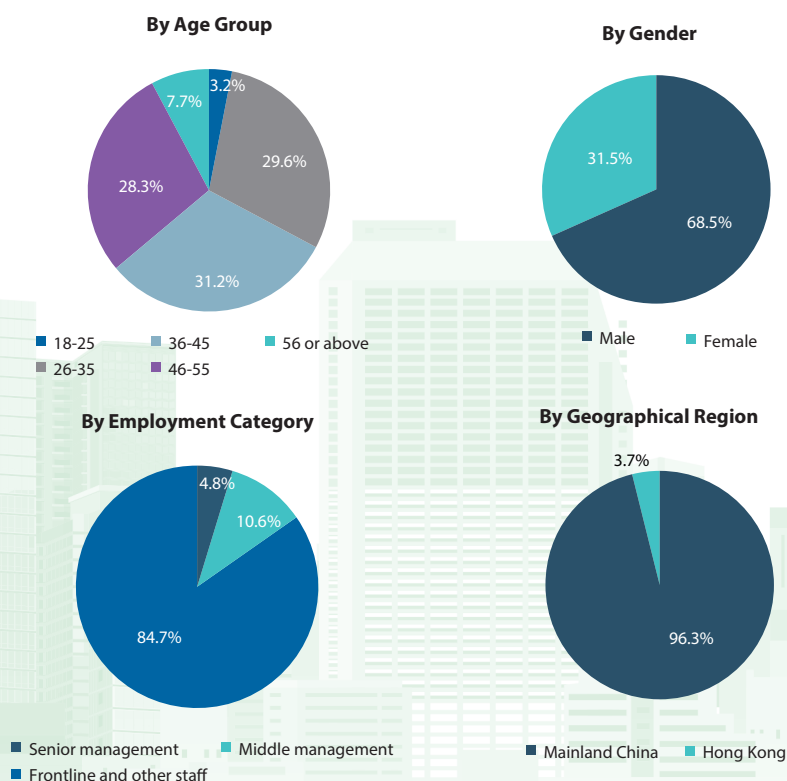
B1. Employment

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 with. 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 378 employees as of 30 June 2025, all working as full-time employees.



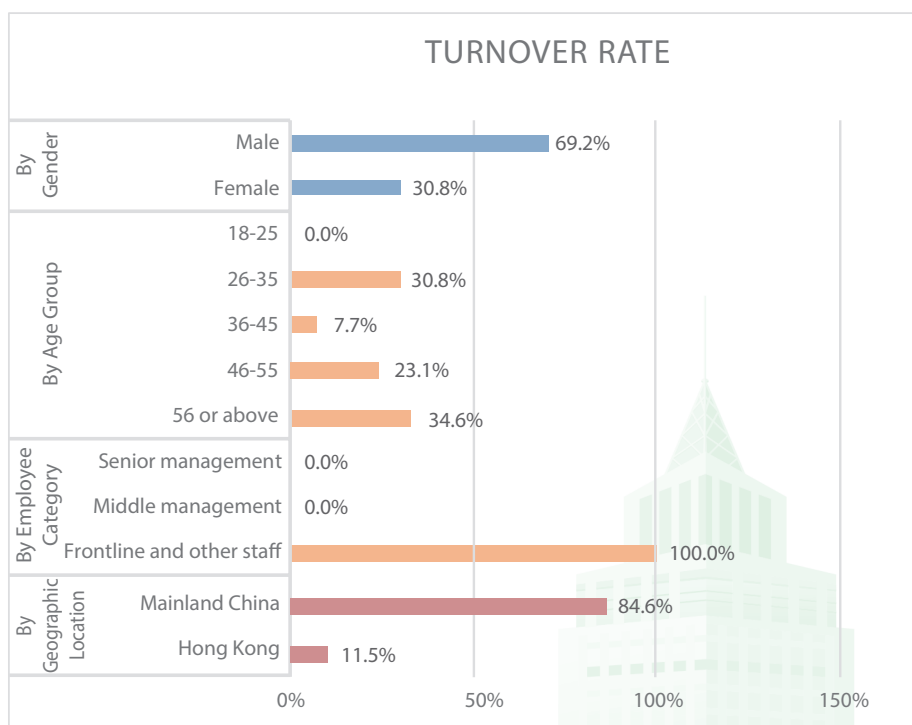
Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B1. Employment *(continued)*

B1.2 Turnover Rate

A total of 26 employees left the Water Supply Companies, Dongshan Mall, and Headquarters during the Reporting Period, with a relatively low turnover rate of 7%. All of those who left worked full-time. The table below shows the turnover rate by gender, age group, employment category, and geographical region.



Remuneration and Benefits

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B1. Employment *(continued)*

B1.2 Turnover Rate (continued)

Remuneration and Benefits (continued)

The Group is fully compliant with all relevant employment and labour laws in the People's Republic of China (PRC) and Hong Kong. In order to attract and retain talented individuals, the Group offers competitive remuneration, opportunities for promotion, and comprehensive compensation and benefit packages. Policies pertaining to employee remuneration and welfare undergo review, approval, implementation, and execution by various departments to ensure that the provided returns are set fairly based on employee performance, responsibilities, and market standards.

Employees are entitled to a range of benefits, including discretionary bonuses, mandatory provident funds, compensation salary, medical insurance (including free annual body check-ups and gynecological check-ups), short-term health insurance, accident insurance, directors and officers liability insurance, and basic social welfare in Mainland China (such as pension, housing fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance). The Group has also joined the workers' inpatient and medical assistance program offered by the Guangdong Workers Security Benefit Association. Efforts are being made to strengthen the training of young middle-level managers, enhance overall training intensity, and encourage employees to pursue further education, professional titles, and skills upgrading. Through measures such as job rotation and internal recruitment, the compensation standards for key talents are being raised, and these employees are involved in the company's major projects to help retain high-quality personnel.

Specialised workers (such as electricians, welders, fitters, and laboratory technicians), night-time workers, and those whose regular meals are delayed due to shift work receive additional subsidies. Statutory holidays and leaves are observed, and various types of paid leave, including annual leave, sick leave, maternity leave, paternity leave, and compassionate leave, are provided to employees.

Awards and Penalty System

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B1. Employment *(continued)*

B1.2 Turnover Rate *(continued)*

Equal Opportunity

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

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

Employment Communication

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

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

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

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 OHS related laws and regulations:

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

The Group is committed to equipping employees with proper personal protective equipment, delivering OHS knowledge, and providing trainings to employees in accordance with national standards, especially in the Water Supply Companies where accidents would most likely happen. The Group also provided all employees working at the Water Plants with occupational safety and health training, with an average of 8.30 training hours per Water Plant employee.

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

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

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

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B2. Occupational Health and Safety *(continued)*

B2.1 Work-related fatalities and injury

Occupational Health and Safety Data in 2024/25

Work related fatality	0
Fatality rate	0%
Work injury cases >3 days	0
Work injury cases ≤3 days	2
Lost days due to work injury	4

Occupational Health and Safety Data in 2023

Work related fatality	0
Fatality rate	0%

Occupational Health and Safety Data in 2022

Work related fatality	0
Fatality rate	0%

B3. Development and Training

The Group recognizes the value of training as precious opportunities for the continuous development and enhancement of work efficiency among its employees. Therefore, comprehensive training programmes are provided to the Group's employees. To ensure that each employee meets the standards of safe and quality production, individuals are only permitted to work after successfully passing examinations in various trainings, such as induction, specialised training, and training on new technologies. The Group also conducts annual safety examinations to ensure that employees meet the required safety standards. After completing the training, employees are encouraged to provide feedback on the training and propose future development plans.

The Group views training as a vital investment in the continuous development of its employees and the enhancement of operational efficiency. As such, comprehensive training programmes are offered across all operations of the Group. To guarantee that every employee meets the standards for safe and quality production, no individual is permitted to commence work without first passing examinations in mandatory trainings, which includes induction, role-specific skills, and training on new technologies. The Group also administers annual safety examinations to ensure ongoing compliance with safety requirements. Employees are encouraged to share feedback and suggest areas for future development after completing training sessions.

Further to above, employee training also covers a wide range of areas such as safety management, service improvement, system operations, and interpretation of the Archives Law, among others. Employees in special roles are required to hold valid certificates, with the Human Resources department actively tracking and maintaining renewals and skill updates. As outlined in the Employee Handbook, all staff are entitled to participate in company training, which include provincial urban association conferences, safety management training, refresher courses for hazardous chemical safety managers, and document processing training. Training plans are proposed by each department based on operational needs and approved by the Group according to overall priorities.

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B3. Development and Training *(continued)*

Pre-job training is provided to enhance professional skills, and the company develops an annual training plan aligned with identified needs, covering everything from safety protocols and service excellence to technical skills and legal compliance, which are all designed to strengthen overall workplace competencies. New employees shall receive orientation training, while job positions for some employees may be adjusted based on assessment results. Furthermore, during the probation period, some employees may also undergo job rotation to better adapt to their job environment. Departments shall identify skill gaps, arrange for relevant training sessions, and encourage employees to reflect on their learning outcomes to foster a culture of continuous improvement.

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B3. Development and Training *(continued)*

During the Reporting Period, the Water Supply Companies, Dongshan Mall and Headquarters delivered training to 98% of its employees, each receiving 9.77 hours of training on average.

	Percentage of employees trained	Average training hours per employee
By employee category		
Senior management	100%	10.4
Middle management	95%	11.3
Frontline and other staff	98%	9.5
Gender		
Male	99%	9.7
Female	95%	9.8

B4. Labour Standard

In accordance with the Labour Law of the People's Republic of China and the Employment Ordinance of the Laws of Hong Kong, the Group strictly prohibits the use of child labour and forced labour in its operations. If any instances of child labour are discovered, immediate termination of employment will occur, followed by a thorough investigation to identify any breaches. Corrective measures will be implemented to prevent the recurrence of such incidents. The Group is committed to upholding the highest standards of ethics and compliance in relation to labour practices.

The Group adheres to the guidelines outlined in the employees' handbook during the recruitment process. The Human Resources Department is responsible for verifying the authenticity of employee candidates' identity cards, educational certificates, employee registration forms, and photographs. Background checks are conducted prior to establishing any formal employment relationships. Any candidates or employees found to have provided false certificates are in violation of the Group's policies, and they may be dismissed without any compensation.

During the Reporting Period, no instances of non-compliance with relevant laws and regulations regarding labour standards were identified within the Group. The Group remains committed to maintaining a workplace that upholds the rights and welfare of its employees in accordance with applicable laws and regulations.

2. Operational Practices

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

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 42 major suppliers from different provinces in Mainland China.

B5.2 Practices Relating to Engaging Suppliers

The procurement process within the Group follows a tendering system. Before initiating the tendering process, procurement items undergo a review and approval by the Management Committee. The Procurement Department is responsible for preparing tender documents, which are then audited by the Management Committee and reviewed by the Legal Department.

To ensure transparency and fairness, at least three written quotations are obtained to support procurement decisions. These quotations are kept on record. Once the tendering process is completed, a procurement contract is established with the successful tender and signed by the legal representative of the operation. It is mandatory for successful tenders to provide a third-party testing report or a sample report of the purchased item, ensuring quality assurance.

The Management Committee conducts annual reviews and evaluations of suppliers to create a list of qualified suppliers and a blacklist of substandard suppliers. Inspections are carried out to assess suppliers' licenses, storage environment, equipment, and hygiene. All procured items and materials must meet health and safety requirements. When purchasing new equipment, priority is given to energy-efficient options.

The Group is actively exploring ways to incorporate more environmental and safety considerations into the selection criteria for suppliers. By expanding the scope of supplier evaluations, the Group aims to further enhance its commitment to environmental sustainability and safety practices.

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 Preferable Products

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B6. Product Responsibility

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

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

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 conforms with the Standards for Drinking Water Quality (GB5749-2022), Water Quality Standards for Urban Water Supply (CJ/T206-2005), the Regulations on the Management of Water Resources in Guangdong Province, and the Metrology Law of the People's Republic of China.

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

As a number of chemicals, including PAC, hydrochloric acid, sodium chlorate and sodium hypochlorite, are used in the water treatment for flocculation, pH adjustment, disinfection and purification, relevant specifications and guidelines are followed carefully, and chemicals are stored and 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 is completely safe from substances that might jeopardise users' health.

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

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.2 Property Safety

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

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

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

B6.3 Customer Service

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

Apart from allowing the public to understand the Group's recent plans and initiatives, in order 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 280 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.

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 that aims to strengthen the overall quality management system and evaluate the service quality of different service units more effectively. Quantitative targets such as targets regarding the total number of complaints, percentage of user satisfaction, and percentage of replies with respect to hotline inquiries have been set to improve service performances.

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

B6.4 Intellectual Property ("IP")

Employees have acknowledged and agreed, as stated in their employment contracts, that any IP rights created during their employment with the Group shall solely belong to the Group. This includes patents, trademarks, service marks, design rights, domain names, trade or business names, copyrights, and any other similar or equivalent rights or forms of protection worldwide. These rights cover any IP created, developed, existing, arising, or performed by employees in the course of their duties.

In cases where any IP rights are vested or accrued to employees, they are immediately transferred to the Group. Employees appoint the Group as their attorney to take any necessary actions, including executing and delivering any required documents, whether underhand or under seal, to effectuate the transfer of these IP rights.

The Group respects and observes all laws and regulations related to IP rights. During the Reporting Period, there were no significant instances of non-compliance with laws and regulations concerning IP within the Group. The Group remains committed to upholding its rights and protecting its intellectual property in accordance with applicable laws and regulations.

B6.5 Information Security

The Group is committed to protecting the data and information privacy of both the Company and its customers. Upon commencing their employment with the Group, employees are required to sign a confidentiality contract aimed at safeguarding the data and information privacy of both the Group and its customers. This obligation is a fundamental part of their employment terms, aimed at minimizing the risk of information leakage.

By signing the confidentiality contract, employees acknowledge and agree to maintain the confidentiality of sensitive information, including trade secrets. They commit to preventing any unauthorized access, use, publication, or disclosure of such information that pertains to the business and finance of the Group. This includes all documents, computer software, computer hardware, computer files, hard copy files, models, or samples created or compiled by employees during their employment and related to the business, finance, or affairs of any subsidiary within the Group. These materials are the exclusive property of the Group and cannot be removed from the premises without prior written approval.

Data collected by employees is to be kept in designated file rooms and must not be disclosed to any third party under any circumstances. Breaching the confidentiality undertakings outlined in the contract may result in disciplinary actions, including summary dismissal.

The confidentiality contract also extends to the protection of customer information. A dedicated information security team ensures the safeguarding of customer data. Access to sensitive and personal information is restricted to designated personnel, and firewalls are installed to ensure secure online browsing.

For Dongshan Mall specifically, no personal information of shoppers is collected. Therefore, there are 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.

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B7. Anti-corruption

The Group operates with a strong commitment to managing its businesses with integrity, honesty, and fairness. It considers these values as core to its operations and actively works to prevent bribery, extortion, fraud, and money laundering. All directors and employees are required to adhere strictly to the Group's policies in order to prevent any potential improprieties.

Specifically, the Group has established guidelines for employees in the Procurement Department, which explicitly prohibit them from seeking or accepting improper interests, rebates, or benefits from suppliers. Anti-corruption measures are incorporated into the Group's employee training programs, ensuring that employees are well-informed and aware of their responsibilities in this regard.

To provide a mechanism for reporting possible improprieties, the Group has implemented a whistle-blowing policy. Employees can raise concerns under this policy, and these concerns are taken seriously. The confidentiality of employees who raise concerns is respected until a formal investigation is initiated. Following this, the identity of the individual raising the concern may be disclosed only if it is necessary for conducting a fair and thorough investigation. If concerns are raised against the Chairman/Chief Executive, employees have the option to raise the issue with independent non-executive Directors.

The Board of Directors is responsible for monitoring, producing, and publishing the results of anti-corruption efforts within the Group. The Board also undertakes periodic revisions of the policies and procedures in place.

The Group ensures compliance with all applicable laws and regulations related to the prohibition of corruption and bribery in the People's Republic of China (PRC) and Hong Kong. During the reporting period, there were no legal cases concluded against the Group or its employees regarding corrupt practices.

In an effort to enhance employee awareness and knowledge of anti-corruption practices, the Group provided anti-corruption training to both directors and employees during the reporting period. This training covered relevant laws, regulations, and business ethics to further strengthen anti-corruption awareness within the organization. The below table presents the amount of anti-corruption training received by employees during the Reporting Period.

	Number of employees trained	Average training hours
Directors	7	1
Employees	232	7.94

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

B8. Community Investment

While the Group does not have a formal policy on community engagement, as a public utility, it remains committed to improving the quality of life in the region it serves. To give back to the local community, the Water Supply Companies provide a monthly water allowance of 10 cubic meters per household free of charge to eligible five-guarantee households and low-income households, while a 10% discount on water fees is offered to commercial, special-use, and industrial individual business users.

During the Reporting Period, the Group provides support to schools in organizing outings to visit water treatment plants. During these visits, students are presented with informative sessions that explain the complete process of drinking water production. This initiative aims to increase students' awareness of the importance of valuing water resources and encourages them to adopt water conservation practices.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the eighteen months ended 30 June 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the eighteen months ended 30 June 2025 was investment holding and those of the principal subsidiaries are set out in Note 46 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 eighteen months ended 30 June 2025, and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report.

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

Environmental policies and performance

For the eighteen months ended 30 June 2025, 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 eighteen months ended 30 June 2025 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 eighteen months ended 30 June 2025 and the state of affairs of the Company and of the Group at 30 June 2025 are set out in the consolidated financial statements on pages 85 to 170.

No interim dividend was declared and paid during the eighteen months ended 30 June 2025 (year ended 31 December 2023: HK\$Nil).

The Board of Directors does not recommend the payment of a final dividend in respect of the eighteen months ended 30 June 2025 (year ended 31 December 2023: HK\$Nil).

Directors' Report

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 172. 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\$24,670,000 during the eighteen months ended 30 June 2025.

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

INVESTMENT PROPERTIES

At 30 June 2025, the investment properties of the Group were revalued by independent valuers on an open market value basis at HK\$562,360,000.

Details of movements in investment properties of the Group during the eighteen months ended 30 June 2025 are set out in Note 16 to the consolidated financial statements.

BANK BORROWINGS

At 30 June 2025, the Group has secured bank loans in the amount of HK\$742,361,000. Details of bank and other borrowings are set out in Note 33 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the eighteen months ended 30 June 2025 are set out in Note 34 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the eighteen months ended 30 June 2025 are set out in Note 36 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the eighteen months ended 30 June 2025 or at any time during the eighteen months ended 30 June 2025.

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 eighteen months ended 30 June 2025.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the eighteen months ended 30 June 2025 and as at the date of this report were:

Executive Directors:

Chen Jinyang (Chairman and Chief Executive Officer)
Zhu Fenglian
Xuan Zhensheng (re-designated on 28 June 2024)
Zhang Haimei (retired on 28 June 2024)

Non-Executive Director:

Chen Lang (appointed on 28 June 2024)

Independent Non-Executive Directors:

Yeung Kin Chung Clifton, M.H.
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 9 to the consolidated financial statements.

PENSION

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

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

As at 30 June 2025 and 31 December 2023, no forfeited contribution is available to reduce the contribution payable in the future years.

Directors' Report

EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into during the eighteen months ended 30 June 2025 or subsisting at the end of the Period.

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

As at 30 June 2025, the interests or short positions of the Directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Listing Rules were as follows:–

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

Notes:

1. Ms. Zhu Fenglian ("Ms. Zhu") is deemed to be interested in the 1,561,140,000 shares attributable to Ms. Zhu and her controlled corporation, Affluent Vast Holdings Limited ("Affluent Vast"), Ever City and Eastcorp International Limited ("Eastcorp"). For more details on the deemed interest of Ms. Zhu, Affluent Vast and Ever City, please refer to Note 1 to the section headed "Persons who have an Interest or a Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholding" in this report.
2. There were no debt securities nor debentures issued by the Group at any time during the eighteen months ended 30 June 2025.

Save as disclosed above, so far as the Directors are aware as at 30 June 2025, none of the Directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The Directors confirmed that as at 30 June 2025 and for the eighteen months ended 30 June 2025:–

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

Directors' Report

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

So far as is known to any Director or chief executive of the Company, as at 30 June 2025, 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 30 June 2025, no other persons had notified the Company of any interest or short position in the shares or underlying shares of equity derivatives of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or any direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, as at 30 June 2025, 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.

Directors' Report

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 eighteen months ended 30 June 2025.

SHARE OPTION SCHEMES

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

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

SHARE AWARD SCHEME

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

1. Purpose of the Share Award Scheme

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

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

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

Astrum Capital Management Limited was appointed as a trustee of the Share Award Scheme. Pursuant to the Share Award Scheme, shares may be purchased by the trustee to maintain a pool of Shares for awards to the grantees. The trustee may purchase the Shares: (a) in open market at the prevailing market price, subject to any instructions given by the Administration Committee or its duly authorized delegate(s); or (b) off the market, provided that the purchase price for off-market purchases shall not exceed: (i) the closing market price on the date of such purchase; or (ii) the average closing market price for the five preceding trading days, whichever is lower. Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions, the Award Shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the Award Shares to such selected participant.

3. Total number of shares available for awards

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

4. Maximum entitlement of each participant

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

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

5. Remaining life of the Share Award Scheme

The Share Award Scheme shall be valid and effective during the period commencing on the Adoption Date and ending on 31 December 2035, provided that no further Awards shall be granted after 31 January 2032 and no Vesting Date can be fixed beyond 31 December 2035 for Awards. As at the date hereof, the Share Award Scheme has a remaining life of 10 years and three months.

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

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

Directors' Report

For the eighteen months ended 30 June 2025, the trustee of the Share Award Scheme purchased 29,210,000 (year ended 31 December 2023: 3,680,000) shares from the open market at the aggregate consideration of HK\$4,467,000, but no shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme.

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

CONNECTED TRANSACTIONS

As disclosed in Note 33 to the consolidated financial statements, as at and throughout the eighteen months ended 30 June 2025, the Group had certain banking facilities which were not only secured by land charges, and investment properties, pledge of trade receivables, pledge of equity interest in the Group's subsidiaries and intra-group corporate guarantees, but also guaranteed by the following connected persons or associates of the Company (the "Guarantee by CP"), namely: Dongguan New Century Science and Education Development Limited, Ms. Zhu Fenglian and her spouse, and the non-controlling shareholders of subsidiaries. Since the Guarantee by CP is conducted on normal commercial terms or better to the Company, no consideration is required to be paid by the Company for the Guarantee by CP and the Guarantee by CP is not secured by any assets of the Company or its subsidiaries, the Guarantee by CP is fully exempt under Rule 14A.90 from all disclosure, annual review, circular and shareholders' approval requirements of the Listing Rules.

COMPETITION AND CONFLICT OF INTERESTS

During the eighteen months ended 30 June 2025 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 7% of the total sales for the Period and sales to the largest customer included therein amounted to approximately 3%. Purchases from the Group's five largest suppliers accounted for approximately 3% of the total purchases for the Period and purchases from the largest supplier included therein amounted to approximately 1%.

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 Period.

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

During the eighteen months ended 30 June 2025, 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 24 to 41 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the eighteen months ended 30 June 2025. 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.

CHANGE OF AUDITOR

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

On behalf of the Board

Chen Jinyang
Chairman

Hong Kong, 30 September 2025

Independent Auditor's Report



McMillanWoods

Professionalism at the forefront

TO THE SHAREHOLDERS OF
UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Universal Technologies Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 85 to 170, which comprise the consolidated statement of financial position as at 30 June 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 18 months then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to the assessment on the appropriateness of the going concern basis of accounting

As disclosed in Note 2(c) to the consolidated financial statements, the Group incurred a gross loss and a net loss of approximately HK\$26,763,000 and HK\$259,384,000 for the 18 months ended 30 June 2025 and, as of that date, the Group's net current liabilities amounted to approximately HK\$362,769,000 while its cash and bank balances, fixed deposits and pledged time deposits amounted to approximately HK\$168,873,000, HK\$59,067,000 and HK\$82,084,000 respectively. In addition, as at 30 June 2025: (i) the Group had trade payables of approximately HK\$500,172,000, included in trade payables with carrying amounts of approximately HK\$123,135,000 in respect of which the Group has failed to repay the overdue balance and legal actions were commenced against the Group for the estimated balances of approximately HK\$362,844,000 and (ii) included in deposit received, other payables and accruals with carrying amounts of approximately HK\$34,232,000 was compensation payable as a result of civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, regarding previous disputes in cost of water supply. These events and conditions, together with other matters disclosed in Note 2(c) to the consolidated financial statements of the Group, cast significant doubts on the Group's ability to continue as a going concern.

Independent Auditor's Report

The Group has been undertaking plans and measures to continue mitigating its liquidity position and to improve its financial position, details of which are set out in Note 2(c) to the consolidated financial statements of the Group. The directors of the Company have reviewed the Group's cash flow forecasts prepared by the management of the Group which cover a period of not less than twelve months from the end of the reporting period, and continued to adopt the going concern basis of accounting in preparing the consolidated financial statements of the Group. The validity of the going concern assumptions on which the consolidated financial statements of the Group have been prepared depends on the outcome of these plans and measures, including: (i) successfully negotiating with bank to renew banking facilities when they expire; (ii) successfully negotiating with supplier and pursuing the restructuring of the Group's subsidiaries with the view to resolving the disputes and settling the outstanding amounts relating to the ongoing litigation; and (iii) successfully implementing costs controls.

Given the execution of the plans and measures by the Group is in preliminary stage or in progress and no written contractual agreements or other documentary supporting evidence from the supplier that are available as at the date of the consolidated financial statements were approved and authorised for issue for extending the going concern assessment, we are unable to obtain sufficient appropriate audit evidence we considered necessary to assess the assumptions and estimations underlying the cash flow forecasts and the likelihood of success of the plans and measures currently undertaken by the Group. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the appropriateness of the directors' use of the going concern basis of accounting and adequacy of the related disclosures in the consolidated financial statements of the Group.

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion with an emphasis of matter paragraph relating to material uncertainties related to going concern on those statements on 28 March 2024.

Independent Auditor's Report

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditors' report and solely to you, as a body, and for no other purpose. We do not assume responsibility toward or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Leung Kam Wa
Audit Engagement Director
Practising Certificate Number: P08370

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

30 September 2025

Consolidated Statement of Profit or Loss

For the eighteen months ended 30 June 2025

	Note	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Revenue	6	451,301	319,147
Cost of revenue		(478,064)	(301,376)
Gross (loss)/profit		(26,763)	17,771
Other income and gains, net	7	9,115	2,658
Impairment loss on goodwill		–	(11,328)
Impairment losses on non-current assets	15, 19	–	(52,009)
Impairment loss on amount due from a joint venture	18	(13,865)	–
Net impairment loss on deposits and receivables	21(a), 21(b), 24, 25	(10,651)	(8,177)
Changes in fair value of investment properties	16	(40,554)	(32,590)
General and administrative expenses		(112,915)	(67,887)
Share of loss of a joint venture		(7,328)	(5,300)
Loss from operations		(202,961)	(156,862)
Finance costs	8(a)	(59,100)	(48,597)
Loss before income tax	8	(262,061)	(205,459)
Income tax credit	10	2,677	12,750
Loss for the period/year		(259,384)	(192,709)
Attributable to: –			
Shareholders of the Company		(161,360)	(137,336)
Non-controlling interests		(98,024)	(55,373)
Loss for the period/year		(259,384)	(192,709)
Loss per share (in cents)	13		
– Basic		(2.93)	(2.49)
– Diluted		(2.93)	(2.49)

Consolidated Statement of Comprehensive Income

For the eighteen months ended 30 June 2025

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Loss for the period/year	(259,384)	(192,709)
Other comprehensive (loss)/income:– Items that may be reclassified subsequently to profit or loss:– Exchange differences arising on translation of financial statements of overseas operations	(19,871)	3,289
Other comprehensive (loss)/income for the period/year	(19,871)	3,289
Total comprehensive loss for the period/year	(279,255)	(189,420)
Total comprehensive loss attributable to:– Shareholders of the Company	(179,278)	(158,374)
Non-controlling interests	(99,977)	(31,046)
	(279,255)	(189,420)

Consolidated Statement of Financial Position

At 30 June 2025

	Note	30 June 2025 HK\$'000	31 December 2023 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	292,275	331,859
Investment properties	16	562,360	603,127
Right-of-use assets	17	55,839	28,704
Interest in a joint venture	18	210,692	232,095
Intangible assets	19	55,464	122,340
Goodwill	20	–	–
Statutory deposits for financial service business		400	400
Deposits paid for acquisition of investment properties	21(a)	154,609	159,586
Deposit paid for acquisition of a subsidiary	21(b)	25,768	26,602
Deferred tax assets	11(a)	36,496	12,373
		1,393,903	1,517,086
CURRENT ASSETS			
Properties under development	22	21,863	13,549
Inventories	23	3,896	5,627
Debtors	24	40,849	34,472
Deposits, prepayments and other receivables	25	128,852	100,962
Fixed deposits		59,067	123,632
Pledged time deposits	26(a)	82,084	141,020
Cash and bank balances	26(b)	172,624	106,034
		509,235	525,296
DEDUCT:			
CURRENT LIABILITIES			
Trade payables	27	500,172	350,443
Payable to merchants	28	3,006	3,006
Deposits received, other payables and accruals	29	235,886	154,217
Contract liabilities	30	24,946	14,101
Lease liabilities	31	8,296	3,432
Amount due to a related company	32	–	44
Bank borrowings	33	96,901	255,975
Tax payable		2,797	3,879
		872,004	785,097
NET CURRENT LIABILITIES		(362,769)	(259,801)

Consolidated Statement of Financial Position

At 30 June 2025

	Note	30 June 2025 HK\$'000	31 December 2023 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,031,134	1,257,285
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank borrowings	33	645,460	610,823
Lease liabilities	31	30,973	2,955
Deferred tax liabilities	11(a)	24,910	29,994
		701,343	643,772
NET ASSETS		329,791	613,513
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	34	55,130	55,130
Reserves	36	560,349	744,094
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		615,479	799,224
NON-CONTROLLING INTERESTS		(285,688)	(185,711)
TOTAL EQUITY		329,791	613,513

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 30 SEPTEMBER 2025.

ZHU FENGLIAN
DIRECTOR

CHEN JINYANG
DIRECTOR

Consolidated Statement of Cash Flows

For the eighteen months ended 30 June 2025

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(262,061)	(205,459)
Adjustments for:-		
Interest on bank deposits	(8,002)	(8,063)
Interest on loans receivable	(16,933)	(1,017)
Interest expenses on bank borrowings	57,491	48,095
Interest expenses on lease liabilities	1,319	328
Depreciation of property, plant and equipment	54,838	35,450
Depreciation of right-of-use assets (excluding prepaid land lease premium)	8,170	2,928
Amortisation of prepaid land lease premium	815	716
Amortisation of intangible assets	83,158	51,728
Gain on disposal of property, plant and equipment	(1)	(1)
Changes in fair value of investment properties	40,554	32,590
Impairment loss on debtors	749	41
Impairment loss on amount due from a joint venture	13,865	–
Impairment loss on goodwill	–	11,328
Impairment losses on non-current assets	–	52,009
Impairment loss on other receivables	4,109	2,542
Impairment loss on deposits paid	5,793	5,594
Loss on termination of lease	71	–
Share of loss of a joint venture	7,328	5,300
Operating (loss)/profit before working capital changes	(8,737)	34,109
Changes in working capital:		
Properties under development	(8,558)	(3,111)
Inventories	1,707	(1,375)
Debtors	(7,042)	8,090
Deposits, prepayments and other receivables	(15,272)	(4,273)
Bank balances – client accounts	(487)	(620)
Trade payables	147,741	91,024
Amount due to a related company	(43)	–
Deposits received, other payables and accruals	80,599	13,290
Contract liabilities	10,700	(1,266)
Cash generated from operations	200,608	135,868
Bank interest received	8,002	7,668
Tax paid	(27,144)	(6,629)
NET CASH GENERATED FROM OPERATING ACTIVITIES	181,466	136,907

Consolidated Statement of Cash Flows

For the eighteen months ended 30 June 2025

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to third parties	–	(81,645)
Payments to acquire property, plant and equipment	(24,507)	(13,777)
Proceeds from disposal of property, plant and equipment	8,312	1,157
Payments to acquire intangible assets	(17,057)	(8,868)
Deposits paid for acquisition of investment properties	–	(165,750)
Deposit paid for acquisition of a subsidiary	–	(27,625)
NET CASH USED IN INVESTING ACTIVITIES	(33,252)	(296,508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in pledged time deposits	58,013	6,856
Proceeds from new bank loans	73,836	137,561
Other interest paid	(57,654)	(48,287)
Repayment of bank loans	(196,511)	(190,857)
Capital element of lease rentals paid	(3,637)	(2,833)
Interest element of lease rentals paid	(1,319)	(328)
Dividend paid to non-controlling shareholder of a subsidiary	–	(1,949)
Capital reduction paid to non-controlling shareholder of a subsidiary	–	(65,858)
Purchase of shares under share award scheme	(4,467)	(495)
NET CASH USED IN FINANCING ACTIVITIES	(131,739)	(166,190)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	16,475	(325,791)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	(14,937)	(9,657)
	226,402	561,850
CASH AND CASH EQUIVALENTS AS AT 30 JUNE 2025/ 31 DECEMBER 2023	227,940	226,402
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	168,873	102,770
Fixed deposits	59,067	123,632
	227,940	226,402

Consolidated Statement of Changes in Equity

For the eighteen months ended 30 June 2025

	Attributable to shareholders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Shares held under share award scheme HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1.1.2023	55,130	1,247,453	481	1,093	10,754	27,413	(6,309)	27,694	(405,616)	958,093	127,062	1,085,155
Loss for the year	-	-	-	-	-	-	-	-	(137,336)	(137,336)	(55,373)	(192,709)
Other comprehensive (expense)/income	-	-	-	-	-	(21,038)	-	-	-	(21,038)	24,327	3,289
Total comprehensive loss for the year	-	-	-	-	-	(21,038)	-	-	(137,336)	(158,374)	(31,046)	(189,420)
Capital reduction in a subsidiary	-	-	-	-	-	-	-	-	-	-	(279,778)	(279,778)
Purchase of shares for share award scheme (note)	-	-	-	-	-	-	(495)	-	-	(495)	-	(495)
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,949)	(1,949)
Transferred to statutory reserve	-	-	-	-	-	-	-	5	(5)	-	-	-
At 31.12.2023 and 1.1.2024	55,130	1,247,453	481	1,093	10,754	6,375	(6,804)	27,699	(542,957)	799,224	(185,711)	613,513
Loss for the period	-	-	-	-	-	-	-	-	(161,360)	(161,360)	(98,024)	(259,384)
Other comprehensive expense	-	-	-	-	-	(17,918)	-	-	-	(17,918)	(1,953)	(19,871)
Total comprehensive loss for the period	-	-	-	-	-	(17,918)	-	-	(161,360)	(179,278)	(99,977)	(279,255)
Purchase of shares for share award scheme (note)	-	-	-	-	-	-	(4,467)	-	-	(4,467)	-	(4,467)
At 30.6.2025	55,130	1,247,453	481	1,093	10,754	(11,543)	(11,271)	27,699	(704,317)	615,479	(285,688)	329,791

Note: For the eighteen months ended 30 June 2025, 29,210,000 (year ended 31 December 2023: 3,680,000) shares were purchased from the open market at the aggregate consideration of HK\$4,467,000 (year ended 31 December 2023: HK\$495,000) pursuant to the share award scheme adopted by the Company on 15 January 2021.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Change of financial year end date

Pursuant to a resolution of the board (the **"Board"**) of directors (the **"Directors"**) of the Company passed on 30 December 2024, the Company's financial year end date was changed from 31 December to 30 June to enable the Group to rationalise and mobilise its resources with higher efficiency in planning and executing its financial reporting and audit timetable, to avoid competition of resources with other listed companies with regard to audit services in the peak financial reporting season in the market, and to remove the workflow pressure due to Chinese New Year public holidays for the preparation of results announcement as well as annual report. Accordingly, the current financial period covers a 18-months period from 1 January 2024 to 30 June 2025. The comparative figures cover a 12-months period from 1 January 2023 to 31 December 2023, which may not be comparable with amounts shown for the current period.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

2. BASIS OF PREPARATION *(continued)*

(c) Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing the Group's ability to continue as a going concern. The Group incurred a gross loss and a net loss of approximately HK\$26,763,000 and HK\$259,384,000 for the 18 months ended 30 June 2025 and, as of that date, the Group's net current liabilities amounted to approximately HK\$362,769,000 while its cash and bank balances, fixed deposits and pledged time deposits amounted to approximately HK\$168,873,000, HK\$59,067,000 and HK\$82,084,000 respectively. In addition, as at 30 June 2025: (i) the Group had trade payables of approximately HK\$500,172,000, included in trade payables with carrying amounts of approximately HK\$123,135,000 in respect of which the Group has failed to repay the overdue balance and legal actions were commenced against the Group for the estimated balance of approximately HK\$362,844,000 and (ii) included in deposits received, other payable and accruals with carrying amounts of approximately HK\$34,232,000 was compensation payable as a result of civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, regarding previous disputes in cost of water supply.

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

- As at 30 June 2025, the Group had unutilised banking facilities of approximately RMB379,370,000. Given the Group maintained strong business relationship with its bankers and based on past experiences, the directors expect that the Group is able to renew all the banking facilities when they expire.
- The Group will continue to enhance its liquidity and operating cash flows for the next twelve months through the negotiation with the supplier and pursuing the restructuring of the Group's subsidiaries with the view to resolving the disputes and settling the outstanding amounts relating to the ongoing litigation.
- The Group will take proactive measures to reduce administrative and operating costs.

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

2. BASIS OF PREPARATION *(continued)*

(c) Going concern *(continued)*

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

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

3. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

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

In the current period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for their annual reporting period commencing 1 January 2024 for the preparation of consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

3. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(continued)

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instrument ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 18	Presentation and Disclosure in Financial Statement ⁴
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS Accounting Standards	Annual Improvement to HKFRS Accounting Standards – Volume 11 ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(a) Basis of consolidation

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

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.

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.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Subsidiaries

Subsidiaries are entities controlled by the Group.

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

(c) Investment in a joint venture

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

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

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.

(d) Segment reporting

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(e) Foreign currency translation

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

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

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

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

(f) Property, plant and equipment and depreciation

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

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

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

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

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

(g) Prepaid land lease premium

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases

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

As a lessee

Allocation of consideration to components of a contract

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

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

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

Short-term leases and leases of low-value assets

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

The cost of right-of-use asset includes:

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases *(continued)*

As a lessee (continued)

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases *(continued)*

As a lessee (continued)

Lease liabilities (continued)

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

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

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

Lease modifications

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

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

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Leases *(continued)*

As a lessor

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

The rental income from operating leases is recognised in accordance with Note 4(z) to the consolidated financial statements. When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease, the Group classifies the sub-lease as an operating lease.

(i) Investment properties

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(j) 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. Subsequently, the rights are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for the rights to operate certain water supply plants with finite useful lives is provided on straight-line basis over their estimated useful lives of 10 to 20 years. Both the estimated useful lives and method of amortisation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

SFC licenses

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

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

(k) Goodwill

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

(l) Credit losses and impairment of assets

i. Credit losses from financial instruments and contract assets

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

Measurement of ECLs

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

Measurement of ECLs (continued)

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

Significant increases in credit risk

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

Significant increases in credit risk (continued)

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

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

Written-off policy

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

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

ii. Impairment of other non-current assets

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(m) Properties under development/for sales

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

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

Completed properties for sales

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

Cost comprises development costs attributable to the unsold properties.

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

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

(n) Inventories

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(o) Service concession arrangements

The Group entered into a service concession arrangement with government authority in Qingyuan, the PRC, on a build-operate-transfer (“BOT”) basis under its water supply segment. The service concession arrangement generally involves the Group as an operator (i) constructing water supply plants for those arrangements on a BOT basis; and (ii) operating and maintaining the water supply plants at a specified level of serviceability on behalf of the relevant governmental authority for a period of 20 years from 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 19) as the Group receives a right to charge users of the water supply service.

Service concession arrangements are accounted for as follows if:–

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

The Group’s rights over the infrastructure

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(o) Service concession arrangements *(continued)*

Consideration received or receivable by the Group for the construction services

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

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

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out in Note 4(j) to the consolidated financial statements.

Construction or upgrade services

Revenue and costs relating to construction and upgrade services are accounted for in accordance to HKFRS 15 "Revenue from contracts with customers". The Group recognises the construction revenue with reference to the fair value of the construction service delivered in the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin and borrowing rates. Consequently, the Group recognises a profit margin on the construction work by reference to the stage of completion and in accordance with the policy set out in Note 4(p) to the consolidated financial statements.

Operating services

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

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

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the water supply plants that it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the water supply plants are recognised and measured in accordance with the policy set out in Note 4(y) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(p) Construction contracts

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

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

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

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

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

(q) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (Note 4(l)).

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 4(l) to the consolidated financial statements.

(s) Trade and other payables

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

(t) Financial liabilities

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

(u) Interest-bearing borrowings and borrowing costs

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

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

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

(v) Share capital

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) Income tax

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

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 4(i) to the consolidated financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) Income tax *(continued)*

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

(x) Employee benefits

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

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

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

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

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

(y) Provisions and contingent liabilities

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(z) Revenue and other income

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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

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

- (i) Revenue arising from water supply is recognised when the related services are rendered.
- (ii) Water supply related installation, construction and maintenance income is recognised when services are rendered.
- (iii) Revenue from long-term construction contracts is recognised in accordance with accounting policy as set out in Note 4(p) to the consolidated financial statements.
- (iv) Interest income is recognised on a time proportion basis using the effective interest method.
- (v) Rental income receivable under operating lease is recognised on a straight-line basis over the terms of the relevant lease.
- (vi) Building management service income is recognised over the relevant period in which the services are rendered.
- (vii) Commission and brokerage income on securities dealing is recognised at a point in time when the underlying transactions are executed.
- (viii) Placement income is recognised at a point in time when the related services are rendered.
- (ix) Advisory income is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

Critical judgements in applying accounting policies *(continued)*

(i) Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the investment properties in the PRC, amounting to HK\$562,360,000 at 30 June 2025 (31 December 2023: HK\$603,127,000) are held primarily for earning rental income and are considered to be subject to a business model for consume substantially all of the economic benefits embodied in these investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

(ii) Going concern

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

Key sources of estimation uncertainty

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

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

Property, plant and equipment other than construction in progress are depreciated over their economic useful lives. The assessment of estimated useful life of an item of property, plant and equipment is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of these assets, changes to the estimates of the useful lives can result in variations in their carrying amounts and depreciation charges recognised in respect of the assets. At 30 June 2025, the carrying amount of property, plant and equipment was approximately HK\$292,275,000 (31 December 2023: HK\$331,859,000).

(ii) Estimation of fair value of investment properties

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

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

At 30 June 2025, the carrying amount of the Group's investment properties is HK\$562,360,000 (31 December 2023: HK\$603,127,000).

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

Key sources of estimation uncertainty *(continued)*

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

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

(iv) Construction contracts

As explained in accounting policies stated in Notes 4(p) and 4(z) to the consolidated financial statements, revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimate of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(v) Estimated impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Details of the impairment assessment are disclosed in Note 20 to the consolidated financial statements.

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

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

At 30 June 2025, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets subjected to impairment assessment were of approximately HK\$292,275,000 (net of accumulated impairment loss of approximately HK\$57,608,000), HK\$55,839,000 and HK\$55,464,000 (net of accumulated impairment loss of approximately HK\$33,634,000) respectively (31 December 2023: HK\$331,859,000 (net of accumulated impairment loss of approximately HK\$57,609,000), HK\$28,704,000 and HK\$122,340,000 (net of accumulated impairment loss of approximately HK\$33,639,000)).

Details of the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets are disclosed in Note 20 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

Key sources of estimation uncertainty *(continued)*

(vii) Estimation of cost of water supply

As explained in Note 42 to the consolidated financial statements, the Group has estimated and recorded the cost of water supply in the consolidated financial statements pending the resolution of the disputes and litigations with the Government-designated Water Plant (as defined in Note 42). Where the final outcome of the disputes and litigations is different from the amount originally recorded, the difference will affect the Group's financial results in the year in which the difference realises.

6. REVENUE

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

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Provision of water supply and related services		
Water supply and related services income	398,390	286,829
Construction services of infrastructure under concession arrangement (note)	17,309	9,283
Provision of financial services		
Interest income from securities margin financing	2	237
Service fee income	23	12
Commission and brokerage income	175	10
Advisory income	85	–
Placement income	22	–
Revenue from operating leases		
Rental and building management service income	35,295	22,776
	451,301	319,147

Note:

The amount represents revenue recognised during the construction stage of the service concession period. During the eighteen months ended 30 June 2025, no change of estimation (year ended 31 December 2023: Nil) was made when the Group finalised the construction costs with sub-contractors. All construction services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Disaggregation of revenue from contracts with customers and other sources by the timing of revenue recognition and by geographic markets is disclosed in Note 44 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

7. OTHER INCOME AND GAINS, NET

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
(a) Other income		
Interest on bank deposits	8,002	8,063
Interest on loans receivable	7,604	1,017
Other interest income	9,329	–
	24,935	9,080
(b) Other gains/(losses), net		
Compensation loss	(33,769)	–
Exchange gain/(loss), net	15,880	(7,218)
Others	2,069	796
	(15,820)	(6,422)
Net	9,115	2,658

8. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Interest on bank loans	57,654	48,287
Less: interest capitalised included in property, plant and equipment and other intangible assets (<i>note</i>)	(163)	(192)
Interest on lease liabilities	1,319	328
Others	290	174
	59,100	48,597

Note:

The capitalisation rate was 4.03% for the eighteen months ended 30 June 2025 (year ended 31 December 2023: ranged from 5.21% to 5.53%).

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

8. LOSS BEFORE INCOME TAX *(continued)*

(b) Other items

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Auditors' remuneration		
– Audit services	1,250	1,198
– Non-audit services	980	480
	2,230	1,678
Cost of inventories recognised in profit or loss	9,330	5,661
Staff costs (including directors' remuneration)		
– Salaries and other benefits	69,389	53,509
– Pension scheme contributions	10,665	7,350
	80,054	60,859
Depreciation of property, plant and equipment	54,838	35,450
Depreciation of right-of-use assets (excluding prepaid land lease premium)	8,170	2,928
Impairment loss on debtors	749	41
Impairment loss on other receivables	4,109	2,542
Impairment loss on deposits paid	5,793	5,594
Amortisation of intangible assets	83,158	51,728
Amortisation of prepaid land lease premium	815	716
Gain on disposal of property, plant and equipment	(1)	(1)
Loss on termination of lease	71	–
Rental income less direct outgoings of approximately HK\$15,645,000 (year ended 31 December 2023: HK\$13,250,000)	(21,091)	(9,278)

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

Directors' remuneration is as follows:–

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

(a) Directors (continued)

Name of director	Year ended 31 December 2023					
	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
Executive Directors						
Mr. Chen Jinyang	60	1,920	73	2,053	–	2,053
Ms. Zhu Fenglian	60	2,100	–	2,160	–	2,160
Ms. Zhang Haimei	60	1,440	–	1,500	–	1,500
Non-Executive Director						
Mr. Xuan Zhensheng	600	–	–	600	–	600
Independent Non-Executive Directors						
Mr. Yeung Kin Chung Clifton, <i>M.H.</i> (note (vi))	180	–	–	180	–	180
Dr. Cheung Wai Bun, Charles, <i>J.P.</i> (note (vii))	180	–	–	180	–	180
Mr. David Tsoi	240	–	–	240	–	240
Mr. Chao Pao Shu, George	240	–	–	240	–	240
	1,620	5,460	73	7,153	–	7,153

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 period disregarding whether the options have been exercised or not.
- (ii) Retired as non-executive director and appointed as executive director on 28 June 2024.
- (iii) Retired as executive director on 28 June 2024.
- (iv) Appointed as non-executive director on 28 June 2024.
- (v) Appointed as independent non-executive director at the Annual General Meeting ("AGM") on 30 June 2023.
- (vi) Retired as independent non-executive director at the AGM on 30 June 2023.

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, three (year ended 31 December 2023: 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 (year ended 31 December 2023: two) highest paid individual were as follows:–

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Salaries, allowances and other benefits in kind	2,965	2,005
Pension scheme contributions	27	18
	2,992	2,023

	Eighteen months ended 30 June 2025	Year ended 31 December 2023
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
	2	2

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

10. INCOME TAX CREDIT

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

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Current tax:		
Current period/year	6,168	4,472
Under-provision in respect of previous years	20,050	–
Deferred taxation	26,218 (28,895)	4,472 (17,222)
	(2,677)	(12,750)

- (b) 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 period for period/year.

The Company's subsidiaries operating in the PRC are subject to Enterprise Income Tax at 25% for the eighteen months ended 30 June 2025 (year ended 31 December 2023: 25%).

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

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Loss before income tax	(262,061)	(205,459)
Tax on loss before income tax, calculated at the applicable tax rates	(64,289)	(47,793)
Tax effect of non-deductible expenses in determining taxable profit	17,340	21,509
Tax effect of non-taxable income in determining taxable profit	(9,796)	(1,223)
Tax effect of unrecognised decelerated depreciation allowance	9,614	(92)
Tax effect of unrecognised tax loss	10,444	14,569
Others	13,960	280
Under-provision in respect of previous year	20,050	–
Income tax credit	(2,677)	(12,750)

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

11. DEFERRED TAXATION

- (a) These are the major deferred tax assets and liabilities recognised and movements thereon during the current period 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 1.1.2023	12,403	273	(48,188)	(1,512)	(37,024)
Credited to profit or loss (Note 10(a))	–	33	16,204	985	17,222
Exchange adjustments	(395)	(9)	2,593	(8)	2,181
At 31.12.2023 and 1.1.2024	12,008	297	(29,391)	(535)	(17,621)
Credited to profit or loss (Note 10(a))	23,698	168	3,563	1,466	28,895
Exchange adjustments	324	2	6	(20)	312
At 30.6.2025	36,030	467	(25,822)	911	11,586

Represented by:–

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Deferred tax assets	36,496	12,373
Deferred tax liabilities	(24,910)	(29,994)
	11,586	(17,621)

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

11. DEFERRED TAXATION *(continued)*

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

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Deductible temporary differences (note)		
Decelerated tax allowances	2,372	18,546
Unutilised tax losses	419,015	365,150
	421,387	383,696

Note:–

Deductible temporary differences have not been recognised in these consolidated financial statements owing to unforseeable 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\$246,051,000 (31 December 2023: HK\$210,157,000) and HK\$4,436,000 (31 December 2023: HK\$3,858,000), respectively, can be carried forward indefinitely and the unutilised tax losses accumulated in the PRC amounted to HK\$168,528,000 (31 December 2023: HK\$151,135,000) can be carried forward for five years following the year when the losses were incurred.

- (c) As at 30 June 2025, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB126,688,000 (equivalent to approximately HK\$138,825,000) (31 December 2023: RMB97,599,000 (equivalent to approximately HK\$106,958,000)). The related deferred tax liabilities of approximately HK\$6,941,000 (31 December 2023: HK\$5,348,000) 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 eighteen months ended 30 June 2025

12. DIVIDENDS

The directors of the Company do not recommend or declare the payment of any dividend in respect of the eighteen months ended 30 June 2025 (year ended 31 December 2023: Nil).

13. LOSS PER SHARE

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

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Loss		
Loss for the period/year attributable to shareholders of the Company	(161,360)	(137,336)

	Eighteen months ended 30 June 2025	Year ended 31 December 2023
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	5,513,000,000	5,513,000,000

The diluted loss per share is equal to the basic loss per share for the eighteen months ended 30 June 2025 and year ended 31 December 2023 as there was no dilutive potential ordinary share in issue.

14. RETIREMENT BENEFIT COSTS

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

The Group’s contribution to such scheme for the eighteen months ended 30 June 2025 amounted to approximately HK\$371,000 (year ended 31 December 2023: HK\$264,000).

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 eighteen months ended 30 June 2025

14. RETIREMENT BENEFIT COSTS *(continued)*

The Group's contribution to the state-sponsored retirement plan for the eighteen months ended 30 June 2025 amounted to approximately HK\$10,295,000 (Year ended 31 December 2023: HK\$7,086,000).

During the eighteen months ended 30 June 2025 and year ended 31 December 2023, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contributions, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 30 June 2025 and 31 December 2023, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contribution.

15. PROPERTY, PLANT AND EQUIPMENT

	Properties held under medium- term lease HK\$'000	Water pipelines HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Office equipment computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Eighteen months ended 30.6.2025									
Opening net book value	81,885	193,754	19,478	1,005	4,588	-	1,604	29,545	331,859
Exchange adjustments	(676)	(303)	(54)	(8)	(28)	-	(1)	(35)	(1,105)
Additions	-	13,709	277	283	300	-	180	9,921	24,670
Disposals	-	(7,120)	(152)	-	(8)	-	(4)	(1,027)	(8,311)
Transfer	-	10,904	350	-	-	-	-	(11,254)	-
Depreciation	(9,818)	(38,116)	(3,746)	(540)	(2,399)	-	(219)	-	(54,838)
Closing net book value	71,391	172,828	16,153	740	2,453	-	1,560	27,150	292,275
At 30.6.2025									
Cost	152,980	466,009	32,455	6,900	12,352	445	4,573	27,150	702,864
Aggregate depreciation	(69,839)	(249,295)	(14,519)	(6,160)	(9,710)	(445)	(3,013)	-	(352,981)
Aggregate impairment loss	(11,750)	(43,886)	(1,783)	-	(189)	-	-	-	(57,608)
Net book value	71,391	172,828	16,153	740	2,453	-	1,560	27,150	292,275

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Properties held under medium- term lease HK\$'000	Water pipelines HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Office equipment computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
For the year ended 31.12.2023									
Opening net book value	95,432	230,123	20,865	1,312	3,925	-	1,767	44,957	398,381
Exchange adjustments	(1,831)	(7,039)	(659)	(31)	(152)	-	(22)	(1,505)	(11,239)
Additions	-	779	1,094	63	694	-	-	11,339	13,969
Disposals	-	-	(5)	-	(3)	-	-	(1,148)	(1,156)
Transfer	-	21,242	1,064	-	1,792	-	-	(24,098)	-
Depreciation	(6,583)	(23,838)	(2,881)	(339)	(1,668)	-	(141)	-	(35,450)
Impairment	(5,133)	(27,513)	-	-	-	-	-	-	(32,646)
Closing net book value	81,885	193,754	19,478	1,005	4,588	-	1,604	29,545	331,859
At 31.12.2023									
Cost	152,988	447,946	32,372	6,629	12,170	445	4,480	29,545	686,575
Aggregate depreciation	(59,352)	(210,306)	(11,111)	(5,624)	(7,393)	(445)	(2,876)	-	(297,107)
Aggregate impairment loss	(11,751)	(43,886)	(1,783)	-	(189)	-	-	-	(57,609)
Net book value	81,885	193,754	19,478	1,005	4,588	-	1,604	29,545	331,859

The Group's properties are situated in:-

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Hong Kong	3,405	3,648
The PRC	67,986	78,237
	71,391	81,885

The Group holds industrial, residential and commercial properties for its operations in Hong Kong and the PRC, where its office premises, staff quarters and factories are located. The Group constructed buildings on the leasehold land located in the PRC (Note 15). Upon completion, the Group is the registered owner of the buildings. As at 30 June 2025, the Group's buildings and structure with a net carrying amount of approximately HK\$487,000 (31 December 2023: HK\$615,000) 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\$54,000 (year ended 31 December 2023: HK\$63,000) and had made a provision accordingly.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

16. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1.1.2023	656,381
Net decrease in fair value recognised in the consolidated statement of profit or loss	(32,590)
Exchange adjustments	(20,664)
At 31.12.2023 and 1.1.2024	603,127
Net decrease in fair value recognised in the consolidated statement of profit or loss	(40,554)
Exchange adjustments	(213)
At 30.6.2025	562,360

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

The Group's investment properties were revalued on 30 June 2025 based on valuations performed by Graval Consulting Limited, an independent firm of surveyors, who have among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management had discussed with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

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

Investment properties with carrying amount of HK\$517,436,000 (31 December 2023: HK\$557,046,000) were pledged to secure the Group's bank borrowings (Note 33).

Fair value hierarchy

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

16. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Fair value measurement at 31 December 2023 using
	Significant unobservable inputs (Level 3)
	HK\$'000
Recurring fair value measurement for:	
Residential properties located in Shanghai, the PRC	25,973
Industrial properties located in Qingyuan, Guangdong Province, the PRC	3,141
Commercial properties located in Qingyuan, Guangdong Province, the PRC	16,967
Commercial properties located in Guangzhou, the PRC	557,046

During the current period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 December 2023: Nil).

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

			Range	
Valuation techniques		Significant unobservable inputs	At 30 June 2025	At 31 December 2023
Residential properties located in Shanghai, the PRC	Market comparison approach (note (a))	Premium on characteristics of the properties	-5%	-5% to 0.46%
Industrial properties located in Qingyuan, Guangdong Province, the PRC	Market comparison approach (note (a)) Depreciated replacement cost approach (note (b))	Premium on the location of land	-10% to 30%	-10% to 20%
		Adjusted replacement cost per square metre	RMB2,770	RMB2,940
		Depreciation rate per year	2.5%	2.5%
Commercial properties located in Qingyuan, Guangdong Province, the PRC	Market comparison approach (note (a))	Premium on characteristics of the properties	-15% to 1%	-20% to 20%
Commercial properties located in Guangzhou, Guangdong Province, the PRC	Income capitalisation approach (note (c))	Prevailing market rents per square meter per month	RMB105 to RMB835	RMB39 to RMB1,160
		Capitalisation rates	7.0%	4.5%

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Notes:–

- (a) The market comparison approach is based on reference to recent sales price of comparable properties on a price per square metre basis, adjusted by quality and location of the Group's investment properties compared to the recent sales. The fair value measurement is positively correlated to risk-adjusted discount rates.
- (b) The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, whether arising from physical, functional or economic causes. Actual costs incurred for upgrading of the assets to be appraised will also be considered in this approach. The fair value measurement is positively correlated to depreciation rate.
- (c) The income capitalisation approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the capitalisation rates, the lower the fair value. The higher the prevailing market rents, the higher the fair value. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

17. RIGHT-OF-USE ASSETS

	Leased properties (note (a)) HK\$'000	Prepaid land lease premium (note (b)) HK\$'000	Total HK\$'000
At 1.1.2023	348	23,686	24,034
Additions	8,846	–	8,846
Depreciation charge	(2,928)	(716)	(3,644)
Exchange adjustment	(12)	(520)	(532)
At 31.12.2023 and 1.1.2024	6,254	22,450	28,704
Additions	36,648	–	36,648
Depreciation charge	(8,170)	(815)	(8,985)
Termination of lease	(725)	–	(725)
Exchange adjustment	448	(251)	197
At 30.6.2025	34,455	21,384	55,839

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For the eighteen months ended 30 June 2025

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

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Expense relating to short-term leases	333	236
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	31	18
Total cash outflow for leases	5,320	3,415

Notes:

- (a) The Group owns leasehold land where its industrial, residential and commercial buildings are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.
- (b) For both years, the Group leases various office premises and a staff quarter for its operations. During the current period, lease contracts were entered into for fixed terms of 2 to 5 years (31 December 2023: 2 to 5 years). Lease terms are negotiated on an individual basis and contained a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease liabilities of approximately HK\$39,269,000 (31 December 2023: HK\$6,387,000) are recognised with related right-of-use assets of approximately HK\$55,839,000 (31 December 2023: HK\$28,704,000) as at 30 June 2025. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

As at 30 June 2025, one (31 December 2023: one) lease agreement imposes termination options which is exercisable by the Group and not by the lessor. The remaining lease agreements do not impose any extension and termination options which are exercisable only by the Group and not by the respective lessors.

Details of total cashflow for leases for the eighteen months ended 30 June 2025 and for the year ended 31 December 2023 are set out in Note 43 to the consolidated financial statements.

18. INTEREST IN A JOINT VENTURE

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Unlisted equity, at cost	3,681	3,681
Share of post-acquisition losses and other comprehensive expense	(3,681)	(3,681)
Amount due from a joint venture (note)	222,639	236,714
Share of post-acquisition loss that is in excess of the cost of the investment	(11,947)	(4,619)
	210,692	232,095

Note:

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

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	30% (31 December 2023: 30%)	(note)	30% (31 December 2023: 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.

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

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Cash and cash equivalents	80	320
Other current assets	749,113	773,334
Current assets	749,193	773,654
Current liabilities	789,015	789,051
Net liabilities	(39,822)	(15,397)
Revenue	–	–
Interest income	1	4
Operating expenses	(24,426)	(15,481)
Income tax expense	–	–
Loss for the period/year	(24,425)	(15,477)
Total comprehensive loss for the period/year	(24,425)	(15,477)

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

19. INTANGIBLE ASSETS

	Other intangible asset HK\$'000	Financial services licences HK\$'000	Total HK\$'000
At 1.1.2023			
Cost	470,378	1,990	472,368
Accumulated amortisation	(268,251)	–	(268,251)
Accumulated impairment loss	(14,747)	–	(14,747)
Net book value	187,380	1,990	189,370
For the year ended 31.12.2023			
Opening net book value	187,380	1,990	189,370
Additions	8,868	–	8,868
Amortisation	(51,728)	–	(51,728)
Impairment	(17,373)	(1,990)	(19,363)
Exchange adjustments	(4,807)	–	(4,807)
Closing net book value	122,340	–	122,340
At 1.1.2024			
Cost	467,184	1,990	469,174
Accumulated amortisation	(313,195)	–	(313,195)
Accumulated impairment loss	(31,649)	(1,990)	(33,639)
Net book value	122,340	–	122,340
For the eighteen months ended 30.6.2025			
Opening net book value	122,340	–	122,340
Additions	17,057	–	17,057
Amortisation	(83,158)	–	(83,158)
Exchange adjustments	(775)	–	(775)
Closing net book value	55,464	–	55,464
At 30.6.2025			
Cost	484,441	1,990	486,431
Accumulated amortisation	(397,333)	–	(397,333)
Accumulated impairment loss	(31,644)	(1,990)	(33,634)
Net book value	55,464	–	55,464

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

19. INTANGIBLE ASSETS (continued)

Notes:

- (a) Pursuant to a concession agreement between a subsidiary, Qingyuan Qingxin District Taihe Water Company Limited ("**Taihe Water**") and a relevant authority in the PRC dated 21 November 2006, Taihe Water obtained the right to operate certain water supply plants located at Qingyuan City of Guangdong Province in the PRC for a period of 20 years on a BOT basis. Taihe Water is entitled to use all the property, plant and equipment of the water supply plants.
- (b) As at 30 June 2025, land use right held by the Group under service concession arrangement with a net carrying amount of RMB396,000 (equivalent to approximately HK\$434,000) (31 December 2023: RMB1,188,000 (equivalent to approximately HK\$1,302,000)) was pledged to secure the Group's bank borrowings (Note 33).
- (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 eighteen months ended 30 June 2025 and year ended 31 December 2023, no change of estimation was made when the Group finalised the construction costs with sub-contractors.
- (d) The financial services licenses ("**Licenses**") are considered by the management of the Group as having indefinite useful lives because it is expected that the Licenses registered under the Securities and Futures Ordinance (the "**SFO**") for type 1, 6 and 9 business will continue to be valid and will contribute net cash inflows for the Group in the foreseeable future. The Licenses will not be amortised until their useful lives are determined to be indefinite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

20. GOODWILL AND IMPAIRMENT ASSESSMENT

	HK\$'000
Cost:–	
At 1.1.2023, 31.12.2023 and 1.1.2024 and 30.6.2025	110,365
Impairment:–	
At 1.1.2023	99,037
Charge for the year	11,328
At 31.12.2023 and 1.1.2024 and 30.6.2025	110,365
Carrying amount:–	
At 30.6.2025	–
At 31.12.2023	–

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For the eighteen months ended 30 June 2025

20. GOODWILL AND IMPAIRMENT ASSESSMENT *(continued)*

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

For the purpose of impairment testing, the carrying value of the goodwill has been allocated to the following CGUs. The carrying amount of goodwill (net of accumulated impairment loss) as at 30 June 2025 and 31 December 2023 is allocated as follows:

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Carrying amount of goodwill allocated to CGU in:		
– Provision of water supply and related services	–	–
– Financial services	–	–
	–	–

In addition to goodwill, property, plant and equipment, right-of-use assets and intangible assets, including the allocation of corporate assets, that generate cash flows together with the related goodwill are also included in the respective CGUs for the purpose of impairment assessment.

Provision of water supply and related services

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

At 30 June 2025, the recoverable amount of the provision of water supply and related services has been determined based on a value in use calculation, which is determined by the directors with reference to a professional valuation performed by Apex Appraisal Limited, an independent firm of professional qualified valuers.

The value-in-use calculation of Qinghui Group was based on cash flow projections derived from financial budgets approved by management, covering a five-year period (31 December 2023: five years). The pre-tax discount rate applied was 9.6% (31 December 2023: 10.41%). Cash flows beyond the five-year period (31 December 2023: five years) were extrapolated using a 2% average growth rate (31 December 2023: 3%), benchmarked against GDP and inflation rate in the PRC.

The value-in-use calculation of Taihe Water was based on cash flow projections derived from financial budgets approved by management, covering the remaining concession periods of one and a half years (31 December 2023: three years). The pre-tax discount rate applied was 16.6% (31 December 2023: 14.12%). No terminal value (31 December 2023: nil) was assigned beyond the concession period.

As disclosed in Note 19 to the consolidated financial statements, Taihe Water was granted operating rights for certain water supply plants in Qingyuan, Guangdong Province for a 20-year period from 2006 to 2026, under a BOT concession agreement. When assessing the value-in-use, management took into account the essential utility nature of water supply, the oligopolistic market structure in Qingyuan, the strong demand exceeding supply, and the stable urban growth in Guangdong Province. Accordingly, management considered it appropriate to project cash flows for the entirety of the remaining concession period.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

20. GOODWILL AND IMPAIRMENT ASSESSMENT *(continued)*

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

Other key assumptions applied in the value-in-use calculations included estimated average gross margins throughout the budget period of 15.93% (31 December 2023: 14.36%) for Qinghui Group and 49.18% (31 December 2023: 50.21%) for Taihe Water. These estimates were based on the historical performance of each CGU and management's expectations regarding future market development.

Goodwill attributable to the provision of water supply and related services was fully impaired as at 31 December 2019.

During the year ended 31 December 2023, the management considered the narrowing of profit margin resulting from increasing operating costs and assessed that the carrying amount of the CGU exceeded its recoverable amount. Accordingly, impairment losses of approximately HK\$32,646,000 and HK\$17,373,000 were recognised on property, plant and equipment (Note 15) and intangible assets (Note 19), respectively.

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

Financial services

The carrying amount of goodwill allocated to the financial services comprised (i) goodwill of HK\$8,747,000, which was fully impaired at 31 December 2019; and (ii) goodwill of HK\$11,328,000 arising from acquisitions of subsidiaries, which was fully impaired during the year ended 31 December 2023.

During the year ended 31 December 2023, management considered that the projected results of the financial services sector were unfavourable, owing to the worsening economy environment in Hong Kong and keen competition among service providers in the capital market. and assessed that a full impairment of HK\$11,328,000 and HK\$1,990,000 was recognised in respect of the remaining goodwill and financial services licences under intangible assets, respectively. Details are set out in Note 19 to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

- (a) On 23 December 2022, the Group entered into a non-legally binding memorandum of understanding (“**Old MOU**”) with two vendors, pursuant to which the Group proposed to acquire an investment properties interest. Under the terms of the Old MOU, the Group paid to the vendors a refundable earnest money of RMB175,000,000 (equivalent to HK\$198,100,000). Details by this transaction were set out in the Company’s announcement dated 23 December 2022. The earnest money was used to offset against the payable of capital reduction during the year ended 31 December 2023 (Note 37).

On 5 June 2023, the Group entered into a non-legally binding memorandum of understanding (“**New MOU 1**”) with a vendor, pursuant to which the Group proposed to acquire certain property interests. Under the terms of the New MOU 1, the Group paid to a vendor a refundable earnest money of RMB150,000,000 (equivalent to HK\$165,750,000). Details by this transaction were set out in the Company’s announcement date 5 June 2023. Loss allowance on the deposits paid for acquisition of investment properties of HK\$4,961,000 was recognised during the eighteen months ended 30 June 2025 (During the year ended 31 December 2023: HK\$4,799,000).

- (b) On 17 October 2023, the Group entered into a non-legally binding memorandum of understanding (“**New MOU 2**”) with a vendor, pursuant to which the Group proposed to acquire 70% equity interest of a company. Under the terms of the New MOU 2, the Group paid to a vendor a refundable earnest money of RMB25,000,000 (equivalent to HK\$27,397,000). Loss allowance on the deposit paid for acquisition of a subsidiary of HK\$832,000 was recognised during the eighteen months ended 30 June 2025 (During the year ended 31 December 2023: HK\$795,000).

22. PROPERTIES UNDER DEVELOPMENT

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Properties under development	21,863	13,549

The properties under development are located in Australia. Included in the amount are properties under development of approximately AUD4,232,000 (equivalent to approximately HK\$21,863,000) (31 December 2023: approximately AUD2,547,000 (equivalent to approximately HK\$13,549,000)) which are expected to be completed and realised less than twelve months from the end of the reporting period.

23. INVENTORIES

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Water supply and related services		
– Raw materials	254	269
– Finished goods	3,642	5,358
	3,896	5,627

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

23. INVENTORIES (continued)

Notes:–

- (a) All of the 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:–

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
At 1 January	–	3,194
Exchange adjustments	–	(1)
Transfer to property under development	–	(3,193)
At 30 June 2025/31 December 2023	–	–

24. DEBTORS

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Trade debtors arising from water supply and related services and rental receivables	44,136	36,988
Less: loss allowance (note (c))	(3,321)	(2,562)
	40,815	34,426
Trade receivables arising from the ordinary course of business of dealing in securities		
Hong Kong Securities Clearing Company ("HKSCC")	–	12
Cash clients	76	76
	76	88
Less: loss allowance (note (c))	(42)	(42)
	34	46
	40,849	34,472

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

24. DEBTORS (continued)

Notes:–

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

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

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

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
0 – 6 months	40,756	34,155
7 – 12 months	45	102
1 – 2 years	14	169
	40,815	34,426

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

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

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
At 1 January	2,604	2,619
Impairment loss recognised	749	41
Exchange adjustments	10	(56)
At 30 June 2025/31 December 2023	3,363	2,604

- (d) At 30 June 2025, receivables with carrying amount of RMB36,971,000 (equivalent to approximately HK\$40,513,000) (31 December 2023: RMB31,272,000 (equivalent to approximately HK\$34,271,000)) were pledged to secure bank loans granted to the Group.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Utilities and deposits	982	1,084
Prepayments	4,225	1,503
Interest receivable	2,298	2,403
Loans receivable (note (a))	103,508	81,645
Other receivables	25,040	17,422
	136,053	104,057
Less: loss allowance on other receivables (note (b))	(7,201)	(3,095)
	128,852	100,962

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes:–

- (a) The amount represented loans granted by the Group to four (31 December 2023: three) independent third parties which are companies incorporated in the PRC. The loan amounts are respectively RMB29,500,000, RMB22,000,000, RMB23,000,000 and RMB12,000,000 (31 December 2023: RMB29,500,000, RMB22,000,000 and RMB23,000,000) are unsecured and bear interest at the rate range from 4.85% to 5.9% per annum (31 December 2023: 5.9% per annum). The maturity dates of the outstanding loans principal and accrued interest are 11 July 2024, 30 September 2024, 30 September 2024 and 10 October 2025 (31 December 2023: 11 July 2024, 30 September 2024 and 30 September 2024) respectively. At 30 June 2025, an aggregate amount of RMB74,500,000 of the outstanding loans granted was past due and was subsequently settled in August 2025.
- (b) The movement in the loss allowance on other receivables during the years is as follows:–

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
At 1 January	3,095	571
Impairment loss recognised	4,109	2,542
Exchange adjustments	(3)	(18)
At 30 June 2025/31 December 2023	7,201	3,095

26. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES

(a) Pledged time deposits

Pledged bank deposits of USD10,570,000 (equivalent to HK\$82,084,000) (31 December 2023: RMB128,680,000, equivalent to HK\$141,020,000) carry fixed interest rate of 4.30% and 4.20% (Year ended 31 December 2023: 2%) per annum and are pledged to banks to secure bank loans granted to the Group.

(b) Cash and bank balances

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Cash and bank balances:		
General accounts and cash	168,873	102,770
Client accounts	3,751	3,264
	172,624	106,034

As at 30 June 2025, cash and bank balances of general accounts of the Group denominated in Renminbi amounted to HK\$145,505,000 (31 December 2023: HK\$72,205,000). 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.

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27. TRADE PAYABLES

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Trade payables arising from water supply and related services	496,424	347,183
Trade payables arising from the ordinary course of business of dealing in securities		
Cash clients	3,207	2,873
Margin clients	541	387
	500,172	350,443

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

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
0 – 12 months	126,705	117,280
Over one year	369,719	229,903
	496,424	347,183

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

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

28. PAYABLE TO MERCHANTS

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

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Over one year	3,006	3,006

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29. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Deposits received	6,370	5,881
Accruals (note (a))	24,169	25,811
Other payables (note (b))	135,656	67,516
Construction fee payable	42,019	33,268
Other tax payable	27,672	21,741
	235,886	154,217

Note:--

- (a) Interest payable on loan from a third party of RMB3,469,000 (equivalent to approximately HK\$3,802,000) (31 December 2023: RMB3,415,000 (equivalent to approximately HK\$3,742,000)) is included in accruals.
- (b) Included in the other payables as at 30 June 2025 is compensation payable of approximately HK\$34,232,000 relating to the Government-designated Water Plant dispute, as explained in Note 42 to the consolidated financial statements.

30. CONTRACT LIABILITIES

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Contract liabilities regarding water supply and related business	24,946	14,101

Revenue that was included in the contract liability balance at the beginning of the reporting period in the amount of HK\$14,101,000 (year ended 31 December 2023: HK\$10,095,000) was recognised in the reporting period.

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For the eighteen months ended 30 June 2025

31. LEASE LIABILITIES

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

	Present value of minimum lease payments		Minimum lease payments	
	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Amounts payable:-				
Within one year	8,296	3,432	9,496	3,676
In the second to fifth year, inclusive	30,973	2,955	31,299	3,061
	39,269	6,387	40,795	6,737
Less: Future finance charges			(1,526)	(350)
Present value of lease obligation			39,269	6,387

Note:-

The weighted average incremental borrowing rate applied to lease liabilities range from 4.8% to 5.8% (31 December 2023: from 4.2% to 5.4%).

Lease liabilities denominated in RMB amounting to approximately HK\$38,182,000 (31 December 2023: approximately HK\$350,000).

32. AMOUNT DUE TO A RELATED COMPANY

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

33. BANK BORROWINGS

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Bank loans, secured	742,361	866,798
Carrying amount repayable:		
– Within one year or on demand	96,901	255,975
– More than one year, but not exceeding two years	37,027	246,643
– More than two years, but not exceeding five years	229,220	207,521
– Over five years	379,213	156,659
	742,361	866,798

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

33. BANK BORROWINGS (continued)

Note:–

The Group had the following banking facilities:–

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Total banking facilities granted	1,377,444	1,287,124
Less: banking facilities utilised by the Group	(961,730)	(866,798)
Unutilised banking facilities	415,714	420,326

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

- charge over a time deposit amounting to USD10,570,000 (equivalent to approximately HK\$82,084,000);
- charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB396,000 (equivalent to approximately HK\$434,000);
- charges over the investment properties with carrying amounts of RMB472,000,000 (equivalent to approximately HK\$508,300,000);
- pledge of trade receivables with a carrying amount of RMB36,971,000 (equivalent to approximately HK\$40,513,000);
- pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and
- guarantee by the non-controlling shareholders of subsidiaries and its business associate.

At 31 December 2023, these banking facilities were secured by:–

- charge over a time deposit amounting to RMB128,680,000 (equivalent to approximately HK\$141,020,000);
- charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB1,187,000 (equivalent to approximately HK\$1,301,000);
- charges over the investment properties with carrying amounts of RMB508,300,000 (equivalent to approximately HK\$557,046,000);
- pledge of trade receivables with a carrying amount of RMB31,272,000 (equivalent to approximately HK\$34,271,000);
- pledge of 100% equity interest in Qingyuan Water Supply Development Company Limited;
- pledge of 100% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;
- pledge of 100% equity interest in Guangzhou Hengxin Yuxuan Industrial Development Limited;
- guarantee by Guangzhou Yicheng Investment Holdings Limited, Qinghui Properties Limited and Qingyuan Qingxin District Huike Properties Company Limited, all being subsidiaries of the Group;
- guarantee by Dongguan New Century Science and Education Development Limited, Ms. Zhu and her spouse; and
- guarantee by the non-controlling shareholders of subsidiaries and its business associate.

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For the eighteen months ended 30 June 2025

34. SHARE CAPITAL

(a) Share capital

	The Group and the Company	
	Number of shares	HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:–		
At 1.1.2023, 31.12.2023, 1.1.2024 and 30.6.2025	20,000,000,000	200,000
Issued and fully paid:–		
At 1.1.2023, 31.12.2023, 1.1.2024 and 30.6.2025	5,513,000,000	55,130

(b) Capital management

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

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 30 June 2025 and 31 December 2023 were as follows:–

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Total liabilities	1,548,437	1,398,875
Total assets	1,866,642	2,030,009
Gearing ratio	82.95%	68.91%

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

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35. SHARE AWARD SCHEME AND SHARE OPTION SCHEMES

Share award scheme

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

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

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

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

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

For the eighteen months ended 30 June 2025, the Group purchased 29,210,000 (31 December 2023: 3,680,000) shares through the trustee of the Share Award Scheme from the open market at the aggregate consideration of HK\$4,467,000 (year ended 31 December 2023: HK\$495,000). No shares were granted or agreed to be granted to any eligible participant under the Share Award Scheme during the eighteen months ended 30 June 2025 and year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

36. RESERVES

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

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share held under share award scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.1.2023	1,255,017	481	(6,309)	(344,811)	904,378
Purchase of shares for share award scheme	–	–	(495)	–	(495)
Total comprehensive loss for the year	–	–	–	(346,344)	(346,344)
At 31.12.2023 and 1.1.2024	1,255,017	481	(6,804)	(691,155)	557,539
Purchase of shares for share award scheme	–	–	(4,467)	–	(4,467)
Total comprehensive loss for the year	–	–	–	(301,477)	(301,477)
At 30.6.2025	1,255,017	481	(11,271)	(992,632)	251,595

Notes:-

- (i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- (ii) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.
- (iii) As at 30 June 2025, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK\$251,114,000 (31 December 2023: HK\$557,058,000) 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 period, the Board of Directors of the subsidiary resolved to appropriate HK\$Nil (year ended 31 December 2023: HK\$5,000) from retained profits to statutory reserve fund.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

- (a) During the eighteen months ended 30 June 2025, the Group entered into lease contracts in which addition to right-of-use assets and lease liabilities amounting to approximately HK\$36,648,000 was recognised.
- (b) During the year ended 31 December 2023, an amount of RMB175,000,000 (equivalent to HK\$198,100,000) deposits paid for acquisition of investment properties was offset against the payable caused by capital reduction to the Non-controlling Shareholder of a 49% owned subsidiary.

38. OPERATING LEASE ARRANGEMENTS

At 30 June 2025, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:–

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Within one year	30,730	2,052
After one year but within five years	101,086	1,788
Over five years	9,429	–
	141,245	3,840

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

39. CAPITAL COMMITMENTS

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

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Property, plant and equipment	12,386	14,968

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The carrying amounts of debt, other receivables and refundable deposits, 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, fixed and pledged time deposits at banks since they are substantially deposited at medium or large-sized banks regulated by government law and regulation.

Debtors

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

The settlement terms of trade debtors attributable to dealing in securities are two days after trade date. 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 30 June 2025, except for a receivable of HK\$42,000 (31 December 2023: HK\$42,000) which is credit-impaired (Stage 3) and full ECL has been made, no other receivables were impaired.

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Debtors *(continued)*

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

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

	At 31 December 2023		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
0-6 months	0.67	34,433	232
7-12 months	7.27	110	8
1-2 years	74.89	673	504
Over 2 years	100.00	1,860	1,860
		37,076	2,604

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 eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Loan and other receivables and deposits

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

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

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

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Loan and other receivables and deposits *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for loan and other receivables and deposits which has significant increase in the credit risk:

Internal credit rating	Expected loss rate %	30 June 2025 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Stage 1	5.94	295,272	17,533
Stage 2	N/A	–	–
Stage 3	N/A	–	–
		295,272	17,533

Internal credit rating	Expected loss rate %	31 December 2023 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Stage 1	2.94	273,427	8,030
Stage 2	N/A	–	–
Stage 3	N/A	–	–
		273,427	8,030

The maximum exposure to credit risk in respect of deposits paid and loans receivable at the end of the reporting period, without taking into account the collateral, and the key terms of the deposits paid and loans receivable are disclosed in notes 21 and 25 respectively. The credit quality of the material deposits paid and loans receivable has been assessed with reference to the independent firm of surveyors, Apex Appraisal Limited. Except for the impairment loss that has been recognised on deposits and other receivables amounted to HK\$17,533,000 (31 December 2023: HK\$8,030,000), the ECL of remaining deposits and other receivables is assessed to be close to zero and no provision was made as of 30 June 2025.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

The Group relies on bank borrowings as a source of liquidity. At 30 June 2025, the Group has available unutilised banking facilities of approximately RMB379,370,000 (equivalent to approximately HK\$415,714,000) (31 December 2023: RMB383,470,000 (equivalent to approximately HK\$420,326,000)). Details of which are set out in Note 33 to the consolidated financial statements.

Maturities of the non-derivative financial liabilities of the Group at 30 June 2025 and 31 December 2023 were as follows:–

	30 June 2025				
	Less than 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Total amounts of contractual undiscounted obligations:–					
Bank borrowings	114,028	324,574	410,442	849,044	742,361
Trade payables	500,172	–	–	500,172	500,172
Payable to merchants	3,006	–	–	3,006	3,006
Deposits received, other payables and accruals	208,214	–	–	208,214	208,214
Lease liabilities	9,496	31,299	–	40,795	39,269
	834,916	355,873	410,442	1,601,231	1,493,022
	31 December 2023				
	Less than 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Total amounts of contractual undiscounted obligations:–					
Bank borrowings	295,107	539,185	191,936	1,026,228	866,798
Trade payables	350,443	–	–	350,443	350,443
Payable to merchants	3,006	–	–	3,006	3,006
Deposits received, other payables and accruals	132,476	–	–	132,476	132,476
Lease liabilities	3,676	3,061	–	6,737	6,387
Amount due to a related company	44	–	–	44	44
	784,752	542,246	191,936	1,518,934	1,359,154

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS *(continued)*

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Carrying amounts of financial assets and financial liabilities at 30 June 2025 and 31 December 2023 exposed to currency risk were as follows:-

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Financial assets denominated in foreign currencies:-		
Deposits and other receivables	8	1,125
Fixed deposits	52,490	59,182
Pledged time deposits	82,084	141,020
Cash and bank balances	7,330	10,278
	141,912	211,605
Financial liabilities denominated in foreign currencies:-		
Payable to merchants	(122)	(122)
	(122)	(122)
Net financial assets exposed to currency risk	141,790	211,483

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

	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
Australian dollars	1,162	9,955
United States dollars	82,109	191
Renminbi	58,519	201,337
	141,790	211,483

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 eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS *(continued)*

(c) Currency risk *(continued)*

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

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote. Should Hong Kong dollars at 30 June 2025 devalue by 10% against all foreign currencies except United States dollars, the carrying amount of the net financial assets of the Group exposed to currency risk at 30 June 2025 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 30 June 2025 would be increased/decreased by HK\$5,968,000 (31 December 2023: HK\$21,129,000); and loss For the eighteen months ended 30 June 2025 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 eighteen months ended 30 June 2025

40. FINANCIAL INSTRUMENTS *(continued)*

(e) Interest rate risk *(continued)*

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 30 June 2025 and 31 December 2023:–

	At 30 June 2025		At 31 December 2023	
	Effective interest rate		Effective interest rate	
	%	HK\$'000	%	HK\$'000
Fixed rate financial assets				
Fixed deposits	0.01% to 0.86%	59,067	2% to 5.3%	123,632
Pledged time deposits	4.20% to 4.30%	82,084	2%	141,020
Fixed rate financial liabilities				
Bank borrowings	3.20%	(74,848)	Nil	–
Lease liabilities	4.75% to 5.84%	(39,269)	4.2% to 5.875%	(6,387)
Variable rate financial assets				
Bank balances	0.05% to 0.25%	106,203	0.25% to 0.625%	98,162
Variable rate financial liabilities				
Bank borrowings	3.85% to 6.15%	(667,513)	3% to 6.15%	(866,798)
		(534,276)		(510,371)

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would result in an increase in the Group's loss for the eighteen months ended 30 June 2025 by approximately HK\$4,228,000 (year ended 31 December 2023: HK\$5,777,000).

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

(f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2025 and 31 December 2023.

41. RELATED PARTY TRANSACTIONS

(a) Transaction with related party

Apart from the transactions disclosed in Notes 32 and 33 to the consolidated financial statements, the Group had the following material transaction with its related party during the year:–

Particulars	Relationship	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Rental income	Common shareholder	845	545

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

41. RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management personnel compensation

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Fees for key management personnel	2,193	1,620
Salaries, allowances and other benefits in kind	8,189	5,460
Pension scheme contributions	27	73
	10,409	7,153

42. LITIGATION

The followings are the litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

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

As disclosed in the Cessation Notice Announcement and the previous financial reports of the Company, the Group has sought legal advice to uphold its right regarding the Cessation Notice and the water intake from the Government designated Water Plant. Since October 2020, WSD Company received various writs of civil claim from the Government-designated Water Plant alleging to claim against WSD Company the "cost of water supply" for various time periods. At the relevant time, after seeking advice from its PRC legal advisers, WSD Company was of the view that the dispute originated from administrative decision/order given by the governmental bodies instead of a contract voluntarily entered into by a willing buyer and therefore was without legal basis (the "**Group's View**"). However, the Group has made provision on the basis of our own estimation of the cost of water supply in its consolidated financial statements, pending the resolution of the relevant disputes and litigations.

In August and September 2024, the Group received civil judgments from the Intermediate People's Court of Qingyuan, Guangdong Province, notifying the Group that the Group's View was disagreed by the Court and ordering the WSD Company to pay water charges of RMB35,526,147, RMB40,561,779 and RMB77,039,424 (plus overdue interest accruing at the rate of 1-year term loan market quoted interest rate) and litigation and related charges, to the Government-designated Water Plant. As of 30 June 2025, the carrying amount of the liability for water charges was RMB143,609,589. Regarding the cases for which final civil judgments were rendered by the Court, the Company will continue to seek legal advice including without limitation as regards the reasonableness of water unit charges, interest rate and accruing period. Regarding the cases for which final civil judgments were yet to be rendered, the Group will continue to seek legal advice to uphold its position, and/or take other actions as may be appropriate in the circumstances.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1.1.2023	949,952	376	950,328
Changes from financing cash flows:			
Lease rentals paid	–	(2,833)	(2,833)
Proceeds from bank loans	137,561	–	137,561
Interest paid	(48,287)	(328)	(48,615)
Repayment of bank loans	(190,857)	–	(190,857)
	848,369	(2,785)	845,584
Exchange adjustments	(29,858)	(2)	(29,860)
Other changes:			
New lease	–	8,846	8,846
Interest expenses	48,095	328	48,423
Capitalised borrowing costs	192	–	192
At 31.12.2023 and 1.1.2024	866,798	6,387	873,185
Changes from financing cash flows:			
Lease rentals paid	–	(3,637)	(3,637)
Proceeds from bank loans	73,836	–	73,836
Interest paid	(57,654)	(1,319)	(58,973)
Repayment of bank loans	(196,511)	–	(196,511)
	686,469	1,431	687,900
Exchange adjustments	(1,762)	525	(1,237)
Other changes:			
New lease	–	36,648	36,648
Termination of lease	–	(654)	(654)
Interest expenses	57,491	1,319	58,810
Capitalised borrowing costs	163	–	163
At 30.6.2025	742,361	39,269	781,630

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

43. 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:–

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Within:–		
Operating cash flows	(364)	(254)
Investing cash flows	–	(165,750)
Financing cash flows	(4,956)	(3,161)
	(5,320)	(169,165)

These amounts relate to the following:–

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December 2023 HK\$'000
Lease rentals paid	(5,320)	(3,415)
Purchase of land and buildings	–	(165,750)
	(5,320)	(169,165)

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

44. SEGMENT REPORTING

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

The Group has presented the following reportable segments.

(a) Water supply and related services

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

(b) Properties investment and development

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

(c) Financial services

This segment is engaged in provision of corporate finance advisory, asset management, securities brokerage services and margin financing.

“Others” refers to the supporting units of Hong Kong operation and the net results of other subsidiaries in Hong Kong and overseas. These “other” operating units have not been aggregated to form a reportable segment.

The key management assesses the performance of the segments based on the results, assets and liabilities attributable to each reportable segment on the following basis:–

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets and liabilities excluded deferred tax assets, deferred tax liabilities and other corporate assets and liabilities.

The measure used for reporting segment profit is “adjusted EBIT”, i.e. “adjusted earnings before interest and taxes”, where “interest” is regarded as including investment income. To arrive at adjusted EBIT, the Group’s earnings are further adjusted for items not specifically attributed to individual segments such as other head office or corporate administration costs.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

44. SEGMENT REPORTING (continued)

(a) Segments results, assets and liabilities

The following tables present the information for the Group's reporting segments for the eighteen months ended 30 June 2025 and the year ended 31 December 2023:–

	Reportable Segments									
	Water supply and related services		Properties investment and development		Financial services		Others		Consolidated	
	Eighteen months ended	Year ended	Eighteen months ended	Year ended	Eighteen months ended	Year ended	Eighteen months ended	Year ended	Eighteen months ended	Year ended
	30 June 2025 HK\$'000	31 December 2023 HK\$'000	30 June 2025 HK\$'000	31 December 2023 HK\$'000	30 June 2025 HK\$'000	31 December 2023 HK\$'000	30 June 2025 HK\$'000	31 December 2023 HK\$'000	30 June 2025 HK\$'000	31 December 2023 HK\$'000
Disaggregated by timing of revenue recognition										
Point in time	351,374	240,697	–	–	305	22	–	–	351,679	240,719
Over time	64,325	57,382	35,295	20,809	2	237	–	–	99,622	78,428
Reportable segment revenue	415,699	298,079	35,295	20,809	307	259	–	–	451,301	319,147
Reportable segment (loss)/profit	(127,953)	(30,645)	45,830	15,695	(6,885)	(6,692)	(49,774)	(33,994)	(138,782)	(55,636)
Interest on bank deposits									8,002	8,063
Government subsidy									217	115
Changes in fair value of investment properties	–	–	(40,554)	(32,590)	–	–	–	–	(40,554)	(32,590)
Impairment loss on goodwill	–	–	–	–	–	(11,328)	–	–	–	(11,328)
Impairment losses on non-current assets	–	(50,019)	–	–	–	(1,990)	–	–	–	(52,009)
Net impairment loss on deposits and receivables	(596)	(106)	(10,055)	(8,071)	–	–	–	–	(10,651)	(8,177)
Impairment loss on amount due from a joint venture	–	–	(13,865)	–	–	–	–	–	(13,865)	–
Share of loss of a joint venture									(7,328)	(5,300)
Finance costs									(59,100)	(48,597)
Loss before income tax									(262,061)	(205,459)
Income tax credit									2,677	12,750
Loss for the period/year									(259,384)	(192,709)
Attributable to:										
– Shareholders of the Company									(161,361)	(137,336)
– Non-controlling interests									(98,023)	(55,373)
									(259,384)	(192,709)
Depreciation for the period/year	54,047	34,754	4,314	775	54	49	4,593	2,800	63,008	38,378
Amortisation	83,503	52,123	470	321	–	–	–	–	83,973	52,444
Capital expenditure incurred during the period/year	41,258	22,665	228	108	6	–	235	64	41,727	22,837
Interest in a joint venture	–	–	210,692	232,095	–	–	–	–	210,692	232,095
Reportable segment assets	477,528	542,363	1,205,345	1,181,720	21,159	29,541	162,610	276,385	1,866,642	2,030,009
Unallocated assets									36,496	12,373
Total assets									1,903,138	2,042,382
Reportable segment liabilities	1,162,696	974,764	363,214	397,709	4,002	3,518	15,728	19,005	1,545,640	1,394,996
Unallocated liabilities									27,707	33,873
Total liabilities									1,573,347	1,428,869

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in the eighteen months ended 30 June 2025 and the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

44. SEGMENT REPORTING *(continued)*

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	Eighteen months ended	Year ended	Eighteen months ended	Year ended	Eighteen months ended	Year ended
	30 June 2025	31 December 2023	30 June 2025	31 December 2023	30 June 2025	31 December 2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	450,994	318,888	307	259	451,301	319,147
	At 30 June 2025	At 31 December 2023	At 30 June 2025	At 31 December 2023	At 30 June 2025	At 31 December 2023
Non-current assets	1,352,454	1,494,394	4,953	10,319	1,357,407	1,504,713

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	At 30 June 2025 HK\$'000	At 31 December 2023 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		91	265
Interests in subsidiaries		530,832	810,366
Right-of-use assets		1,018	4,074
		531,941	814,705
CURRENT ASSETS			
Deposits, prepayments and other receivables		5,161	5,010
Fixed deposits		6,005	4,209
Cash and bank balances		82,085	108,630
		93,251	117,849
DEDUCT:-			
CURRENT LIABILITIES			
Sundry creditors and accruals		10,879	9,203
Amounts due to subsidiaries		306,502	306,502
Lease liabilities		1,086	2,035
		318,467	317,740
NET CURRENT LIABILITIES		(225,216)	(199,891)
TOTAL ASSETS LESS CURRENT LIABILITIES		306,725	614,814
DEDUCT: -			
NON-CURRENT LIABILITY			
Lease liabilities		-	2,145
NET ASSETS		306,725	612,669
REPRESENTING:-			
CAPITAL AND RESERVES			
Share capital	34(a)	55,130	55,130
Reserves	36	251,595	557,539
TOTAL EQUITY		306,725	612,669

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The details of the principal subsidiaries at 30 June 2025 and 31 December 2023 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% (2023: 100%)	—	100% (2023: 100%)	Investment holding
Universal Property Holdings Limited	Hong Kong	Limited liability company	HK\$10,000	—	100% (2023: 100%)	100% (2023: 100%)	Investment holding
Hooray Asset Management Limited	Hong Kong	Limited liability company	HK\$9,240,000	—	100% (2023: 100%)	100% (2023: 100%)	Provision of investment advisory services
Hooray Securities Limited	Hong Kong	Limited liability company	HK\$144,979,990	—	100% (2023: 100%)	100% (2023: 100%)	Securities dealing
Hooray Capital Limited	Hong Kong	Limited liability company	HK\$8,400,000	—	100% (2023: 100%)	100% (2023: 100%)	Provision of corporate financial advisory services
Wayland Asia Pacific Estate Pty Ltd	Australia	Limited liability company	AUD100	—	100% (2023: 100%)	100% (2023: 100%)	Estate development
Shenzhen Huanye Universal Technologies Limited**	PRC	Wholly foreign owned enterprise	RMB173,935,054 (2023: RMB97,600,000)	—	100% (2023: 100%)	100% (2023: 100%)	Investment holding
Qinghui Properties Limited* (Note)	PRC	Limited liability company	RMB50,000,000	—	49% (2023: 49%)	49% (2023: 49%)	Investment holding
Dongguan Xinhongcheng Enterprise Management Company Limited†	PRC	Limited liability company	RMB15,000,000	—	49% (2023: 49%)	49% (2023: 49%)	Investment holding
Qingyuan Jingyu Properties Company Limited†	PRC	Limited liability company	RMB1,000,000	—	49% (2023: 49%)	49% (2023: 49%)	Properties investment
Qingyuan Jinhong Industrial Company Limited†	PRC	Limited liability company	RMB1,000,000	—	49% (2023: 49%)	49% (2023: 49%)	Properties investment
Qingyuan Water Supply Development Company Limited†	PRC	Limited liability company	RMB98,521,440	—	49% (2023: 49%)	49% (2023: 49%)	Provision of water supply business
Qingyuan Jincheng Water Testing Company Limited†	PRC	Limited liability company	RMB1,600,000	—	49% (2023: 49%)	49% (2023: 49%)	Provision of water quality testing service

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

Name of company	Place of incorporation/ establishment and operation	Legal form of entity	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company		Group's effective interest	Principal activities
				Directly	Indirectly		
Qingyuan Qingxin District Huike Properties Company Limited [#]	PRC	Limited liability company	RMB2,000,000	—	49% (2023: 49%)	49% (2023: 49%)	Investment holding
Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water") [#]	PRC	Limited liability company	RMB23,254,000	—	49% (2023: 49%)	24.99% (2023: 24.99%)	Provision of water supply business
Chevalier Earth Group Limited	BVI	Limited liability company	HK\$100	100% (2023: 100%)	—	100% (2023: 100%)	Investment holding
Heng Hui Property Investment Limited	Hong Kong	Limited liability company	HK\$130,000	—	100% (2023: 100%)	100% (2023: 100%)	Investment holding
Guangzhou Yicheng Investment Holdings Limited ^{**}	PRC	Wholly foreign owned enterprise	RMB200,000,000	—	100% (2023: 100%)	100% (2023: 100%)	Investment holding
Guangzhou Hengxin Yuxuan Industrial Development Limited [#]	PRC	Limited liability company	RMB200,000,000	—	100% (2023: 100%)	100% (2023: 100%)	Properties investment

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

English name for identification purpose only.

Note:—

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

- (i) no resolutions relating to amending the articles of association; increase or decrease of the registered capital; merger, dissolution, winding-up or changing the company form of Qinghui shall be passed unless consents from the shareholders representing two thirds or more of the voting rights have been obtained;
- (ii) save for the aforesaid, the board of directors shall be delegated with the authority to deal with all other matters in relation to Qinghui and such delegation shall not be revoked unless the shareholders of the Qinghui representing two thirds or more of the voting rights agree;
- (iii) the vendor has right to appoint one director to the board of directors of Qinghui and the Group has right to appoint two directors to the board of directors of Qinghui;
- (iv) no resolutions relating to management, operational activities, profit distribution or return on investment shall be passed unless more than 50% of directors agree; and
- (v) any amendments to the articles of the association of Qinghui will require the approval from the shareholders of Qinghui representing two thirds or more of the voting right.

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

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

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

	At 30 June 2025		At 31 December 2023	
	Qinghui Properties Limited and WSD Company	Taihe Water	Qinghui Properties Limited and WSD Company	Taihe Water
NCI Percentage	51%	75.01%	51%	75.01%
	At 30 June 2025		At 31 December 2023	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	185,013	78,980	113,948	48,353
Non-current assets	344,804	55,669	356,473	122,406
Current liabilities	(712,093)	(67,726)	(576,420)	(47,000)
Non-current liabilities	(362,491)	(82,000)	(300,931)	(95,042)
Net (liabilities)/assets	(544,767)	(15,077)	(406,930)	28,717
Carrying amount of NCI	(277,831)	(11,309)	(207,534)	21,541
	Eighteen months ended 30 June 2025		Year ended 31 December 2023	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	329,240	139,821	238,981	92,468
Loss for the period/year	(135,971)	(43,200)	(58,347)	(37,180)
Other comprehensive (loss)/income	(1,866)	(594)	59,638	(1,367)
Total comprehensive (loss)/income for the period/year	(137,837)	(43,794)	1,291	(38,547)
(Loss)/profit allocated to NCI	(70,297)	(32,850)	659	(28,914)
Cash flows generated from operating activities	114,265	37,621	116,636	32,239
Cash flows used in investing activities	(18,087)	(12,593)	(237,913)	(5,714)
Cash flows used in financing activities	(38,712)	(15,700)	(186,042)	(23,004)

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

Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2025

47. SUBSEQUENT EVENT

On 1 August 2025, an indirect wholly-owned subsidiary of the Company (the “**Purchaser**”) entered into a framework agreement with the vendor, pursuant to which the Purchaser (or another subsidiary of the Company as the Purchaser may nominate) proposed to acquire the target properties for the indicative consideration (subject to contract) of not more than RMB260 million (HK\$285.71 million), which is intended to be settled by cash, promissory notes, equity, convertible securities or a combination of them. Under the terms of the framework agreement, the Company shall pay to the vendor (or as the vendor shall instruct) a refundable Earnest Money of RMB100 million (HK\$109.89 million). The Proposed Acquisition is subject to, inter alia, the satisfactory results of the due diligence conducted by the Purchaser on the target properties and the negotiation, finalization and signing of the binding agreement within an exclusivity period of 18 months, during which the vendor shall not, without the Purchaser’s consent, negotiate with any other third parties in relation to the direct or indirect disposal of the target properties. For details, please refer to the Company’s announcement dated 1 August 2025.

48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period’s presentation.

Group's Properties

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-Year Financial Summary

For the eighteen months ended 30 June 2025

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

RESULTS

	Eighteen months ended 30 June 2025 HK\$'000	Year ended 31 December			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	451,301	319,147	349,000	368,501	344,748
Loss for the year	(259,384)	(192,709)	(163,556)	(60,873)	(71,258)
Attributable to:					
Shareholders of the Company	(161,360)	(137,336)	(104,068)	(39,102)	(36,337)
Non-controlling interests	(98,024)	(55,373)	(59,488)	(21,771)	(34,921)
	(259,384)	(192,709)	(163,556)	(60,873)	(71,258)

ASSETS AND LIABILITIES

	At 30 June 2025 HK\$'000	At 31 December			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS	1,393,903	1,517,086	1,734,307	1,742,761	1,721,021
CURRENT ASSETS DEDUCT:	509,235	525,296	787,860	1,148,695	1,216,259
CURRENT LIABILITIES	(872,004)	(785,097)	(639,845)	(642,806)	(319,232)
NET CURRENT (LIABILITIES)/ASSETS	(362,769)	(259,801)	148,015	505,889	897,027
	1,031,134	1,257,285	1,882,322	2,248,650	2,618,048
DEDUCT: NON-CURRENT LIABILITIES	(701,343)	(643,772)	(797,167)	(929,494)	(1,257,516)
NET ASSETS	329,791	613,513	1,085,155	1,319,156	1,360,532