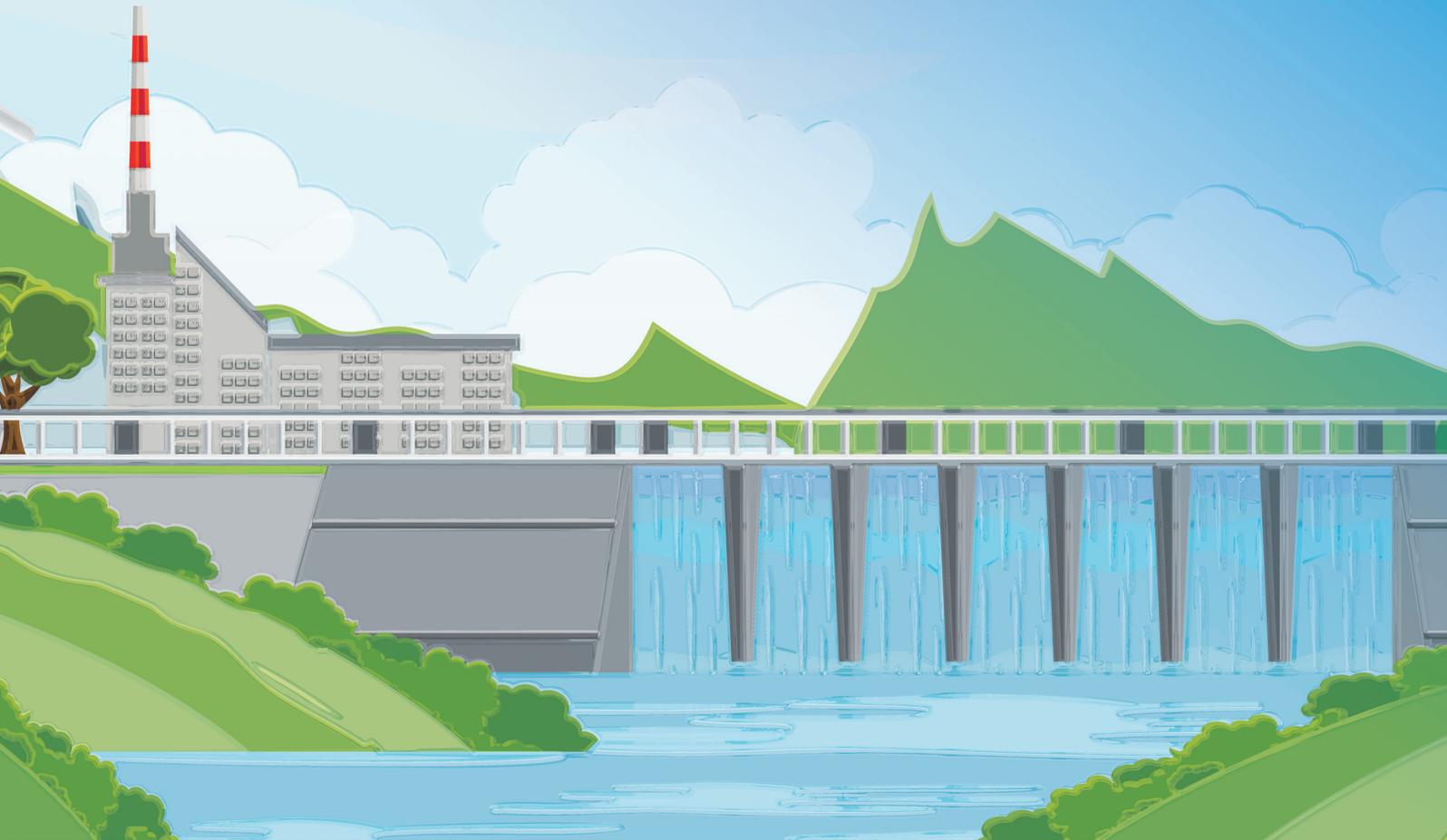




中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1129

**Build a Dream and
share Future Success**



Interim Report 2022

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yongjun
Mr. Hu Siyun
Ms. Chu Yin Yin, Georgiana
Ms. Deng Xiao Ting

Independent Non-Executive Directors

Mr. Wong Siu Keung, Joe
Ms. Qiu Na
Mr. Lam Cheung Shing, Richard

AUDIT COMMITTEE

Mr. Wong Siu Keung, Joe (Chairman)
Ms. Qiu Na
Mr. Lam Cheung Shing, Richard

REMUNERATION COMMITTEE

Mr. Wong Siu Keung, Joe (Chairman)
Mr. Zhu Yongjun
Mr. Lam Cheung Shing, Richard

NOMINATION COMMITTEE

Mr. Zhu Yongjun
Mr. Wong Siu Keung, Joe
Mr. Lam Cheung Shing, Richard

INVESTMENT COMMITTEE

Mr. Zhu Yongjun
Mr. Hu Siyun
Ms. Chu Yin Yin, Georgiana
Mr. Zhong Wei Guang
Mr. Pan Yimin
Mr. Liu Wei Qing
Mr. Tang Po Shing

COMPANY SECRETARY

Ms. Chu Yin Yin, Georgiana

AUTHORISED REPRESENTATIVES

Mr. Zhu Yongjun
Ms. Chu Yin Yin, Georgiana

PRINCIPAL BANKERS

PRC

Agricultural Bank of China
Bank of China Limited
Bank of China Industrial and Commercial

Hong Kong

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Chiyu Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS AS TO HONG KONG LAWS

Johnny K.K. Leung & Co.

LEGAL ADVISER AS TO CAYMAN ISLANDS LAWS

Conyers Dill & Pearman

AUDITORS

Crowe (HK) CPA Limited

REGISTERED OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D,
P.O. Box 1586, Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG (Note 1)

Room 1207, 12th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Room 2204, 22/F, Block A, Building 6
Shenzhen International Innovation Valley,
Dashi First Road
Xili Community, Xili Street, Nanshan District
Shenzhen, China

CONTACTS

Telephone: (852) 2547 6382
Facsimile: (852) 2547 6629

WEBSITE

www.chinawaterind.com

STOCK

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Note 1: The address of the head office and the principal place of business in Hong Kong will be relocated to office H, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong with effect from 1 October 2022.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2022 HK\$'000	2021 HK\$'000	
Financial Results			
Revenue	576,399	559,351	3.05%
Gross profit	181,601	210,009	(13.53%)
Profit for the period	6,214	111,722	(94.44%)
(Loss)/profit attributable to owners of the Company	(24,185)	69,505	(134.80%)
(Loss)/profit per share (HK cents)			
— Basic and diluted	(1.26)	4.35	(128.97%)
EBITDA (Note 1)	162,162	286,638	(43.43%)

	As at	As at	Change %
	30 June 2022 HK\$'000	31 December 2021 HK\$'000	
Financial Position			
Total assets	3,713,526	3,861,867	(3.84%)
Total liabilities	1,837,209	1,936,001	(5.10%)
Current assets	1,695,651	1,738,848	(2.48%)
Current liabilities	1,442,665	1,542,097	(6.45%)
Current ratio	1.18 times	1.13 times	4.42%
Cash and cash equivalents	179,181	291,358	(38.50%)
Gearing ratio (Note 2)	49.47%	50.13%	(1.32%)
Net asset value	1,876,317	1,925,866	(2.57%)
Equity attributable to owners of the Company	1,353,276	1,370,239	(1.24%)
Equity attributable to owners of the Company per share (HK\$)	0.71	0.86	(17.44%)

Note 1: Profit before finance costs, income tax, depreciation and amortisation.

Note 2: Gearing ratio was calculated by dividing the total liabilities over the total assets.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	576,399	559,351
Cost of sales		(394,798)	(349,342)
Gross profit		181,601	210,009
Other income, net		14,969	45,098
Selling and distribution expenses		(20,692)	(22,102)
Administrative expenses		(106,371)	(107,165)
Finance costs	6	(37,669)	(47,183)
Net (loss)/gain on financial assets at fair value through profit or loss		(116)	15,579
(Loss)/gain on disposal of subsidiaries		(16)	45,877
Loss on disposal of joint venture		(1,142)	–
Impairment loss recognised on trade and other receivables		(5,391)	(5,103)
Share of (loss)/profit of associates		(206)	8,301
Share of profit/(loss) of joint ventures		402	(877)
Profit before tax		25,369	142,434
Income tax expense	7	(19,155)	(30,712)
Profit for the period	8	6,214	111,722
Attributable to:			
Owners of the Company		(24,185)	69,505
Non-controlling interests		30,399	42,217
		6,214	111,722
(Loss)/profit per share (HK Cents)			
Basic and diluted	9	(1.26)	4.35

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period		6,214	111,722
Other comprehensive (loss)/income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries:			
Exchange difference arising during the period		(87,925)	28,249
		(87,925)	28,249
Financial assets at fair value through other comprehensive income:			
Net gain arising on revaluation of financial assets at fair value through other comprehensive income during the period		1,305	–
Share of other comprehensive (loss)/income of associates		(119)	5,292
Share of other comprehensive loss of joint ventures		(1,030)	(1,051)
Other comprehensive (loss)/income for the period, net of income tax		(87,769)	32,490
Total comprehensive (loss)/income for the period		(81,555)	144,212
Attributable to:			
Owners of the Company		(96,763)	98,299
Non-controlling interests		15,208	45,913
		(81,555)	144,212

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	703,656	811,682
Deposits paid for acquisition of property, plant and equipment		7,920	5,708
Deposits paid for acquisition of subsidiary		10,449	19,790
Deposits paid for acquisition of right-of-use assets		1,988	–
Right-of-use assets		439,464	424,584
Operating concessions		622,953	606,271
Receivables under service concession arrangements		12,559	14,481
Investment properties		11,740	12,280
Other intangible assets		159,334	177,770
Financial assets at fair value through other comprehensive income	12	5,180	4,071
Interests in associates		2,528	2,852
Interests in joint ventures		22,062	23,831
Deferred tax assets		1,802	739
Deposit and prepayments	13	16,240	18,960
		2,017,875	2,123,019
Current assets			
Inventories		253,561	278,729
Receivables under service concession arrangements		2,755	3,076
Financial assets at fair value through profit or loss	12	27,303	16,687
Trade and other receivables	13	1,109,435	1,050,110
Contract assets		69,891	42,908
Cash held by financial institutions		584	147
Bank balances and cash		178,597	291,211
Amounts due from associates		4,587	4,585
		1,646,713	1,687,453
Assets held for sale		48,938	51,395
		1,695,651	1,738,848

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	14	549,416	577,073
Contract liabilities		346,967	373,170
Bank borrowings		65,230	73,833
Other loans		336,810	365,733
Lease liabilities		110,379	117,501
Amounts due to non-controlling shareholders of subsidiaries		315	329
Deposit received from disposal of equity interest in subsidiary		12,018	12,231
Tax payables		21,530	22,216
		1,442,665	1,542,086
Liabilities directly associated with the assets held for sale		–	11
		1,442,665	1,542,097
Net current assets		252,986	196,751
Total assets less current liabilities		2,270,861	2,319,770
Capital and reserves			
Share capital	15	19,157	798,270
Share premium and reserves		1,334,119	571,969
Equity attributable to owners of the Company		1,353,276	1,370,239
Non-controlling interests		523,041	555,627
TOTAL EQUITY		1,876,317	1,925,866
Non-current liabilities			
Bank borrowings		86,698	105,886
Other loans		16,989	15,844
Lease liabilities		193,433	171,060
Government grants		35,998	38,382
Deferred tax liabilities		61,426	62,732
		394,544	393,904
		2,270,861	2,319,770

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
At 1 January 2022 (audited)	798,270	954,318	879	23,559	125,512	(3,189)	(529,110)	1,370,239	555,627	1,925,866
Changes in equity for the six months ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	(24,185)	(24,185)	30,399	6,214
Other comprehensive income for the period	-	-	2	(73,885)	-	1,415	(110)	(72,578)	(15,191)	(87,769)
Total comprehensive income for the period	-	-	2	(73,885)	-	1,415	(24,295)	(96,763)	15,208	(81,555)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	217	217
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(48,012)	(48,012)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	1	1
Transfer to reserve fund	-	-	-	-	2,536	-	(2,536)	-	-	-
Capital reduction (Note 15(1))	(782,305)	123,835	-	-	-	-	658,470	-	-	-
Issue of new share under placing (Note 15(2))	3,192	76,608	-	-	-	-	-	79,800	-	79,800
At 30 June 2022 (unaudited)	19,157	1,154,761	881	(50,326)	128,048	(1,774)	102,529	1,353,276	523,041	1,876,317

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (audited)	798,270	954,318	11,846	18,473	136,910	(3,891)	(508,334)	1,407,592	793,357	2,200,949
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	-	-	-	-	-	-	69,505	69,505	42,217	111,722
Other comprehensive income for the period	-	-	(11,846)	17,374	-	-	23,266	28,794	3,696	32,490
Total comprehensive income for the period	-	-	(11,846)	17,374	-	-	92,771	98,299	45,913	144,212
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,650	1,650
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(588)	(588)
Transfers of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(1,012)	-	(1,012)	-	(1,012)
Disposal of subsidiaries	-	-	-	-	(38,721)	-	-	(38,721)	(325,418)	(364,139)
At 30 June 2021 (unaudited)	798,270	954,318	-	35,847	98,189	(4,903)	(415,563)	1,466,158	514,914	1,981,072

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	10,876	132,184
NET CASH USED IN INVESTING ACTIVITIES	(93,345)	(117,706)
NET CASH USED IN FINANCING ACTIVITIES	(15,198)	(216,970)
DECREASE IN CASH AND CASH EQUIVALENTS	(97,667)	(202,492)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	291,358	432,654
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(14,510)	(3,023)
CASH AND CASH EQUIVALENTS AT 30 JUNE	179,181	227,139
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
CASH HELD BY FINANCIAL INSTITUTIONS	584	6,012
BANK BALANCES AND CASH	178,597	221,127
CASH AND CASH EQUIVALENTS AT 30 JUNE	178,181	227,139

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. COMPANY INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of this report.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”). Other than those subsidiaries established in the People’s Republic of China (the “**PRC**”) and Indonesia, whose functional currency is Renminbi (“**RMB**”) and Rupiah respectively, the functional currency of the Company and its subsidiaries (collectively referred to as the “**Group**”) is HK\$.

The Group is principally engaged in (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy in the PRC and (iii) property investment and development.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, except for the accounting policy changes set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for current accounting period of the Group.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Water supply services	72,083	75,710
Sewage treatment services	43,183	40,572
Water supply related installation and construction income	150,651	128,742
Water supply and sewage treatment infrastructure construction income	69,605	25,236
Sale of electricity	221,676	256,703
Sale of compressed natural gas	–	11,232
Service income from collection of landfill gas	19,201	16,410
Sale of properties	–	4,746
	576,399	559,351

5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Board of the Company being the chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has identified the following reportable segments:

- (i) "Provision of water supply, sewage treatment and construction services" segment, which derives revenues primarily from the provision of water supply and sewage treatment operations and related construction services;
- (ii) "Exploitation and sale of renewable energy" segment, which derives revenues primarily from sale of electricity and compressed natural gas from biogas power plants; and
- (iii) "Property investment and development" segment, which derives revenues primarily from sale of commercial and residential units and rental income.

Information regarding the Group's reportable segments as provided to the Board of the Company for the purposes of resource allocation and assessment of segment performance is set out below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. SEGMENT INFORMATION (Continued)

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments.

For the period ended 30 June 2022

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Total HK\$'000
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	115,266	240,877	–	356,143
Over time	220,256	–	–	220,256
Reportable segment revenue	335,522	240,877	–	576,399
Reportable segment profit/(loss)	46,530	42,994	(3,075)	86,449
Unallocated corporate expenses				(37,040)
Interest income				82
Interest on overdraft held at financial institutions				–
Interest on fixed coupon bonds and other loans				(22,848)
Net loss on financial assets at fair value through profit or loss				(116)
Loss on disposal of joint ventures				(1,142)
Loss on disposal of subsidiaries				(16)
Profit before taxation				25,369

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

For the period ended 30 June 2021

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Total HK\$'000
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	116,282	284,345	4,746	405,373
Over time	153,978	–	–	153,978
Reportable segment revenue	270,260	284,345	4,746	559,351
Reportable segment profit/(loss)	54,903	76,322	(4,688)	126,537
Unallocated corporate expenses				(21,791)
Interest income				(577)
Interest on overdraft held at financial institutions				(256)
Interest on fixed coupon bonds and other loans				(22,935)
Net gain on financial assets at fair value through profit or loss				15,579
Gain on disposal of subsidiaries				45,877
Profit before taxation				142,434

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. SEGMENT INFORMATION (Continued)

Other segment information

For the period ended 30 June 2022

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	1,410	386	1	82	1,879
Interest expenses	(1,888)	(12,729)	(204)	(22,848)	(37,669)
Share of loss of associates	–	(206)	–	–	(206)
Share of profit/(loss) of Joint ventures	678	–	–	(276)	402
Depreciation of:					
— Property, plant and equipment	(2,240)	(22,439)	(1,478)	(3,260)	(29,417)
— Right-of-use assets	(1,328)	(23,958)	(687)	(1,781)	(27,754)
Amortisation of:					
— Concession intangible assets	(20,897)	(9,963)	–	–	(30,860)
— Other intangible assets	–	(11,093)	–	–	(11,093)
Loss/(gain) on disposal of property, plant and equipment	(5)	28	–	43	66
Loss on disposal of concession intangible assets	(114)	–	–	–	(114)
Impairment loss recognised on trade and other receivables	(118)	(20)	(406)	(4,847)	(5,391)
Additions to non-current assets	69,423	19,170	29	7,980	96,602

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the period ended 30 June 2021

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	1,045	30	7	(577)	505
Interest expenses	(11,291)	(12,431)	(270)	(23,191)	(47,183)
Share of profit/loss of associates	9,572	609	(1,830)	(50)	8,301
Share of loss of Joint ventures	(519)	–	(235)	(123)	(877)
Depreciation of:					
— Property, plant and equipment	(2,245)	(25,909)	(1,272)	(2,033)	(31,459)
— Right-of-use assets	(634)	(18,659)	(751)	(1,113)	(21,157)
Amortisation of:					
— Concession intangible assets	(23,028)	(7,673)	–	–	(30,701)
— Other intangible assets	–	(13,704)	–	–	(13,704)
(Loss)/gain on disposal of property, plant and equipment	(4)	(451)	–	182	(273)
Loss on disposal of concession intangible assets	(44)	–	–	–	(44)
Impairment loss recognised on trade and other receivables	(155)	(7)	(230)	(4,711)	(5,103)
Additions to non-current assets	32,625	24,442	358	(1,055)	56,370

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 30 June 2022 (unaudited)						
Reportable segment assets	1,001,095	1,777,504	726,361	206,764	1,802	3,713,526
Reportable segment liabilities	(404,965)	(575,688)	(476,457)	(329,049)	(51,050)	(1,837,209)
As at 31 December 2021 (audited)						
Reportable segment assets	1,054,081	1,837,544	755,355	214,148	739	3,861,867
Reportable segment liabilities	(429,156)	(576,103)	(505,908)	(374,398)	(50,436)	(1,936,001)

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
— bank borrowings	2,720	1,849
— other loans	26,165	36,892
— overdraft held at financial institutions	—	256
— lease liabilities	12,099	10,220
Total borrowing cost	40,984	49,217
Less: interest capitalised included in construction in progress	(3,315)	(2,034)
	37,669	47,183

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits tax	—	—
Current tax		
— PRC Enterprise Income Tax (“EIT”)	19,397	31,502
Deferred tax	(242)	(790)
	19,155	30,712

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil) as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profits tax for the period.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Accordingly, provision for PRC EIT for the PRC subsidiaries is calculated at 25% on the estimated assessable profits for both periods, except disclosed as follows.

Certain subsidiaries of the Group, being engaged in provision of electricity supply, sale of renewable energy and sewage treatment services, under the EIT Law and its relevant regulations, are entitled to tax concession of 3-year full exemption and subsequent 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs including directors' emoluments		
— salaries, wages and other benefits	97,299	102,988
— retirement benefits scheme contributions	9,799	9,455
Total staff costs	107,098	112,443
Amortisation of:		
— Concession intangible assets (included in cost of sales)	30,860	30,701
— Other intangible assets	11,093	13,704
Depreciation of:		
— property, plant and equipment	29,417	31,459
— right-of-use assets	27,754	21,157
(Gain)/loss on disposal of property, plant and equipment	(66)	273
Loss on disposal of concession intangible assets	114	44
Lease payments not included in the measurement of lease liabilities	803	503
Bank interest income	(1,107)	(551)
Net exchange loss/(gain)	7,034	(821)
Gross rental income from investment properties less direct outgoing of approximately HK\$40,000 (six months ended 30 June 2021: HK\$104,000)	(231)	(454)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

9. (LOSS)/PROFIT PER SHARE

The calculation of basic and diluted (loss)/profit per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to the owners of the Company, used in the basic and diluted (loss)/profit per share	(24,185)	69,505
	'000	'000
Weighted average number of ordinary shares issue Basic and diluted	1,915,740	1,596,540
(Loss)/profit per share (HK Cents): Basic and diluted	(1.26)	4.35

For the six months ended 30 June 2022 and 30 June 2021, diluted (loss)/profit per share equals basic (loss)/profit per share as there was no dilutive potential share.

10. DIVIDENDS

The directors of the Company do not recommend the payment of any interim dividend for the both reporting periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment amounted to approximately HK\$33,790,000 (including right-of-use assets of HK\$0) (six months ended 30 June 2021: approximately HK\$21,094,000 (including right-of-use assets of HK\$0)), of which HK\$5,596,000 (six months ended 30 June 2021: HK\$0) was purchased through acquisition of subsidiaries.

During the six months ended 30 June 2022, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$2,256,000 (six months ended 30 June 2021: approximately HK\$4,349,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Listed equity securities, at fair value	5,180	4,430
Unlisted fund investments, at fair value	27,303	16,328
	32,483	20,758
Classified as:		
Financial assets at fair value through profit or loss		
— Current	27,303	16,687
Financial assets at fair value through other comprehensive income		
— Non-current	5,180	4,071
	32,483	20,758

The above financial assets contained equity securities listed in Hong Kong. The fair value of equity securities listed are determined based on the quoted market bid prices available on the Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME (Continued)

Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Company's Directors are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

	At 30 June 2022 (Unaudited)				At 31 December 2021 (Audited)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurements

Assets

Financial asset at fair value through other comprehensive income

— Listed	5,180	-	-	5,180	4,071	-	-	4,071
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Financial assets at fair value through profit or loss

— Listed	-	-	-	-	359	-	-	359
— Unlisted fund investments	-	-	27,303	27,303	-	-	16,328	16,328

During the six months ended 30 June 2022, there were no significant transfer between instruments levels.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Trade receivables	746,656	678,978
Less: Loss allowance	(6,663)	(7,353)
	739,993	671,625
Other receivables	118,805	127,558
Less: Loss allowance	(17,522)	(17,159)
	101,283	110,399
Loan receivables	245,521	252,900
Less: Loss allowance	(121,776)	(120,060)
	123,745	132,840
Deposits and prepayments	160,654	154,206
	1,125,675	1,069,070
Amount due within one year included under current assets	1,109,435	1,050,110
Amount due after one year included under non-current assets	16,240	18,960
	1,125,675	1,069,070

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables, net of loss allowance, as at the end of the reporting period, based on invoice date which approximates the respective revenue recognition date, is as follows:

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Within 90 days	121,575	134,601
91 to 180 days	47,799	53,367
181 to 365 days	114,368	82,161
Over 1 year	456,251	401,496
	739,993	671,625

14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables, presented based on the invoice date:

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Within 90 days	66,044	79,652
91 to 180 days	24,604	21,170
181 to 365 days	15,911	16,888
Over 1 year	55,658	56,155
	162,217	173,865
Trade payables	162,217	173,865
Other payables	381,018	399,879
Interest payables	6,181	3,329
	549,416	577,073
Amount due within one year included under current liabilities	549,416	577,073
Amount due after one year included under non-current liabilities	-	-
	549,416	577,073

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

15. SHARE CAPITAL

	At 30 June 2022 (Unaudited)		At 31 December 2021 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised capital:				
Ordinary shares of HK\$0.50 each at 1 January	4,000,000	2,000,000	4,000,000	2,000,000
Sub-division (note 1)	160,000,000	–	–	–
Ordinary shares of HK\$0.01 each at 30 June and Ordinary shares of HK\$0.50 each at 31 December	200,000,000	2,000,000	4,000,000	2,000,000
Convertible preference shares of HK\$0.10 each At 1 January, At 30 June and At 31 December	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each at 1 January	1,596,540	798,270	1,596,540	798,270
Capital Reduction (note 1)	–	(782,305)	–	–
Share capital issued under placing (note 2)	319,200	3,192	–	–
Ordinary shares of HK\$0.01 each at 30 June and Ordinary shares of HK\$0.50 each at 31 December	1,915,740	19,157	1,596,540	798,270

Notes:

- The Company completed the Capital Reduction and the Sub-division (the “**Capital Reduction and the Sub-division**”) on 26 January 2022. The Capital Reduction and the Sub-division was approved by the shareholders at the extraordinary general meeting held on 25 October 2021 and its details are as follows,
 - the reduction of the par value of each issued share from HK\$0.50 to HK\$0.01; and
 - the sub-division of each authorised but unissued share into 50 new shares of HK\$0.01 each (each a “**New Share**”).
- On 23 February 2022, the Company completed a share placing for 319,200,000 shares at a placing price of HK\$0.25 per share to independent investors. Details of the placement are set out in the Company’s announcements dated 27 January 2022 and 23 February 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

16. CAPITAL COMMITMENTS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Contracted but not provided for:		
— Acquisition of concession intangible assets, property, plant and equipment	25,750	8,393
— Acquisition of right-of-use assets	—	—
	25,750	8,393

17. LITIGATIONS

(a) Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited (“**Swift Surplus**”) (collectively as the “**Lenders**”) entered into repayment agreements (the “**Repayment Agreements**”) with the Sihui Sewage Treatment Co. Ltd.* (四會市城市污水處理有限公司) and Top Vision Management Limited (“**Top Vision**”) (collectively as the “**Borrowers**”) together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK\$58,430,000 together with interest accrued thereon (the “**Loan Receivables**”). HK\$5,000,000 of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK\$5,000,000 of the Loan Receivables. However, the remaining Loan Receivables of HK\$53,430,000 (the “**Remaining Loan Receivables**”) plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK\$18,030,000 of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the “**Partial Payment of the Remaining Loan Receivables**”). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK\$35,400,000 of the Remaining Loan Receivables and underlying interests (the “**Outstanding Balance**”). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the “**Writ**”) to the High Court of Hong Kong Special Administrative Region (the “**High Court**”) to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the “**Final Judgment**”). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. LITIGATIONS (Continued)

(a) Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company (Continued)

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited (“**Galaxaco**”) to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional of liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the “**Appointment**”) pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco (“**Creditors**”). On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators (“**Liquidators**”). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

On 16 July 2015, the Zhaoqing Intermediate People’s Court adjudged that the Final Judgment recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision (“**PRC Judgment**”). On 27 January 2016, the PRC Judgment was announced on the website of The People’s Court Announcement for 60 days (“**Announcement Period**”). If Top Vision has not appealed for the PRC Judgment within 30 days after the Announcement Period, the PRC Judgment will be automatically effective thereafter, the Company can enforce the PRC Judgment. On 10 August 2016, Sihui City People’s Court* (四會市人民法院) accepted to execute the PRC Judgment in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People’s Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2020. On 28 June 2020, Sihui City People’s Court accepted the “resumption implementation application” which was submitted by Swift Surplus to resume the execution of the final judgement and continued to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2022.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. On 29 March 2020, HKIAC has appointed a sole arbitrator for this arbitration proceedings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. LITIGATIONS (Continued)

(a) **Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company** (Continued)

On 6 March 2018, Liquidators informed Creditors that Top Vision sold its entire shareholding in Top Vision Huizhou to Tai Heng Construction Holding Ltd. ("**Tai Heng**") without payment of purchase consideration of RMB1 million. The Liquidator obtained a judgement from the High Court under the action of HCA 2448/2017 on 7 January 2019 against Tai Heng in favour of Top Vision, under which Tai Heng should repay approximately HK\$3,900,000 being principal and interest, and the Court further awarded judgement interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the "**Judgement Debts**"). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue statutory demand against Tai Heng. If Tai Heng fail to reply, the Liquidators may further pursue winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as "**Evidence**") to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company applied to the Tribunal to arrange the arbitral hearing. On 16 March 2020, the arbitrator of HKIAC made an arbitration award that each guarantor shall jointly and severally liable to repay the principals together with the interest accrued thereon to the Lenders. On 30 November 2021, the Swift Surplus had submitted the application to the Sihui City People's Court for the resumption of civil enforcement on Top Vision. In January 2022, Swift Surplus submitted the application to the Sihui City People's Court again for the resumption of execution of the final judgement granted in July 2015 to continue to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2025. In June 2022, Sihui City People's Court accepted the application and adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for addition 2 years from June 2022 to June 2024. Up to the date of this report, the legal processing in PRC is still in progress. The loan receivables from Top Vision of HK\$43.60 million were fully impaired.

(b) **Guangzhou Hyde Environmental Protection Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company**

Guangzhou Hyde Environmental Protection Technology Co. Ltd.* (廣州市海德環保科技有限公司) ("**Guangzhou Hyde**") (an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited* (雲南超越燃氣有限公司) ("**Yunnan Chaoyue Gas**") entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK\$10 million ("**Deposit**") to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project ("**Project**").

Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessfully to obtain the Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Deposit to Guangzhou Hyde when it fell due despite Guangzhou Hyde's repeated requests and demands.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. LITIGATIONS (Continued)

(b) Guangzhou Hyde Environmental Protection Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company (Continued)

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission (“**Commission**”) for arbitration on 24 February 2012. The Commission accepted the case and started a trial on 5 June 2012. After the trial, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8,560,000 and overdue interests thereon; and the relevant arbitration fees.

The above award confirmed the amount to be paid by Yunnan Chaoyue Gas to Guangzhou Hyde should be settled in one-off manner within 10 days from the date on which this award is served. Late payment will result in proceedings set out in article 229 of Civil Procedure Laws of the People’s Republic of China. As Yunnan Chaoyue Gas has not performed repayment obligation under the award on time, Guangzhou Hyde applied to Kunming Intermediate People’s Court (the “**Kunming Court**”) for civil enforcement on 21 July 2012, and Kunming Court has accepted such application.

On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the “**Repayment Plan**”) to Guangzhou Hyde. On 1 September 2014, Kunming Court has approved the civil enforcement against Yunnan Chaoyue Gas. Finally, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan.

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the “**Guarantors**”) entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the “**Settlement Agreement**”). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde within 10 days. On 8 January 2021, the Kunming Court failed to locate any assets from Yunnan Chaoyue Gas and Guarantors even taken exhaustive enforcement measures, and ruled to terminate this execution. The Kunming Court will resume the execution of this case in accordance with the law once any assets available for execution being found. Up to the date of this report, the Guarantors had not performed court judgement and no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. LITIGATIONS (Continued)

(c) **New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司), New China Water (Nanjing) Carbon Company Limited* (新中水(南京)碳能有限公司), indirect wholly-owned subsidiaries of the Company**

In August 2018, New China Water (Nanjing) Energy Company Limited (“**New China Water Energy**”), New China Water (Nanjing) Carbon Company Limited (“**New China Water Carbon**”) and Jinling Construction Group of Jiangsu Province Co. Ltd.* (江蘇省金陵建工集團有限公司) (“**Jinling Construction**”) entered into the construction contract for construction works, pursuant to which Jinling Construction became the construction contractor for Nanjing Space Big Data Industry Base which was developed by New China Water Energy and New China Water Carbon.

On 26 January 2022, Jinling Construction filed a lawsuit to Nanjing City Jiangning District People’s Court* (南京市江寧區人民法院) (the “**Jiangning Court**”) regarding the allegedly unsettled payment of construction fee by New China Water Energy and New China Water Carbon as co-defendants to Jinling Construction in the sum of approximately RMB151.59 million.

In February 2022, despite the parties were in negotiations to reach an agreement to settle the claims, the land use rights of the property were seized by Jiangning Court for the period from 18 February 2022 to 17 February 2025. On 21 March 2022, Jiangning Court decided to refer the case to the People’s Court of Xuanwu District, Nanjing City, Jiangsu Province* (江蘇省南京市玄武區人民法院) (“**Xuanwu People’s Court**”) for trial. In May 2022, the parties have reached a preliminary settlement agreement. As both parties have the intention to resolve the contract dispute, Xuanwu People’s Court decided to suspend the trial on 24 June 2022. Up to the date of this report, both parties signed the settlement agreement which confirmed the unsettled construction debts of RMB99.91 million and the repayment schedule (the “**Settlement Agreement**”). Such construction debts amounted to RMB99.91 million have been recognized as accounts payable of the Group since the financial year ended 31 December 2021. The said Settlement Agreement will be filed with the Xuanwu People’s Court for the application of withdrawal of the relevant seizure of the land use rights. The legal proceeding is still in process.

Save as disclosed above, the Group is not aware of any other significant proceedings instituted against the Group.

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the loan receivables has been provided and the unsettled construction debts has been recorded in the accounts payable to reflect the total liabilities of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

(a) Details of the balances with related party

In addition to those related party balances disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following material related party transactions, which also included connected transactions under the Listing Rules as at the six months ended:

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Loans payable to the Group by an related party (Note (i))	195,000	240,000
Loans payable to the Group by an related party (Note (iv))	38,000	–

(b) Related party transactions

Save as disclosed in elsewhere to the consolidated financial statements, the Group have the following related party transactions.

Name of related party	Relationship	Nature of transaction	Six months ended 30 June	
			2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Kingston Finance Limited	Note (i)	Interest expenses of loan financing	11,885	4,271
Kingston Corporate Finance Limited	Note (ii)	Advisory fee of corporate finance services	482	–
Kingston Securities Limited	Note (iii)	Placing commission of placing agency service	1,995	–
Excellent Point Asia Limited	Note (iv)	Interest expenses of loan financing	1,627	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

Note (i) As at 30 June 2022, the aggregate outstanding loans balances due to Kingston Finance Limited were HK\$195 million comprising of HK\$80 million (the “**Loan A**”), HK\$105 million (the “**Loan B**”) and HK\$10 million (the “**Loan C**”) (31 December 2021: HK\$240 million). For the First Half 2022, the interest expenses incurred for the loans financing were approximately HK\$11.89 million. The following is the analysis of the aforesaid loans:

On 29 June 2021, Mrs. Chu Yuet Wah (“**Mrs. Chu**”) acquired entire equity interests in Step Wide Investment Limited (the “**Step Wide**”). Step Wide is a substantial shareholder of the Company which Mrs. Chu is the beneficial owner. Mrs. Chu is deemed to be interested in the shares held by Step Wide by virtue of the SFO. Kingston Finance Limited (the “**Lender I**”) is indirectly wholly-owned by Mrs. Chu. Accordingly, The Lender I is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company on 29 June 2021.

- A. Prior to Mrs. Chu becoming the substantial shareholder of the Company, on 19 March 2021, China Water Industry (HK) Limited (the “**Borrower I**”), a wholly-owned subsidiary of the Company entered into loan agreement with the Lender I for the purpose of borrowing Loan A at an interest rate of 15% per annum and repayable within one year. The drawdown date for the Loan A was on 19 March 2021. Loan A was secured by the shares of two subsidiaries of the Company and corporate guarantee provided by the Company. Such loan transaction was one-off and non-revolving in nature. The interest expenses in respect of Loan A was paid to the Lender I pursuant to the terms stipulated in the loan agreement entered into with the Lender I in March 2021, prior to Mrs. Chu and the Lender I becoming connected persons of the Company. The Company considered that as of the date of execution of this loan agreement in March 2021 did not constitute connected party transaction of the Company. Subsequent to the Interim Period, partial repayment of HK\$10 million in respect of the principal of Loan A had been made and the remaining principal balance of Loan A was mutually agreed to be repayable on demand.
- B. On 30 September 2021, the Borrower I entered into a loan agreement with the Lender I for HK\$130 million (the “**Loan B**”) at an interest rate of 15% per annum and repayable within one year. The drawdown date for the Loan B was on 30 September 2021. Loan B was secured by the corporate guarantee provided by the Company. None of the Group’s assets had been pledged to the Lender I. As at 30 June 2022, the outstanding Loan B balance amounted to HK\$105 million was fully settled subsequent to the Interim Period.
- C. On 29 April 2022, the Borrower I entered into a loan agreement with the Lender I for the Loan C at an interest rate of 12% per annum and repayable within one year. The drawdown date for Loan C was on 29 April 2022. Loan C was secured by the corporate guarantee provided by the Company but without any Group’s assets was pledged to the Lender I. Subsequent to the Interim Period, Loan C was fully settled.

As the entering into of the loan agreements with the Lender I in respect of Loan B and Loan C, was subsequent to Mrs. Chu becoming the substantial shareholder of the Company, the entering into the loan agreements in respect of Loan B and Loan C constituted connected transactions of the Company as defined under Chapter 14A of the Listing Rules. However, given Loan B and Loan C were made for the benefit of the Group, on normal commercial terms with no security over the assets of the Group. In this regard, Loan B and Loan C was fully exempted under Rule 14A.90 of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

Note (ii) For the First Half 2022, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was approximately HK\$0.48 million. Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited. Accordingly, Kingston Corporate Finance Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company. The provision of corporate finance services constituted connected transaction of the Company under Chapter 14A of the Listing Rules but such transaction was fully exempt under Rule 14A.76 (1) of the Listing Rules.

Note (iii) For the First Half 2022, the placing commission incurred for the provision of placing agency services by Kingston Securities Limited was approximately HK\$2 million. Kingston Securities Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited. Accordingly, Kingston Securities Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company. The provision of placing agency services constituted connected transaction of the Company under Chapter 14A of the Listing Rules but such transaction was fully exempt under Rule 14A.76 (1) of the Listing Rules.

Note (iv) On 24 January 2022, the Company (the “**Borrower II**”), entered into a loan agreement with Excellent Point Asia Limited (the “**Lender II**”) for HK\$33 million (the “**Loan D**”), interest-bearing at a rate of 15% per annum and repayable within one year. In addition, on 24 May 2022, the Borrower II entered into a loan agreement with the Lender II for HK\$5 million (the “**Loan E**”) at an interest rate of 12% per annum and repayable within one year. Both Loan D and Loan E were unsecured and unguaranteed. Subsequent to the Interim Period, partial repayment of HK\$25 million in respect of the principal of Loan D had been made. The remaining principal balance of Loan D and the Loan E were mutually agreed to be repayable on demand. For the First Half 2022, the interest expenses incurred for the loans financing were approximately HK\$1.63 million.

Lender II is wholly-owned by Mr. Zhu Yongjun (“**Mr. Zhu**”). Mr. Zhu is the chairman and an executive Director of the Company. The Lender II is an associate of Mr. Zhu (as defined in the Listing Rules) and thus became a connected person of the Company, the entering into the loan agreements in respect of Loan D and Loan E constituted connected transactions of the Company as defined under Chapter 14A of the Listing Rules. However, given Loan D and Loan E were made for the benefit of the Group, on normal commercial terms with no security over the assets of the Group. In this regard, Loan D and Loan E were fully exempted under Rule 14A.90 of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	5,336	5,752
Post-employment benefits	253	234
	5,589	5,986

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

19. EVENT AFTER THE END OF THE INTERIM PERIOD

Details of events after the end of the Interim Period are set out in the section of Material Events During/After The Period Under Review.

20. ACQUISITION OF BUSINESSES

(a) Fushun Shifang Bioenergy Limited

On 2 December 2021, Shenzhen City New China Water Environmental Technology Limited entered into a sale and purchase agreement with Beikong Shifang(Shandong) Environmental Energy Group Limited* to acquire 100% equity interests of the Fushun Shifang Bioenergy Limited* (撫順十方生物能源有限公司) for a consideration of RMB3.11 million (equivalent to approximately HK\$3.81 million). The acquisition was completed on 29 May 2022, on the date the control in Fushun Project was passed to the Group, since then, the Group is interested in 100% equity interests of Fushun Project. Fushun Project is principally engaged in operation of landfill gas power generation plant in Fushun city, Liaoning Province, the PRC.

	HK\$'000
Total consideration paid	1,522
Consideration payable	2,284
	3,806

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. ACQUISITION OF BUSINESSES (Continued)

(a) Fushun Shifang Bioenergy Limited (Continued)

Assets and liabilities at the date of acquisition recognised by the Group:

	HK\$'000
Property, plant and equipment	5,596
Other intangible assets	24
Deferred tax assets	1,173
Inventories	161
Trade and other receivables	1,286
Bank balances and cash acquired	644
Trade and other payables	(5,041)
Tax payables	(31)
Deferred tax liabilities	(6)
	<hr/> 3,806

The initial accounting for the above acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to the above assets.

Net cash outflow arising on acquisition

	HK\$'000
Total consideration paid	(1,522)
Bank balances and cash acquired	644
	<hr/> (878)

Impact of acquisition on the result of the Group

Included in the Group's loss for the six months ended 30 June 2022 is a loss of HK\$428,000 attributable to the additional business generated by Fushun Project. Revenue included in the Group's revenue for the six months ended 30 June 2022 amount to HK\$0.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net profit for the Interim Period

Net profit for the six months ended 30 June 2022 (the “**First Half 2022**”) was approximately HK\$6.21 million, representing a decrease of 94.44% from HK\$111.72 million for the six months ended 30 June 2021 (the “**First Half 2021**”). Loss attributable to owners of the Company for the First Half 2022 was HK\$24.19 million (First Half 2021: profit of HK\$69.51 million), a substantial decrease of HK\$93.70 million was mainly attributable to, among others:(i) completion of the disposal of 51% equity interests held in the Yingtan Water Supply Group Co., Ltd. together with its subsidiaries (the “**Yingtan Water Group**”) in 2021, of which financial results of Yingtan Water Group were no longer consolidated to the consolidated financial results of the Group in the First Half 2022; (ii) the depreciation of Renminbi which attributable to an exchange loss in the First Half 2022; (iii) the absence of gain on disposal of 20% equity interests in Yingtan Water Group which was recorded in the First Half 2021; and (iv) the absence of net gain on financial assets at fair value through profit and loss in the First Half 2022 as compared to the First Half 2021.

Revenue and gross profit

During the period under review, the Group is engaged in three business segments: (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy; and (iii) property investment and development.

On 15 December 2020, the Group had entered into the first equity transfer agreement for the purpose of disposal 20% equity interests in the Yingtan Water Group (the “**First Disposal of Yingtan Water Group**”). Following the completion of First Disposal of Yingtan Water Group in February 2021, the Yingtan Water Group ceased to be subsidiaries of the Company and accounted for as associates of the Company. On 28 June 2021, the Group had entered into the second equity transfer agreement for the purpose of disposal 31% equity interests in the Yingtan Water Group (the “**Second Disposal of Yingtan Water Group**”). Following the completion of Second Disposal of Yingtan Water Group in September 2021, the Group was no longer to hold any equity interest in Yingtan Water Group. The Yingtan Water Group ceased to be associates of the Company thereafter.

The principal activities of Yingtan Water Group are mainly engaged in the provision of water supply, construction services for water supply and property development. As a result of the First and Second Disposal of Yingtan Water Group (collectively known as the “**Disposal of Yingtan Water Group**”) in 2021, the Group has scaled-down the businesses in these segments but there is no change to the principal business of the remaining group. The remaining group represented the Group excluding the Yingtan Water Group (the “**Remaining Group**”). The Remaining Group have continued to carry out its existing businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance analysis:

	First Half 2022			First Half 2021			First Half 2022 VS First Half 2021		
	The Group	Yingtian Water Group	The Remaining Group	The Group	Yingtian Water Group	The Remaining Group	The Group	Yingtian Water Group	The Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	576,399	–	576,399	559,351	43,621	515,730	17,048	(43,621)	60,669
Gross profit	181,601	–	181,601	210,009	22,819	187,190	(28,408)	(22,819)	(5,589)
Gross profit margin	31.51%	–	31.51%	37.55%	52.31%	36.30%	(6.04%)	(52.31%)	(4.79%)
Profit after taxation	6,214	–	6,214	111,722	23,239	88,483	(105,508)	(23,239)	(82,269)
Attributable to:									
— owners of the Company	(24,185)	–	(24,185)	69,505	11,852	57,653	(93,690)	(11,852)	(81,838)
— non-controlling interests	30,399	–	30,399	42,217	11,387	30,830	(11,818)	(11,387)	(431)
	6,214	–	6,214	111,722	23,239	88,483	(105,508)	(23,239)	(82,269)

The Remaining Group's revenue increased by HK\$60.67 million from HK\$515.73 million for the First Half 2021 to HK\$576.40 million for First Half 2022. The steady growth was mainly due to (i) the increase of waste water processing contributed by new sewage treatment plant; and (ii) the increase in the water supply and related construction service income, which was partially offset by the decrease in the volume of on-grid electricity of projects in operation and suspension of production of natural gas products in Shenzhen Xiaping Landfill Site project.

During the period under review, the renewable energy business segment became the principal source of the Remaining Group's revenue which contributed HK\$240.88 million (First Half 2021 of the Remaining Group: HK\$284.34 million). Construction services business segment became the second largest revenue generator of the Remaining Group which achieved a revenue of HK\$220.26 million (First Half 2021 of the Remaining Group: HK\$124.98 million).

The Remaining Group's gross profit slightly fell by HK\$5.59 million from HK\$187.19 million for the First Half 2021 to HK\$181.60 million for the First Half 2022 due to the decline in business performance from the renewable energy business and increased in operating costs.

MANAGEMENT DISCUSSION AND ANALYSIS

The other operating income and expenses, total expenses, share of (loss)/profit from associates and joint venture, finance costs and income tax expense are analysis as follows:

	First Half 2022			First Half 2021			First Half 2022 VS First Half 2021		
	The Group HK'000	Yingtan Water Group HK\$'000	The Remaining Group HK\$'000	The Group HK'000	Yingtan Water Group 2 months HK\$'000	The Remaining Group HK\$'000	The Group HK'000	Yingtan Water Group HK\$'000	The Remaining Group HK\$'000
Other income, net	14,969	-	14,969	45,098	20,962	24,136	(30,129)	(20,962)	(9,167)
Selling and distribution expenses	20,692	-	20,692	22,102	1,747	20,355	(1,410)	(1,747)	337
Administrative expenses	106,371	-	106,371	107,165	8,643	98,522	(794)	(8,643)	7,849
Total expenses	127,063	-	127,063	129,267	10,390	118,877	(2,204)	(10,390)	8,186
Share of (loss)/profit									
— associates	(206)	-	(206)	8,301	(84)	8,385	(8,507)	84	(8,591)
— joint ventures	402	-	402	(877)	(390)	(487)	1,279	390	889
Finance costs	37,669	-	37,669	47,183	439	46,744	(9,514)	(439)	(9,075)
Income tax expense	19,155	-	19,155	30,712	9,209	21,503	(11,557)	(9,209)	(2,348)

Other income, net

For the First Half 2022, the Remaining Group's other income, net mainly consisted of income generated from selling of carbon emission amounted to HK\$1.05 million, VAT refund of HK\$11.26 million, government grants of HK\$1.91 million in relation to subsidising certain renewable energy projects, net service income of HK\$2.13 million from the operation of landfill gas project and interest income HK\$1.88 million which was offset by the exchange loss of HK\$7.03 million. Compared with First Half 2021, the Remaining Group's other income, net dropped by HK\$9.17million to HK\$14.97 million due to the decrease of VAT refund from the renewable energy projects and change to exchange loss during the Interim Period as compared to the exchange gain during the previous interim period as a result of the depreciation of Renminbi in the First Half 2022. (First Half 2021 of the Remaining Group: HK\$24.14 million).

Selling and distribution expenses and administrative expenses

For the First Half 2022, selling and distribution expenses together with administrative expenses ("Total Expenses") of the Remaining Group collectively increased by HK\$8.18 million to HK\$127.06 million (First Half 2021 of the Remaining Group: HK\$118.88 million) due to additional professional fee incurred for the placing of shares, handling fee of finance lease arrangement and consultancy fees. Total Expenses of the Remaining Group mainly consisted of staff costs including social insurance of HK\$70.82 million, legal and professional fee including audit fee of HK\$12.11 million, repair and maintenance of HK\$6.05 million and depreciation including amortization of HK\$12.53 million. Total Expenses of the Remaining Group accounted for 22.04% of the total revenue of the Remaining Group, which was comparable to First Half 2021 of the Remaining Group of 23.05%.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

For the First Half 2022, the finance costs of the Remaining Group were HK\$37.67 million, a decrease of HK\$9.07 million as compared to that of last year corresponding period (First Half 2021 of the Remaining Group: HK\$46.74 million). The decrease was mainly due to the partial repayment of fixed coupon bonds and other loans. Finance costs of the Remaining Group of finance costs were mainly interests on fixed coupon bonds and other loans borrowing.

Loss on financial assets at fair value through profit or loss

For the First Half 2022, net loss on financial assets at fair value through profit or loss (“**FVPL**”) of the Remaining Group amounted to HK\$0.12 million, fell by HK\$15.70 million from the profit of HK\$15.58 million for the First Half 2021 of the Remaining Group. Included in net loss on FVPL was mainly the loss on disposal of listed equity securities.

Net impairment loss recognised on trade and other receivable

During the period under review, the prolonged adverse effect on economy brought by constant spread of COVID-19 pandemic, has caused the debtors of the Group slowed down their repayment. Based on the evaluation of collectability and ageing analysis of trade and other receivable as well as certain of forward-looking factors, the net impairment loss on trade and other receivable was amounted to HK\$5.39 million (First Half 2021 of the Remaining Group: HK\$5.10 million). In assessing the expected credit loss (the “**ECL**”) of the Group’s trade and other receivable, a credit rating analysis of the underlying debtors was adopted by reviewing the past default history, the duration of the underlying receivables, the financial background of guarantors, the possibility of adverse change in the debtor’s business environment and the debtor’s financial position. The Group applied different expected credit loss rates to different classes of receivables according to their respective risk characteristics and business nature.

Share of result from associate

For the First Half 2022, the Remaining Group shared of loss from an associate amounted to HK\$0.21 million (First Half 2021 of the Remaining Group: profit of HK\$8.39 million). Substantial decrease was completion of the Second Disposal of Yingtan Water Group in 2021. As at 30 June 2022, the Group has held 49% equity interests in Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (資陽市綠州新中水環保科技有限公司).

Share of results from joint venture companies

For the First Half 2022, the Remaining Group shared the profit from joint venture companies of HK\$0.40 million (First Half 2021 of the Remaining Group: loss of HK\$0.49 million) which was mainly arising from Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd.* (“**Yichun Mingyue Mountain**”) (宜春市明月山方科污水處理有限公司). As at 30 June 2022, the Group has held 65% equity interests in Yichun Mingyue Mountain.

Loss on disposal of joint venture

For the First Half 2022, the Remaining Group recorded a loss of HK \$1.14 million from the disposal of the 30% sharing interest in the result performance of Shenzhen Ganglong Obstetrics and Gynecology Hospital* — Ophthalmology Project (深圳港龍婦產醫院 — 眼科項目).

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

For the First Half 2022, the Remaining Group of tax recorded HK\$19.16 million (First Half 2021 of the Remaining Group: HK\$21.50 million). The decrease of HK\$2.34 million was mainly due to tax imposed on the First Disposal of Yingtan Water Group recorded in First Half 2021, which was partially offset by several renewable energy companies in PRC not entitled to the tax exemption after the expiry of tax concessions period under the relevant tax rules and regulation. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the period, certain renewable energy companies in PRC are still subject to tax concessions under the relevant tax rules and regulation.

Exposure to Fluctuations in Exchange Rates

Almost all of the Group's operating activities are carried out in the PRC with the most of transactions and assets denominated in RMB but the Company's financial statements are denominated in HKD, which is also the functional currency of the Company. The Group has not adopted any hedging policies. Due to recent fluctuation of RMB exchange rate against HKD, the Group had been monitoring the foreign exchange exposures closely and to hedge any significant foreign currency exposure in order to minimize the exchange risk, if necessary.

TREASURY MANAGEMENT

During the period, there had been no material change in the Group's funding and treasury policies. The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development and the repayment of financial liabilities when due. The Group generally finances its business operations and capital expenditure with internally generated cash flow, bank facilities and other borrowings. To support medium to long term funding requirements, the Group also considers via accessing to funding from capital markets, subject to market conditions. On the other hands, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The Group's financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining substantial long term funding sources, with diversifying term structures and funding instruments. In anticipating new investments or maturity of bank and other borrowings, the Group will consider new financing while maintaining an appropriate level of gearing.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

The Company no longer held any equity interest in the Yingtan Water Group after September 2021 and the net asset of Yingtan Water Group ceased to be consolidated into the Group since the completion of the First Disposal of Yingtan Water Group in February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Group recorded a cash and cash equivalents balance of HK\$179.18 million (As at 31 December 2021: HK\$291.36 million) including cash held at financial institutions of HK\$0.58 million (As at 31 December 2021: HK\$0.14 million). The decrease of HK\$112.18 million was mainly to repayment of debts and slowdown of payment of sewage treatment fees and water tariff as a result of the recurring COVID-19 situation in China. With the steady operating cash flows, the Group is expected to have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HKD and RMB.

The net current assets for the Group at 30 June 2022 were HK\$252.99 million (As at 31 December 2021: HK\$196.75 million). The current ratio of the Group (current assets over current liabilities) was 1.18 times as at 30 June 2022 (As at 31 December 2021: 1.13 times).

As at 30 June 2022, net asset value of the Group amounted to HK\$1,876.32 million (As at 31 December 2021: HK\$1,925.87 million). Net asset value of the Group per share was HK\$0.98 as at 30 June 2022 (As at 31 December 2021: HK\$1.21).

As at 30 June 2022, the Group's consolidated non-current assets decreased by HK\$105.14 million to HK\$2,017.88 million (As at 31 December 2021: HK\$2,123.02 million) was primarily due to the exchange loss arising from the depreciation of exchange rate of RMB against HKD, deposit refunded for the termination of acquisition of subsidiary and depreciation and amortization on assets.

CAPITAL STRUCTURE

During the six months ended 30 June 2022, a total of 319,200,000 placing shares have been issued by the Company.

On 26 January 2022 (before 9:00, HK time), the capital reduction and the subdivision had become effective. The reduction of the issued share capital of the Company from HK\$0.50 per each issued ordinary share to HK\$0.01 per each issued ordinary share of the Company effected by special resolution passed at an extraordinary general meeting of the Company held on 25 October 2021 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 19 January 2022 (the "**Capital Reduction**"). Each authorised but unissued ordinary share of HK\$0.50 each shall be subdivided into fifty unissued ordinary shares of HK\$0.01 each in the share capital of the Company (the "**Sub-division**"). For details, please refer to (i) the announcements dated 14 September 2021 and 7 December 2021 and (ii) the circular dated 29 September 2021.

Save as disclosed above, there was no movements in either the Company's authorised or issued share capital during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

As at 30 June 2022, the Group held the following investment properties for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	The Group's interest (%)	
Yichun Properties						
1	No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	100%	51%
2	13-15 Zhongshan West Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Shop	96	Long	100%	51%
3	Gas station on South Huancheng Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Factory	170	Long	100%	51%
Yihai International Building						
	Room C-103, Yihai International Building, 200 meters south of Phoenix Street and Lanting Road, Hedong District Linyi City, Shandong Province, the PRC	Commercial	155.28	Long	100%	60%
			977.43			

As at 30 June 2022, the carrying value of investment properties of the Group recorded HK\$11.74 million (As at 31 December 2021: HK\$12.28 million) including HK\$1.94 million of Yihai International Building and HK\$9.80 million of Yichun Properties. The decrease in investment property by HK\$0.54 million was depreciation of exchange rate of RMB against HKD. As at 30 June 2022, the Group had a total gross floor area of 977.43 square meters (As at 31 December 2021: total gross floor area of 977.43 square meters). For the First Half 2022, the gross rental income of the Remaining Group after deducting the related outgoings amounted to HK\$0.23 million which increased by 43.75% compared with First Half 2021 (First Half 2021 of the Remaining Group: HK\$0.16 million).

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORIES

As at 30 June 2022, the inventories of the Group recorded HK\$253.56 million (As at 31 December 2021: HK\$278.73 million), decreased by HK\$25.17 million mainly due to depreciation of exchange rate of RMB against HKD. The inventory of the Group comprised of raw material and work-in-progress of HK\$48.22 million (As at 31 December 2021: HK\$64.14 million) and properties under development for sale of HK\$205.34 million (As at 31 December 2021: HK\$214.59 million).

Properties under development for sale represented the construction of premises owned by New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司). Such properties namely Nanjing Space Big Data Industry Base (南京空間大數據產業基地) comprised of 256 commercial units. As at 30 June 2022, there were 256 commercial units being sold (As at 31 December 2021: 250 commercial units being sold). This property project was completed in March 2022.

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 30 June 2022, the fair value of securities investments of the Group including held-for-trading investment and held-for-long term investment recorded HK\$32.48 million (As at 31 December 2021: HK\$20.76 million) representing 0.87% of the total assets value of HK\$3,713.53 million as at 30 June 2022. The securities investments of the Group comprised listed securities in Hong Kong, investment fund and fixed income product in the PRC. The following analysis was the Group's investments at the end of reporting period:

MANAGEMENT DISCUSSION AND ANALYSIS

List of stocks in terms of market value as at 30 June 2022

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2022	No. of issued ordinary share as at 30 June 2022	Effective interest held as at 30 June 2022	Initial investment cost HK\$'000	Market value as at 30 June 2022 HK\$'000	Realised (loss) for the period ended 30 June 2022 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Percentage to total assets value of the Group as at 30 June 2022	Classification
China Best Group Holding Ltd	370	Trading of semi-finished electronic components, building construction contracting business, project management service, centralised heating business and money lending business	6,208,000	1,525,284,939	0.41%	5,157	4,346	–	(811)	0.12%	FVOCI
Wisdom Wealth Resources Investment Holding Group Limited (Formerly Known as Hong Kong Finance Investment Holding Group Limited)	7	Sales of electronic products and equipment, exploration and production of mineral, oil and gas, financial business and property investment	–	4,000,000,000	0.00%	–	–	(110)	–	0.00%	FVPL
Fy Financial (Shenzhen) Co., Ltd. — H Shares	8452	Provision of financial leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC	844,000	89,840,000	0.94%	988	333	–	(655)	0.01%	FVOCI
Ming Lam Holdings Limited (Note 4)	1106	Manufacturing and sale of packaging products; Securities trading and other investing activities; Tourism and travel business; Money lending business and Storage and logistic service business	44,500,000	14,888,498,183	0.30%	5,294	–	–	(5,294)	0.00%	FVPL
China Tangshang Holdings Limited	674	Money lending business, property sub-leasing and investment business and property development business	3,580,000	2,308,866,570	0.16%	908	501	–	(407)	0.01%	FVOCI
Future Bright Mining Holdings Ltd	2212	Excavation and sale of marble blocks, production and sales of marble related products and trading of commodities	–	4,388,580,000	0.00%	–	–	(6)	–	0.00%	FVPL
Chinese Energy Holdings Limited (Note 5)	8009	General trading (including market sourcing of technical and electronic products); trading of LNG products; money lending and investment in financial assets	250	58,900,537	0.00%	2	–	–	(2)	0.00%	FVPL
Sub-total							5,180	(116)	(7,169)		
Name of unlisted investment		Brief description of the business									
Guangdong Finance Industry Strategic Fund* (Note 1)		Investment in unlisted equity	N/A		N/A	11,584	12,102	–	518	0.33%	FVPL
CITIC China Securities Co, Ltd.* (Note 2)		Investment in unlisted equity	N/A		N/A	3,669	3,508	–	(161)	0.09%	FVPL
Fuzhou Qingyu New Energy Equity Investment Partnership (Limited Partnership)* (Note 3)		Investment in unlisted equity	N/A		N/A	12,231	11,693	–	(538)	0.31%	FVPL
Sub-total							27,303	–	(181)		
Total							32,483	(116)	(7,350)	0.87%	

MANAGEMENT DISCUSSION AND ANALYSIS

Note 1: Guangdong Finance Industry Strategic Fund*

Note 2: CITIC China Securities Co, Ltd.*

Note 3: Fuzhou Qingyu New Energy Equity Investment Partnership (Limited Partnership)*

Note 4: Ming Lam Holdings Limited was delisted from the main board of the Stock Exchange on 2 November 2021.

Note 5: Chinese Energy Holdings Limited has been suspended its trading in shares since 15 July 2022.

FVPL: Financial assets at fair value through profit or loss

FVOCI: Financial asset at fair value through other comprehensive income

For the First Half 2022, the Remaining Group recorded a loss of HK\$0.12 million on FVPL (First Half 2021 of the Remaining Group: gain of HK\$15.58 million) and no dividend income has been received by the Remaining Group. Given the fluctuation in the worldwide financial markets and the impact of COVID-19 pandemic, the Board expected that the fair value of equity investment may be declined. In light of this, the Board has planned to scale down the short-term investment in equity trading and manage the investment portfolio in accordance with the Group's investment objective and policy with a view of gaining good investment yields for our shareholders. In views of the above, the Board will monitor stock market development closely and capture opportunities in a prudent manner so as to balance investment risks of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER RECEIVABLES

As at 30 June 2022, the Group's trade and other receivables were approximately HK\$1,125.68 million (As at 31 December 2021: HK\$1,069.07 million). These comprised of: (i) trade receivables of HK\$739.99 million, (ii) other receivables of HK\$101.29 million, (iii) loan receivables of HK\$123.75 million and (iv) deposits and prepayments of HK\$160.65 million.

(A) Trade Receivable

As at 30 June 2022, trade receivables of the Group increased by HK\$68.36 million to HK\$739.99 million (As at 31 December 2021: HK\$671.63 million) which was primarily attributable to the increase in revenue generated from renewable energy projects including the government on-grid tariff subsidies. The government on-grid tariff subsidies receivable were amounted to HK\$628.41 million (As at 31 December 2021: HK\$578.24 million) and electricity sales receivable from local grid companies was HK\$31.54 million (As at 31 December 2021: HK\$32.48 million), which in aggregate accounted for 89.18% of trade receivables of the Group. The above-mentioned tariff subsidies receivables will be settled in accordance with the prevailing government payment policies including (i) Caijian [2020] No. 4 Guidelines on the Stable Development of Non-Water Renewable Energy Generation (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) updated in January 2020 which jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration; and (ii) Caijian [2020] No. 70 Notice on Accelerating the Review of the List of Renewable Energy Power Generation Subsidy Projects (加快推進可再生能源發電補貼項目清單審核有關工作的通知) published by Ministry of Finance in November 2020 and the prevalent payment trends of Ministry of Finance of the PRC. There is no pre-determined due date for settlement of the tariff subsidies. The trade receivables from renewable energy business are fully recoverable considering there were no bad debt experiences with the local grid companies in the past and such tariff subsidies are provided by the relevant PRC government authorities. During the period under review, the management has reassessed the credit risk based on the historical settlement records, the ageing of the tariff subsidies receivables and taking into account prevailing economic conditions as at 30 June 2022, the Group considered the default risk for such balances to be insignificant and, the ECL to be minimal. In light of this, no impairment loss on these trade receivable was provided (First Half 2021 of the Remaining Group: Nil).

The trade receivable balances from the water supply and the sewage treatment were amounted to HK\$68.94 million (As at 31 December 2021: HK\$49.48 million), representing 9.32% of trade receivables of the Group. The increase of HK\$19.46 million was mainly due to the increase of revenue in water supply and the sewage treatment and the slowdown of payment of water supply tariff by households and sewage treatment fees by related local PRC government as a result of the recurring COVID-19 situation in China. These trade receivables have been grouped based on shared credit risk characteristics and the ageing portfolio to measure the ECL. Generally, trade receivables would be written off if the Group is of the view that the recovery of the amount is remote. In view of historical repayment record, the Group considered the default risk for such balances to be insignificant and, the ECL to be minimal. During the period under review, no impairment loss was recognized on these trade receivable (First Half 2021 of the Remaining Group: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

(B) Other receivable

As at 30 June 2022, other receivables of the Group recorded HK\$101.29 million (As at 31 December 2021: HK\$110.39 million) which represented mainly tax recoverable, advance to sludge treatment project, advance to property sales agent, advances to suppliers including the material procurement for the construction of property project and the equipment facilities ordered for renewable energy projects. During the period under review, these receivables have been reviewed by the management to assess impairment allowances which are based on the evaluation of current creditworthiness, the credit risk characteristics of debtor, the likelihood of recovery and also taking into consideration the prevailing economic conditions. For other receivables relating to long overdue, known insolvencies or non-response to collection activities, such balances were assessed individually for impairment allowance. During the period under review, net impairment allowance of HK\$0.74 million was recognized (First Half 2021 of the Remaining Group: HK\$0.73 million).

(C) Loan receivable

As at 30 June 2022, loans receivables of the Group recorded HK\$123.75 million (As at 31 December 2021: HK\$132.84 million) which mainly comprised of loans to independent third parties which are interest-bearing at rates ranging from 4% to 24% per annum and with maturity ranging from 1 month to 36 months. The Group has obtained the personal guarantee provided by the guarantors as a security for some of the loan receivables. The management of the Group made credit assessment from time to time individually with reference to borrowers' financial background, past collection history and evaluation of loan return performance, as well as forecasting on the occurrence of event of default and global economic outlook in general as well as the specific economic condition in the PRC. During the period under review, the Group has instructed legal advisers to take legal proceedings against certain borrowers in the event of high possibility of liquidation or high default risk. The impairment loss recognised on loan receivables was amounted to HK\$1.72 million in First Half 2022 (First Half 2021 of the Remaining Group: HK\$4.37 million).

(D) Deposits and prepayments

As at 30 June 2022, deposits and prepayments of the Group recorded HK\$160.65 million (As at 31 December 2021: HK\$154.21 million) which mainly represented amortisation of repairing and drilling cost, prepayment relating to the payment in advance for material procurement and construction works, and consultancy fee for the provision of finance lease arrangement, security deposits paid including glass management contract, construction service contracts and the finance lease and advances made to various potential business partners to secure potential projects in the future. During the period under review, the impairment loss recognised on deposits and prepayments was amounted to HK\$2.93 million (First Half 2021 of the Remaining Group: Nil).

LIABILITIES AND GEARING

As at 30 June 2022, the Group's total liabilities (including both current and non-current) recorded HK\$1,837.21 million (As at 31 December 2021: HK\$1,936.00 million). Except for the issuance of bonds and non-financial institution loan denominated in HKD, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 30 June 2022 was 49.47% (As at 31 December 2021: 50.13%). The ratio was calculated by dividing total liabilities of the Group of HK\$1,837.21 million (As at 31 December 2021: HK\$1,936.00 million) over total assets of the Group of HK\$3,713.53 million (As at 31 December 2021: HK\$3,861.87 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's total bank and other borrowings were HK\$505.73 million (As at 31 December 2021: HK\$561.30 million). For the maturity profile, refer to the table below:

Debt Analysis

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	HK\$'000	%	HK\$'000	%
Classified by maturity				
— repayable within one year				
Bank borrowings	65,230	12.90	73,833	13.15
Other loans	336,810	66.60	365,733	65.16
	402,040	79.50	439,566	78.31
Classified by maturity				
— repayable more than one year				
Bank borrowings	86,698	17.14	105,886	18.87
Other loans	16,989	3.36	15,844	2.82
	103,687	20.50	121,730	21.69
Total bank and other borrowings	505,727	100	561,296	100
Classified by type of loans				
Secured	383,527	75.84	447,691	79.76
Unsecured	122,200	24.16	113,605	20.24
	505,727	100	561,296	100
Classified by type of interest				
Fixed rate	359,435	71.07	395,815	70.52
Variable-rate	145,070	28.69	164,203	29.25
Interest free rate	1,222	0.24	1,278	0.23
	505,727	100	561,296	100

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER LOANS

1. The analysis of issuance of bonds through the placing agents is illustrated as follows:
 - i. On 11 January 2018, the Company entered into a placing agreement with Prior Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent on a best effort basis, arranging independent places to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK\$100 million (“**Bond A**”). As at 30 June 2022, the Bond A was fully settled (As at 31 December 2021: HK\$5.64 million). On 10 January 2020, the Company has completed to issue the Bond A to the places in an aggregate principal amount of HK\$20 million.
 - ii. On 18 January 2018, the Company entered into a placing agreement with Placing Agent pursuant to which the Placing Agent on a best effort basis, arranging independent places to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK\$100 million (“**Bond B**”). As at 30 June 2022, the outstanding Bond B amounted to HK\$16.29 million and was classified as an other loan (As at 31 December 2021: HK\$15.84 million). On 17 January 2020, the Company has completed to issue the Bond B to the places in an aggregate principal amount of HK\$20 million.

2. Other bonds

For the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers amounted to HK\$38.48 million at a fixed rate of 5% per annum with a term of 3 years and was classified as an other loan (As at 31 December 2021: HK\$37.91 million).

As at 30 June 2022, the aggregate bonds and loans from related parties recorded in aggregate of HK\$287.77 million, representing of 81.34% of the other loans, which were utilized as general working capital, repayment of debts and/or acquisition activities (As at 31 December 2021: HK\$334.41 million). Details for loans from related parties are set out in note 18 to the consolidated financial statements.

TRADE AND OTHER PAYABLES

As at 30 June 2022, the Group’s trade and other payables were approximately HK\$549.42 million (As at 31 December 2021: HK\$577.07 million). The decrease in trade and other payables of HK\$27.65 million was mainly due to the depreciation of exchange rate of RMB against HKD. The credit terms of trade payables vary according to the terms agreed with different suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL FUND RAISING AND USE OF PROCEEDS

Placing of new shares under general mandate

On 27 January 2022, the Company entered into the placing agreement with Kingston Securities Limited (the “**Placing Agent**”). Pursuant to the placing agreement, the Company has conditionally agreed to place through the Placing Agent, on a best efforts basis, up to 319,200,000 placing shares (the “**Placing Shares**”), to currently expected to be not fewer than six placees who and whose ultimate beneficial owners are Independent Third Parties and not acting in concert with the connected persons of the Company at a price of HK\$0.25 (the “**Placing Price**”) per Placing Share. The Placing Shares will be allotted and issued pursuant to the General Mandate. All conditions to the Placing Agreement have been fulfilled and completion of the Placing took place on 23 February 2022. A total of 319,200,000 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at Placing Price of HK\$0.25 per Placing Share pursuant to the terms and conditions of the placing agreement, representing approximately 16.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing. The net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$77.60 million. The Company has utilized HK\$12.60 million for the Group’s general working capital and HK\$65.00 million for the repayment of the Group’s loan and accrued interests. The intended and actual use of the net proceeds from the Placing is stated as below:

Amount	Intended use	Actual use
HK\$ million		
58.55	Repayment of loan and accrued interest advanced by related parties	Fully utilised as intended
6.45	Repayment of bonds issued by the Company	Fully utilised as intended
12.60	General working capital(including but not limited to staff cost, office rent and rates, professional fees and other general corporate expenses)	Fully utilised as intended
77.60		

Save as disclosed in this report, the Company has not completed any equity fund raising activities during the period under review.

During the period under review, the Group incurred capital expenditures amounting to HK\$53.55 million (As at 31 December 2021: HK\$53.03 million) for acquisition of concession intangible assets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The financial performance analysis of the Remaining Group by segments is as follows:

	Revenue				Gross Profit (GP)						First Half 2022 vs First Half 2021		
	For the six months ended 30 June				For the six months ended 30 June						Increase/(Decrease)		
	2022	%	2021	%	2022	%	%	2021	%	%	Revenue	Gross Profit	GP Margin
	to the		to the		to the	GP		to the	GP				
	HK\$' M	total	HK\$' M	total	HK\$' M	total	margin	HK\$' M	total	margin	HK\$ M	HK\$ M	%
Water supply business	72.08	12.51	65.84	12.77	15.85	8.73	21.99	16.41	8.77	24.92	6.24	(0.56)	(2.93)
Sewage treatment business	43.18	7.49	40.57	7.87	13.42	7.39	31.08	13.45	7.19	33.15	2.61	(0.03)	(2.07)
Construction service business	220.26	38.21	124.98	24.23	70.17	38.64	31.86	43.40	23.18	34.73	95.28	26.77	(2.87)
Sub-total	335.52	58.21	231.39	44.87	99.44	54.76	29.64	73.26	39.14	31.66	104.13	26.18	(2.02)
Exploitation and sale of renewable energy business	240.88	41.79	284.34	55.13	82.16	45.24	34.11	113.93	60.86	40.07	(43.46)	(31.77)	(5.96)
Property Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	576.40	100.00	515.73	100.00	181.60	100.00	31.51	187.19	100.00	36.30	60.67	(5.59)	(4.79)

1.1 Water supply business

Upon completion of the Disposal of Yingtan Water Group in 2021, the Remaining Group has two city water supply projects which are well spread across Jiangxi and Shandong provinces, the PRC. The daily aggregate water supply capacity of the Remaining Group was approximately 0.31 million tonne (First Half 2021 of the Remaining Group: 0.29 million tonne). Total water supply to the Jiangxi and Shandong during the period recorded 35.24 million tonne (First Half 2021 of the Remaining Group: 32.64 million tonne), increased by 7.97% over the last corresponding period. For the First Half 2022, the revenue and gross profit of the Remaining Group from water supply business amounted to HK\$72.08 million and HK\$15.85 million respectively, representing 12.51% and 8.73% of the Remaining Group's total revenue and total gross profit respectively. Compared with First Half 2021, the revenue of the Remaining Group recorded an increase of HK\$6.24 million but the gross profit of the Remaining Group recorded a slight decrease of HK\$0.56 million. The increase in revenue was the result of the increase of water supply by Yichun Water project and Linyi Fenghuang project following the completion of expansion of water supply plant in Yichun Water project resulting in enhancing the water supply capacity by 20,000 tonne per day and increase in number of residents moving to Linyi City, the PRC. On the other hand, the reason for the slight decrease in gross profit was the increase in the cost of raw water in the Linyi Fenghuang project. The average rates for the water supply of the Remaining Group ranged from HK\$1.87 to HK\$2.51 per tonne (First Half 2021 of the Remaining Group: from HK\$1.90 to HK\$2.61 per tonne).

MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2022	2021	Variance
Water Supply Business				
Revenue	HK\$'million	72.08	65.84	6.24
Gross profit	HK\$'million	15.85	16.41	(0.56)
Gross profit %	%	21.99	24.92	(2.93)
Designed daily capacity of water supply	Tonne	310,000	290,000	20,000

Analysis of water supply projects on hand is as follows:

Project name	Equity interest held by the Company (%)	Designed daily capacity of water supply (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1 Yichun Water	51	260,000	Jiangxi	2034
2 Linyi Fenghuang	60	50,000	Shandong	2037
Total		310,000		

1.2 Sewage treatment business

As at 30 June 2022, the Remaining Group has five sewage treatment projects which are located in Jiangxi, Guangdong and Shandong provinces (First Half 2021 of the Remaining Group: five projects) and the daily aggregate sewage disposal capacity was approximately 240,000 tonne (First Half 2021 of the Remaining Group: 240,000 tonne). For First Half 2022, the revenue and gross profit of the Remaining Group were amounted to HK\$43.18 million and HK\$13.42 million respectively, representing 7.49% and 7.39% of the Remaining Group's total revenue and total gross profit respectively. During the period, the Remaining Group processed in aggregate of 35.89 million tonne of waste water (First Half 2021 of the Remaining Group: 34.95 million tonne), represented an increase of 2.69% over the last corresponding period. Compared with the First Half 2021, the revenue of the Remaining Group increased by HK\$2.61 million whereas the gross profit of the Remaining Group slightly dropped by HK\$0.03 million. The rise in revenue was attributable to the increase of waste water processing volume but the increase in treatment chemical costs caused the gross profit to reduce. The average rates for sewage treatment of the Remaining Group ranged from HK\$1.02 to HK\$1.50 per tonne (First Half 2021 of the Remaining Group: HK\$1.02 to HK\$1.48 per tonne).

MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2022	2021	Variance
Sewage Treatment Business				
Revenue	HK\$'million	43.18	40.57	2.61
Gross profit	HK\$'million	13.42	13.45	(0.03)
Gross profit %	%	31.08	33.15	(2.07)
Designed daily sewage disposal capacity	Tonne	240,000	240,000	–

Analysis of sewage treatment projects on hand is as follows:

Project name	Equity interest held by the Company (%)	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1 Jining Haiyuan	70	30,000	Shandong	2036
2 Jining Haisheng	100	30,000	Shandong	2049
3 Gaoming Huaxin	70	20,000	Guangdong	2033
4 Yichun Fangke	54.33	140,000	Jiangxi	2036
5 Yichun Mingyue Mountain	65	20,000	Jiangxi	2047
Total		240,000		

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Remaining Group's second major sources of revenue and gross profit contributing HK\$220.26 million and HK\$70.17 million respectively, representing 38.21% and 38.64% of the Remaining Group's total revenue and total gross profit respectively. Compared with the First Half 2021, the revenue and gross profit of the Remaining Group increased by HK\$95.28 million and HK\$26.77 million due to more construction projects granted during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2022	2021	Variance
Water supply related installation and construction business				
Revenue	HK\$'million	150.65	99.74	50.91
Gross profit	HK\$'million	69.14	45.32	23.82
Gross profit %	%	45.89	45.44	0.45
Water supply and sewage treatment infrastructure construction business				
Revenue	HK\$'million	69.61	25.24	44.37
Gross profit/(loss)	HK\$'million	1.03	(1.92)	2.95
Gross profit/(loss) %	%	1.48	(7.61)	9.09
Total				
Revenue	HK\$'million	220.26	124.98	95.28
Gross profit	HK\$'million	70.17	43.40	26.77
Gross profit %	%	31.86	34.73	(2.87)

1.4 Exploitation and sale of renewable energy business

Up to the date of this report, the Remaining Group has 52 solid waste treatment projects, of which 39 have commenced operation with a total installed capacity of 165.35 MW, the remaining 7 are under construction, with an estimated total installed capacity of 18.18 MW. Up to the date of this report, the Group secured 5 new projects in Jingchuan, Xinning, Fushun, Xiaoyi and Zhengzhou with an estimated total installed capacity is 14.18 MW.

For the First Half 2022, the revenue and gross profit of the Remaining Group recorded HK\$240.88 million and HK\$82.16 million respectively representing 41.79% and 45.24% to the Remaining Group's total revenue and total gross profit respectively. Compared with the First Half 2021, the revenue and gross profit of the Remaining Group decreased by HK\$43.46 million and HK\$31.77 million respectively. The decline in business performance was because (i) no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators resulting in the cessation of power generation; (ii) new projects are not yet put into operation; and (iii) the production of natural gas products in Shenzhen Xiaping Landfill Site stopped its operation. During the period, the Remaining Group had 39 projects in operation (First Half 2021 of the Remaining Group: 31 projects), generating approximately 337,993.40 MWh of on-grid electricity which represented a decrease of 10.61% over the same period of 2021 (First Half 2021 of the Remaining Group: 378,109.50 MWh). As at 30 June 2022, the Group accumulated a total installed capacity of 175.35 MW, representing an increase of 4.38% compared to the First Half 2021 (As at 30 June 2021: 168 MW). The average electricity rate of the Remaining Group was HK\$0.63 per kilowatt-hour (First Half 2021 of the Remaining Group: average electricity rate HK\$0.65 per kilowatt-hour and the average CNG rate was HK\$1.65 per m³).

MANAGEMENT DISCUSSION AND ANALYSIS

Included in revenue was HK\$151.45 million (First Half 2021 of the Remaining Group: HK\$168.89 million) and HK\$70.05 million (First Half 2021 of the Remaining Group: HK\$81.40 million) derived from the sale of electricity to local grid companies and the government tariff subsidies respectively, representing 62.87% and 29.08% of the total renewable energy revenue respectively.

The analysis of financial performance by segment is as follows:

		For the six months ended 30 June		
		2022	2021	Variance
Exploitation and sale of renewable energy business				
— Sale of electricity				
Revenue	HK\$'million	221.68	256.70	(35.02)
Gross profit	HK\$'million	80.83	112.91	(32.08)
Gross profit %	%	36.46	43.99	(7.53)
— Sale of compressed natural gas				
Revenue	HK\$'million	—	11.23	(11.23)
Gross (loss)/profit	HK\$'million	(0.35)	4.39	(4.74)
Gross (loss)/profit %	%	—	39.09	(39.09)
— Service income from collection of landfill gas				
Revenue	HK\$'million	19.20	16.41	2.79
Gross profit/(loss)	HK\$'million	1.68	(3.37)	5.05
Gross profit/(loss) %	%	8.75	(20.54)	29.29
Total				
Revenue	HK\$'million	240.88	284.34	(43.46)
Gross profit	HK\$'million	82.16	113.93	(31.77)
Gross profit %	%	34.11	40.07	(5.96)

		For the six months ended 30 June			
		2022	% to total	2021	% to total
Summary of revenue					
Government tariff subsidies	HK\$'million	70.05	29.08	81.40	28.63
The sale of electricity to local grid companies	HK\$'million	151.45	62.87	168.89	59.39
Other	HK\$'million	0.18	0.08	6.41	2.26
		221.68	92.03	256.70	90.28
Compressed natural gas & service income from collection of landfill gas		19.20	7.97	27.64	9.72
		240.88	100	284.34	100

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of renewable energy projects on hand is as follows:

Project name	Provincial cities in PRC/ Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in	
1	Nanjing Jiaozishan (Note 2)	Jiangsu	Power generation	100	October 2013	June 2025
2	ZhuZhou Biogas (Note 3)	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	Note 1
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	-	May 2014	} October 2039
11	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	CNG: December 2015 Power generation: October 2017	
12	Shenzhen Xiaping Landfill Site	Guangdong	CNG/Power generation	88	CNG: July 2015 Power generation: January 2018	} April 2030
13	Liyang Biogas	Hunan	CNG/Power generation	100	CNG: July 2016 Power generation: September 2017	} October 2038
14	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	CNG: May 2016 Power generation: October 2016	} July 2024
15	Yichun South Suburban	Jiangxi	Power generation	100	July 2017	September 2026
16	Ningbo Qiyao (Note 2)	Zhejiang	Power generation	100	February 2017	June 2028
17	Shandong Qiyao (Note 2)	Shandong	Power generation	100	May 2017	November 2029
18	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
19	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
20	Xinhua	Hunan	Power generation	100	November 2017	December 2026
21	Zhangjiakou	Hebei	Power generation	70	October 2018	Note 1
22	Fengcheng (Note 3)	Jiangxi	Power generation	100	January 2018	March 2032
23	Anqiu City	Shandong	Power generation	100	March 2018	Note 1
24	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
25	Haicheng	Liaoning	Power generation	100	August 2019	Note 1
26	Anlu	Hubei	Power generation	90	January 2019	February 2030
27	Laizhou	Shandong	Power generation	100	May 2019	February 2028
28	Jakarta TPST	Jakarta	Power generation	94	February 2018	December 2023
29	Guangzhou Huadu	Guangdong	Power generation	100	January 2020	June 2023
30	Zhijiang	Hubei	Power generation	51	January 2021	Note 1
31	Nanning	Guangxi	Power generation	100	April 2020	April 2028
32	Ziyang	Sichun	Power generation	49	March 2020	November 2026
33	Hainan Sanya	Hainan	Power generation	100	March 2019	January 2029
34	Lingao (Note 3)	Hainan	Power generation	100	September 2020	Note 1
35	Gaizhou	Liaoning	Power generation	100	January 2021	Note 1
36	Lianyuan	Hubei	Power generation	100	January 2021	May 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Project name	Provincial cities in PRC/ Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in	
37	Liling	Hunan	Power generation	100	October 2020	January 2027
38	Chongqing Heishizi Operation Contract	Chongqing	Power generation	–	November 2020	February 2039
39	Ankang	Shaanxi	Power generation	100	April 2022	September 2030
40	Dingnan	Jiangxi	Power generation	100	December 2021	Note 1
41	Shanghang	Fujian	Power generation	100	October 2021	September 2025
42	Yangxin	Hebei	Power generation	100	December 2021	September 2026
43	Changting	Fujian	Power generation	100	September 2021	December 2025
44	Wuping	Fujian	Power generation	100	October 2021	December 2030
45	Wafangdian	Liaoning	Power generation	100	September 2022	Note 1
46	Shaowu	Fujian	Power generation	100	January 2022	May 2026
47	Xiuyan	Liaoning	Power generation	100	October 2022	Note 4
48	Jingchuan	Gansu	Power generation	100	January 2023	Note 1
49	Xinning	Hunan	Power generation	100	March 2023	April 2032
50	Fushun	Liaoning	Power generation	100	June 2023	July 2025
51	Xiaoyi	Shanxi	Power generation	100	December 2022	July 2032
52	Zhengzhou	Henan	Power generation	100	September 2022	July 2028

* Projects of Changsha Subcontracting Contract and Changsha Qiaoyi Landfill Site are sharing household waste resources in the same site in Changsha.

Note 1: The collection period of landfill gas is until the volume of landfill gas generated from the Landfill reduced to the level of which could not be further utilized.

Note 2: These projects had suspended their operation in 2020.

Note 3: These projects had suspended their operation in 2021.

Note 4: The collection period of landfill gas is until 3 years after landfill site close.

1.5 Property Investment and development

As at 30 June 2022, the Remaining Group has 4 property projects on hand with total site area of approximately 70,985 square meters. As at 30 June 2022, all commercial units being sold in Nanjing Space Big Data. For the First Half 2022, the Remaining Group sold 6 commercial units in Nanjing Space Big Data project (For First Half 2021 of Remaining Group: sold 38 commercial units). In accordance with the Group's accounting policy, the Group will recognise the property sale as revenue once the property handed over to the customers with the completion of legal assignment.

MANAGEMENT DISCUSSION AND ANALYSIS

The development status of the property projects of the Group is as follows:

Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Approximate site area (square meters)	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
1. Nanjing Space Big Data Industry Base (南京空間大數據產業基地)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Completed	March 2022	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	72,853	50 years	100
2. Honghu Blue Valley Wisdom Square* (鴻鶴藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction (90%)	April 2022	Research and development Centre/Commercial (for sale and/or for lease)	30,544	43,738	50 years	100
3. Wenbifeng Office Building* (文筆峰辦公樓)	East Zhongshan Road, Yuanzhou District, Yichun City, South of Wenbifeng Waterworks Plot	Under construction (80%)	August 2022	Other	764	3,176	Nil	51
4. Water Supply Company Datang Water Quality Monitoring and Control Building Construction* (供水公司大樓水質化驗調度大樓建設)	North side of Xiujiang East Road, Yuanzhou District, Yichun City, Jiangxi Provision, east of Qin Yuan Primary School	Yet to develop	December 2024	Other	13,337	40,413	50 years	51
					70,985	160,180		

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION OF SUBSIDIARIES DURING/AFTER THE PERIOD UNDER REVIEW

ACQUISITION OF TAIYUAN YUANTONG

On 23 May 2022, Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司) (the “**Shenzhen New China Water**”) (as purchaser), being an indirect non-wholly-owned subsidiary of the Company, entered into the Taiyuan Equity Transfer Agreement with Shandong Yuantong Bioenergy Limited* 山東圓通生物能源有限公司 (the “**Shandong Yuantong**”) (as vendor) and Taiyuan Yuantong Bioenergy Limited* 太原市圓通生物能源有限公司 (the “**Taiyuan Yuantong**”) (as target company), pursuant to which Shandong Yuantong has agreed to sell, and Shenzhen New China Water has agreed to purchase, the entire equity interests in Taiyuan Yuantong (the “**Taiyuan Sale Capital**”), for a total consideration of RMB13,550,000 (equivalent to approximately HK\$15,967,000). Taiyuan Yuantong is wholly-owned by Shandong Yuantong. Upon completion of the Taiyuan Acquisition, Taiyuan Yuantong will become an indirect non-wholly-owned subsidiary of the Company and therefore the financial information of Taiyuan Yuantong will be consolidated into the financial statements of the Group. For details, please refer to the announcement of the Company dated 23 May 2022. Up to the date of this report, the acquisition is not completed as the terms and conditions for completion have not been fulfilled.

Acquisition and/or formation of renewable energy projects during/after the period under review

The Group had entered into 5 landfill gas collection and power generation agreements with different government authority departments and companies in the PRC. The investment mode for these projects are building-owning-operation. The Group has held 100% equity interests in the following projects. The analysis of new construction of renewable energy projects for power generation is as follows:

Contract signing time	Date of completion of formation/acquisition	Name of company	Concession agreement signing department/company	Project name	Provincial cities in PRC where the project is located	Current garbage disposal capacity (tons/day)	Estimated investment amount/consideration (RMB)	Expected commencement date of operation	Project operation period (years)	Average electricity rate (RMB/unit)	
For new construction											
1	28 December 2020	22 April 2022	JingChuan China Water Renewable Environmental Technology Limited* (涇川縣中水再生環保科技有限公司)	Jingchuan Municipal City Administration and Law Enforcement Bureau* (涇川縣城市管理綜合執法局)	Jingchuan Landfill Gas Power Generation Project (“ Jingchuan Project ”)	Gansu	80-110	5,000,000.00	January 2023	Until the volume of landfill gas fully utilized	0.5
2	18 April 2022	20 May 2022	XinNing New China Water Biomass Electricity Limited* (新寧新中水生物質能發電有限公司)	Hunan Modern Environment Technology Co., Ltd. Xinning Branch* (湖南現代環境科技股份有限公司新寧分公司)	Xinning New China Water Biomass Electricity Project (“ Xinning Project ”)	Hunan	200	18,000,000.00	March 2023	10 years	0.6
3	13 July 2022	25 July 2022	XiaoYi City New China Water Environmental Technology Limited* (孝義市新中水環保科技有限公司)	Fenyang Zhongke Yuanchang Renewable Energy Co., Ltd.* (汾陽中科潤昌再生能源有限公司)	Xiaoyi Landfill Gas Power Generation Project (“ Xiaoyi Project ”)	Shanxi	420	6,000,000.00	December 2022	10 years	0.509
For Acquisition											
4	2 December 2021	29 May 2022	Fushun Shifang Bioenergy Limited* (撫順十方生物能有限公司)	Fushun City Urban Construction and Development Promotion Center* (撫順市城市建設發展促進中心)	Fushun Landfill Gas Power Generation Project (“ Fushun Project ”)	Liaoning	-	3,110,000.00	June 2023	3-5 years	0.53
5	2 December 2021	25 August 2022	Zhengzhou Xinguan Energy Development Limited* (鄭州新冠能源開發有限公司)	Zhengzhou Sanitation Cleaning Company Limited* (鄭州市環衛清潔有限公司)	Zhengzhou Landfill Gas Power Generation Project (“ Zhengzhou Project ”)	Henan	1800-2000	22,340,000.00	September 2022	20 years	0.586

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS DURING/AFTER THE PERIOD UNDER REVIEW

Saved as disclosed in the section headed "MATERIAL ACQUISITION OF SUBSIDIARIES" above, the Group also had the following material events during/after the period under review:

A. Finance Lease Arrangement

- (i) On 22 February 2022, New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司) (the "**Lessee 1**"), Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司), Shandong Qiyao New Energy Company Limited* (山東齊耀新能源有限公司) and Ningbo Qiyao New Energy Company Limited* (寧波齊耀新能源有限公司) (collectively known as "**Lessees**") entered into the Transfer Agreement with Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司) (the "**Greengold Leasing**"), pursuant to which Greengold Leasing shall purchase the power generation equipment (the "**Leased Assets**") from Lessee 1 for the purchase price of RMB20,000,000 (equivalent to approximately HK\$24,740,000). On the same date, the Lessees and Greengold Leasing entered into the Finance Lease Agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessees for a lease consideration comprising of a principal amount equivalent to the purchase price and the interest accrued thereon at a rate of 6.35% per annum for a lease period of 48 months commencing from the payment date of the Purchase Price. For details, please refer to the announcement of the Company dated 22 February 2022.

- (ii) On 28 February 2022, Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司) (the "**Lessee**"), being an indirect non-wholly-owned subsidiary of the Company entered into the Finance Lease Agreement with Huarun Financial Leasing Company Ltd. Shanghai Branch* (華潤融資租賃有限公司上海分公司) (the "**CR Leasing**"), pursuant to which (i) CR Leasing shall purchase the Leased Assets from the Lessee for RMB60,000,000 (equivalent to approximately HK\$74,694,000) (the "**Purchase Price**"); and (ii) CR Leasing shall lease back the machinery and equipment for landfill gas and power generation (the "**Leased Assets**") to the Lessee for a lease consideration comprising a principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 6.30% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price. For details, please refer to the announcement of the Company dated 28 February 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) On 28 July 2022, FoShan City Gaoming Huaxin Sewage Treatment Company Limited* (佛山市高明區華信污水處理有限公司) (the “**Lessee**”) entered into the New Transfer Agreement and the New Finance Lease Agreement with Greengold Leasing, pursuant to which (i) Greengold Leasing shall purchase the sewage treatment equipment (the “**Leased Assets**”) from the Lessee for the purchase price of RMB18,000,000 (equivalent to approximately HK\$21,091,000); and (ii) Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease period of 60 months. The Lessee shall repay Greengold Leasing lease consideration comprising of (i) principal amount equivalent to the Purchase Price; and (ii) the interest accrued thereon at a rate of 6.35% per annum by 60 monthly installments of approximately RMB352,000 (equivalent to approximately HK\$412,000) each. For details, please refer to the announcement of the Company dated 28 July 2022.
- (iv) a. On 21 June 2022, Chongqing Kangda New Energy Company Limited* 重慶康達新能源有限公司 (the “**Lessee I**”), a subsidiary of the Company, entered into the Transfer Agreement and the Finance Lease Agreement with the Jiansu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) (the “**Lessor**”), pursuant to which (i) the Lessor shall purchase ten (10) sets of landfill gas power generating facilities (the “**Leased Assets**”) from the Lessee I for the Purchase Price of RMB13,000,000 (equivalent to approximately HK\$14,820,000); and (ii) the Lessor shall lease back the Leased Assets to the Lessee I for a lease period of four (4) years. The Lessee I shall repay Lessor lease consideration comprising of principal amount equivalent to the Purchase Price and the estimated interest accrued thereon at a rate of 7.5224% per annum for a lease period of four (4) years.
- b. On 29 August 2022, Zhengzhou Xinguan Energy Development Company Limited* 鄭州新冠能源開發有限公司 (the “**Lessee II**”) an indirect wholly-owned subsidiary of the Company entered into the Transfer Agreement and the Finance Lease Agreement with the Jiansu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) (the “**Lessor**”), pursuant to which (i) the Lessor shall purchase six (6) sets of landfill gas generators and related equipment situated in an integrated waste treatment plant (the “**Leased Assets**”) from the Lessee II for the Purchase Price of RMB17,000,000 (equivalent to approximately HK\$19,380,000); and (ii) the Lessor shall lease back the Leased Assets to the Lessee II for a lease period of four (4) years. The Lessee II shall repay Lessor lease consideration comprising of principal amount equivalent to the Purchase Price and the estimated interest accrued thereon at a rate of 7.5224% per annum for a lease period of four (4) years.

For details, please refer to the announcement of the Company dated 29 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

B. Termination of the Xiamen acquisition

On 2 December 2021, Shenzhen New China Water, an indirect non-wholly-owned subsidiary of the Company (as purchaser), entered into the Xiamen Equity Transfer Agreement with Beikong Shifang (Shandong) Environmental Energy Group Limited* 北控十方(山東)環保能源集團有限公司 (the “**Beikong Shifang**”) and Xiamen Tongjie Environmental Protection Technology Limited* 廈門通潔環保科技有限公司 (the “**Xiamen Tongjie**”) (as vendors) and Xiamen Shifang Yuantong Bioenergy Limited* 廈門十方圓通生物能源有限公司 (the “**Xiamen Shifang**”) (as target company), pursuant to which Shenzhen New China Water has agreed to purchase, and (i) Beikong Shifang has agreed to sell, the Xiamen Sale Capital A, representing 55% equity interests in Xiamen Shifang; and (ii) Xiamen Tongjie has agreed to sell, the Xiamen Sale Capital B, representing 45% equity interests in Xiamen Shifang, for a total consideration of RMB15,000,000 (equivalent to approximately HK\$18,359,000). Shenzhen New China Water has paid the Xiamen Deposit in the sum of RMB6,000,000 (equivalent to approximately HK\$7,343,000) to Beikong Shifang and Xiamen Tongjie pursuant to the terms of the Xiamen Equity Transfer Agreement. Pursuant to the terms of the Xiamen Equity Transfer Agreement, Shenzhen New China Water shall pay Beikong Shifang and Xiamen Tongjie the Xiamen Second Installment upon completion of the Xiamen Payment Conditions, which among others include a written document issued by Xiamen Urban Appearance Environment Health Management Office permitting the transfer of the Xiamen Sale Capital to Shenzhen New China Water or agreeing to the transactions contemplated thereunder having been obtained by Beikong Shifang and Xiamen Tongjie (the “**Xiamen Regulatory Approval**”). The Purchaser has recently been informed by Beikong Shifang and Xiamen Tongjie that the Xiamen Regulatory Approval will not be given by Xiamen Urban Appearance Environment Health Management Office. On 16 February 2022, Shenzhen New China Water, Beikong Shifang, Xiamen Tongjie and Xiamen Shifang have entered into a termination agreement (the “**Xiamen Termination Agreement**”), pursuant to which the parties have agreed to terminate the Xiamen Equity Transfer Agreement with immediate effect. In February 2022, Beikong Shifang and Xiamen Tongjie had refunded the deposit in full to Shenzhen New China Water. For details, please refer to the announcements of the Company dated 2 December 2021 and 16 February 2022.

C. Acquisition of equipment

- i On 6 July 2022, China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司), an indirect non-wholly-owned subsidiary of the Company (the “**Purchaser**”), entered into the equipment purchase agreement I with Beijing Aijian Tongyi Economic and Trade Development Co., Ltd* (北京愛建同益經貿發展有限責任公司) (the “**Vendor I**”) to purchase the fifteen (15) set of biogas generators for a total consideration of RMB69 million (equivalent to approximately HK\$81.25 million) for the operation of the Group’s principal business in renewable energy business segment. For details, please refer to the announcement of the Company dated 6 July 2022.
- ii On 8 July 2022, the Purchaser entered into the equipment purchase agreement II with Beijing Yisheng Environmental Technology Limited* (北京宜升環保能源科技有限公司) (the “**Vendor II**”), to purchase the fourteen (14) set of biogas generators for a total consideration of RMB64.4 million (equivalent to approximately HK\$75.84 million) for the operation of the Group’s principal business in renewable energy business segment. For details, please refer to the announcement of the Company dated 8 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

D. The rights issue on the basis of one (1) rights share for every two (2) existing shares

On 20 July 2022, the Company completed a rights issue at a price of HK\$0.175 per rights share on the basis of one (1) rights share for every two (2) existing shares held by the qualifying shareholders on the record date (i.e. 24 June 2022) (the “**Rights Issue**”) by issuing up to 957,869,883 rights shares. The gross proceeds from the Rights Issue are approximately HK\$167.6 million and the net proceeds from the Rights Issue, after deducting all relevant expenses for the Rights Issue, are estimated to be approximately HK\$165.8 million of which (i) approximately 80% of the net proceeds is intended to be utilised for the partial repayment of the Group’s loans and borrowings; and (ii) approximately 20% of the net proceeds is intended to be used for general working capital(including but not limited to staff cost, office rent and rates, professional fees and other general corporate expenses). For details, please refer to (i) announcements dated 13 June 2022 and 20 July 2022 and (ii) prospectus dated 29 June 2022.

E. Placing of new shares under general mandate

Details of placing of new shares are set out in the section of CAPITAL FUND RAISING AND USE OF PROCEEDS.

F. Amended and restated memorandum and articles of association

On 24 June 2022, the Company has amended the existing memorandum of association of the Company (the “**Memorandum of Association**”) and articles of association (the “**Articles of Association**”) of the Company at the annual general meeting for the purposes of bringing the existing Memorandum of Association and Articles of Association in line with, among other things, the latest legal and regulatory requirements, including the amendments made to the applicable laws of the Cayman Islands and Appendix 3 to the Listing Rules on The Stock Exchange which took effect on 1 January 2022 and to incorporate certain housekeeping amendments. The amended and restated Memorandum and Articles of Association had become effective on 24 June 2022. For details, please refer to (i) the announcements dated 13 May 2022 and 24 June 2022 and (ii) the circular dated 24 May 2022.

G. Connected transaction for the entering into tenancy agreement

On 26 August 2022, South Top Investment Limited, a wholly-owned subsidiary of the Company as the tenant, entered into a tenancy agreement (the “**Tenancy Agreement**”) with Star Wing International Limited (the “**Landlord**”) for leasing Office H, 8/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong (the “**Premise**”), for a term of three years with commencement of 2 months rent free renovation period from 20 July 2022. The Premises upon completion of renovation will be used as the principal office of the Group in Hong Kong. The ultimate beneficial owner of the Landlord is Mrs. Chu, a substantial shareholder of the Company, hence the Landlord is a connected person of the Company, the entry into the Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. In accordance with HKFRS 16 “Leases”, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy agreement. Accordingly, the lease transaction under the Tenancy Agreement will be regarded as an acquisition of asset by the Group for the purpose of the Listing Rules. The unaudited aggregated value of the right-of-use asset to be recognised by the Group under the terms of the Tenancy agreement amounted to approximately HK\$2.85 million, which is the present value of total rent payable calculated in accordance with HKFRS 16. As the unaudited aggregated value of the right-of-use asset is below HK\$3,000,000, the transaction was fully exempted under 14A.76(1)(c) of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2022, the Group has no material contingent liabilities (As at 31 December 2021: Nil).

PLEDGE OF ASSETS

The Group's obligations under finance leases, bank loans and other loans of HK\$360.49 million in total as at 30 June 2022 (As at 31 December 2021: HK\$384.54 million) were secured by charges over:

- (i) property, plant and equipment in which their carrying amount was HK\$190.01 million (As at 31 December 2021: HK\$176.26 million);
- (ii) right-of-use assets in which their carrying amount was HK\$449.83 million (As at 31 December 2021: HK\$445.05 million); and
- (iii) contractual rights to receive revenue generated by certain of our subsidiaries.

NO MATERIAL CHANGE

Save as disclosed in this report, during the First Half 2022, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2021.

EMPLOYEES

As at 30 June 2022, excluding jointly controlled entities and associates, the Remaining Group had 1,039 employees (As at 30 June 2021 of the Remaining Group: 1022), of which 13 are Hong Kong employees (As at 30 June 2021 of the Remaining Group: 12). During the period, total employee benefit expenses, including directors' emoluments and provident funds, was HK\$107.10 million (For the First Half 2021 of the Remaining Group: HK\$105.07 million). The increase was due to addition staff employed for further expansion of business in renewable energy projects and staff salaries increment. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to the Remaining Group's operating results, market conditions and individual performance. Remuneration packages are normally reviewed as on annual basis by the Remuneration Committee. During the period under review, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW

The world economy picked up its recovery rate in the first half of 2022, of which Asia-Pacific still served as the main engine of global economic growth. As for the PRC, benefiting from its effective pandemic control, the nation saw no large-scale workplace shutdown this year, cushioning a major portion of the impacts COVID-19 brought to the economy. People's confidence significantly rebounded as vaccination spread and unemployment rate dropped, and the vibrant domestic demand proved to be particularly effective to boosting the economy.

As the economy and society develop and the level of material consumption rises, the PRC has been increasingly turning its focus to going green, stepping up its efforts in regulation to further develop the environmental protection industry in a market-oriented approach. The next obstacle to overcome lies in the country's energy structure transformation, as it needs to tackle environmental issues reasonably as well as to "Reduce Pollution And Carbon Emission" at the same time. As a player of the domestic environmental protection industry, China Water Industry Group attentively analyzes the directions and strategic development trends of the national environmental protection policy, continuing to explore the industry' market potential with a strong emphasis on the niche segment of biomass gas power generation. With landfill gas power generation business as the cornerstone, we will simultaneously expand into other biogas power generation businesses, such as those with pig manure anaerobic and food waste, to improve our core technology and competitiveness. In the first half of the year, the Group's business met predesignated targets and made substantial progress across all segments. Despite that, we will always keep a keen eye and stay vigilance to the market, planning our investment strategies with a clear development direction in mind.

I. The Water Segment Adopts Delicacy Management, Striking New High in Revenue

In the recent years, as the nation experienced a steady upward trend in both urban and rural water supply as well as sewage treatment volume, the water industry operated on a stable basis. As a crucial element of infrastructure construction and civil engineering, the water industry has been reforming itself in accordance with the major trend of delicacy management. Yichun Water Industry Co., Ltd* (宜春水務集團有限公司), a subsidiary of the Group, has intellectualized its water service system, launching a "Online Services Counter" to provide citizens with a more convenient choice for water services. Meanwhile, with the newly built new plant of the treatment volume of 20,000 tonne per day, the city's capacity has increased from 240,000 tonne to 260,000 tonne. In addition, four booster pumping stations were expanded with clear water pools. With all these, our ability to safeguard water supply has been ever increasing.

In terms of sewage treatment, Yichun Fangke Sewage Treatment Company Limited* (宜春市方科污水處理有限公司) successfully completed the technical improvements for "KeJing No. 1", its floating substances removal device, solving the issue of floating weeds which has lingered for over a decade, thereby further improving our efficiency. Foshan City Gaoming Huaxin Sewage Treatment Company Limited* (佛山市高明區華信污水處理有限公司), Jining City Haiyuan Water Treatment Company Limited* (濟寧市海源水務有限公司) and Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) are now actively cooperating with the government to carry out a "Reconstruct Project", which aims to upgrade the four types of quasi water construction projects. After the upgrade is completed, the sewage treatment companies under the Group will rank among the top-notch municipal sewage treatment entities of the nation, and the unit price of sewage treatment is expected to enjoy a significant rise, which will serve as a major driver to the Company's profit growth.

II. The Environmental Protection and New Energy Segment Achieves Innovation through Development, Expanding into New Projects and New Areas

Against the backdrop of “carbon peaking” and “carbon neutrality”, biomass power generation plays a crucial role in the country’s energy structure transformation. For biogas power generation, as it conforms with the overall policy of energy saving and emission reduction, increasing opportunities will also emerge in the field.

Up to the date of this report, the New China Water Company under the Group has built and been operating 39 landfill gas power generation projects nationwide, with an installed capacity of 165.35 MW. As of the first half of 2022, its on-grid electricity reached approximately 337,993.40 MWh. Currently, there are 7 projects under construction and 2 projects in operation. As a leading company in the landfill gas treatment and resource utilization industry, the company has accumulated certain competitive edges in terms of scale, management, technology, brand and talents, enabling it to occupy a leading position in the market.

In terms of carbon reduction, the total carbon reduction of New China Water accumulated to 22.764 million tonne. Of which, there are 14 Verified Carbon Standard (“VCS”) (核證碳減排標準) projects with a combined emission reduction totaling to 3.534 million tonne, 22 Chinese Certified Emission Reduction (“CCER”) (國家核證自願減排量) projects with a combined emission reduction totaling to approximately 16.837 million tonne, and 5 Clean Development Mechanism (“CDM”) (清潔發展機制) projects with a combined emission reduction totaling to approximately 2.01 million tonne. The revenue will be further increased after the relevant national policies being rebooted.

In terms of financing, on 20 May 2022, New China Water signed a green loan agreement with the International Finance Corporation (IFC) under the World Bank, with a total financing amount of RMB320 million, and drew down the first loan of RMB161.2 million on 29 July 2022. The loan fully reflects that IFC, a foreign institution, has high recognition of New China Water’s business model, operation and management capabilities, corporate management structure, legal compliance and the environmental and social benefits of its projects. It also shows that IFC holds confidence in the company’s future business development. At the same time, the company obtained a facility of RMB93 million through other financial leasing means. The cooperation with IFC not only brings New China Water the capital necessary for project construction and operation, but also fulfills its commitment to further expand the strategic partnership with IFC. With this cooperation as a new milestone, New China Water will seize the historic opportunity of carbon neutrality in both domestic and foreign markets. Capitalizing on the great platform and quality resources of the Group’s listed company, we will keep exploring new industry sectors and continue to grow on the existing installed capacity. With the support of the national “One Belt, One Road” policy, we will persist to “go global” by transplanting successful domestic experiences and technologies to foreign countries, truly becoming a biomass gas operation provider that serves both China and the world.

In 2022, the Group has established of water industry representative offices in Beijing and Shanghai respectively, to serve as a hub and bridge for China’s water industry in the political and economic city centres of China, actively exploring the latest environmental protection policies and quality information resources, striving to pioneer the industry and to seize the opportunity. The investment and acquisition of Anhe Rui & Really Environmental & Energy Technology (Shanghai) Co., Ltd.* (安和睿環保能源科技(上海)有限公司) provided strong technical support for the Group’s future development of biogas sources, wastewater treatment and resource utilization of organic waste in urban and rural areas, thus achieving industry breakthroughs.

MANAGEMENT DISCUSSION AND ANALYSIS

III. The City-Industry Integration Segment Turned around with Timely Policies amidst Adversity

The Group set up a special working team for the city-industry integration segment to coordinate the management of the project and study the solutions for some of the remaining issues of the Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) Project under the city-industry integration segment. For the Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) Project, the Group has fully discussed the follow-up construction and cooperation plans with the construction party, and strived to facilitate the completion of the project under the market downturn. For the Nanjing Space Big Data Industry Base Project, the reconciliation of conflicts between customers and suppliers has been substantially completed, and the project is about to be capitalized and is well positioned for long-term operation and sustainable profit generation.

PROSPECTS

Halfway through 2022, the internal and external environment for the economic development in China had drastic changes from last year. Under the domestic “dynamic zero infection” policy for epidemic prevention and control, more refined operations are needed between epidemic prevention and economic development.

I. Keep Abreast of Macro-environmental Policies to Help the Layout of the Environmental Protection and New Energy Market

In June 2022, the National Development and Reform Commission and other nine departments jointly issued the “14th Five-Year Plan for the Development of Renewable Energy”, which is a framework document for the development of renewable energy during the “14th Five-Year Plan” period, and is crucial to achieving China’s high-quality development and “dual carbon” goals. It suggested that the annual power generation of renewable energy will reach about 3.3 trillion kWh by 2025. Under such favorable macro environment, China Water Industry Group will be committed to development and transformation with focus on developing environmental protection and new energy segment and fully supporting new project construction from all aspects including manpower, capital and technology to accelerate the progress of project commissioning. For business expansion, we will actively continue to look for other biomass and fuel gas utilisation projects. In the second half of the year, we will focus on the development of integrated agricultural and forestry waste treatment projects and explore new gas sources.

With the receding epidemic and the progress of the national strategy of “One Belt, One Road”, China Water Industry Group will continue to focus on the layout of overseas markets. In the second half of the year, starting from the resumption of the “Jakarta” project in Indonesia, we will explore a business model suitable for domestic waste disposal market in Southeast Asia in anticipation for a great development potential in overseas markets in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Strengthen our Team and Establish a Water Development Department for Prosperity

In the second half of 2022, the Group will establish a new Water Development Department, which will organize and transfer the management elites in the aspects of operation, finance, engineering, technology from various water, sewage project companies to be fully responsible for special governance work of the Group's water segment, standardizing the operation mode, improving the management level and increasing the profitability, and opening a new pattern for the water segment. In the short term, we will stabilize the revenue base, further improve the operating conditions of some project companies, and seek new profit growth models.

III. Actively explore more financing channels for further expansion Group's core businesses

To ensure the sustainable development of the Group and fulfil the capital demands during the development, the Group took the initiative to expand its financing channels and enhanced its funding capability including but not limited to issue of new shares and loans financing with various domestic and international commercial banks so as to make well preparation for the future development of our projects. The Group managed to maintain a healthy financial condition with a reasonable gearing ratio.

The Group will always be committed to achieving its business philosophy of "The government is assured and the public is satisfied. Shareholders' recognition and staff contentment are achieved" ("政府放心·市民滿意·股東認可·員工樂業"). It will always adhere to national policies while seeking new opportunities amid opportunities and challenges, continuously enhancing core competitiveness, clarifying ideas, identifying directions, and making steady progress. It will strive to become the leading biomass and fuel gas operator in China.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2022, the interests and short positions of each Director and Chief Executive of the Company, or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the securities and futures ordinance ("SFO") which (a) had been notified of the Company and the Stock Exchange pursuant to divisions 7 and 8 of part xv of the SFO (including interests and short positions in which directors have taken or deemed to have under such provisions of the SFO) or which (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code for securities transactions by Directors of listed companies (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to Company and the Stock Exchange were as follows:

Interest in the Shares

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Hu Siyun	Beneficial owner	27,936,000 (L)	1.46%
Ms. Deng Xiao Ting	Beneficial owner	3,000,000 (L)	0.16%
Ms. Chu Yin Yin, Georgiana	Beneficial owner	743,200 (L)	0.04%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,915,739,766 shares in issue as at 30 June 2022.

The letter "L" denotes a long position in shares of the Company

Save as disclosed above, as at 30 June 2022, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) were 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 directors have taken or deemed to have under such provisions of SFO) or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following persons and entities, other than a Director or Chief Executive of the Company disclosed under the section “Directors’ and Chief Executive’s interests in securities” above had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Step Wide Investment Limited	Beneficial owner	276,112,000 (L) (Note 1)	14.41%
Honghu Capital Co. Ltd.	Beneficial owner	161,532,000 (L) (Note 2)	8.43%

Note 1: These shares are held by Step Wide Investment Limited (“**Step Wide**”) which Mrs. Chu Yuet Wah (“**Mrs. Chu**”) is the beneficial owner. Mrs. Chu is deemed to be interested in shares held by Step Wide by virtues of the SFO.

Note 2: These shares are held by Honghu Capital Co. Ltd. (“**Honghu Capital**”) which Mr. Deng Jun Jie (“**Mr. Deng**”) is the beneficial owner. Mr. Deng is deemed to be interested in shares held by Honghu Capital by virtues of the SFO.

Note 3: The shareholding percentage in the company is calculated on the basis of 1,915,739,766 shares in issue as at 30 June 2022.

Note 4: The letter “L” denotes a long position in shares.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other corporation which/person (other than a Director or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE CAPITAL

The Company’s issued and fully paid share capital as at 30 June 2022 amounted to HK\$19.16 million divided into 1,915,739,766 ordinary shares of HK\$0.01 each.

DIRECTORS’ RIGHTS TO ACQUIRES SHARES OR DEBENTURES

Save as disclosed under the heading “Share option scheme” below, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUPPLEMENTARY INFORMATION

SHARE OPTION SCHEME

At the annual general meeting (the “**2021 AGM**”) of the Company held on 2 June 2021, the shareholders of the Company approved the adoption of the Company’s New Share Option Scheme (the “**New Option Scheme**”) and the termination of the Company’s then existing Share Option Scheme. The adoption date for the New Option Scheme was on 3 June 2021. From the New Option Scheme being adopted up to 30 June 2022, no share options have been granted. The purpose of the New Option Scheme is to enable the Company to grant options to selected participants as incentive and/or rewards for their contribution and support to the Group and any invested entity and/or to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity. The New Option Scheme will remain in force for 10 years and expire on 2 June 2031.

PRE-EMPTIVE RIGHTS

There are no provisions for 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 its existing shareholders.

SUFFICIENT OF PUBLIC FLOAT

As far as the information publicly available to the company is concerned and to the best knowledge of the Directors of the Company, at least 25% of the Company’s issued share capital were held by members of the public up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders’ expectation and comply with relevant standards. The Company has complied with the code provisions of Corporate Governance Code (the “**CG Code**”) throughout the six months ended 30 June 2022 except for the deviation from the code provision C.2.1 as below:

- Pursuant to the code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the period from 4 September 2018 to 7 February 2021, Mr. Lin Yue Hui (“**Mr. Lin**”) took up the positions of Chairman and CEO. The Board has evaluated the situation of the Group and taken into account of the experience and past performance of Mr. Lin, the Board was of the opinion that it was appropriate and in the best interest of the Company for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group’s business strategies and maximizes the effectiveness of its operation. On 8 February 2021, Mr. Lin resigned as the Chairman and CEO of the Company, also he resigned as an executive Director of the Company on 18 June 2021. Mr. Zhu, an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

SUPPLEMENTARY INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of the conduct for securities transactions by directors (the “**Model Code**”). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to all Directors and the Group’s senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors and senior management, the Board confirmed that they had complied with the Model Code regarding directors’ securities transactions throughout the accounting period and up to the date of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period ended 30 June 2022.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the annual report of the Company for the year ended 31 December 2021 required to be disclosed was as follows:

- a. With effect from 9 September 2022, Mr. Zhu was appointed as a non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange.
- b.
 - (i) With effect from 14 January 2022, Mr. Wong Siu Keung Joe (“**Mr. Wong**”) was appointed as an independent non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange.
 - (ii) With effect from 25 March 2022, Mr. Wong was appointed as an executive Director of the DeTai New Energy Group Limited (the “**DeTai New Energy**”) (Stock code: 559) which is listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as the Company Secretary, the Authorised Representative and the Chief Financial Officer of the DeTai New Energy with effect from 10 January 2022.

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

AUDITOR REVIEW OF THE INTERIM FINANCIAL RESULTS

The interim financial results have not been audited or reviewed by the Group’s external auditors.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors (the “**INEDs**”) of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, has reviewed with the management of the Company, (i) the accounting principles and practices adopted by the Group; (ii) internal controls including relevant internal control measures to govern connected party transactions; and (iii) financial reporting matters including the review of the unaudited interim consolidated financial statements for the six months ended 30 June 2022. The term of reference of the Audit Committee is available on the Company’s website and on the Stock Exchange’s website.

SUPPLEMENTARY INFORMATION

REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Zhu Yongjun and Mr. Lam Cheung Shing, Richard. It is mainly responsible for reviewing and evaluating the remuneration policies of executive Directors and senior management and making recommendations to the Board from time to time. The term of reference of the Remuneration Committee is available on the Company's website and on the Stock Exchange's website.

NOMINATION COMMITTEE

The Nomination Committee comprises two INEDs and one executive Director of the Company including Mr. Zhu Yongjun (Committee Chairman), Mr. Wong Siu Keung, Joe and Mr. Lam Cheung Shing, Richard. The Nomination Committee is mainly responsible for reviewing the Board composition, board diversity policy, advising the Board on the appointment and succession planning of Directors and assessing the independence of INEDs. The term of reference of the Nomination Committee is available on the Company's website and on the Stock Exchange's website.

INVESTMENT COMMITTEE

The Investment Committee consists of three executive Directors including Mr. Zhu Yongjun (Committee Chairman), Mr. Hu Siyun and Ms. Chu Yin Yin, Georgiana, four senior management including Mr. Tang Po Shing, Mr. Zhong Wei Guang, Mr. Liu Wei Qing and Mr. Pan Yimin. The role of Investment Committee is to oversee the Company's strategic and investment policy on a regular basis and to advise the Board on the investment of the Company including asset allocation and new investment proposal. The term of reference of the Investment Committee is available on the Company's website.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

The interim results announcement is published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report of the Company for 2022 containing all information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude, on behalf of the Board, to the investors and financial institutions for always offering their trust and support to the Group, as well as all our colleagues in the water industry for their dedication to the Group's development. In the second half of the year, the Group will stay true to our mission and continue to march forward. We look forward to sharing with you the achievements of the Group.

By order of the Board
China Water Industry Group Limited
Mr. Zhu Yongjun
Chairman and Executive Director

Hong Kong, 30 August 2022

* The English name is for identification purpose only.