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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)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change %
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	
Financial Result			
Revenue	733,788	1,219,143	(39.81)
Gross Profit	184,202	370,934	(50.34)
Loss for the year	(213,635)	(29,719)	618.85
Loss attributable to owners of the Company	(243,451)	(89,198)	172.93
Loss per share (HK cents) — Basic and diluted	(8.47)	(3.88)	118.30
EBITDA (<i>Note</i>)	27,643	265,182	(89.58)
		2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial Position			
Gearing ratio		51.31%	45.07%
Current ratio		1.17 times	1.31 times
Cash and cash equivalents		148,785	184,447
Net asset value		1,641,244	1,902,418
Equity attributable to owners of the Company		1,129,387	1,395,640
Equity attributable to owners of the Company per share (HK\$)		0.39	0.49

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

The board (the “**Board**”) of Directors (the “**Directors**”) of China Water Industry Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 together with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Revenue	3	733,788	1,219,143
Cost of sales		<u>(549,586)</u>	<u>(848,209)</u>
Gross profit		184,202	370,934
Other operating expenses and income		(9,133)	71,297
Loss on disposal of a joint venture		–	(1,142)
Gain on disposal of subsidiaries		2,961	531
Selling and distribution expenses		(40,872)	(41,141)
Administrative expenses		(201,910)	(196,282)
Finance costs	5	(46,203)	(67,535)
Change in fair value of investment properties		(9,298)	585
Net gain on financial assets at fair value through profit or loss		1,730	696
Impairment loss recognised on:			
property, plant and equipment		(4,784)	(13,490)
goodwill		–	(22)
other intangible assets		–	(1,480)
trade and other receivables, net		(73,387)	(122,773)
right-of-use assets		(1,737)	(1,295)
Share of loss of associates, net		(912)	(133)
Share of profit of joint ventures		1,139	784
Loss before taxation		(198,204)	(466)
Income tax	6	(15,431)	(29,253)
Loss for the year	7	<u>(213,635)</u>	<u>(29,719)</u>
Attributable to:			
Owners of the Company		(243,451)	(89,198)
Non-controlling interests		29,816	59,479
		<u>(213,635)</u>	<u>(29,719)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share:	9		
Basic		<u>(8.47)</u>	<u>(3.88)</u>
Diluted		<u>(8.47)</u>	<u>(3.88)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
Loss for the year	(213,635)	(29,719)
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of foreign operations		
Exchange difference arising during the year	<u>(24,565)</u>	<u>(164,298)</u>
	<u>(24,565)</u>	<u>(164,298)</u>
Financial assets at fair value through other comprehensive income:		
Net loss arising on revaluation of financial assets at fair value through other comprehensive income during the year	(1,973)	(32)
Release of reserve upon disposal of subsidiaries	2,764	1,929
Release of reserve upon disposal of a joint venture	–	(70)
Release of reserve upon deregistration of subsidiaries	–	(97)
Share of other comprehensive loss of associates	(32)	(236)
Share of other comprehensive loss of joint ventures	(315)	(1,956)
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of investment properties upon transfer from property, plant and equipment	–	1,249
Deferred tax liabilities arising on gain on revaluation of investment properties	<u>–</u>	<u>(312)</u>
	<u>–</u>	<u>937</u>
Other comprehensive loss for the year, net of income tax	<u>(24,121)</u>	<u>(163,823)</u>
Total comprehensive loss for the year	<u>(237,756)</u>	<u>(193,542)</u>
Attributable to:		
Owners of the Company	(266,253)	(222,027)
Non-controlling interests	28,497	28,485
	<u>(237,756)</u>	<u>(193,542)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		597,683	548,020
Deposits paid for acquisition of property, plant and equipment		134,164	153,929
Deposits paid for acquisition of right-of-use assets		8,945	–
Deposits paid for acquisition of additional interests in a subsidiary		55,878	–
Right-of-use assets		317,275	353,550
Operating concessions		625,296	604,387
Receivables under service concession arrangements		8,538	10,795
Investment properties		201,389	213,679
Other intangible assets		135,937	162,029
Financial assets at fair value through other comprehensive income		1,870	3,843
Interests in associates		1,913	2,483
Interests in joint ventures		22,336	21,512
Deferred tax assets		6,764	2,513
Deposits and prepayments	<i>10</i>	–	18,960
		<u>2,117,988</u>	<u>2,095,700</u>
Current assets			
Inventories		56,008	67,055
Receivables under service concession arrangements		2,102	2,459
Financial assets at fair value through profit or loss		12,103	30,115
Trade and other receivables	<i>10</i>	935,223	938,981
Contract assets		91,323	63,513
Cash held by financial institutions		661	596
Pledged bank deposits		15,969	–
Bank balances and cash		132,155	183,851
Amounts due from non-controlling shareholders of subsidiaries		–	2,889
Amounts due from associates		5,965	4,196
Amounts due from joint ventures		1,180	–
		<u>1,252,689</u>	<u>1,293,655</u>
Assets held for sale		–	74,153
		<u>1,252,689</u>	<u>1,367,808</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>11</i>	435,596	487,823
Contract liabilities		166,854	135,822
Bank borrowings		124,207	60,602
Other loans		168,869	184,519
Lease liabilities		147,528	123,380
Amounts due to non-controlling shareholders of subsidiaries		2,825	–
Income tax payables		24,322	27,858
		1,070,201	1,020,004
Liabilities directly associated with the assets held for sale		–	27,955
		1,070,201	1,047,959
Net current assets		182,488	319,849
Total assets less current liabilities		2,300,476	2,415,549
Capital and reserves			
Share capital		28,736	28,736
Share premium and reserves		1,100,651	1,366,904
Equity attributable to owners of the Company		1,129,387	1,395,640
Non-controlling interests		511,857	506,778
TOTAL EQUITY		1,641,244	1,902,418
Non-current liabilities			
Trade and other payables	<i>11</i>	29,768	21,371
Bank borrowings		318,957	223,755
Other loans		17,279	16,506
Lease liabilities		205,389	161,135
Government grants		31,923	33,784
Deferred tax liabilities		55,916	56,580
		659,232	513,131
		2,300,476	2,415,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

China Water Industry Group Limited (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**”). Its principal place of business is located at Office H, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “**Group**”), the Group’s interests in associates and joint ventures. These consolidated 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 is HK\$.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”) AND HONG KONG ACCOUNTING STANDARDS (“**HKASs**”)

The Group has applied the following new and amendments to HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) to these consolidated financial statements for the current accounting period for the first time, which are mandatorily effective for the Group’s financial annual period beginning on or after 1 January 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The Group has not applied any standards or amendments that are not yet mandatorily effective for the current accounting period. Except as described below, the application of the new and amendments to HKFRSs and HKASs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The amendments do not have a material impact on these consolidated financial statements as the Group’s approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Prior to the adoption of Amendments to HKAS 12, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group previously applied HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

Upon the application of the amendments, the Group recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The application of the amendments does not have a material impact on the Group’s financial position and performance because the deferred tax assets and the deferred tax liabilities as a result of the adoption of Amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also no material impact on the opening balances as at 1 January 2022 as a result of the change.

3. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15: Disaggregated by major products or service lines:		
Water supply services	122,776	146,351
Sewage treatment services	85,197	83,447
Water supply related installation and construction income	135,880	226,499
Water supply and sewage treatment infrastructure construction income	69,993	101,160
Sales of electricity	289,691	420,413
Sales of compressed natural gas	11,032	4,441
Service income from collection of landfill gas	18,353	29,517
Sales of solid organic fertilizer	866	–
Sales of property investment and development	–	207,315
	<u>733,788</u>	<u>1,219,143</u>

Sales of electricity to provincial power grid companies included tariff adjustment received and receivable from the relevant government authorities.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 4.

4. SEGMENT REPORTING

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 directors 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 sales of renewable energy” segment, which derives revenues primarily from sales of electricity and compressed natural gas from biogas power plants and solid organic fertilizer from comprehensive utilisation of straw and livestock and poultry waste; and
- (iii) “Property investment and development” segment, which derives revenues primarily from sales of commercial and residential units.

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

Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition as well as information regarding the Group’s reportable and operating segments, are set out below.

For the year ended 31 December 2023

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sales of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	207,973	319,942	–	527,915
Over time	205,873	–	–	205,873
Reportable segment revenue	<u>413,846</u>	<u>319,942</u>	<u>–</u>	<u>733,788</u>
Reportable segment profit/(loss)	<u>41,292</u>	<u>(68,449)</u>	<u>(46,289)</u>	<u>(73,446)</u>
Unallocated corporate expenses				(128,378)
Interest income				477
Interest on fixed coupon bonds				(1,548)
Net gain on financial assets at fair value through profit or loss				1,730
Gain on disposal of a subsidiary				2,961
Loss before taxation				<u>(198,204)</u>

For the year ended 31 December 2022

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sales of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	229,798	454,371	207,315	891,484
Over time	327,659	–	–	327,659
Reportable segment revenue	<u>557,457</u>	<u>454,371</u>	<u>207,315</u>	<u>1,219,143</u>
Reportable segment profit	<u>81,096</u>	<u>87,589</u>	<u>7,817</u>	176,502
Unallocated corporate expenses				(167,284)
Interest income				198
Interest on fixed coupon bonds				(9,967)
Net gain on financial assets at fair value through profit or loss				696
Loss on disposal of a joint venture				(1,142)
Gain on disposal of subsidiaries				531
Loss before taxation				<u>(466)</u>

Other segment information

For the year ended 31 December 2023

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sales of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	1,090	416	4	477	–	1,987
Interest expenses	(4,008)	(28,425)	(35)	(13,735)	–	(46,203)
Share of profit/(loss) of associates	13	(925)	–	–	–	(912)
Share of profit of joint ventures	1,139	–	–	–	–	1,139
Depreciation of:						
— Property, plant and equipment	(3,831)	(58,062)	(34)	(1,845)	–	(63,772)
— Right-of-use assets	(1,775)	(36,916)	(593)	(4,567)	–	(43,851)
Amortisation of:						
— Concession intangible assets	(37,572)	(13,156)	–	–	–	(50,728)
— Other intangible assets	–	(20,798)	–	(495)	–	(21,293)
Loss on disposal of property, plant and equipment, net	(13)	(6)	–	(5)	–	(24)
Gain on disposal of:						
— Subsidiary	–	–	–	2,961	–	2,961
Loss on disposal of concession intangible assets	(17)	–	–	–	–	(17)
Write off of:						
— Property, plant and equipment	–	(30,253)	–	–	–	(30,253)
Impairment loss recognised on:						
— Property, plant and equipment	–	(4,784)	–	–	–	(4,784)
— Trade and other receivables, net	(4,894)	(672)	(1,304)	(66,517)	–	(73,387)
— Right-of-use assets	–	(1,737)	–	–	–	(1,737)
Reportable segment assets	<u>968,112</u>	<u>1,808,961</u>	<u>428,758</u>	<u>164,846</u>	<u>–</u>	<u>3,370,677</u>
Additions to non-current assets	<u>83,566</u>	<u>144,751</u>	<u>24,723</u>	<u>60,467</u>	<u>–</u>	<u>313,507</u>
Reportable segment liabilities	<u>(418,041)</u>	<u>(805,415)</u>	<u>(257,488)</u>	<u>(205,041)</u>	<u>(43,448)</u>	<u>(1,729,433)</u>

For the year ended 31 December 2022

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sales of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	8,910	431	2	198	–	9,541
Interest expenses	(3,834)	(28,065)	–	(35,636)	–	(67,535)
Share of loss of associates	–	(133)	–	–	–	(133)
Share of profit/(loss) of joint ventures	1,060	–	–	(276)	–	784
Depreciation of:						
— Property, plant and equipment	(2,374)	(51,245)	(19,165)	(1,874)	–	(74,658)
— Right-of-use assets	(1,376)	(45,235)	(622)	(3,430)	–	(50,663)
Amortisation of:						
— Concession intangible assets	(35,542)	(15,463)	–	–	–	(51,005)
— Other intangible assets	–	(21,787)	–	–	–	(21,787)
Gain/(loss) on disposal of property, plant and equipment, net	(24)	96	–	44	–	116
Gain/(loss) on disposal of:						
— Joint venture	–	–	–	(1,142)	–	(1,142)
— Subsidiaries	–	–	–	531	–	531
Loss on disposal of concession intangible assets	(114)	–	–	–	–	(114)
Write off of:						
— Property, plant and equipment	–	(18,372)	–	–	–	(18,372)
— Right-of-use assets	–	(6,328)	–	–	–	(6,328)
Impairment loss recognised on:						
— Property, plant and equipment	–	(13,490)	–	–	–	(13,490)
— Goodwill	–	(22)	–	–	–	(22)
— Other intangible assets	–	(1,480)	–	–	–	(1,480)
— Trade and other receivables, net	(7,888)	(2,078)	(27,040)	(85,767)	–	(122,773)
— Right-of-use assets	–	(1,295)	–	–	–	(1,295)
Reportable segment assets	<u>925,926</u>	<u>1,856,483</u>	<u>513,740</u>	<u>167,296</u>	<u>63</u>	<u>3,463,508</u>
Additions to non-current assets	<u>106,135</u>	<u>271,807</u>	<u>52,669</u>	<u>23,754</u>	<u>–</u>	<u>454,365</u>
Reportable segment liabilities	<u>(365,733)</u>	<u>(684,167)</u>	<u>(253,569)</u>	<u>(216,347)</u>	<u>(41,274)</u>	<u>(1,561,090)</u>

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and other unallocated corporate assets. Segment liabilities include all current liabilities and non-current liabilities with the exception of other unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2022: Nil).

The measure used for reporting segment profit is “adjusted profit before tax”. To arrive at adjusted profit before tax, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as change in fair value of financial assets at fair value through profit or loss, directors’ and auditor’s remuneration and other head office or corporate administration costs.

No geographical information is presented as the Group’s business is principally carried out in the PRC (country of domicile) and the Group’s revenue from external customers and non-current assets are in the PRC. No geographical information for other country is of a significant size to be reported separately.

Information about major customer

Revenue from customer contributing 10% or more of the total revenue of the Group is as follows:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Customer A — revenue from exploitation and sales of renewable energy	102,256	127,177

5. FINANCE COSTS

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Interest on:		
— bank borrowings	16,600	8,587
— other loans	18,651	48,710
— lease liabilities	23,610	23,278
Total borrowing costs	58,861	80,575
Less: interest capitalised included in construction in progress	(12,658)	(13,040)
	46,203	67,535

Included in construction in progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of approximately HK\$12,658,000 (2022: HK\$13,040,000) at the capitalisation rate of 6.69% (2022: 9.93%) per annum.

6. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax — Hong Kong Profits Tax		
— Provision for the year	—	—
Current tax — PRC Enterprise Income Tax (“EIT”)		
— Provision for the year	19,218	37,369
— Under-provision in respect of prior years	1,274	21
Deferred tax	(5,061)	(8,137)
	<u>15,431</u>	<u>29,253</u>

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2022 and 2023 as the Company and its subsidiaries did not have assessable profit subject to Hong Kong Profits Tax for these years.

Under the Law of the PRC on Enterprise Income Tax (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 years, except disclosed as follows.

Certain subsidiaries of the Group, being engaged in provision of electricity supply and sales of renewable energy, 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.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2023 HK\$'000	2022 HK\$'000
Staff costs excluding directors’ and chief executive’s emoluments		
— Salaries, wages and other benefits	153,744	165,425
— Retirement benefits scheme contributions	17,039	24,898
Total staff costs	<u>170,783</u>	<u>190,323</u>
Amortisation of:		
— concession intangible assets	50,728	51,005
— other intangible assets	21,293	21,787
Depreciation of:		
— property, plant and equipment	63,772	74,658
— right-of-use assets	43,851	50,663
Lease payments not included in the measurement of lease liabilities	4,144	5,433
Write off of:		
— property, plant and equipment	30,253	18,372
— right-of-use assets	—	6,328
Loss/(gain) on disposal of property, plant and equipment, net	24	(116)
Loss on disposal of concession intangible assets	17	114
Auditor’s remuneration		
— audit services	2,700	2,540
— other services	10	310
Cost of inventories	267	149,336
Gross rental income from investment properties less direct outgoings of approximately HK\$206,000 (2022: HK\$54,000)	<u>(3,797)</u>	<u>(726)</u>

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss attributable to owners of the Company, used in the basic and diluted loss per share	<u>(243,451)</u>	<u>(89,198)</u>
	No. of shares <i>'000</i>	No. of shares <i>'000</i>
Weighted average number of ordinary shares — basic and diluted	<u>2,873,610</u>	<u>2,299,776</u>
	<i>HK cents</i>	<i>HK cents</i>
Loss per share:		
Basic	<u>(8.47)</u>	<u>(3.88)</u>
Diluted	<u>(8.47)</u>	<u>(3.88)</u>

For the year ended 31 December 2023 and 2022, diluted loss per share equals basic loss per share as there was no dilutive potential share.

10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	789,326	735,402
Less: Loss allowances	<u>(8,628)</u>	<u>(8,066)</u>
	<u>780,698</u>	<u>727,336</u>
Other receivables	96,544	100,907
Less: Loss allowances	<u>(43,898)</u>	<u>(43,044)</u>
	<u>52,646</u>	<u>57,863</u>
Loan receivables	258,552	254,375
Less: Loss allowances	<u>(253,162)</u>	<u>(204,992)</u>
	<u>5,390</u>	<u>49,383</u>
Deposits and prepayments	<u>96,489</u>	<u>123,359</u>
	<u>935,223</u>	<u>957,941</u>
Amounts due within one year included under current assets	935,223	938,981
Amounts due after one year included under non-current assets	<u>–</u>	<u>18,960</u>
	<u>935,223</u>	<u>957,941</u>

Trade receivables

The Group allows an average credit period of 0 day to 180 days (2022: 0 day to 180 days) to its customers.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	89,340	115,801
91 to 180 days	32,382	39,197
181 to 365 days	64,591	129,875
Over 1 year	<u>594,385</u>	<u>442,463</u>
	<u>780,698</u>	<u>727,336</u>

11. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	205,878	195,177
Receipts in advance	23,832	22,390
Construction payables	42,922	78,501
Interest payables	10,474	5,672
Accrued expenses	20,000	17,338
Guarantee deposits from a subcontractor	788	913
Sewage treatment fees received on behalf of certain government authorities	718	332
Other payables	160,752	179,912
Default claim payable	—	8,959
	<u>465,364</u>	<u>509,194</u>
Analysed as:		
Non-current	29,768	21,371
Current	435,596	487,823
	<u>465,364</u>	<u>509,194</u>

The aging analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	5,833	8,290
31 to 90 days	60,917	75,434
91 to 180 days	11,594	41,362
181 to 365 days	58,948	17,786
Over 1 year	68,586	52,305
	<u>205,878</u>	<u>195,177</u>

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the time frame agreed with the respective suppliers.

12. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contracted but not provided for:		
— Acquisition of concession intangible assets and property, plant and equipment	<u>68,275</u>	<u>5,264</u>

13. MATERIAL LITIGATIONS AND ARBITRATION

(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.

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 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 2019. 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 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 29 March 2020, HKIAC has appointed a sole arbitrator for this arbitration proceedings. 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 re-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 January 2022, the Lenders petitioned to the Shenzhen Intermediate People’s Court and the Zhaoqing Intermediate People’s Court for recognition and enforcement of Hong Kong awarded arbitrations in order to collect the debt from the guarantors. But the guarantor refused to recognise the verdict of the Zhaoqing Intermediate People’s Court, they filed an appeal with the Guangdong Province Higher People’s Court. 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. On 22 May 2023, the Zhaoqing Intermediate People’s Court and the Guangdong Higher People’s Court recognised and acknowledged for enforcement in Mainland China the arbitral award of the guarantors (the “**Guarantor’s Award**”). The Guangdong Province Higher People’s Court issued a judgement efficacy certificate on 8 August 2023, allowing the Company to enforce the Guarantor’s Award in China. The Zhaoqing Intermediate People’s Court acknowledged the enforcement of the Guarantors’ Award in mainland China on 11 August, 2023. Up to the date of this announcement, the enforcement of the Guarantor’s award has entered into execution procedure in the Zhaoqing Intermediate People’s Court. 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.

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 trail on 5 June 2012. After the trail, 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. On 21 June 2023, the Kunming Municipal Court has not yet decided whether to accept the case after the hearing on the bankruptcy liquidation of Yunnan Chaoyue Gas. Up to the date of this announcement, Yunnan Chaoyue Gas and 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.

(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), **an indirect wholly-owned subsidiary of the Company**

In October 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. Such construction debts amounted to RMB99.91 million have been recognized as other payable of the Group since the financial year ended 31 December 2021.

In August 2022, the involved parties signed the settlement agreement (the “**Settlement Agreement**”) that affirmed the unpaid construction debts of RMB99.91 million and the repayment plan. The aforementioned Settlement Agreement was submitted to the Xuanwu People’s Court for the withdrawal of the relevant land use rights seizure. New China Water Energy and New China Water Carbon had fulfilled a portion of their contractual responsibilities in accordance with the Settlement Agreement. According to the Settlement Agreement, Xuanwu People’s Court issued a civil mediation letter (the “**Civil Mediation Letter**”) confirming that New China Water Energy and New China Water Carbon should jointly and severally pay the outstanding construction debts in the amount of RMB89.91 million including a default claim of RMB8 million which was recognised as default claim payable. The Xuanwu People’s Court subsequently removed the relevant seizure of the land use right.

In June 2023, the parties involved signed Settlement Agreement 1 (the “**Settlement Agreement 1**”) and fulfilled their obligations. The Xuanwu People’s Court ruled to halt New China Water Carbon’s execution. New China Water Carbon was no longer a subsidiary of the Company upon the completion of disposal in June 2023. The relevant parties signed Settlement Agreement 2 (the “**Settlement Agreement 2**”) in August 2023, and then Jinling Construction has petitioned the Xuanwu People’s Court to withdraw enforcement against New China Water Energy. The Xuanwu People’s Court ruled to terminate the execution of the case. As of the date of this announcement, New China Water Energy has not fully satisfied its obligations under the Civil Mediation Letter, but partial payments have been made. The Settlement Agreement 2 is currently undergoing implementation, and the PRC legal proceeding is still ongoing.

(d) **Huizhou Swan Heng Chang Property Development Company Limited*** (惠州鴻鵠恒昌置業有限公司) **and Swan (Huizhou) Investment Company Limited*** (鴻鵠(惠州)投資有限公司), **indirect wholly-owned subsidiaries of the Company**

In January 2018, Huizhou Swan Heng Chang Property Development Company Limited* (惠州鴻鵠恒昌置業有限公司) (“**Swan Heng Chang**”) entered into the construction contract for construction works (the “**Construction Contract**”) with China Minsheng Drawin Construction Technology Group Company Limited (formerly known as China Minsheng Drawin Construction Co., Ltd) (“**CMDC**”), under which CMDC shall act as the construction contractor of the construction project of Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) developed by Swan Heng Chang. To further clarify the rights and obligations of both parties, both parties signed a supplemental agreement in January 2018 to further define the payment terms and other rights and obligations, and the contract price was agreed to be subject to actual settlement based on the actual quantities of work.

On 14 May 2019, Swan Heng Chang entered into the contract termination agreement with CMDC, under which the Construction Contract and the supplemental agreement were agreed to terminate. On 1 August 2019, both parties signed the settlement agreement, which determined the final settlement amount of RMB82.51 million.

In September 2020, CMDC filed a lawsuit with the Huicheng District People’s Court of Huizhou City against Swan Heng Chang and its shareholder of Swan (Huizhou) Investment Company Limited* (鴻鵠(惠州)投資有限公司) (“**Swan Investment**”) as co-defendants, requesting Swan Heng Chang to settle the construction payment and demanding Swan Investment to bear joint and several liabilities. The court heard the case on 6 January 2021.

On 14 April 2021, under the mediation of the court, Swan Heng Chang reached a settlement agreement with CMDC, under which the court issued a civil mediation order, which confirmed that the total amount payable by Swan Heng Chang to CMDC was RMB28.42 million and that Swan Investment was jointly and severally liable for the settlement of the debt. Such construction debts amounted to RMB28.42 million have been recognised as an other payable of the Group since the financial year ended 31 December 2020.

On 3 December 2021, Swan Heng Chang and Swan Investment were served by the court as defendants subject to enforcement for failing to fulfill their obligations under the civil mediation order. On 10 March 2022, upon application by CMDC, the land use right legally owned by Swan Heng Chang was seized by the Huizhou Court for the period from 10 March 2022 to 9 March 2025. According to the civil mediation letter, the default payment including interest in total of RMB11.38 million has been recorded in other payable of the Group in FY2023. Up to the date of this announcement, the parties are negotiating the settlement agreement and the relevant 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 trade and other payables to reflect the total liabilities of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net loss for the year

Net loss for the year ended 31 December 2023 (the “FY2023”) was approximately HK\$213.64 million (the “Net Loss”), representing an increase of HK\$183.92 million as compared with the net loss of HK\$29.72 million for the year ended 31 December 2022 (the “FY2022”). Loss attributable to owners of the Company for the FY2023 was HK\$243.45 million (FY2022: loss attributable to owners of the Company of HK\$89.20 million).

Financial performance analysis of the Group as follows:

	2023		2023
	2023	2022	2022
	HK\$'000	HK\$'000	HK\$'000
Revenue	733,788	1,219,143	(485,355)
Gross profit	184,202	370,934	(186,732)
Gross profit margin	25.10%	30.43%	(5.33%)
Loss after taxation	(213,635)	(29,719)	(183,916)
Attributable to:			
— owners of the Company	(243,451)	(89,198)	(154,253)
— non-controlling interests	29,816	59,479	(29,663)
	<u>(213,635)</u>	<u>(29,719)</u>	<u>(183,916)</u>

Comparing with the FY2022, the increase in Net Loss was mainly attributable to, among others, net impact of the following factors: (i) the decline in revenue and gross profit derived from the renewable energy business, mainly resulting from a substantial reduction in the volume of on-grid electricity due to local incineration projects being developed and the closure of certain landfill sites, which resulted in less new garbage being delivered to the landfill sites; (ii) the decrease in revenue and gross profit derived from the water supply related installation, construction and infrastructure business as a result of less engineering and construction contracts awarded; (iii) the absence of contribution from the sales of completed properties in the FY2023 as compared to the FY2022; (iv) the absence of contribution from Linyi Fenghuang Water Industry Co., Ltd upon the completion of disposal in the second half of FY2022 (the “Disposal of Linyi Fenghuang”); (v) the decrease in income from the sales of carbon-credit assets; and (vi) a fair value loss on investment property due to the continued downturn in the real estate market in China. The effects of the aforesaid factors were partially offset by (a) the decrease in the provision of expected credit loss on trade and other receivables; (b) the decrease in finance costs as a result of the decrease in average borrowing interest rate; and (c) the decrease in income tax as a result of the decrease in taxable profit generated in FY2023.

Revenue and gross profit

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

The Group's revenue dropped by HK\$485.35 million from HK\$1,219.14 million for the FY2022 to HK\$733.79 million for the FY2023. The decline in business performance was mainly due to (i) the substantial reduction in the volume of on-grid electricity due to local incineration projects being developed and the closure of certain landfill sites, which resulted in less new garbage being delivered to the landfill sites; (ii) several large scale of water supply projects being completed construction in the FY2022 and less installation construction activities in the same business in the FY2023 due to the downturn in real estate market in China; (iii) the Disposal of Linyi Fenghuang; and (iv) the absence of revenue recognition for the sales of completed properties in the Nanjing Property Project in the FY2023 as compared with the FY2022. The effects of the aforesaid factors were partially offset by the increase in the sewage treatment volume and the increase in sales of compressed natural gas (the "CNG") products

The Group's gross profit fell by HK\$186.73 million from HK\$370.93 million for the FY2022 to HK\$184.20 million for the FY2023 as a result of: (a) the decline in business performance from the renewable energy business and construction service for water supply business; (b) the sales of completed properties occurred in the FY2022; and (c) the magnitude of the decrease in cost of sales was smaller than the decrease in revenue due to certain fixed expenses included in the cost of sales.

The other (expenses)/income, net, total expenses, finance costs and taxation of the Group are analysis as follows:

	FY2023	FY2022	FY2022
	HK\$'000	HK\$'000	VS FY2022 HK\$'000
Other (expenses)/income, net	(9,133)	71,297	(80,430)
Selling and distribution expenses	40,872	41,141	(269)
Administrative expenses	201,910	196,282	5,628
Total expenses	242,782	237,423	5,359
Finance costs	46,203	67,535	(21,332)
Taxation	15,431	29,253	(13,822)

Other (expenses)/income, net

For the FY2023, the Group's other expenses, net amounting to HK\$9.13 million mainly consisted of income generated from VAT refund of HK\$22.47 million, government grants of HK\$5.32 million, consultancy fee income of HK\$7.33 million, net rental income of HK\$3.80 million from investment properties, net service income of HK\$2.77 million from the operation of landfill gas projects and interest income HK\$1.99 million offset by the deduction of write off of equipment of HK\$30.28 million, a net loss of HK\$1.68 million from the glass recycling business and default payment including interest of HK\$13.65 million arising from the litigation on Swan Heng Chang. Compared with the FY2022, the Group's other expenses, net increased by HK\$80.43 million to HK\$9.13 million mainly due to the decrease in the sales of carbon-credit assets, the default payment and the increase in write off of equipment (FY2022: net other income of HK\$71.30 million).

Selling and distribution expenses and administrative expenses

For the FY2023, selling and distribution expenses together with administrative expenses (“**Total Expenses**”) of the Group collectively increased by HK\$5.36 million to HK\$242.78 million (FY2022: HK\$237.42 million) due to the reversal of amortization on land use right upon Nanjing Property Project obtained the real estate right certificate in FY2022 but no such reversal recorded in FY2023 and value-added tax for land paid by New China Water Energy. Total Expenses of the Group mainly consisted of staff costs including social insurance of HK\$123.97 million, legal and professional fee including audit fee of HK\$18.17 million, repair and maintenance of HK\$9.59 million and depreciation including amortization of HK\$24.38 million. Total Expenses of the Group accounted for 33.09% of the total revenue of the Group, which was comparable to FY2022 of the Group of 19.47%, as most of the selling, distribution and administrative expense were non-variable in nature and would not decrease in the same magnitude when revenue decrease.

Finance costs

For the FY2023, the finance costs for the Group were HK\$46.20 million, representing a decrease of HK\$21.34 million as compared to that of last year (FY2022: HK\$67.54 million). The decrease was mainly attributable to borrowing a new other loan at a lower interest rate to repay loans at a high interest rate, resulting in a decrease in average borrowing interest rate in the FY2023 as compared with last year.

Change in fair value of investment properties

For the FY2023, the fair value loss on investment property recorded HK\$9.30 million (FY2022: gain on fair value of HK\$0.59 million) which provided on Nanjing Property Project. As at 31 December 2023, the Group had two investment properties which are located in Nanjing City and Jiangxi province, the PRC. According to the valuation results, the loss from the change in fair value of investment property for 2023 was HK\$9.30 million (FY2022: a gain of HK\$0.59 million), mainly due to the decline in the fair value of office buildings resulting from the downturn of the office leasing market in China. The Company has engaged an independent property valuer to conduct a valuation on the investment properties.

Net gain on financial assets at fair value through profit or loss

For the FY2023, net gain on financial assets at fair value through profit or loss (“**FVPL**”) of the Group amounted to HK\$1.73 million, rose by HK\$1.03 million from the profit of HK\$0.70 million for the FY2022 of the Group. Included in net gain on FVPL in FY2023 mainly comprised of dividend income received and the gain on disposal of unlisted fund in the PRC.

Impairment loss recognised on right of use assets and property, plant and equipment (“PPE”)

For FY2023, the Group recorded the impairment losses on right of use assets of HK\$1.74 million (FY2022: HK\$1.30 million) and PPE of HK\$4.78 million (FY2022: HK\$13.49 million) respectively, mainly provided for the renewable energy projects that are located in provinces of Hebei and Liaoning, the PRC. The reasons for making provision on impairment losses on these projects were (i) the local incineration projects being developed caused less new garbage being delivered to landfill sites as a result of the volume of landfill gas collected and the electricity generated dropped; and (ii) the operating cost of these projects continued to increase in FY2023. The Group has adopted different measures to enhance electricity generation and improve production efficiency, such as increase of drilling wells to increase landfill gas collection volume and extend the projects’ operational time. Since recoverable amounts of the relevant cash-generating units for the aforesaid projects were less than their carrying amount of assets, this resulted in an impairment loss in FY2023. In this regard, independent professional valuers were engaged by the Company to perform the impairment assessment.

Net impairment loss recognised on trade and other receivable

For the FY2023, the Group recorded net allowance for expected credit loss (the “ECL”) of HK\$73.39 (FY2022: HK\$122.77 million) (the “**Impairment Loss**”) which consists of HK\$0.82 million (FY2022: HK\$1.27 million) for trade receivable (the “**Trade Receivable**”), HK\$50.20 million (FY2022: HK\$93.22 million) for loan and interest receivables (the “**Loan Receivables**”) and HK\$22.37 million (FY2022: HK\$28.28 million) for other receivables, deposits and prepayments (the “**Other Receivables**”). The decrease of Impairment Loss by HK\$49.38 million was mainly due to the balance of Loan Receivables and Other Receivables decreased as compared to prior year. For further details, please refer to section headed “**TRADE AND OTHER RECEIVABLES**” below in this announcement.

Impairment Loss on Loans Receivables

The recognition of the Impairment Loss on Loan Receivables were mainly due to the defaults of repayment on the loans (the “**Loans**”) made to loan borrowers (the “**Borrowers**”) which mainly comprised of independent private companies in the PRC and an individual merchant in Hong Kong. The reasons for the defaults by the Borrowers were mainly due to (i) refusal of repayment by certain Borrowers with respective to relevant Loans; and (ii) winding up by the Hong Kong court.

Impairment Loss on Other Receivables

Impairment loss on Other Receivables were mainly provided for (i) advances made to various potential business partners; (ii) no refund on the deposit due to cancellation of ordered equipment as it was no longer required for production; and (iii) advance to property sales agent (the “**Advances**”). The aforesaid Advances remained outstanding for more than a year.

Provisions has been fully paid on the above mentioned defaulted receivables. Nevertheless, to recover such amount, the Group has issued payment reminder, instructed its legal advisers to take all possible legal action to recover such amount including issue demand letters and submitted a number of statements of claims to the PRC court in order to recover the Loans. The Group has also engaged legal advisers as to PRC laws to ascertain whether Borrowers have assets in the PRC and the Group will consider commencing legal proceedings against Borrowers in the PRC depending on the results of such search. Also, the Group has also been in negotiation with several Borrowers and potential business partners including the relevant guarantors for settlement of the respective Loans and/or Advances.

Assessment of ECL

The Company has engaged an independent valuer (the “**Valuer**”), to conduct a valuation (the “**Valuation**”) on potential default or defaulted receivables to support the relevant impairment assessment in estimating the Impairment Loss.

For the Trade Receivables, Loan Receivables and Advances, the Valuer adopted the probability of default and loss given default method (the “**PD Model**”) to measure the ECL allowance. Major inputs of the PD Model include (i) probability of default (“**PD**”); (ii) loss given default (“**LGD**”); and (iii) exposure at default (“**EAD**”). The ECL rate has been adjusted for forward-looking factors by taking into account of the expected change in future economic conditions, events and environment, and evaluating the debtor’s past default history and the debtor’s credit, presence of collaterals, as well as the debtor’s financial position.

The rate of ECL of the Group’s Loan Receivables and Advances as at 31 December 2023 ranged from 72.10% to 100% (as at 31 December 2022: ranged from 9.17% to 100%) depending on the nature, probability of default and loss incurred in respect of the defaulted Loan Receivables and Advances. Owing to the deteriorating credit status, certain debtors failed to repay their Loans and Advances which led to the Group proceed with legal actions to recovery the outstanding balances (the “**Default Events**”) as compared to the previous year. Once the Loans and Advances resulted in Default Events, a maximum default probability up to 100% will apply as it will indicate a higher probability of default as well as loss.

Share of result from associates

For the FY2023, the Group shared of loss from associates amounted to HK\$0.91 million (FY2022: HK\$0.13 million) which was mainly arising from Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (the “**Ziyang Oasis**”) (資陽市綠州新中水環保科技有限公司) amounted to HK\$0.93 million. As at 31 December 2023, the Group has two associated companies including holding a 49% equity interests in Ziyang Oasis and holding a 35% equity interests in Jiangxi Kangyue Water Purification Co., Ltd.* (江西康月淨水有限公司).

Share of results from joint venture companies

For the FY2023, the Group shared the profit from joint venture companies of HK\$1.14 million (FY2022: HK\$0.78 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 31 December 2023, the Group has held 65% equity interests in Yichun Mingyue Mountain.

Gain on disposal of subsidiary

For the FY2023, the Group recorded a gain of HK\$2.96 million from the disposal of New China Water Carbon. The sale and purchase agreement for the aforesaid disposal was entered into in June 2018. Owing to the COVID-19 pandemic in 2021 and 2022, the construction work to be carried out by the Group had been affected and delayed, resulting in a delay in the completion of disposal. The disposal was completed in June 2023 (FY2022: 0.53 million).

Income tax

For the FY2023, the Group recorded income tax expense of HK\$15.43 million (FY2022: HK\$29.25 million), the decrease of HK\$13.82 million was in line with the decrease in operating profit of the Group and the completion of Disposal of Linyi Fenghuang in FY2022. 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 year under review, certain renewable energy companies in PRC are still subject to tax concessions of 3-year full exemption and subsequent 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived 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 HK\$, 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 HK\$, 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 year under review, 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.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

As at 31 December 2023, 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\$148.79 million (as at 31 December 2022: HK\$184.45 million) including cash held at financial institutions of HK\$0.66 million and pledged bank deposits of HK\$15.97 million (as at 31 December 2022: HK\$0.60 million for cash held at financial institutions and HK\$ Nil for pledged bank deposits). The decrease of HK\$35.66 million was mainly due to repayment of debts, deposit paid for the acquisition of minority equity interest in New China Water Nanjing, construction of the water quality monitoring and control building, further investment in the renewable energy business and slowdown in payment of sewage treatment fees by the relevant local governments 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 HK\$ and RMB.

The net current assets for the Group at 31 December 2023 were HK\$182.49 million (as at 31 December 2022: HK\$319.85 million). The current ratio of the Group (current assets over current liabilities) was 1.17 times as at 31 December 2023 (as at 31 December 2022: 1.31 times).

As at 31 December 2023, net asset value of the Group amounted to HK\$1,641.25 million (as at 31 December 2022: HK\$1,902.42 million). Net asset value of the Group per share was HK\$0.57 as at 31 December 2023 (as at 31 December 2022: HK\$0.66).

As at 31 December 2023, the Group's consolidated total assets (including both current and non-current) decreased by HK\$92.83 million to HK\$3,370.68 million (as at 31 December 2022: HK\$3,463.51 million). The decrease was primarily due to the disposal of New China Water Carbon which was completed in FY2023, the decrease of bank and cash balance and the depreciation of RMB against HK\$.

CAPITAL RAISING AND CAPITAL EXPENDITURES

The Company has not conducted any equity fund raising activities during the year under review.

During the year under review, the Group incurred capital expenditures amounting to HK\$79.96 million (FY2022: HK\$93.21 million) for acquisition of concession intangible assets.

INVESTMENT PROPERTIES

As at 31 December 2023, 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	No. 13–15 Zhongshan West Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Shop	96.00	Long	100%	51%
3	Gas station on South Huancheng Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Factory	170.00	Long	100%	51%
Nanjing Property Project						
	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Commercial	17,808.23	Long	53%	100%
			18,630.38			

As at 31 December 2023, the carrying value of Yichun Properties and Nanjing Property Project decreased to HK\$201.39 million (as at 31 December 2022: HK\$213.68 million). The decrease in carrying value of investment properties by HK\$12.29 million was due to the impairment in Nanjing Property Project. As at 31 December 2023, the Group had a total gross floor area of 18,630.38 square meters (as at 31 December 2022: total gross floor area of 18,688.15 square meters). For the FY2023, the gross rental income of the Group after deducting the related outgoings amounted to HK\$3.80 million which increased by 420.55% compared with the FY2022 (FY2022: HK\$0.73 million). Substantial increase in rental income was contributed by the leasing out of the office building of Nanjing Property Project in second half of 2022.

INVENTORIES

As at 31 December 2023, the inventories of the Group recorded HK\$56.01 million which comprised of raw material and work-in-progress (as at 31 December 2022: HK\$67.06 million). The decrease in inventories by HK\$11.05 million mainly because construction projects in Yichun was completed and the related inventories was recognized as cost of sales in 2023.

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENTS

As at 31 December 2023, the fair value of securities investments of the Group (including held-for-trading investment and held-for-long term investment) was amounted to HK\$13.97 million (as at 31 December 2022: HK\$33.96 million) representing 0.41% of the total assets value of HK\$3,370.68 million as at 31 December 2023. The decrease in securities investments by HK\$19.99 million was mainly due to the disposal of Fuzhou Qingyu New Energy Equity Investment Partnership (Limited Partnership)* (the “**Fuzhou Qingyu Fund**”) in 2023. The securities investments of the Group comprised listed securities in Hong Kong and investment fund in the PRC. The following analysis was the Group’s investments at the end of reporting period:

List of stocks in terms of market value as at 31 December 2023

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at		Effective interest held as at 31 December 2023	Initial investment cost HK\$'000	Market value as at 31 December 2023 HK\$'000	Unrealised/ realised gain/(loss) for the year ended 31 December 2023 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Percentage to total assets value of the Group as at 31 December 2023	Classification	Dividend received/ receivable during the year HK\$'000
			31 December 2023	No. of issued ordinary share as at 31 December 2023								
China Best Group Holding Ltd	370	Trading of electronic product, building construction contracting business, project management service, centralised heating business and money lending business	6,208,000	2,091,500,991	0.30%	5,157	1,261	-	(3,896)	0.04%	FVOCI	-
Hong Kong Finance Investment Holding Group Ltd	7	Sales of electronic products and equipment, exploration and production of mineral, oil and gas, financial business and property investment	-	3,160,140,697	0.00%	-	-	-	-	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 and leasing of 5G base station and energy storage business	844,000	89,840,000	0.94%	988	312	-	(676)	0.01%	FVOCI	-
China Tangshang Holdings Limited	674	Money lending business, property sub-leasing and investment business and property development business	3,580,000	3,428,466,570	0.10%	908	297	-	(611)	0.01%	FVOCI	-
Future Bright Mining Holdings Ltd	2212	Production and sale of marble and marble related products; and trading of commodities	-	877,716,000	0.00%	-	-	-	-	0.00%	FVPL	-
Chinese Energy Holdings Limited (Note 2)	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							1,870	-	(5,185)	0.06%		
Name of unlisted investment		Brief description of the business										
Guangdong Finance Industry Strategic Fund * (Note 1)		Investment in unlisted equity	N/A		N/A	9,778	12,103	1,341	2,325	0.35%	FVPL	30
Fuzhou Qingyu Fund (Note 3)		Investment in unlisted equity	N/A		N/A	-	-	-	-	0.00%	FVPL	359
Sub-total							12,103	1,341	2,325	0.35%		389
Total							13,973	1,341	(2,860)	0.41%	-	389

Note 1: The functional currency of the investment is RMB. The initial investment cost is RMB8,861,000 (equivalent to HK\$9,778,000). The market value as at 31 December 2023 is RMB10,967,000 (equivalent to HK\$12,103,000).

Note 2: Chinese Energy Holdings Limited has been suspended its trading in shares since 15 July 2022.

Note 3: The investment in Fuzhou Qingyu Fund was sold to an independent third party in 2023, and the consideration was fully recovered. However, the internal procedure for transferring ownership of this fund has yet to be finished, thus the Fuzhou Gulou District Market Supervision and Administration Bureau* (the “**Fuzhou Administration Bureau**”) (福州市鼓樓區市場監督管理局) still indicates that the Group owned this fund. It is expected that the registration in Fuzhou Administration Bureau will be completed in April 2024.

FVPL: Financial assets at fair value through profit or loss

FVOCI: Financial asset at fair value through other comprehensive income

For the FY2023, the Group recorded a net gain of HK\$1.73 million on FVPL (FY2022: HK\$0.70 million). During the year, amid the ongoing geopolitical and economic tensions, the global economic recovery was characterised by uncertainty, the Board has scaled down the short-term investment in equity trading and managed 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.

TRADE AND OTHER RECEIVABLES

As at 31 December 2023, the Group's trade and other receivables, (net of loss allowance) were approximately HK\$935.23 million (as at 31 December 2022: HK\$957.94 million), which comprised of: (i) net trade receivables of HK\$780.70 million, (ii) net other receivables of HK\$52.65 million, (iii) net loan receivables of HK\$5.39 million, and (iv) net deposits and prepayments of HK\$96.49 million.

(A) Trade Receivable

As at 31 December 2023, trade receivables, (net of loss allowance) of the Group increased by HK\$53.36 million to HK\$780.70 million (as at 31 December 2022: HK\$727.34 million) which was primarily attributable to the addition government on-grid tariff subsidies and slowdown in payment of sewage treatment fees which was partially offset by the depreciation of exchange rate of RMB and the settlement of property considerations by customers.

- (i) The net trade receivable from the renewable energy business of HK\$678.99 million which comprised of: (i) the government on-grid tariff subsidies receivable amounted to HK\$660.64 million (as at 31 December 2022: HK\$587.42 million) and (ii) the electricity sales receivable from local grid companies of HK\$18.35 million (as at 31 December 2022: HK\$25.28 million), which in aggregate accounted for 86.97% of net 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 were no pre-determined due date for settlement of the tariff subsidies. The trade receivables from renewable energy business were considered as fully recoverable given there were no bad debt experiences with the local grid companies in the past and the above-mentioned tariff subsidies were provided by the relevant PRC government authorities. During FY2023, 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 31 December 2023, the Group considered the default risk for such balances to be insignificant and the ECL to be minimal. In light of this, impairment loss of HK\$0.67 million on trade receivable relating to the renewable energy business was provided for the FY2023 (FY2022: HK\$1.22 million).

- (ii) The net trade receivable balances from the water supply and the sewage treatment and the related construction services were amounted to HK\$79.02 million (as at 31 December 2022: HK\$73.78 million), representing 10.12% of net trade receivables of the Group. The increase of HK\$5.24 million was mainly due to the slowdown in payment of sewage treatment fees by related local PRC government. 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 year, impairment loss of HK\$0.15 million was recognized on these trade receivable (FY2022: Nil).
- (iii) The net trade receivable balances from the sales of completed properties recorded HK\$13.30 million (as at 31 December 2022: HK\$34.14 million), representing 1.70% of net trade receivables of the Group. The decrease of HK\$20.84 million was mainly due to customers used the mortgage to settle the considerations. Considerations in respect of the completed properties sold in Nanjing Property Project are payable by the purchasers in accordance with the terms of the related sales and purchase agreements. In second half of 2022, the properties sales were handed over to customers. Those receivable balances are pending for completing their mortgage procedures. The Group considered the default risk for such balances to be insignificant. Accordingly, no impairment loss on this segment was provided for the FY2023 (FY2022: Nil).

(B) Other receivable

As at 31 December 2023, other receivables, (net of loss allowance) of the Group dropped by HK\$5.21 million to HK\$52.65 million due to the provision of impairment loss of HK\$1.66 million, the decrease in the sales of equipment and the depreciation of exchange rate of RMB (as at 31 December 2022: HK\$57.86 million). Other receivables represented mainly tax recoverable, the sales proceeds from disposal of equipment, income receivable from the sludge treatment project, and advance to property sales agent. For the FY2023, the impairment allowance of HK\$1.66 million was recognized (FY2022: HK\$28.16 million).

(C) Loan receivable

As at 31 December 2023, loans receivables, (net of loss allowance) of the Group decreased by HK\$43.99 million to HK\$5.39 million mainly due to recognition of impairment loss of HK\$50.20 million and the depreciation of exchange rate of RMB (as at 31 December 2022: HK\$49.38 million). The loans receivables mainly comprised of loans to independent private companies in the PRC and an individual merchant in Hong Kong (the “**Borrowers**”). The loans are interest-bearing at rates ranging from 4% to 24% per annum and with maturities ranging from 1 month to 36 months. None of the Borrowers has pledged any his/its assets to the Group to secure the loans. The Group has obtained the personal guarantee provided by the respective guarantors as a security for certain loans. Prior to granting the respective loans to the Borrowers, the Group had conducted a credit assessment on certain Borrowers, which includes (i) conducted background search on the respective Borrowers; (ii) obtained and reviewed information in relation to the financial background of the Borrowers; and (iii) the assessment of whether the Borrowers would provide a pledge and/or guarantee in relation to their respective loans. During the year, the Group noticed that many Borrowers had failed to repay the loans when due, with certain Borrowers and/or guarantor went into liquidation. Since the date of overdue and/or default of the relevant borrowings, follow-up actions including but not limited to issuing demand letters, negotiating repayment terms and methods with Borrowers and/or guarantors and initiating legal proceedings on a case-by-case basis by the decision of the management of the Company has been carry-out. In view of the above, the impairment loss recognized on loans receivable was amounted to HK\$50.20 million (FY2022: HK\$93.22 million).

(D) Deposits and prepayments

As at 31 December 2023, deposits and prepayments, (net of loss allowance) of the Group recorded HK\$96.49 million (as at 31 December 2022: HK\$123.36 million) which mainly represented amortisation of repairing and drilling cost, prepayment relating to advance to suppliers and/or sub-contractors 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 enhance business cooperation and relationship with the respective parties given the Group has been exploring business opportunities with them. During the year under review, the impairment loss was recognised on deposits and prepayments amounted to HK\$20.71 million which was mainly provided for the potential business partners failed to fulfill the obligation pursuant to cooperative agreements (FY2022: HK\$0.12 million).

LIABILITIES AND GEARING

As at 31 December 2023, the Group’s total liabilities (including both current and non-current) amounted to HK\$1,729.43 million (as at 31 December 2022: HK\$1,561.09 million). The increase of HK\$168.34 million was additional bank borrowings and finance lease arrangements obtained in 2023. Except for the issuance of bonds and non-financial institution loan denominated in HK\$, borrowings were mainly denominated in RMB.

The Group’s gearing ratio as at 31 December 2023 was 51.31% (as at 31 December 2022: 45.07%). The ratio was calculated by dividing total liabilities of the Group of HK\$1,729.43 million (as at 31 December 2022: HK\$1,561.09 million) over total assets of the Group of HK\$3,370.68 million (as at 31 December 2022: HK\$3,463.51 million).

As at 31 December 2023, the Group's total bank and other borrowings were HK\$629.31 million (as at 31 December 2022: HK\$485.38 million). For the maturity profile, refer to the table below:

Debt Analysis

	31 December 2023		31 December 2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Classified by maturity				
— repayable within one year				
Bank borrowings	124,207	19.74	60,602	12.49
Other loans	168,869	26.83	184,519	38.02
	<u>293,076</u>	<u>46.57</u>	<u>245,121</u>	<u>50.51</u>
Classified by maturity				
— repayable more than one year				
Bank borrowings	318,957	50.68	223,755	46.09
Other loans	17,279	2.75	16,506	3.40
	<u>336,236</u>	<u>53.43</u>	<u>240,261</u>	<u>49.49</u>
Total bank and other borrowings	<u>629,312</u>	<u>100.00</u>	<u>485,382</u>	<u>100.00</u>
Classified by type of loans				
Secured	493,164	78.37	343,162	70.70
Unsecured	136,148	21.63	142,220	29.30
	<u>629,312</u>	<u>100.00</u>	<u>485,382</u>	<u>100.00</u>
Classified by type of interest				
Fixed rate	514,157	81.70	361,330	74.44
Variable-rate	81,908	13.02	100,436	20.69
Interest free rate	33,247	5.28	23,616	4.87
	<u>629,312</u>	<u>100.00</u>	<u>485,382</u>	<u>100.00</u>

OTHER LOANS

1. Issuance of bonds through the placing agent

On 18 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 placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK\$100.00 million (“**Bond**”). On 17 January 2020, the Company has completed to issue the Bond to the placees in an aggregate principal amount of HK\$20.00 million. As at 31 December 2023, the outstanding Bond amounted to HK\$17.22 million and was classified as an other loan (as at 31 December 2022: HK\$16.45 million).

2. Loans from related companies

As at 31 December 2023, loans from related companies recorded of HK\$58.22 million (as at 31 December 2022: HK\$87.00 million).

As at 31 December 2023, the Bond of HK\$17.22 million and loans from related companies of HK\$58.22 million in aggregate of HK\$75.44 million, representing of 40.53% of the other loans, which were utilized as general working capital, repayment of debts and/or acquisition activities.

TRADE AND OTHER PAYABLES

As at 31 December 2023, the Group’s trade and other payables were approximately HK\$465.36 million (as at 31 December 2022: HK\$509.19 million). The decrease in trade and other payables of HK\$43.83 million was mainly due to the depreciation of RMB against HK\$ and settled partial outstanding construction liabilities relating to Nanjing Property Project. The credit terms of trade payables vary according to the terms agreed with different suppliers.

BUSINESS REVIEW

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

	Revenue				Gross Profit (GP)						2023 vs 2022		
	<i>HK\$'M</i>	<i>% to the total</i>	<i>HK\$'M</i>	<i>% to the total</i>	<i>HK\$'M</i>	<i>% to the total</i>	<i>GP margin</i>	<i>HK\$'M</i>	<i>% to the total</i>	<i>GP margin</i>	<i>Revenue HK\$ M</i>	<i>Gross Profit HK\$ M</i>	<i>GP Margin %</i>
Water supply business	122.78	16.73	146.35	12.00	43.77	23.76	35.65	43.94	11.85	30.02	(23.57)	(0.17)	5.63
Sewage treatment business	85.20	11.61	83.45	6.84	34.15	18.54	40.08	28.22	7.61	33.82	1.75	5.93	6.26
Construction service business	205.87	28.06	327.66	26.88	62.31	33.83	30.27	107.40	28.95	32.78	(121.79)	(45.09)	(2.51)
Sub-total	413.85	56.40	557.46	45.72	140.23	76.13	33.88	179.56	48.41	32.21	(143.61)	(39.33)	1.67
Exploitation and sales of renewable energy business	319.94	43.60	454.37	37.28	43.97	23.87	13.74	149.99	40.43	33.01	(134.43)	(106.02)	(19.27)
Property Development	-	-	207.31	17.00	-	-	-	41.38	11.16	19.96	(207.31)	(41.38)	(19.96)
Total	733.79	100.00	1,219.14	100.00	184.20	100.00	25.10	370.93	100.00	30.43	(485.35)	(186.73)	(5.33)

1.1 Water supply business

Upon completion of the Disposal of Linyi Fenghuang in 2022, the Group has only one city water supply project which is located in Jiangxi province, the PRC. The daily aggregate water supply capacity of the Group was approximately 0.36 million tonne (FY2022: 0.26 million tonne). The increase in water supply capacity of 100,000 tonne was due to the completion of construction of new water supply plant in 2023 which is owned by a non-wholly owned subsidiary of the Yichun Water. Total water supply to the Jiangxi province during the year was 69.03 million tonne (FY2022: 65.19 million tonne, excluding the water supply to Linyi Fenghuang), representing an increase of 5.89% over the last corresponding year due to additional drinkable water purchased from new water supply plant in FY2023. For the FY2023, the revenue and gross profit of the Group from water supply business amounted to HK\$122.78 million and HK\$43.77 million respectively, representing 16.73% and 23.76% of the Group's total revenue and total gross profit respectively. Compared with the FY2022, the revenue and gross profit of the Group recorded a drop of HK\$23.57 million and HK\$0.17 million mainly due to the Disposal of Linyi Fenghuang even though the completion of expansion of water supply plant in Yichun Water project resulted in an enhancement of the water supply volume. The average rates for the water supply of the Group for the FY2023 was HK\$1.77 per tonne (FY2022: average rate of HK\$1.80 per tonne).

The analysis of financial performance by segment was as follows:

		For the year ended 31 December		
		2023	2022	Variance
Water Supply Business				
Revenue	<i>HK\$'million</i>	122.78	146.35	(23.57)
Gross profit	<i>HK\$'million</i>	43.77	43.94	(0.17)
Gross profit %	<i>%</i>	35.65	30.02	5.63
Designed daily capacity of water supply	<i>Tonne</i>	360,000	260,000	100,000

The analysis of water supply projects on hand was 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)
Yichun Water	51	360,000	Jiangxi	2034

1.2 Sewage treatment business

As at 31 December 2023, the Group has five sewage treatment projects which are located in Jiangxi, Guangdong and Shandong provinces (as at 31 December 2022: five projects) and the daily aggregate sewage disposal capacity was approximately 240,000 tonne (FY2022: 240,000 tonne). For the FY2023, the revenue and gross profit of the Group were amounted to HK\$85.20 million and HK\$34.15 million respectively, representing 11.61% and 18.54% of the Group's total revenue and total gross profit respectively. During the year, the Group processed in aggregate of 75.75 million tonne of waste water (FY2022: 71.11 million tonne), represented an increase of 6.53% over the last corresponding year. Compared with the FY2022, the revenue and gross profit of the Group increased by HK\$1.75 million and HK\$5.93 million respectively. The rise in revenue was attributable to the increase of waste water processing volume. The increase in gross profit was mainly due to the decrease in treatment chemical costs. The average rates for sewage treatment of the Group ranged from HK\$0.98 to HK\$1.43 per tonne (FY2022: HK\$0.99 to HK\$1.44).

The analysis of financial performance by segment was as follows:

		For the year ended 31 December		
		2023	2022	Variance
Sewage Treatment Business				
Revenue	<i>HK\$'million</i>	85.20	83.45	1.75
Gross profit	<i>HK\$'million</i>	34.15	28.22	5.93
Gross profit %	<i>%</i>	40.08	33.82	6.26
Designed daily sewage disposal capacity	<i>Tonne</i>	240,000	240,000	–

The analysis of sewage treatment projects on hand was 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. For the FY2023, the revenue and gross profit recorded HK\$205.87 million and HK\$62.31 million respectively, representing 28.06% and 33.83% of the Group's total revenue and total gross profit respectively. Compared with the FY2022, the revenue and gross profit of the Group decreased by HK\$121.79 million and HK\$45.09 million due to (i) the Disposal of Linyi Fenghuang; and (ii) several large scale projects relating to the water supply business being completed construction in 2022 and less construction activities in 2023.

The analysis of financial performance by segment was as follows:

		For the year ended 31 December		
		2023	2022	Variance
Water supply related installation and construction business				
Revenue	<i>HK\$'million</i>	135.88	226.50	(90.62)
Gross profit	<i>HK\$'million</i>	62.70	102.69	(39.99)
Gross profit %	<i>%</i>	46.14	45.34	0.80
Water supply and sewage treatment infrastructure construction business				
Revenue	<i>HK\$'million</i>	69.99	101.16	(31.17)
Gross (loss)/profit	<i>HK\$'million</i>	(0.39)	4.71	(5.10)
Gross (loss)/profit %	<i>%</i>	(0.56)	4.66	(5.22)
Total				
Revenue	<i>HK\$'million</i>	205.87	327.66	(121.79)
Gross profit	<i>HK\$'million</i>	62.31	107.40	(45.09)
Gross profit %	<i>%</i>	30.27	32.78	(2.51)

1.4 Exploitation and sales of renewable energy business

Up to the date of this announcement, the Group has 51 solid waste treatment projects, of which 35 have commenced operation with a total installed capacity of 133.8 MW, the remaining 11 are under construction, with an estimated total installed capacity of 11.5 MW. Up to the date of this announcement, the Group secured 8 new projects in Boli, Shandong Chengwu, Xingcheng, Dashiqiao, Longnan, Yunyang, Jianping and Zhangwu with an estimated total installed capacity is 8 MW.

For the FY2023, the revenue and gross profit of the Group recorded HK\$319.94 million and HK\$43.97 million respectively representing 43.60% and 23.87% to the Group's total revenue and total gross profit respectively. Compared with the FY2022, the revenue and gross profit of the Group decreased by HK\$134.43 million and HK\$106.02 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 yet to be put into operation; (iii) local incineration projects are being developed; and (iv) operating costs continued to increase. During the year, the Group had 35 projects in operation (FY2022: 36 projects), generating approximately 490,542.24 MWh of on-grid electricity which represented a decrease of 26.98% compared to FY2022 (FY2022: 671,769.03 MWh). As at 31 December 2023, the Group accumulated a total installed capacity of 145.3 MW, representing an decrease of 3.46% compared to the FY2022 (as at 31 December 2022: 150.50 MW). For the FY2023, the average electricity rate of the Group was HK\$0.58 per kilowatt-hour and the average CNG rate was HK\$2.32 per m³ (FY2022: average electricity rate HK\$0.60 per kilowatt-hour and the average CNG rate HK\$2.12 per m³).

Included in revenue was HK\$203.14 million (FY2022: HK\$289.88 million) and HK\$81.68 million (FY2022: HK\$129.34 million) derived from the sales of electricity to local grid companies and the government tariff subsidies respectively, representing 63.50% and 25.53% of the total renewable energy revenue respectively.

The analysis of financial performance by segment was as follows:

		For the year ended 31 December			
		2023	2022	Variance	
Exploitation and sales of renewable energy business					
— Sales of electricity					
Revenue	<i>HK\$'million</i>	289.69	420.41	(130.72)	
Gross profit	<i>HK\$'million</i>	39.71	147.56	(107.85)	
Gross profit %	%	13.71	35.10	(21.39)	
— Sales of compressed natural gas					
Revenue	<i>HK\$'million</i>	11.03	4.44	6.59	
Gross profit/(loss)	<i>HK\$'million</i>	3.01	(0.41)	3.42	
Gross profit/(loss) %	%	27.29	(9.23)	36.52	
— Service income from collection of landfill gas					
Revenue	<i>HK\$'million</i>	18.35	29.52	(11.17)	
Gross profit	<i>HK\$'million</i>	1.61	2.84	(1.23)	
Gross profit %	%	8.77	9.62	(0.85)	
— Sales of solid organic fertilizer					
Revenue	<i>HK\$'million</i>	0.87	–	0.87	
Gross loss	<i>HK\$'million</i>	(0.36)	–	(0.36)	
Gross loss %	%	(41.38)	–	(41.38)	
Total					
Revenue	<i>HK\$'million</i>	319.94	454.37	(134.43)	
Gross profit	<i>HK\$'million</i>	43.97	149.99	(106.02)	
Gross profit %	%	13.74	33.01	(19.27)	
		2023	% to total	2022	% to total
Summary of revenue					
Government tariff subsidies	<i>HK\$'million</i>	81.68	25.53	129.34	28.47
The sales of electricity to local grid companies	<i>HK\$'million</i>	203.14	63.50	289.88	63.80
Other	<i>HK\$'million</i>	4.87	1.52	1.19	0.26
		289.69	90.55	420.41	92.53
Compressed natural gas & service income from collection of landfill gas and solid organic fertilizer	<i>HK\$'million</i>	30.25	9.45	33.96	7.47
		319.94	100.00	454.37	100.00

The analysis of renewable energy projects on hand was 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	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
2	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
3	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
4	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
5	Hainan Camda	Hainan	Power generation	100	May 2016	Note 1
6	Changsha Operation Contract*	Hunan	Power generation	-	May 2014	} October 2039
7	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	CNG: December 2015 Power generation: October 2017	
8	Shenzhen Xiaping Landfill Site	Guangdong	CNG/Power generation	88	CNG: July 2015 Power generation: January 2018	} April 2030
9	Liuyang Biogas	Hunan	CNG/Power generation	100	CNG: July 2016 Power generation: September 2017	} October 2038
10	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	CNG: May 2016 Power generation: October 2016	} July 2024
11	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
12	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
13	Zhangjiakou	Hebei	Power generation	70	October 2018	Note 1
14	Anqiu City (Note 3)	Shandong	Power generation	100	March 2018	Note 1
15	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
16	Haicheng	Liaoning	Power generation	100	August 2019	Note 1
17	Laizhou (Note 3)	Shandong	Power generation	100	May 2019	February 2028
18	Jakarta TPST (Note 4)	Jakarta	Power generation	94	February 2018	December 2023
19	Guangzhou Huadu	Guangdong	Power generation	100	January 2020	June 2023
20	Zhijiang	Hubei	Power generation	51	January 2021	Note 1
21	Nanning	Guangxi	Power generation	100	April 2020	April 2028
22	Ziyang	Sichun	Power generation	49	March 2020	November 2026
23	Gaizhou	Liaoning	Power generation	100	January 2021	Note 1
24	Lianyuan	Hunan	Power generation	100	January 2021	May 2024
25	Liling	Hunan	Power generation	100	October 2020	January 2027
26	Chongqing Heishizi Operation Contract	Chongqing	Power generation	-	November 2020	February 2039
27	Ankang	Shaanxi	Power generation	100	April 2022	September 2030
28	Dingnan	Jiangxi	Power generation	100	December 2021	Note 1
29	Shanghang	Fujian	Power generation	100	October 2021	September 2025
30	Changting	Fujian	Power generation	100	September 2021	December 2025
31	Wuping (Note 3)	Fujian	Power generation	100	October 2021	December 2030
32	Wafangdian	Liaoning	Power generation	100	April 2023	Note 1
33	Shaowu (Note 3)	Fujian	Power generation	100	January 2022	May 2026
34	Xiuyan	Liaoning	Power generation	100	December 2024	Note 2
35	Jingchuan	Gansu	Power generation	100	December 2024	Note 1
36	Xinning	Hunan	Power generation	100	June 2023	April 2032
37	Fushun	Liaoning	CNG	100	September 2022	July 2025
38	Xiaoyi	Shanxi	Power generation	100	April 2024	July 2032
39	Zhengzhou	Henan	Power generation	100	September 2022	July 2028
40	Taiyuan	Shanxi	CNG	100	September 2022	November 2031
41	Shandong Yixin	Shandong	CNG	100	October 2023	October 2039
42	Huoqiu Huizhao	Anhui	Power generation	60	October 2023	N/A
43	Kazuo	Liaoning	Power generation	100	December 2024	Note 1
44	Boli Wanlong	Heilongjiang	CNG	60	October 2024	N/A
45	Shandong Chengwu	Shandong	CNG	100	October 2024	N/A
46	Xingcheng	Liaoning	Power generation	100	May 2024	Note 1
47	Dashiqiao	Liaoning	Power generation	100	April 2024	Note 1
48	Longnan	Jiangxi	Power generation	100	July 2023	2024
49	Yunyang	Chongqing	Power generation	100	April 2024	April 2028
50	Jianping	Liaoning	Power generation	100	June 2024	Note 1
51	Zhangwu	Liaoning	Power generation	100	December 2024	December 2031

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

Note 3: The projects had suspended their operation in second half of 2023.

Note 4: The project expired in 2023.

Not applicable: N/A

1.5 Property Investment and development

As at 31 December 2023, the Group has 4 property projects on hand with a total site area of approximately 70,985 square meters. All commercial units have been sold in Nanjing Property Project since 2022. During the year, the Group had completed the sales of its entire equity interests in New China Water Carbon, which held approximately a gross floor area of 8,496 square meters in Nanjing Property Project.

The development status of the property projects of the Group was 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 Property Project (南京物業項目)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Completed	Mar-22	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	72,853	50 years	100
2 Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	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%)	Aug-25	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	Completed	Sep-23	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監控大樓建設)	North side of Xiujiang East Road, Yuanzhou District, Yichun City, Jiangxi Provision, east of Qin Yuan Primary School	Under construction (10%)	Mar-26	Other	13,337	40,413	50 years	51
					70,985	160,180		

FORMATION AND/OR ACQUISITION OF SUBSIDIARIES DURING THE YEAR

The Group had entered into 8 landfill gas collection and power generation agreements with different government authority departments and companies in the PRC in the FY2023. The investment mode for these projects are building-owning-operation. The analysis of new formation and/or acquisition of renewable energy projects for power generation and/or CNG were as follows:

	Contract signing time	Date of completion of formation/ acquisition	Name of company	Concession agreement signing department/ company	Project name	Current garbage disposal capacity (tons/day)	Estimated investment amount/ consideration (RMB million)	Equity interest held by the Company (%)
By new construction								
1.	January 2023	February 2023	Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.* (勃利縣中水皖龍可再生能源科技有限公司)	People's Government of Boli County* (勃利縣人民政府)	Boli Landfill Gas Project ("Boli Project")	–	18	60
2.	December 2022	February 2023	Xingcheng New China Water Environmental Technology Limited* (興城新中水環保科技有限公司)	Xingcheng Environmental Sanitation Management Offices (興城市環境衛生管理處)	Xingcheng City Landfill Gas Power Generation Project ("Xingcheng Project")	500-550	6.8	100
3.	March 2023	March 2023	Dashiqiao New China Water Environmental Technology Limited* (大石橋新中水環保科技有限公司)	Dashiqiao City Huzhuang Domestic Wastes Sanitary Landfill* (大石橋市虎莊生活垃圾衛生填埋場)	Dashiqiao City Landfill Gas Power Generation Project ("Dashiqiao Project")	300	7.0	100
4.	January 2023	March 2023	Longnan City Greenspring Environmental Technology Limited* (龍南市青泓環保科技有限公司)	Longnan City Chengwei Intelligent Environmental Technology Service* (龍南市城衛智能環境技術服務)	Longnan City Landfill Gas Power Generation Project ("Longnan Project")	300	6.0	100
5.	April 2023	May 2023	Yunyang County New China Water Environmental Technology Limited* (雲陽縣新中水環保科技有限公司)	Yunyang County Xingyun City Management Service (Group) Co., Ltd.* (雲陽縣興雲城市管理服務(集團)有限公司)	Yunyang Second Landfill Gas Power Generation Project ("Yunyang Project")	350	8.0	100
6.	April 2023	May 2023	Jianping County New China Water Environmental Technology Limited* (建平縣新中水環保科技有限公司)	Jianping County Environmental Sanitation Management Office* (建平縣環境衛生管理處)	Jianping County Landfill Gas Power Generation Project ("Jianping Project")	200	4.87	100
7.	November 2023	November 2023	Zhangwu County New China Water Environmental Protection Technology Co., Ltd* (彰武縣新中水環保科技有限公司)	Zhangwu County People's Government (彰武縣人民政府)	Zhangwu County Landfill Gas Power Generation Project ("Zhangwu Project")	195	4.55	100
Acquisition								
8.	December 2023	December 2023	Chengwu China Water Bole Biomass Energy Limited* (成武中水伯樂生物質能源有限公司) (formerly known as Shangdong Land Group (Chengwu) Bole Ecological Agriculture Co., Ltd.*) (前稱: 山東土地集團(成武)伯樂生態農業有限公司)	People's Government of Chengwu County (成武縣人民政府)	Shandong Chengwu Biogas Purification Project ("Shandong Chengwu Project")	–	3.3	100

MATERIAL EVENTS DURING/AFTER THE YEAR REVIEW

Saved as disclosed in the section headed “**FORMATION AND/OR ACQUISITION OF SUBSIDIARIES DURING THE YEAR**” above, the Group also had the following material events during/after the year under review:

A. Finance Lease Arrangement

- I. (a) On 24 February 2023, Changsha New China Water Environmental Technology Limited* (長沙新中水環保科技有限公司), (the “**Lessee A**”), being an indirect non-wholly owned subsidiary of the Company entered into the Finance Lease Agreement A with Sinopharm Holding (China) Finance Leasing Co., Ltd. (國藥控股(中國)融資租賃有限公司) (the “**Sinopharm Leasing**”), pursuant to which (i) Sinopharm Leasing shall purchase landfill gas power generating facilities (the “**Leased Assets A**”) from Lessee A for the purchase price A of RMB30,000,000 (the “**Purchase Price A**”) (equivalent to approximately HK\$34,047,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets A to Lessee A for a lease consideration comprising the principal amount equivalent to the Purchase Price A and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price A.

- (b) On 24 February 2023, Qingyuan City Greenspring Environmental Technology Limited* (清遠市青泓環保科技有限公司), (the “**Lessee B**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement B with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase the Leased Assets B from Lessee B for the purchase price B of RMB14,000,000 (the “**Purchase Price B**”) (equivalent to approximately HK\$15,889,000); and (ii) Sinopharm Leasing shall lease back landfill gas power generating facilities (the “**Leased Assets B**”) to Lessee B for a lease consideration comprising the principal amount equivalent to the Purchase Price B and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price B.

- (c) On 24 February 2023, Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司), (the “**Lessee C**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement C with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase landfill gas power generating facilities (the “**Leased Assets C**”) from Lessee C for the purchase price C of RMB29,000,000 (the “**Purchase Price C**”) (equivalent to approximately HK\$32,912,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets C to Lessee C for a lease consideration comprising the principal amount equivalent to the Purchase Price C and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price C.
- (d) On 8 March 2023, Hainan Camda New Energy Equipment Company Limited* (海南康達新能源有限公司) (the “**Lessee D**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase landfill gas power generating facilities (the “**Leased Assets D**”) from the Lessee for the purchase price D of RMB7,000,000 (the “**Purchase Price D**”) (equivalent to approximately HK\$7,923,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets D to the Lessee for a lease consideration comprising the principal amount equivalent to the Purchase Price D and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price D.

For details, please refer to the announcements of the Company dated 24 February 2023 and 8 March 2023.

- II. (a) On 23 March 2023, Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) (the “**Haisheng Water**”) (the “**Lessee**”) entered into the new transfer agreement and the new finance lease agreement with Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司) (the “**Greengold Leasing**”), pursuant to which (i) Greengold Leasing shall purchase sewage treatment equipment (the “**Leased Assets**”) from the Lessee for the purchase price of RMB30,000,000 (equivalent to approximately HK\$34,260,000); and (ii) Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease period of 60 months at a rate of 6.35% per annum. For details, please refer to the announcements of the Company dated 23 March 2023.
- (b) On 21 September 2023, the Lessee entered into the transfer agreement with Greengold Leasing, pursuant to which Greengold Leasing shall purchase certain designated equipment and facilities for sewage treatment systems (the “**Leased Assets**”) from the Lessee for the purchase price of RMB15,000,000 (the “**Purchase Price**”) (equivalent to approximately HK\$16,146,000). On the same date, the Lessee and Greengold Leasing entered into the finance lease agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising of 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 60 months commencing from the payment date of the Purchase Price. For details, please refer to the announcements of the Company dated 21 September 2023.

- III. On 8 June 2023, Huoqiu Huizhao Renewable Energy Technology Co., Ltd* (霍邱徽沼可再生能源科技有限公司) (the “**Lessee**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Transfer Agreement with Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) (the “**Jiangsu Leasing**”), pursuant to which Jiangsu Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB8,200,000 (equivalent to approximately HK\$9,046,000). On the same date, the Lessee also entered into the Finance Lease Agreement with Jiangsu Leasing, pursuant to which Jiangsu Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising the principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 7.8797% per annum for a lease period commencing from 9 June 2023 to 9 June 2026. For details, please refer to the announcements of the Company dated 8 June 2023.
- IV. (a) On 2 August 2023, Anqiu City New China Water Environmental Technology Limited* (安丘市新中水環保科技有限公司) (the “**Lessee A**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement A with Haitong Unitrust International Financial Leasing Co., Limited (海通恒信國際融資租賃股份有限公司) (the “**Haitong Leasing**”), pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas power generating facilities situated in Anqiu City, the PRC (the “**Leased Assets A**”) from Lessee A for the Purchase Price A of RMB20,000,000 (equivalent to approximately HK\$21,832,000); and (ii) Haitong Leasing shall lease back the Leased Assets A to Lessee A for a lease consideration comprising the principal amount equivalent to the Purchase Price A and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price A.
- (b) On the same date, Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (大唐華銀湘潭環保發電有限責任公司) (the “**Lessee B**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement B with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas power generating facilities situated in Xiangtan City, the PRC (the “**Leased Assets B**”) from Lessee B for the Purchase Price B of RMB20,000,000 (equivalent to approximately HK\$21,832,000); and (ii) Haitong Leasing shall lease back the Leased Assets B to Lessee B for a lease consideration comprising the principal amount equivalent to the Purchase Price B and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price B.
- (c) On the same date, Datang Huayin Heng Yang Environmental Power Company Limited* (大唐華銀衡陽環保發電有限公司) (the “**Lessee C**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement C with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas treatment and power generating facilities situated in Hengyang County, the PRC (the “**Leased Assets C**”) from Lessee C for the Purchase Price C of RMB15,000,000 (equivalent to approximately HK\$16,374,000); and (ii) Haitong Leasing shall lease back the Leased Assets C to Lessee C for a lease consideration comprising the principal amount equivalent to the Purchase Price C and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price C.

- (d) On the same date, Baoji City Electric Power Development Co., Limited* (寶雞市易飛明達電力發展有限公司) (the “**Lessee D**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement D with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase waste and landfill gas treatment and power generating facilities situated in Baoji City, the PRC (the “**Leased Assets D**”) from Lessee D for the Purchase Price D of RMB15,000,000 (equivalent to approximately HK\$16,374,000); and (ii) Haitong Leasing shall lease back the Leased Assets D to Lessee D for a lease consideration comprising the principal amount equivalent to the Purchase Price D and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price D.
- (e) On the same date, Wuzhou City New China Water New Renewable Resources Company Limited* (梧州市新中水新能源科技有限公司) (the “**Lessee E**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement E with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas treatment and power generating facilities situated in Wuzhou City, the PRC (the “**Leased Assets E**”) from Lessee E for the Purchase Price E of RMB10,000,000 (equivalent to approximately HK\$10,916,000); and (ii) Haitong Leasing shall lease back the Leased Assets E to Lessee E for a lease consideration comprising the principal amount equivalent to the Purchase Price E and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price E.
- (f) On the same date, Hunan Liuyang New China Water Environmental Technology Limited* (湖南瀏陽新中水環保科技有限公司) (the “**Lessee F**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement F with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas treatment and power generating facilities situated in Liuyang City, the PRC (the “**Leased Assets F**”) from Lessee F for the Purchase Price F of RMB10,000,000 (equivalent to approximately HK\$10,916,000); and (ii) Haitong Leasing shall lease back the Leased Assets F to Lessee F for a lease consideration comprising the principal amount equivalent to the Purchase Price F and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price F.

For details, please refer to the announcement of the Company dated 2 August 2023.

B. Capital Injection Into Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.

On 5 January 2023, New China Water (Nanjing) Renewable Resources Investment Company Limited* (the “**New China Water Nanjing**”), entered into the Capital Injection Agreement with Beijing Zhenhui Energy Saving and Environmental Protection Technology Co., Ltd.* (北京振徽節能環保科技有限公司), (the “**Beijing Zhenhui**”) and Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.* (勃利縣中水皖龍可再生能源科技有限公司) (the “**Target Company**”). Pursuant to the Capital Injection Agreement, New China Water Nanjing shall contribute RMB18,000,000 (equivalent to approximately HK\$20,540,000) to the registered capital of the Target Company (the “**Capital Injection**”). Upon completion of the Capital Injection, (i) the registered capital of the Target Company will be increased from RMB12,000,000 (equivalent to approximately HK\$13,693,000) to RMB30,000,000 (equivalent to approximately HK\$34,233,000), and (ii) New China Water Nanjing and Beijing Zhenhui will hold as to 60% and 40% equity interest in the Target Company, respectively. The Target Company is an indirect non-wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 5 January 2023.

C. Acquisition of 3.872% Equity Interest in New China Water Nanjing

On 1 March 2023, China Water (HK), an indirect wholly-owned subsidiary of the Company, and the Company (collectively, as Purchasers) entered into the Equity Transfer Agreement with Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)* (廣東粵財中小企業股權投資基金合夥企業(有限合夥)) and Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)* (珠海橫琴依星伴月投資合夥企業(有限合夥)), (collectively, as “**Vendors**”), pursuant to which the Vendors have agreed to sell to the Purchasers, and the Purchasers have agreed to purchase from the Vendors, the Aggregate Sale Capital at the Total Consideration of approximately RMB81,340,955 (equivalent to approximately HK\$92,574,000), which is determined based on the calculation of the repurchase price pursuant to the terms of the Investment Agreements. Upon completion of the Acquisition, New China Water Nanjing will become an indirect wholly-owned subsidiary of the Company. Up to the date of this announcement, the acquisition has not been completed. The first instalment payment representing 30% of the Total Consideration was paid in March 2023. Up to the date of this announcement, the acquisition of 3.872% equity interests from Vendors has not been completed. It is expected the transaction will be completed in June 2024. For details, please refer to the announcement of the Company dated 1 March 2023.

D. Acquisition of equipment

- On 14 July 2023, New China Water Nanjing, (the “**Purchaser**”), entered into the equipment purchase agreement I with Beijing Yisheng Environmental Technology Limited* (北京宜升環保能源科技有限公司) (the “**Vendor I**”), to purchase the six (6) set of biogas generators for a total consideration of RMB27.60 million (equivalent to approximately HK\$30.37 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 14 July 2023.
- On 18 July 2023, New China Water Nanjing, (the “**Purchaser**”), entered into the equipment purchase agreement II 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 II**”) to purchase the five (5) set of biogas generators for a total consideration of RMB23.00 million (equivalent to approximately HK\$25.20 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 18 July 2023.
- On 19 July 2023, New China Water Nanjing, (the “**Purchaser**”), entered into the equipment purchase agreement III with Shanghai Shuichunli Environmental Technology Co., Ltd* (上海水創利環境技術有限公司) (the “**Vendor III**”) to purchase the fifteen (15) set of biogas generators for a total consideration of RMB69.00 million (equivalent to approximately HK\$75.21 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 19 July 2023.

E. Further Investment in the Sewage Treatment Plants in Jinxiang

On 24 August 2023, Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) (the “**Haisheng Water**”), being an indirect wholly-owned subsidiary of the Company as principal, and Jiangsu Wanrong Construction Technology Company Limited* (江蘇萬融工程科技有限公司) (the “**Wanrong Construction**”), as contractor, entered into the upgrading and modification contract, pursuant to which Wanrong Construction has agreed to carry out the upgrading and modification work on the sewage treatment plant at the contract price of approximately RMB24.50 million (equivalent to approximately HK\$26.50 million). The construction period of the upgrading and modification work shall be commencing from 25 August 2023 to 25 November 2023. In January 2024, the upgrading and modification work in Haisheng Water was completed. For details, please refer to the announcement of the Company dated 24 August 2023 and 30 August 2023.

On 12 September 2023, Jining City Haiyuan Water Treatment Company Limited* (濟寧市海源水務有限公司) (the “**Haiyuan Water**”), being an indirect non-wholly-owned subsidiary of the Company, as principal, and Wanrong Construction, entered into the Haiyuan upgrading and modification contract, pursuant to which Wanrong Construction has agreed to carry out the Haiyuan upgrading and modification work on the Haiyuan Sewage Treatment Plant at the contract price of approximately RMB32.30 million (equivalent to approximately HK\$34.80 million). The construction period of the Haiyuan upgrading and modification work shall be commencing from 15 September 2023 to 15 December 2023. As at the date of this announcement, the upgrading and modification work is still in progress. It is expected the construction work will be completed in June 2024. For details, please refer to the announcement of the Company dated 12 September 2023.

F. Investment on Centralised Comprehensive Treatment Centre for Agricultural Waste in the PRC

On 25 August 2023, Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.* (勃利縣中水皖龍可再生能源科技有限公司) (the “**Project Company**”), an indirect non-wholly owned subsidiary of the Company, entered into the Investment Cooperation Agreement with Boli Government, pursuant to which (i) the Project Company agreed to invest in the Project with an investment amount of RMB100.00 million (equivalent to approximately HK\$108.30 million); and (ii) Boli Government agreed to assist the Project Company to implement the Project, including, amongst other things, to assist the Project Company to acquire the Project Land and obtain other relevant government consents, approvals, permits and/or government subsidies. During the year, the Project Company had acquired the project land. For details, please refer to the announcement of the Company dated 25 August 2023.

G. Awarded Two Glass Management Contracts in Kowloon Region and New Territories Region

On 23 June 2023, Hong Kong Glass Resources Limited (“**Glass Resources**”), an indirect wholly-owned subsidiary of the Company, has been awarded two 5-year glass management contracts (the “**Glass Management Contract(s)**”) for the Kowloon and the New Territories regions, respectively, by the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region (the “**EPD**”) for an aggregate contract sum of approximately HK\$319.00 million. For details, please refer to the announcement of the Company dated 23 June 2023.

H. Construction of the Water Quality Monitoring and Control Building in Yichun City, the PRC

On 28 September 2023, Yichun Water Industry Group Co., Ltd* (宜春水務集團有限公司), being an indirect non-wholly owned subsidiary of the Company, as principal, and Tiangong Construction Engineering Co. Limited* (天工建設工程有限公司) (the “**Tiangong Construction**”), as contractor, entered into the Construction Agreement, pursuant to which Tiangong Construction has agreed to carry out the construction of the water quality monitoring and control building at the contract price of approximately RMB106.7 million (equivalent to approximately HK\$114.9 million). The construction period of the water quality monitoring and control building shall be commencing from 30 September 2023 to 30 March 2026. As at the date of this announcement, the foundation work was completed. It is expected that the construction will be completed in March 2026. For details, please refer to the announcement of the Company dated 28 September 2023.

I. Established a subsidiary for the neutralization, collection and power generation in the PRC

On 27 November 2023, Victory Strategy Investment Limited (the “**Victory Strategy**”), an indirect wholly-owned subsidiary of the Company, and the Zhangwu Government entered into the agreement, pursuant to which (i) Victory Strategy agreed to invest in the project on the collection, neutralisation and utilisation of the landfill gas produced at the zhangwu landfill for power generation project (the “**Project**”) with an aggregate investment amount of up to RMB51.6 million (equivalent to approximately HK\$56.5 million), and establish and operate the project company in the PRC for the purpose of implementing the Project; and (ii) Zhangwu Government agreed to assist the Project Company to implement the Project, including, amongst other things, to provide the required construction lands and landfill gas resources. As at the date of this announcement, the project company was formed in November 2023. For details, please refer to the announcement of the Company dated 27 November 2023.

J. Awarded a service contract relating to the provision of food waste collection services in Kowloon West

On 1 February 2024, Glass Resources has been awarded a 39-month service contract (the “**Food Waste Contract**”), by the EPD for a contract sum of approximately HK\$87 million. For details, please refer to the announcement of the Company dated 1 February 2024.

K. Awarded the “Green Project of the Year”

New China Water (Nanjing) Renewable Resources Investment Company Limited# (新中水(南京)再生資源投資有限公司) (“**New China Water Nanjing**”), being an indirect non-wholly owned subsidiary of the Company, has received recognition for its contribution to and efforts in the reduction of greenhouse gas emission and generation of energy from greenhouse gas. The Green Projects operated by New China Water Nanjing have been selected and awarded the “**Green Project of the Year**” at “The Asset Triple A Sustainable Infrastructure Awards 2023” (the “**Award**”), being a widely recognised award programme in the sustainable infrastructure industry honouring the best-in-class institutions and deals in Asia. For details, please refer to the announcement of the Company dated 23 June 2023.

L. Disposal of entire equity interests in Onfar International Limited

On 25 March 2024, Haitian Water Group Company Limited# (海天水務集團股份公司) (the “**Purchaser**”), the Company, Billion City Investments Limited (the “**Vendor**”), being a direct wholly-owned subsidiary of the Company, and Shenzhen Haisheng Environmental Sci-Tech Co., Ltd.# (深圳市海晟環保科技有限公司), being an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 100% equity interests in the Onfar International Limited (the “**Onfar**”) and its subsidiaries (the “**Disposal Group**”) for a total consideration of RMB270 million. The disposal is subject to the approval of the shareholders by way of poll at the extraordinary general meeting. Upon completion, Onfar will cease to be a subsidiary of the Company, and the financial information of the Disposal Group will cease to be consolidated into the consolidated financial statements of the Group. For details, please refer to the announcement of the Company dated 25 March 2024.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had contingent liabilities in respect of guarantees in the mortgage facilities for certain purchasers of properties in the amount of HK\$1.40 million (as at 31 December 2022: HK\$3.26 million).

PLEDGE OF ASSETS

- (a) The Group's obligations under finance leases, bank loans and other loans of HK\$415.45 million in total as at 31 December 2023 (as at 31 December 2022: HK\$312.58 million) were secured by charges over:
- (i) property, plant and equipment in which their carrying amount was HK\$195.93 million (as at 31 December 2022: HK\$185.34 million);
 - (ii) right-of-use assets in which their carrying amount was HK\$254.13 million (as at 31 December 2022: HK\$306.39 million); and
 - (iii) investment properties in which their carrying amount was HK\$193.11 million (as at 31 December 2022: HK\$Nil).
- (iv) contractual rights to receive revenue generated by certain of our subsidiaries.
- (b) As at 31 December 2023, the Group's certain bank deposits of HK\$15.97 million (as at 31 December 2022: HK\$Nil) were pledged to a bank for granting a banking facility of HK\$16.00 million (as at 31 December 2022: HK\$Nil).

NO MATERIAL CHANGE

Save as disclosed in this announcement, during the year, 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 2022.

EMPLOYEES

As at 31 December 2023, excluding jointly controlled entities and associates, the Group had 1,053 employees (as at 31 December 2022: 1,010 employees), of which 27 are Hong Kong employees (as at 31 December 2022: 13). During the year, total employee benefit expenses, including Directors' emoluments and provident funds, was HK\$174.05 million (FY2022: HK\$194.08 million). The drop in staff costs was due to the Disposal of Linyi Fenghuang. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary, a year-end discretionary bonus and the New Option Scheme, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages of Directors and senior management are normally reviewed as on annual basis by the Remuneration Committee. During the year, 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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 2022 required to be disclosed was as follows:

1. With effect from 16 June 2023, Mr. Wong Siu Keung Joe (“**Mr. Wong**”), resigned as independent non-executive director of Worldgate Global Logistics Ltd (stock code: 8292) which is listed on the Growth Enterprise Market (GEM) Board of the Stock Exchange. With effect from 31 January 2024, Mr. Wong has been appointed as an independent non-executive Director, the chairman of the audit committee, and a member of the nomination committee and the remuneration committee of Yuk Wing Group Holdings Limited (stock code: 1536) which is listed on the Main Board of the Stock Exchange;
2. With effect from 1 November 2023, Mr. Lam Cheung Shing, Richard (“**Mr. Lam**”) has resigned as an executive Director of EverChina Int’l Holdings Company Limited (stock code: 202) which is listed on the Main Board of the Stock Exchange, and also ceased to be the chief executive officer, a member of the remuneration committee and the nomination committees as well as the authorised representative of that company. With effect from 17 November 2023, Mr. Lam has been appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Far East Holdings International Limited (stock code: 36) which is listed on the Main Board of the Stock Exchange; and
3. With effect from 1 March 2024, Ms. Chu Yin Yin Georgiana has been appointed as a non-executive Director of DeTai New Energy Group Limited (stock code: 559) which is listed on the Main Board of the Stock Exchange.

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

SHARE CAPITAL

The Company’s issued and fully paid share capital as at 31 December 2023 amounted to HK\$28.74 million divided into 2,873,609,649 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.

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 31 December 2023, 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 as at the date of announcement.

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 Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023 except for the deviation from the code provision C.2.1 as below:

- Pursuant to the code provision C.2.1 of Part 2 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. On 8 February 2021, Mr. Zhu Yongjun (“**Mr. Zhu**”), an executive Director of the Company, was appointed as the Chairman of Company. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of chief executive officer (the “**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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules as the code of the conduct for securities transactions by directors of listed issuers (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 announcement.

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 year ended 31 December 2023.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the Company’s auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this results announcement.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company including Mr. Wong (Committee Chairman), Mr. Lam 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 risk management; and (iii) financial reporting matters including the review of the audited annual results for the year ended 31 December 2023. The term of reference of the Audit Committee is available on the Company’s website and on the Stock Exchange’s website.

DIVIDENDS

The Directors do not recommend the payment of dividend for the year ended 31 December 2023 (31 December 2022: Nil).

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (<http://www.hkex.com.hk>). The annual report of the Company for 2023 containing all information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

2023 CHAIRMAN’S STATEMENT

In experiencing the tumultuous years, every sector would face various challenges and changes. These sectors constantly adapted to the environmental changes and coped with new challenges to realise their own development and progress. There was no exception for China’s environmental protection sector in 2023 as it encountered unprecedented difficulties in this era that was full of changes.

Over the past few years, the PRC government has been vigorously promoting the implementation of environmental protection policies with a view to improving the national ecological environment and facilitating sustainable development. However, with the changes in the economic situation, the government’s financial pressure is gradually increasing, which has posed a direct impact on the environmental protection sector. China Water Industry Group Limited (hereinafter referred to as “**Group**” or “**China Water**”) closely aligned with its strategic goal of becoming a leading “Chinese Biomass Gas Operation Service Provider”. Guided by market demands and leveraging its platform advantages, the Group focused on the deep cultivation of the environmentally-friendly new energy sector. During the process of business transformation and reform, the Group not only placed a high value on innovation and service upgrades but also emphasized business model innovation. Through in-depth cooperation with governments, enterprises, and scientific research institutions, it actively sought solutions. Furthermore, the Group ensured stable and sound operations through measures such as optimizing asset structure and strengthening risk management.

BUSINESS REVIEW:

I. Accelerated Development of the Environmentally-friendly New Energy Sector as the Core Business of the Group

- (i) *Vigorously developing the resource utilization of biomass gas (landfill gas for agriculture, industrial biogas)*

In recent years, despite the continuous decline in the market share of landfill waste treatment due to the facilitation of domestic waste incineration, however, the domestic landfill waste stock market size remains substantial. In 2023, New China Water, a subsidiary of the Group, continued to expand the scale of potential domestic landfill gas projects by leveraging its professional technology and rich industry experience. It successfully signed contracts for four biogas power generation projects, adding a new power generation capacity of 8 MW, and commissioned three projects within the same year.

In terms of agricultural biomass gas, New China Water closely follows national policies to actively promote its development. Guided by a suite of supporting policies and plans proposed by the government, the Comprehensive Treatment of Organic Waste in Huoqiu County, Anhui Province under the Group officially commenced its operation in August 2023 and has been running well, becoming a flagship demonstration project for the Group. Not only has this project improved the living environment of rural residents but also propels the rural energy revolution and improves soil fertility, setting a new benchmark for the control of rural non-point source pollution. Additionally, the Group is actively preparing two projects for the resource utilization of livestock and poultry waste in Chengwu County, Shandong Province, and Boli County, Qitaihe City, Heilongjiang Province, further consolidating its market position for the treatment of agricultural, forestry, livestock, and poultry waste.

For industrial biogas projects, New China Water has also achieved significant results. In September 2023, the Dezhou Gu Shen Protein Biomass Gas Purification Project* (德州穀神蛋白生物質燃氣提純項目) was successfully launched, marking the Group's breakthrough in the industrial biogas sector. Currently, the Group is following up on several industrial biogas projects and plans to sign another large-scale industrial biogas project before the second quarter of 2024.

(ii) Establishing an Overseas Division, Actively Exploring the International Market

In the wave of globalization, New China Water, a subsidiary of the Group, established its Overseas Division in August 2023, marking a significant step towards the Group's international development. This strategic move aims to expand the Group's market boundaries, explore and develop new growth opportunities, and simultaneously inject new momentum into the Group's long-term development.

Leveraging the Group's core technologies and extensive experience in the environmentally-friendly new energy sector, the Overseas Division swiftly initiated market development efforts in Indonesia, the Philippines, the Middle East, and Africa. Through in-depth cooperation with partners, and actively seeking out high-quality and capable local partners, the Group not only achieved resource sharing but also made remarkable results in these local markets. Breakthroughs were achieved in regions such as the Philippines, the United Arab Emirates ("UAE"), and Africa, where biomass gas resource utilization projects received widespread attention, providing effective solutions to local environmental pollution issues. Currently, the Overseas Division is advancing project cooperation in these regions synchronously, deepening partnership relationships, and expanding business scopes in laying a solid foundation for the Group's globalization strategy.

(iii) Facilitating Ecological Restoration and Resources Reuse of Closed Landfill

In 2022, New China Water joined forces with scientific researchers to launch a groundbreaking R&D project — Photon Quantum Kiln Gasification and Pyrolysis Technology. In November 2023, a pilot project processing 30 tonnes of stale waste per day was completed at the Huadu Landfill Site in Guangzhou and achieved satisfactory results. In 2024, it plans to further promote the commercialization of this technological achievement through cooperation with external enterprises.

When the Ministry of Ecology and Environment, the National Development and Reform Commission and other departments jointly issued the Implementation Plan for Synergetic Efficiency in Pollution Reduction and Carbon Reduction (《減污降碳協同增效實施方案》) in June 2022, this national strategy coincided with our vision. The plan proposed the use of closed landfill sites for the construction of photovoltaic and wind power projects, which aligned with our direction perfectly. In 2024, the Group will continue to deepen its efforts in this area, strengthen the team, and further expand the ecological restoration and energy regeneration business of the landfill sites.

(iv) Joining Hands with Financial Giants in Building a Green Future

At the end of July 2023, New China Water further marched forward solidly in the international cooperation market as evidenced by its successful obtaining the second green loan from The International Finance Corporation (“IFC”), a subordinate body of the World Bank. Such a success was not only an injection of funds but also a strong endorsement of confidence in sustainable development in the future. In 2024, both parties intend to further cooperate in all aspects of overseas business development. With IFC’s support, not only will New China Water be able to receive financial support, but also leverage IFC’s resources and experience to accelerate its global business layout and outreach.

Domestically, New China Water has also gained strong support from financial institutions such as the Bank of China, Haitong Leasing, and Jiangsu Financial Leasing, and we are brimming with confidence and determination to achieve rapid strategic development.

II. Water Service Segment Sustaining Stable Operation, and Traditional Water Service are Gradually Transforming into Integrated Water Treatment

In 2023, the municipal water supply and drainage business segment sustained stable operations with satisfactory results. The water treatment technology platform with the technologies of Shanghai Anchor, a subsidiary of the Group, as the backbone has made important progress in the technical cooperation with AQP, a Danish company and EvCon, a German company. Looking forward, the Group will gradually transform from a traditional municipal water supply and drainage business to a technical solution provider for integrated water treatment, which further underpins the Group’s new positioning in the water service industry in China.

- (i) Yichun Water Industry Group Co., Ltd.* (宜春水務集團有限公司) achieved 87,887,100 tonnes of water supply in 2023, representing a year-on-year increase of 2.5%. It sold 69,029,900 tonnes of water, up by 5.89% year-on-year, with a sales revenue of RMB110.52 million, up by 5.47% over last year. The comprehensive water quality qualification rate reached 100%. In June, Sanyang Water Plant was successfully put into operation with a water supply of 100,000 tonnes/day, which completely addressed the shortage of water supply capacity. It successfully completed the water connection of Sifangjing Reservoir through coordination and cooperation, and in November, the raw water of Sifangjing Reservoir was taken to secure improved water quality, and the drinking water source of residents in the central urban area of Yichun was changed from the category three water sources of the Yuan River to the category two water sources of the reservoir with higher quality standards.

- (ii) Yichun Fangke Sewage Treatment Company Limited* (宜春市方科污水處理有限公司) achieved 46,813,100 tonnes of annual sewage treatment in total with average daily treatment of 128,300 tonnes, and 30,308 tonnes of sludge treatment in total. The sewage treatment equipment and facilities operate steadily, with an intact rate of 100%. The completed PV project was put into production in March. The commissioning of the tailwater lifting pumping station and pipeline discharge of the Mingyueshan Wentang Sewage Treatment Plant has been commenced. The company has actively negotiated with the competent authorities for the right of entrusted operation and maintenance. It is planned to build the Mingyueshan Hongjiang Sewage Treatment Plant Project. At present, the feasibility study, social stability risk assessment, environmental impact assessment, sewage outlet demonstration preparation and approval have been completed, and the project site selection and planning indicators have been determined. The preliminary demonstration has basically been completed and the project has entered the stage of preparation and deployment, which are highly recognized by the local government authorities.
- (iii) Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* (佛山市高明區華信污水處理有限公司) achieved rewarding results in energy conservation and emission reduction by adjusting process parameters and other methods throughout 2023. The volume of sludge transported and the electricity consumption decreased by more than 10% year-on-year.
- (iv) The annual sewage treatment revenue of Jining City Haiyuan Water Treatment Company Ltd.* (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) outperformed the annual performance indicators by 6%, and the net profit had exceeded expectations. The contract negotiation with the Jinxiang County People's Government in respect of the Quasi category four water upgrading project of the sewage treatment plant has been completed. Jining City Haiyuan Water Treatment Company Ltd. and Jining City Haisheng Water Treatment Company Limited entered into supplemental BOT contracts with Jinxiang County People's Government, respectively. At present, Jining Haisheng upgrading project core process section has been completed and passed the acceptance inspection of environmental protection. The Jining Haiyuan core process section has been completed except for certain electrical equipment, the unit price of the upgraded sewage treatment increased from the original RMB1.19/tonne and RMB1.24/tonne to RMB2.06/tonne.

The acquisition of Anchor Environmental & Energy Technology (Shanghai) Co., Ltd.* (安和睿環保能源科技(上海)有限公司) and RELE Environmental & Energy Technology (Shanghai) Co., Ltd.* (睿利環保能源科技(上海)有限公司) (“**Anchor and RELE**”) marked the strategic transformation of the Group from a traditional water service company to a technology-based water treatment company, which not only coincides with the general direction of the government to facilitate high-quality development and sustainable development but also captures the enormous market potential in the fields of industrial wastewater treatment and recycling, deep treatment of municipal sewage and organic solid waste treatment.

In 2023, Anchor and RELE made remarkable achievements in its business development as evidenced by the successful delivery of several wastewater projects, including, among others, Zhejiang Sonac Project, Jiangxi Wuzhou Paper Project, Shandong Xinrui Industry Project, Hubei Dinglong Electronics Project, and Jiangxi Baihe Lake Food Park Project to name a few, which have been recognized and praised by customers. It constantly invested in technological research and development. Significant progress has been made in the cooperative research and development of aquaporin membrane separation technology with AQP, a Danish company and low-temperature multi-effect membrane distillation technology with EvCon, a German company. In December 2023, Anchor and RELE were granted the Shanghai High-tech Enterprise Certificate.

III. City-Industry Integration Segment Actively Pursuing Development and Facilitating Investment Cooperation and Property Management

In 2023, shrinking external demand intertwined with insufficient domestic demand, and cyclical problems coexisted with structural problems. The domestic real estate market was still at its trough of adjustment and no marked favorable turn was envisaged. The investment promotion and operation of industrial parks were under pressure.

For the project in Nanjing Space Big Data Industrial Park, we actively attracted investment and established full-fledged supporting facilities in the park. As of the end of December 2023, it leased out 9,483.22 square meters, representing an occupancy rate of 53% as of the end of the year, and the ownership transfer procedures of 10,731.43 square meters of saleable area were completed. For the project in Huizhou Honghu Blue Valley Wisdom Square* we continued to promote investment cooperation and optimize the project operation model.

IV. Hong Kong Glass Resources Limited Securing Favorable Results with Major Breakthrough Once Again

In 2023, Hong Kong Glass Resources Limited successfully won the bid for the waste glass recycling and disposal project for the next five years in Kowloon and the New Territories, with a total contract value of HK\$320 million. Hong Kong Glass Resources Limited has now been included in the service providers list of the Environmental Protection Department (the “EPD”) in Hong Kong, which signified that its professionalism and authoritativeness in the environmental protection sector have been officially recognized, and in February 2024, it also won the bid for the West Kowloon Food Waste Recycling Project. Looking forward, the Group will further develop its local environmental protection business in Hong Kong, enhance the Group’s position in the environmental protection industry in Hong Kong, and further revenue increase.

OUTLOOK AND FUTURE PLANS:

On March 25, 2024, the Group announced the disposal of 100% equity interest in Onfar International, which held 51% equity interest in Yichun Water, as part of the Group's strategic adjustment to divest from traditional municipal water services, with a view to focusing more on its core business areas and market positioning. We will adhere to the market positioning of "biomass gas operator in China", and devote ourselves to the resource utilization of biomass gas (landfill gas, agricultural and industrial biogas), integrated water treatment, overseas business development, landfill closure ecological restoration and resources reuse, landfill maintenance and engineering support services, and constantly explore and expand new business models and market potential. In the meantime, we are advancing the asset optimization of sewage projects, enhancing efficiency and profitability through disposal of non-core assets or restructuring of existing assets.

In 2024, harnessing the combination of resources, policies, technology and workforce team, we will enhance the core competitiveness and external influence of the Group. We will resolutely promote corporate reform, optimize the organisational structure, place a premium on talent cultivation, enhance the internal driving force, and create a corporate culture with China Water's characteristics of in a real sense. In 2024, adhering to the core values of "taking the company as home, taking pride in performance, taking unity as harmony and taking hard-working as the foundation", we will leverage the synergistic effect of resource cooperation among all parties. In 2024, we will boost efforts in propelling the expansion of Hong Kong's environmental protection segment and overseas environmental protection business to achieve the innovative iteration, high-speed and high-quality development of the Group. With a technology-driven, market-oriented, customer-centric, and efficiency-oriented approach, we will make sweeping efforts to advance our sustainable development.

ACKNOWLEDGEMENTS:

Reflecting on the past and looking forward to the future, our hearts are full of gratitude and expectations. I would like to take this opportunity to express my sincere gratitude to the shareholders and investors for their support, trust and help. I would also like to express my deepest respect to all employees who have worked relentlessly in various departments and projects of China Water. In 2024, the Group will remain determined and aggressive in creating value for society, shareholders, investors and all employees.

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

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman), Ms. Chu Yin Yin, Georgiana and Mr. Hu Siyun, all being executive Directors and Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, all being independent non-executive Directors.

* *For identification purpose only*