



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



2015 

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Wang De Yin (*Chairman and Chief Executive Officer*)  
Mr. Lin Yue Hui  
Mr. Liu Feng  
Ms. Deng Xiao Ting  
Ms. Chu Yin Yin, Georgiana

#### Independent Non-Executive Directors

Mr. Guo Chao Tian  
Mr. Li Jian Jun  
Mr. Wong Siu Keung, Joe

#### AUDIT COMMITTEE

Mr. Wong Siu Keung, Joe (*Chairman*)  
Mr. Li Jian Jun  
Mr. Guo Chao Tian

#### REMUNERATION COMMITTEE

Mr. Wong Siu Keung, Joe (*Chairman*)  
Mr. Li Jian Jun  
Mr. Liu Feng

#### NOMINATION COMMITTEE

Mr. Wang De Yin (*Chairman*)  
Mr. Wong Siu Keung, Joe  
Mr. Li Jian Jun

#### INVESTMENT COMMITTEE

Mr. Wang De Yin (*Chairman*)  
Mr. Liu Feng  
Mr. Tang Hui Ping, Paul (Resigned on 31 May 2015)  
Mr. Lin Yue Hui  
Mr. Liu Hui Quan  
Mr. Li Jian Ping  
Mr. Huang De Ping (Appointed on 21 July 2015)

#### COMPANY SECRETARY

Ms. Chu Yin Yin, Georgiana

### PRINCIPAL BANKERS

#### PRC

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

#### Hong Kong

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

### LEGAL ADVISERS TO HONG KONG LAWS

Reed Smith Richards Butler  
Robertsons Solicitors & Notaries  
Johnny K.K. Leung & Co.

### AS TO CAYMAN ISLANDS LAWS

Conyers Dill & Pearman

### COMPLIANCE ADVISOR

Halcyon Capital Limited

### AUDITORS

Crowe Horwath (HK) CPA Limited

### REGISTERED OFFICE

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



## **CORPORATE INFORMATION** *(Continued)*

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR TRANSFER OFFICE**

Union Registrars Limited  
A18/F., Asia Orient Tower, Town Place  
33 Lockhart Road  
Wanchai, Hong Kong

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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

### **CONTACTS**

Telephone: (852) 2547 6382  
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### **STOCK**

1129



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	4	226,188	204,237
Cost of sales		(144,523)	(131,495)
Gross profit		81,665	72,742
Other income, net		15,294	6,033
Change in fair value of derivative financial instruments		46	24,390
Net gain on financial assets at fair value through profit or loss		256,475	55,522
Gain on disposal of available-for-sale investments		–	21,770
Reversal of impairment loss recognised on an associate		33,540	–
Reversal of impairment loss recognised on trade and other receivables		365	–
Selling and distribution expenses		(15,088)	(13,958)
Administrative expenses		(64,414)	(61,155)
Finance costs	6	(9,491)	(26,404)
Impairment loss recognised on trade and other receivables		(3,476)	–
Share of profit (losses) of associates		(6,316)	(5,850)
<b>Profit before tax</b>		<b>288,600</b>	73,090
Income tax	7	(54,116)	(11,315)
<b>Profit for the period</b>	8	<b>234,484</b>	61,775
Attributable to:			
Owners of the Company		225,523	60,476
Non-controlling interests		8,961	1,299
		<b>234,484</b>	61,775
<b>Earnings per share (HK\$)</b>			
Basic	9	0.16	0.05
Diluted	9	0.16	0.05



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Profit for the period</b>		<b>234,484</b>	61,775
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		<b>2,695</b>	(6,680)
Reclassification adjustments relating to disposal of available-for-sale investments during the period		–	(1,897)
Net gain arising on revaluation of available-for-sale investments during the period		<b>30,097</b>	22,727
Share of other comprehensive income of associates		<b>535</b>	(615)
Other comprehensive income for the period, net of income tax		<b>33,327</b>	13,535
<b>Total comprehensive income for the period</b>		<b>267,811</b>	75,310
<b>Attributable to:</b>			
Owners of the Company		<b>257,754</b>	77,084
Non-controlling interests		<b>10,057</b>	(1,774)
		<b>267,811</b>	75,310



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	197,997	159,310
Deposits paid for acquisition of property, plant and equipment		16,216	5,282
Prepaid lease payments		24,674	25,110
Concession intangible assets		564,790	546,766
Investment property		21,529	21,457
Other intangible assets		171,173	176,111
Available-for-sale investments	16	186,898	26,016
Interest in associates		67,322	39,563
Deferred tax assets		1,403	1,327
		<b>1,252,002</b>	1,000,942
<b>Current assets</b>			
Inventories		194,752	184,036
Financial assets at fair value through profit or loss	16	580,345	238,527
Trade and other receivables	12	239,896	171,682
Prepaid lease payments		1,057	1,053
Amounts due from customers for contract works		10,409	12,898
Cash held at financial institutions		215	5,268
Bank balances and cash		662,147	318,798
		<b>1,688,821</b>	932,262
<b>Current liabilities</b>			
Trade and other payables	13	187,791	157,947
Amounts due to customers for contract works		79,059	58,421
Bank borrowings		56,035	49,258
Other loans		209,835	13,619
Amounts due to non-controlling shareholders of subsidiaries		64,217	59,532
Loans from associates		3,394	4,657
Convertible bonds	14	–	103,519
Tax payables		34,555	38,495
		<b>634,886</b>	485,448
<b>Net current assets</b>		<b>1,053,935</b>	446,814
<b>Total assets less current liabilities</b>		<b>2,305,937</b>	1,447,756



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2015

	Note	At 30 June 2015 <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 December 2014 <i>HK\$'000</i> (Audited)
<b>Capital and reserves</b>			
Share capital	15	<b>799,166</b>	666,166
Share premium and reserves		<b>897,869</b>	273,411
Equity attributable to owners of the Company		<b>1,697,035</b>	939,577
Non-controlling interests		<b>340,474</b>	330,417
<b>Total equity</b>		<b>2,037,509</b>	1,269,994
<b>Non-current liabilities</b>			
Bank borrowings		<b>80,131</b>	33,598
Other loans		<b>61,197</b>	59,270
Government grants		<b>18,819</b>	19,237
Deferred tax liabilities		<b>108,281</b>	65,657
		<b>268,428</b>	177,762
		<b>2,305,937</b>	1,447,756





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Revaluation reserve	Translation reserve	Investment revaluation reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2014 (audited)</b>	555,166	484,002	3,553	56,618	9,147	22,326	(587,138)	543,674	282,827	826,501
Changes in equity for the six months ended 30 June 2014:										
Profit for the period	-	-	-	-	-	-	60,476	60,476	1,299	61,775
Other comprehensive income for the period	-	-	-	(4,222)	20,830	-	-	16,608	(3,073)	13,535
<b>Total comprehensive income for the period</b>	-	-	-	(4,222)	20,830	-	60,476	77,084	(1,774)	75,310
Placing of new shares	111,000	111,000	-	-	-	-	-	222,000	-	222,000
Transaction costs attributable to issue of shares	-	(5,600)	-	-	-	-	-	(5,600)	-	(5,600)
Capital injection from non-controlling shareholders of a newly incorporated subsidiary	-	-	-	-	-	-	-	-	3,392	3,392
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(7,357)	(7,357)
<b>At 30 June 2014 (unaudited)</b>	666,166	589,402	3,553	52,396	29,977	22,326	(526,662)	837,158	277,088	1,114,246



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Revaluation reserve	Translation reserve	Investment revaluation reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2015 (audited)</b>	666,166	589,402	3,553	41,646	-	29,685	(390,875)	939,577	330,417	1,269,994
Changes in equity for the six months ended 30 June 2015:										
Profit for the period	-	-	-	-	-	-	225,523	225,523	8,961	234,484
Other comprehensive income for the period	-	-	-	2,134	30,097	-	-	32,231	1,096	33,327
<b>Total comprehensive income for the period</b>	-	-	-	2,134	30,097	-	225,523	257,754	10,057	267,811
Placing of new shares	133,000	367,080	-	-	-	-	-	500,080	-	500,080
Transaction costs attributable to issue of shares	-	(376)	-	-	-	-	-	(376)	-	(376)
Transfer of statutory reserve	-	-	-	-	-	3,255	(3,255)	-	-	-
<b>At 30 June 2015 (unaudited)</b>	799,166	956,106	3,553	43,780	30,097	32,940	(168,607)	1,697,035	340,474	2,037,509



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
CASH GENERATED FROM OPERATIONS		
NET CASH USED IN OPERATING ACTIVITIES	<b>(36,443)</b>	(30,089)
NET CASH USED IN INVESTING ACTIVITIES	<b>(269,266)</b>	(174,103)
NET CASH FROM FINANCING ACTIVITIES	<b>642,272</b>	299,803
INCREASE IN CASH AND CASH EQUIVALENTS	<b>336,563</b>	95,611
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>324,066</b>	250,564
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>1,733</b>	(1,319)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash and cash held at financial institutions	<b>662,362</b>	344,856



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

## 1. COMPANY INFORMATION

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"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

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

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

## 2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

## 3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared on the historical cost basis except for certain investments which are measured at fair values.

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

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
Annual Improvements in 2012	Annual Improvements for 2010-2012 Cycle
Annual Improvements in 2013	Annual Improvements for 2011-2013 Cycle

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 4. REVENUE

Revenue primarily represents revenue arising from the provision of water supply services, sewage treatment services, water supply related installation and construction income and water supply and sewage treatment infrastructure construction income.

An analysis of the Group's revenues for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Water supply services	<b>54,172</b>	74,649
Sewage treatment services	<b>24,969</b>	23,977
Water supply related installation and construction income	<b>98,555</b>	67,495
Water supply and sewage treatment infrastructure construction income	<b>30,317</b>	27,926
Others	<b>18,175</b>	10,190
	<b>226,188</b>	204,237

Others represented sales of electricity to a provincial power grid company, tariff adjustment received and receivable from a relevant government authority and sale of compressed natural gas to external customers.

### 5. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the unaudited condensed consolidated interim financial information, are identified from the financial information provided regularly to the board of directors of the Company, being the chief operating decision maker for the purposes of allocation resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

In the second half of 2014, the Group acquired Shenzhen City Li Sai Industrial Development Limited\* ("Shenzhen Li Sai") and Hunan Huiming Environmental Technology Limited\* ("Huiming Technology"), which are principally engaged in the provision of exploitation and sale of renewable energy in the PRC. Thus, the executive directors consider provision of exploitation and sale of renewable energy in the PRC is a new reportable and operating segment upon the acquisition. During the period ended 30 June 2014, there was no segment information disclosed as the Group's operation only comprised provision of water supply, sewage treatment and construction services (as defined below) and it is determined that the Group has only one operating segment. After the acquisition of Shenzhen Li Sai and Huiming Technology, the executive directors separately assessed the segment results of water supply, sewage treatment and construction services from exploitation and sale of renewable energy (as defined below) as well as the corporate income and expenses. Figures in segment information for the period ended 30 June 2014 have been re-presented for comparative purposes.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 5. SEGMENT INFORMATION *(Continued)*

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; and
- (ii) "Exploitation and sale of renewable energy" segment, which derives revenues primarily from sale of electricity and compressed natural gas from biogas power plants.

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.

#### Segment turnover and results

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

*For the period ended 30 June 2015*

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>	<b>208,013</b>	<b>18,175</b>	<b>226,188</b>
<b>Reportable segment profit (loss)</b>	<b>55,826</b>	<b>(10,006)</b>	<b>45,820</b>
Unallocated corporate expenses			<b>(8,676)</b>
Interest income			<b>9</b>
Imputed interest on convertible bonds			<b>(1,027)</b>
Interest on other loans			<b>(4,047)</b>
Change in fair value of derivative financial instruments			<b>46</b>
Net gain on financial assets at fair value through profit or loss			<b>256,475</b>
<b>Profit before taxation</b>			<b>288,600</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 5. SEGMENT INFORMATION *(Continued)*

Segment turnover and results *(Continued)*

For the period ended 30 June 2014 *(re-presented)*

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>	194,047	10,190	204,237
<b>Reportable segment profit</b>	5,054	1,169	6,223
Unallocated corporate expenses			(12,784)
Interest income			4
Imputed interest on convertible bonds			(22,035)
Change in fair value of derivative financial instruments			24,390
Net gain on financial assets at fair value through profit or loss			55,522
Gain on disposal of available-for-sale investments			21,770
<b>Profit before taxation</b>			73,090



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 5. SEGMENT INFORMATION *(Continued)*

#### Other segment information

For the period ended 30 June 2015

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	2,124	14	9	2,147
Interest expenses	(2,878)	(1,539)	(5,074)	(9,491)
Share of profit (losses) of associates	(6,316)	–	–	(6,316)
Depreciation of property, plant and equipment	(2,410)	(3,686)	(824)	(6,920)
Amortisation of:				
– Prepaid lease payments	(528)	–	–	(528)
– Concession intangible assets	(12,859)	–	–	(12,859)
– Other intangible assets	–	(5,309)	–	(5,309)
Gain on disposal of property, plant and equipment	216	–	–	216
Reversal of impairment loss recognised on an associate	33,540	–	–	33,540
Reversal of impairment loss recognised on trade and other receivables	365	–	–	365
Impairment loss recognised on trade and other receivables	(3,476)	–	–	(3,476)
Additions to non-current segment assets	46,534	39,999	17	86,550





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 5. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the period ended 30 June 2014 (re-presented)

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	497	80	4	581
Interest expenses	(3,935)	(434)	(22,035)	(26,404)
Share of profit (losses) of associates	(5,850)	–	–	(5,850)
Depreciation of property, plant and equipment	(3,627)	(1,271)	(862)	(5,760)
Amortisation of:				
– Prepaid lease payments	(645)	–	–	(645)
– Concession intangible assets	(15,414)	–	–	(15,414)
– Other intangible assets	–	(1,750)	–	(1,750)
Gain (Loss) on disposal of property, plant and equipment	15	(296)	–	(281)
Concession intangible assets written off	(439)	–	–	(439)
Additions to non-current segment assets	35,539	25,530	763	61,832

### 6. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on:		
– Convertible bonds	1,027	22,035
– Bank borrowings wholly repayable within five years	3,241	2,621
– Bank borrowings wholly repayable after five years	194	–
– Other loans wholly repayable within five years	4,754	1,669
– Loan from an associate	275	79
	<b>9,491</b>	26,404



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax		
– PRC Enterprise Income Tax (“EIT”)	<b>10,732</b>	10,165
– Hong Kong profits tax	<b>1,252</b>	–
Overprovision of tax in respect of prior years	<b>(409)</b>	–
Deferred tax	<b>42,541</b>	1,150
	<b>54,116</b>	11,315

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2015.

Hong Kong profits tax has not been provided for the six months ended 30 June 2014 as there was no estimated assessable profit derived from Hong Kong for the period.

Under the Law of the EIT and Implementation Regulation of the Law of the EIT, the tax rate of the PRC subsidiaries is 25% for both periods, except disclosed as follows.

Foshan City Gaoming Huaxin Sewage Treatment Company Limited\* (“Gaoming Huaxin”), Nanjing Feng Shang New Technology Limited Liability Company\* (“Nanjing Feng Shang”) and Huiming Technology are engaged in sewage treatment, provision of electricity supply and sale of renewable energy, respectively. They are entitled to tax concessions whereby the profit for the first three financial years beginning with the first profit-making year is exempted from EIT and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate. The first profit-making year of Gaoming Huaxin, Nanjing Feng Shang and Huiming Technology were 2011, 2012 and 2012, respectively. Accordingly:

- Gaoming Huaxin is exempted from PRC income tax from 1 January 2011 to 31 December 2013 and is entitled to a 50% exemption of income tax from 1 January 2014 to 31 December 2016.
- Nanjing Feng Shang and Huiming Technology are exempted from PRC income tax from 1 January 2012 to 31 December 2014 and are entitled to a 50% exemption of income tax from 1 January 2015 to 31 December 2017.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015 <b>HK\$'000</b> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs including directors' emoluments		
– salaries, wages and other benefits	<b>47,728</b>	39,657
– retirement benefits scheme contributions	<b>6,942</b>	7,779
Total staff costs	<b>54,670</b>	47,436
Amortisation of prepaid lease payments	<b>528</b>	645
Amortisation of concession intangible assets (included in cost of sales)	<b>12,859</b>	15,414
Amortisation of other intangible assets (included in cost of sales)	<b>5,309</b>	1,750
Depreciation of property, plant and equipment	<b>6,920</b>	5,760
(Gain) loss on disposal of property, plant and equipment	<b>(216)</b>	281
Concession intangible assets written off	<b>–</b>	439
Bank interest income	<b>(30)</b>	(429)
Net exchange loss (gain)	<b>139</b>	(836)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to the owners of the Company, used in the basic earnings per share	<b>225,523</b>	60,476
Change in fair value of derivative component of convertible bonds	–	(24,390)
Imputed interest on convertible bonds	–	22,035
<b>Profit attributable to the owners of the Company, used in the diluted earnings per share</b>	<b>225,523</b>	58,121
	<b>'000</b>	'000
Weighted average number of ordinary shares – basic	<b>1,373,625</b>	1,133,636
Effect of dilutive potential ordinary shares: – Convertible bonds	–	117,507
<b>Weighted average number of ordinary shares – diluted</b>	<b>1,373,625</b>	1,251,143
Earnings per share (HK\$):		
Basic	<b>0.16</b>	0.05
Diluted	<b>0.16</b>	0.05

Diluted earnings per share were the same as the basic earnings per share for the period ended 30 June 2015, as the effect of conversion of the Company's outstanding convertible bonds would result in an increase in earnings per share.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 10. DIVIDENDS

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

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment amounted to approximately HK\$45,290,000 (six months ended 30 June 2014: approximately HK\$9,493,000) and disposed of property, plant and equipment with carrying amount of approximately HK\$268,000 (six months ended 30 June 2014: approximately HK\$415,000).

### 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade receivables	44,915	35,912
Less: impairment loss recognised	(8,792)	(5,659)
	<b>36,123</b>	30,253
Other receivables	57,725	15,700
Less: impairment loss recognised	(4,270)	(4,265)
	<b>53,455</b>	11,435
Loan receivables	67,493	69,847
Less: impairment loss recognised	(54,844)	(54,844)
	<b>12,649</b>	15,003
Consideration receivable (Note 1)	<b>16,256</b>	88,304
Deposits and prepayments (Note 2)	<b>121,413</b>	26,687
	<b>239,896</b>	171,682



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 12. TRADE AND OTHER RECEIVABLES *(Continued)*

*Note 1:* The balance represented the consideration receivable for the disposal of 70% equity interest of Super Sino Investment Limited and its various wholly-owned subsidiaries (excluding Anhui Dang Shan Water Industry Company Limited) (collectively the "Disposal Group"), together with 70% of the entire loan due and payable by the Disposal Group, to Guangdong Water Group (H.K.) Limited. In early August 2015, the consideration was fully settled.

*Note 2:* Deposits and prepayments were mainly (i) deposits paid for purchases and (ii) tender deposits paid to independent third parties for bidding construction projects.

The Group allows an average credit period of 30 days to 180 days given to the customers.

An aged analysis of trade receivables net of impairment loss recognised, based on invoice date was as follows:

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Within 90 days	27,537	20,985
91 to 180 days	2,655	2,262
181 to 365 days	4,884	5,671
Over 1 year	1,047	1,335
	<b>36,123</b>	30,253

### 13. TRADE AND OTHER PAYABLES

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

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Within 90 days	13,633	10,971
91 to 180 days	471	1,001
181 to 365 days	1,914	2,198
Over 1 year	4,677	3,370
Trade payables	<b>20,695</b>	17,540
Other payables	<b>155,926</b>	129,858
Interest payables	<b>11,170</b>	10,549
	<b>187,791</b>	157,947



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 14. CONVERTIBLE BONDS

On 16 October 2013, the Company and the Subscriber (Prosper Talent Limited) entered into the Subscription Agreement in respect of the issue of and subscription for the Convertible Bonds to be issued in two tranches in an aggregate principal amount of HK\$200 million in cash, comprising of the Series A Bond and the Series B Bond.

The Company fully redeemed the outstanding Series A Bond and Series B Bond upon maturity on 30 October 2014 and 14 January 2015, respectively. Following the Series A Bond and Series B Bond being fully redeemed, the Company has no outstanding convertible bonds.

The movement of the liability and derivatives component of the Series A Bond and Series B Bond is set out below:

	<b>Liability</b>	<b>Derivatives Component Embedded in Convertible Bonds</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
At 31 December 2013 and 1 January 2014	89,646	17,706	107,352
Issuance of Series B Bond	86,178	13,822	100,000
Imputed interest recognised	43,399	–	43,399
Coupon interest paid in advance	(11,250)	–	(11,250)
Redemption of Series A Bond	(104,500)	–	(104,500)
Gain on change in fair value of derivatives embedded in convertible bonds	–	(31,482)	(31,482)
At 31 December 2014 and 1 January 2015	103,473	46	103,519
Imputed interest recognised	1,027	–	1,027
Redemption of Series B Bond	(104,500)	–	(104,500)
Gain on change in fair value of derivatives embedded in convertible bonds	–	(46)	(46)
At 30 June 2015	–	–	–



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 15. SHARE CAPITAL

	At 30 June 2015 (Unaudited)		At 31 December 2014 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised capital:				
<b>Ordinary shares of HK\$0.50 each</b>				
At the beginning and the end of the period/year	<b>4,000,000,000</b>	<b>2,000,000</b>	4,000,000,000	2,000,000
<b>Convertible preference shares of HK\$0.10 each</b>				
At the beginning and the end of the period/year	<b>2,000,000,000</b>	<b>200,000</b>	2,000,000,000	200,000
Issued and fully paid:				
<b>Ordinary shares of HK\$0.5 each</b>				
At the beginning of the period/year	<b>1,332,331,766</b>	<b>666,166</b>	1,110,331,766	555,166
Issue of shares upon placing ( <i>Note 1</i> )	<b>266,000,000</b>	<b>133,000</b>	222,000,000	111,000
At the end of the period/year	<b>1,598,331,766</b>	<b>799,166</b>	1,332,331,766	666,166

*Note 1:* On 30 May 2014, the Company entered into the placing agreement with placing agent, pursuant to which, the Company had through placing agent to place out 222,000,000 new ordinary shares at placing price of HK\$1 each to independent third parties. The transaction was completed on 12 June 2014. The net proceeds from the Placing was approximately HK\$216 million which was intended to be used for (i) as to approximately 50% for repayment of convertible bonds; (ii) as to approximately 40% for future business development; and (iii) as to approximately 10% for general working capital of the Group.

On 26 May 2015, the Company entered into the placing agreement with independent subscribers, pursuant to which, the Company had placed out 266,000,000 new ordinary shares at placing price of HK\$1.88 each to independent subscribers. The transaction was completed on 2 June 2015 and 5 June 2015. The net proceeds from the Placing was approximately HK\$499.70 million which was intended to be used for (i) as to approximately 10% for general working capital purpose; and (ii) as to approximately 90% for future business development and investment of the Group.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 16. AVAILABLE-FOR-SALE INVESTMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Available-for-sale investments

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Equity securities listed in Hong Kong	115,039	26,016
Unlisted investment funds	71,859	–
	<b>186,898</b>	26,016

#### Financial assets at fair value through profit or loss

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
<b>Held for trading:</b>		
Equity securities listed in Hong Kong	152,113	59,260
Unlisted investment funds	428,232	179,267
	<b>580,345</b>	238,527

The fair value of listed equity securities are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of unlisted investment funds are stated with reference to the net asset value provided by the fund managers on the last day of each calendar month. If the net asset values of the investment funds are not available or the Group considers that such net asset value is not reflective of fair value, the Group may exercise its judgement and discretion to determine the fair value of the investment funds.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2015

### 16. AVAILABLE-FOR-SALE INVESTMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

#### Financial instruments carried at fair value

	At 30 June 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements</b>								
<b>Assets</b>								
Available-for-sale investments	115,039	–	71,859	186,898	26,016	–	–	26,016
Financial assets at fair value through profit or loss	152,113	–	428,232	580,345	59,260	–	179,267	238,527
<b>Liabilities</b>								
Conversion feature of the convertible bond	–	–	–	–	–	–	46	46

During the six months ended 30 June 2015, there were no significant transfers between instruments levels.

#### Information about Level 3 fair value measurements:

	Valuation technique	Unobservable inputs	Input values
Unlisted investment funds	Net asset value	n/a	n/a

#### The movement of unlisted investment funds (Level 3) is set out below:

	Available-for-sale investments HK\$'000	Financial assets at fair value through profit or loss HK\$'000
At 31 December 2013 and 1 January 2014		
Subscription	–	105,000
Fair value change		
– included in net gain on financial assets at fair value through profit or loss	–	74,267
At 31 December 2014 and 1 January 2015	–	179,267
Subscription	80,000	–
Dividend income	–	1,669
Fair value change		
– included in net gain on financial assets at fair value through profit or loss	–	247,296
– included in net gain on revaluation of available-for-sale investments in other comprehensive income	(8,141)	–
At 30 June 2015	71,859	428,232



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 17. CAPITAL COMMITMENT

	At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
Acquisition of concession intangible assets and property, plant and equipment	90,311	92,393
Properties under development in relation to development cost of existing projects	11,607	26,646
	<b>101,918</b>	119,039

### 18. OPERATING LEASE COMMITMENTS

The Group leases certain of its factory premises, plant and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years. Rental was fixed at the inception of the lease. No provision for contingent rent and terms of renewal were established in the leases.

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
Within one year	5,539	3,501
After one year but within five years	5,004	3,672
After five years	–	745
	<b>10,543</b>	7,918



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 19. LITIGATIONS

#### i. **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\$58.43 million together with interest accrued thereon (the “Loan Receivables”). HK\$5 million 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 million of the Loan Receivables. However, the remaining Loan Receivables of HK\$53.43 million (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\$18.03 million 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\$35.40 million 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 Judgement”). 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. As advised by the PRC lawyer, the Final Judgment relating to the settlement of HK\$35.40 million by Top Vision to Swift Surplus could not be executed in Mainland China because the Repayment Agreements stated that “Parties of the Repayment Agreements irrevocably consent that the Courts of the HKSAR will have the non-exclusive jurisdiction to solve any disputes which may be caused or are caused by the Repayment Agreements”. The PRC lawyer considered that the non-exclusive jurisdiction stated in the Repayment Agreement does not comply with PRC law. Therefore, the PRC lawyer further reckoned that the Final Judgment will be neither recognised nor executed by Zhaoqing Intermediate People’s Court.

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited (“Galaxaco”) to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding-up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional of liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the “Appointment”) pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco. On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators (“Liquidators”). On 16 July 2015, the Zhaoqing Intermediate People’s Court adjudged that the Final Judgement is recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision (“PRC Judgement”). Owing to Top Vision in liquidation, the Company cannot enforce the PRC Judgement in PRC. Subsequent to the interim period, the Company has instructed its legal counsel to issue demand letters to respective guarantors, if guarantors fail to settle the Remaining Loan Receivables and the underlying interests within stipulated time, the Company will undertake the arbitration in Hong Kong. As at 31 December 2014 and 30 June 2015, the loan receivables from Top Vision of HK\$43.60 million were fully impaired. The Board believed that no significant financial impact will be affected on the Group as sufficient impairment loss on the Loan Receivables has been provided.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 19. LITIGATIONS *(Continued)*

#### ii. **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 Deposit was classified as loan receivable and fully impaired in 2011. The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission (“Guangzhou Commission”) for arbitration on 24 February 2012. The Guangzhou Commission accepted the case and started a trial on 5 June 2012. After the trial, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million 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. Owing to without information of the assets owned by Yunnan Chaoyue Gas and given the Repayment Plan, Kunming Court has stopped to execute the civil enforcement. On 28 July 2014, Guangzhou Hyde had submitted the petition to Kunming Court to resume the enforcement proceeding. Up to the report date, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2015

### 20. RELATED PARTY TRANSACTIONS

The balances and transactions with related parties at the end of reporting period are disclosed elsewhere in the condensed consolidated interim financial information.

#### (i) Compensation of key management personnel

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short-term benefits	3,953	3,661
Post-employment benefits	44	39
	<b>3,997</b>	<b>3,700</b>

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

### 21. EVENTS AFTER THE END OF THE INTERIM PERIOD

#### Acquisition of Baoji Project

On 3 August 2015, Greenspring (Nanjing) entered into Sale and Purchase Agreement (“S&P Agreement”) with Mr. Yu Gong Hung\* (魚江鴻) and Mr Li Hoi Gong\* (李海剛) (collectively known as “Vendors”) to acquire the entire issued share capital of Baoji City Electric Power Development Co., Ltd\*, (寶雞市易飛明達電力發展有限公司) (“Baoji”) for a consideration of RMB12.23 million. Baoji is principally engaged in new energy and renewable energy development, investment and associated technical research and consulting service, energy saving technical research and application. Projects of the Baoji includes (i) the operation of landfill gas power generator plant located in Baoji City landfill site, Shaanxi Province, the PRC and (ii) the operation of landfill gas emission-reduction plant which converts landfill gas into natural gas and electricity also located in Baoji City landfill site, Shaanxi Province, the PRC. As the conditions for completion have not been fulfilled by the Vendors, the Group has not paid any consideration and the acquisition is not completed.

#### Acquisition of Wuzhou Landfill Project

On 21 August 2015, Greenspring (Nanjing), Wuzhou City Municipal and Landscape Garden Administration Bureau\* (梧州市市政和園林管理局) (“Wuzhou City Municipal”) and Wuzhou City Urban Waste Disposal Co., Ltd.\* (梧州市城市廢棄物處理有限公司) (“Wuzhou City Company”) entered into the development and operation agreement in relation to the comprehensive utilisation project of the landfill gas resources in respect of the household garbage landfill site in Wuzhou City. Wuzhou City Company is an entity under Wuzhou City Municipal and owns the corresponding rights of the land use right and garbage resources disposal right of the household garbage landfill in Wuzhou City. As agreed by Wuzhou City Municipal, it was decided to construct a comprehensive utilisation project for landfill gas resources at the existing garbage landfill site. Greenspring (Nanjing) will establish a project company to develop the household garbage sanitation landfill site in Wuzhou City (“Wuzhou Landfill Project”). The term of the project development and operation is six years, commencing from the date of commercial operation of such project. Upon the expiry of the term of development and operation, it can be renewed for a term not exceeding 3 years. Starting from the date the project is put into operation, on a monthly basis, Greenspring (Nanjing) or the project company is required to pay Wuzhou City Company 5% of the sales revenue from its CNG products as resource utilisation fee. Greenspring (Nanjing) is responsible for conducting the engineering construction and production of Wuzhou Landfill Project.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six month ended 30 June 2015, the Group recorded a consolidated net profit of HK\$234.48 million. In comparison with the consolidated net profit of HK\$61.78 million in the corresponding period of 2014, there was a significant increase by HK\$172.70 million. The board of directors (“**Board**”) considered that the increase in consolidated net profit of the Group was mainly attributable to (i) the increase of gain arising from the change in fair value of financial assets by HK\$200.95 million, (ii) the reversal of impairment loss on an associate of HK\$33.54 million; (iii) the reduction of finance costs by HK\$16.91 million due to redemption of convertible bonds (“**CB**”); and (iv) the increase of other income by HK\$9.26 million. The Board also recognised that these foregoing favorable factors were offset by (a) the rise of income tax expense by HK\$42.80 million; (b) absence of gain arising from disposal of available-for-sale investment of HK\$21.77 million which was recognised in 2014; and (c) the decrease of gain arising from the change in fair value of CB by HK\$24.34 million.

### Revenue and gross profit

The revenue and gross profit for the first half of 2015 were HK\$226.19 million and HK\$81.67 million respectively. These represented a growth of 10.75% in revenue and 12.27% in gross profit in comparison with the corresponding period of 2014. The increase was mainly contributed from the water supply related construction services by Yingtan Water Supply Co., Ltd (“**Yingtan Water**”) and Yichun Water Industry Co., Ltd (“**Yichun Water**”). During the first half of 2015, the main revenue contributors were Yichun Water and Yingtan Water, which collectively accounted for 53.55% of the revenue and 61.96% of the gross profit. The summary of revenue and gross profit is as follows:

	Revenue				Gross Profit			
	2015		2014		2015		2014	
	HK\$'M	%	HK\$'M	%	HK\$'M	%	HK\$'M	%
Water supply business	<b>54.17</b>	<b>23.95</b>	74.65	36.55	<b>20.39</b>	<b>24.97</b>	29.06	39.95
Sewage treatment business	<b>24.97</b>	<b>11.04</b>	23.98	11.74	<b>11.05</b>	<b>13.53</b>	11.10	15.26
Construction services business	<b>128.87</b>	<b>56.98</b>	95.42	46.72	<b>46.93</b>	<b>57.47</b>	27.32	37.56
Exploitation and sale of renewable energy business	<b>18.18</b>	<b>8.03</b>	10.19	4.99	<b>3.30</b>	<b>4.03</b>	5.26	7.23
Total	<b>226.19</b>	<b>100</b>	204.24	100	<b>81.67</b>	<b>100</b>	72.74	100



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Other income, net

In the first half of 2015, other income, net of HK\$15.29 million (2014: HK\$6.03 million) represented other income of HK\$21.11 million (2014: HK\$6.03 million) less other losses of HK\$5.82 million (2014: nil). Other income comprised mainly interest income of HK\$2.15 million, consultancy fee income of HK\$7.51 million for the provision of advisory services on sewage treatment monitoring control system, dividend income from investments of HK\$1.67 million, VAT refund of HK\$3.12 million, cleaning income of HK\$1.08 million and rental income of HK\$0.76 million from investment property. Other losses mainly represented a loss of HK\$1.71 million on the extraction and sale of raw materials (biogas) at the Shenzhen Xiaping Landfill Site and a loss of HK\$3.97 million on the operations services provided pursuant to the Changsha Operation Contract.

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

Included in net gain on financial assets at fair value through profit or loss of HK\$256.48 million comprised HK\$247.30 million for the fair value gain on investment funds, HK\$15.13 million for the realised gain on disposal of listed equity securities and HK\$5.95 million for the loss arising from the change in fair value of listed equity securities. In 2014, the Company invested in total of HK\$105 million into two unlisted US dollar based investment funds (“**Funds**”). The Funds primarily invest in listed securities in the Asian market. The fair value of these unlisted financial assets are based on the net asset value (“**NAV**”) of the Funds calculated on the last day of each calendar month and reported by the Fund manager accordingly. In the first half of 2015, the change in fair value on these unlisted financial assets was HK\$247.30 million which was solely on the gain of the NAV of the Funds. The Funds and listed equity securities are held for trading purpose and classified as current assets of the Group. In view of the recent volatile stock market performance, the Company is unable to ascertain the pricing trend of the relevant financial assets and envisages pressure on the Group’s profitability generated by the change in fair value of the relevant financial assets in the second half of 2015.

#### Reversal of impairment loss recognised on an associate

The reversal of impairment loss of HK\$33.54 million in the first half of 2015 (2014: Nil) was related to Jinan Hongquan Water Production Co. Ltd\* (濟南泓泉制水有限公司) (“**Jinan Hongquan**”) whose business activity is the provision of water supply service. The reversal was due to the recovery of Jinan Hongquan’s recoverable amount, resulting from the increase in water tariff in Jinan Hongquan effective in May 2015.





## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Selling and distribution expenses and administrative expenses

In the first half of 2015, selling and distribution costs together with administrative expenses were collectively increased by HK\$4.39 million to HK\$79.50 million (2014: HK\$75.11 million). The rise was mainly due to the acquisition and establishment of new companies in the PRC which caused the increment of staff costs and associated operating expenses. These expenses mainly consisted of staff costs of HK\$42.66 million, legal and professional fees of HK\$1.88 million, rent and rates of HK\$3.45 million, repairs and maintenance of HK\$1.04 million and depreciation of HK\$4.45 million.

#### Finance costs

In the first half of 2015, the finance costs of the Group were HK\$9.49 million, representing a decrease of HK\$16.91 million from HK\$26.40 million for the same period of last year. The finance costs included interest on other loans of HK\$5.03 million, imputed interest on convertible bonds of HK\$1.03 million and the interest of HK\$3.43 million on bank loans. The decrease was mainly due to the redemption of convertible bonds (“**CB**”) upon maturity in October 2014 and January 2015.

#### Impairment loss recognised on trade and other receivables

Impairment loss of HK\$3.48 million was provided for sewage treatment fees of Foshan City Gaoming Huaxin Sewage Treatment Company Limited\* 佛山市高明區華信污水處理有限公司 (“**Foshan Gaoming**”) which is long outstanding due from the respective government of Foshan City. The Board had assessed this trade receivable and believed that the Company will have difficulties in recovering HK\$3.48 million and thus the associated impairment loss was provided.

#### Share of results from associates

The Group had three associated companies, including 35% equity interests in Jinan Hongquan, 30% equity interest in Super Sino Investment Limited (“**Super Sino**”) together with its various wholly-owned subsidiaries (“**Super Sino Group**”) and 10% equity interests in Yu Jiang Hui Min Small Sum Loan Company Limited\* (“**Yu Jiang Hui Min**”). In the first half of 2015, the Group shared the loss of HK\$6.32 million (2014: loss of HK\$5.85 million) which was mainly from the loss of HK\$7.35 million from Jinan Hongquan, the profit of HK\$0.82 million from Super Sino Group and the profit of HK\$0.21 million from Yu Jiang Hui Min.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Income tax

In the first half of 2015, income tax had increased by HK\$42.80 million to HK\$54.12 million (2014: HK\$11.32 million). This was mainly due to the Hong Kong profits tax on the net gain on financial assets at fair value through profit or loss. In the first half of 2015, certain subsidiaries such as Foshan Gaoming, Nanjing Feng Shang and Huiming Technology are entitled to have 50% tax exemption of income tax. The PRC standard income tax rate is 25% in 2015.

#### Profit attributable to Owners of the Company

For the period ended 30 June 2015, profit attributable to owners of the Company was approximately HK\$225.52 million (2014: HK\$60.48 million), an increase of HK\$165.04 million primarily due to the positive change in fair value of financial assets through profit or loss.

### CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL POSITION AND FINANCIAL RESOURCES

As at 30 June 2015, the Group recorded cash and bank balance including cash held at financial institutions of HK\$662.36 million (compared with HK\$324.07 million on 31 December 2014). The increase was mainly due to placing of new shares and borrowing of short term fixed rate loans. With the steady cash flows, the Group will 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 Hong Kong dollars and Renminbi.

The net current assets for the Group in 2015 were HK\$1,053.94 million (2014: net current assets of HK\$446.81 million). The substantial increase was mainly attributable to the funds arising from placing of new shares and gain on change in fair value of financial assets. The current ratio (current assets over current liabilities) is 2.66 times (2014: 1.92 times) as at 30 June 2015.

As at 30 June 2015, the financial assets at fair value through profit or loss of the Company increased by HK\$341.82 million to HK\$580.35 million (31 December 2014: HK\$238.53 million). The increase was mainly due to the fair value gain on funds and increased investments in equity securities listed in Hong Kong. The portfolio investment comprised (i) unlisted US dollar investment funds of HK\$428.24 million, including accumulated fair value gain and income of HK\$323.23 million (31 December 2014: HK\$179.27 million after increasing fair value gain of HK\$74.27 million) and equity securities listed in Hong Kong of HK\$152.11 million (31 December 2014: HK\$59.26 million).



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL POSITION AND FINANCIAL RESOURCES *(Continued)*

Net asset value was HK\$2,037.51 million (2014: HK\$1,269.99 million). Net asset value per share was HK\$1.27 (2014: HK\$0.95), increased by 33.68% from the end of 2014.

The Group's consolidated non-current assets as at 30 June 2015 increased by HK\$251.06 million to HK\$1,252.00 million (compared with HK\$1,000.94 million on 31 December 2014) which was mainly due to the increase in available-for-sale investments and acquisition for property, plant and equipment.

As at 30 June 2015, the available-for-sale investments of the Company recorded at fair value of HK\$186.90 million (31 December 2014: HK\$26.02 million). The portfolio investments comprised (i) equity securities listed in Hong Kong of HK\$115.04 million (31 December 2014: HK\$26.02 million) and unlisted US dollar investment fund of HK\$71.86 million (31 December 2014: HK\$ nil).

Total liabilities of the Group as at 30 June 2015 were HK\$903.31 million (compared with HK\$663.21 million on 31 December 2014). Total liabilities mainly comprised of the bank and other borrowings of HK\$407.20 million (2014: HK\$155.75 million), deferred government grants of HK\$18.82 million (2014: HK\$19.24 million), trade and other payables of HK\$187.79 million (2014: HK\$157.95 million), convertible bonds of HK\$ nil (2014: HK\$103.52 million), amounts due to non-controlling shareholders of HK\$64.22 million (2014: HK\$59.53 million) and deferred tax liabilities of HK\$108.28 million (2014: HK\$65.66 million). The increase of deferred tax liabilities and the new other loans of HK\$200 million at a fixed coupon interest of 10% per annum from Prosper Talent Limited ("**Fixed-rate New Other Loan**") which caused the total liabilities to increase. Except for the Fixed-rate New Other Loan denominated in HK\$, borrowings were mainly denominated in Renminbi.

As at 30 June 2015, the Group's total bank and other borrowings increased by HK\$251.45 million to HK\$407.20 million (2014: HK\$155.75 million), mainly due to the Fixed-rate New Other Loan. For the maturity profile, refer to the table below:



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL POSITION AND FINANCIAL RESOURCES *(Continued)*

#### Debt Analysis

	30 June 2015		31 December 2014	
	HK\$'000	%	HK\$'000	%
<b>Classified by maturity</b>				
<b>– repayable within one year</b>				
Bank borrowings	56,035	13.76	49,258	31.63
Other loans	209,835	51.53	13,619	8.74
	<b>265,870</b>	<b>65.29</b>	<b>62,877</b>	<b>40.37</b>
<b>Classified by maturity</b>				
<b>– repayable more than one year</b>				
Bank borrowings	80,131	19.68	33,598	21.57
Other loans	61,197	15.03	59,270	38.06
	<b>141,328</b>	<b>34.71</b>	<b>92,868</b>	<b>59.63</b>
<b>Total bank and other borrowings</b>	<b>407,198</b>	<b>100</b>	<b>155,745</b>	<b>100</b>
<b>Classified by type of loans</b>				
Secured	96,132	23.61	50,518	32.44
Unsecured	311,066	76.39	105,227	67.56
	<b>407,198</b>	<b>100</b>	<b>155,745</b>	<b>100</b>
<b>Classified by type of interest</b>				
Fixed rate	231,437	56.84	44,490	28.57
Variable-rate	118,268	29.04	62,014	39.81
Interest free rate	57,493	14.12	49,241	31.62
	<b>407,198</b>	<b>100</b>	<b>155,745</b>	<b>100</b>

The Group's gearing ratio as at 30 June 2015 was 30.72% (2014: 34.31%). The ratio was calculated by dividing total liabilities of HK\$903.31 million over total assets of the Group of HK\$2,940.82 million.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### TRADE AND OTHER RECEIVABLES

As at 30 June 2015, the Group's trade and other receivables were approximately HK\$239.90 million (31 December 2014: HK\$171.68 million). These comprised of: (i) trade receivables of HK\$36.12 million, (ii) consideration receivable relating to the disposal of Super Sino Group of HK\$16.26 million, (iii) other receivables of HK\$53.46 million, (iv) loan receivable of HK\$12.65 million and (v) deposits and prepayments of HK\$121.41 million. During the period under review, the trade receivables slightly increased by HK\$5.87 million to HK\$36.12 million (2014: HK\$30.25 million). The average turnover period of the trade receivables as at 30 June 2015 were 31 days (2014: 26 days). The Group allows a credit period of 30 to 180 days to its customers. The average turnover period of the trade receivables fell within stipulated credit period. Other receivables increased by HK\$42.02 million to HK\$53.46 million (2014: HK\$11.44 million) which mainly included (i) a temporary advance of HK\$33.33 million to an independent third party; and (ii) service fee receivable of HK\$5.29 million for provision of landfill site maintenance service by Shenzhen Li Sai. Loans receivable represented advance to an unrelated party for the construction project in Yingtan City which was unsecured, interest bearing at 36% per annum and repayable on demand. The deposits and prepayments increased by HK\$94.72 million to HK\$121.41 million (2014: HK\$26.69 million), which mainly included tender deposits of HK\$39.46 million for bidding construction projects and procurement deposit of HK\$63.25 million. The Company has fully received consideration receivable for the disposal of 70% equity interest of Super Sino Group of HK\$16.20 million from Guangdong Water Group (HK) Limited ("**Guangdong Water**") in August 2015. The tender deposits, other receivables and loan receivables are still outstanding subsequent to 30 June 2015.

### INVENTORIES

As at 30 June 2015, inventories of HK\$194.75 million (31 December 2014: HK\$184.04 million) comprised of (i) properties under development for sale of HK\$163.08 million, raw materials of HK\$31.36 million and finished goods of HK\$0.31 million. Properties under development for sale represented the construction of new commercial buildings for sale by Yingtan Xiang Rui Property Limited\* (鷹潭祥瑞置業有限公司) ("**Xiang Rui Property**") at Yingtan, Jiangxi Province, the PRC, an indirect non wholly-owned subsidiary of the Company. The construction has commenced in February 2014 and is expected to be completed by the end of 2015.

### TRADE AND OTHER PAYABLES

As at 30 June 2015, the Group's trade and other payables were approximately HK\$187.79 million (31 December 2014: HK\$157.95 million). The credit terms of trade payables vary according to the terms agreed with different suppliers.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### CAPITAL RAISING AND USE OF PROCEEDS

On 26 May 2015, the Company entered into the subscription agreement with 5 subscribers (“**Subscribers**”), pursuant to which the Company agreed to issue and allot and the Subscribers agreed to subscribe an aggregate of 266,000,000 subscription shares at HK\$1.88 per Share. The Subscribers included Prosper Talent Limited, Outstanding Global Holdings Limited, Yue Xiu Great China Fixed Income Fund VI LP, Quantum Enhanced Fund and Yuxing Technology Company Limited. The Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules), and independent of and not acting in concert (as defined in the Takeovers Code) with the Company and parties acting in concert with it. The Company considered that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group, and to raise capital for possible future investments of the Group. The closing price of the Share as quoted on the Stock Exchange on 22 May 2015, being the last trading day prior to the date of the Subscription Agreement, was HK\$2.31 per Share. The closing price of the Share as quoted on the Stock Exchange on 26 May 2015, being the date of the Subscription Agreement, was HK\$2.30 per Share. The average closing price as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Subscription Agreement was HK\$2.304 per Share. The transaction was completed on 2 June 2015 and 5 June 2015. After taking into account the share issue expenses of approximately HK\$0.4 million, the net price raised per Subscription Share was about approximately HK\$1.88. The Company planned to apply the net proceeds from the Subscription to (i) as to approximately 10% for general working capital purpose; and (ii) as to approximately 90% for future business development and investment of the Group. The net proceeds of HK\$499.70 million have been utilised by the Group as to (i) approximately HK\$35.80 million for the increase in the registered share capital of Greenspring (Nanjing) Recycling Resources Investment Co., Ltd\* (青泓(南京)再生資源投資有限公司) (“**Greenspring (Nanjing)**”), an indirect wholly-owned subsidiary of the Company; (ii) approximately HK\$80 million for the investment of listed equity securities; and (iii) approximately HK\$4 million for general office operating expenses. The unutilised net proceeds are held in banks for future use as intended.

Save as disclosed above, the Company has not conducted any equity fund raising activities during the interim period.

During the first half of 2015, the Group incurred capital expenditures amounting to HK\$27.68 million (first half of 2014: HK\$25.31 million) for acquisition of concession intangible assets.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW

In the first half of 2015, the China has continued to strengthen its efforts in promoting green economy and environmental protection by releasing various policies including the revised Environmental Protection Law of the People's Republic of China in January 2015 and the Action Plan for Prevention and Treatment of Water Pollution in April 2015, stating that the Chinese government will further enhance its policy support and increase governmental funds in order to fully drive the development of the environmental protection industry and improve the country's pollution, which brings about tremendous market opportunities and room of development for the Group. To capture these potential opportunities and adhere to the Group's corporate vision "Clear Water, Blue Sky and Vivid Green Land", the Group has actively been exploring in the areas of environmental friendly renewable energy business through acquisition and continue to invest more funds in water supply and sewage treatment businesses.

#### Water supply business

There are 5 city water supply projects of the Group (including 2 water supply projects of associated companies) well spread in various provincial cities and regions across China, including Jiangxi, Shandong and Hainan (2014: 6 water supply projects). The daily aggregate water supply capacity was approximately 1.91 million tonne (including the capacity of 1.60 million tonne of two associated companies). The revenue and gross profit from water supply business amounted to HK\$54.17 million and HK\$20.39 million respectively, representing 23.95% and 24.97% of the total Group's total revenue and total gross profit respectively. The overall gross profit ratio was 37.64% (2014: 38.93%). Comparing with last corresponding period, the decrease in revenue and gross profit by HK\$20.48 million and HK\$8.67 million respectively were primarily due to the disposal of the entire equity interests of Anhui Dang Shan Water Industry Company Limited\* (安徽省礪山水業有限公司) ("Dang Shan") and 70% of equity interest of Super Sino Group in the second half of 2014. Following the disposal, the Company indirectly holds 30% equity interest in the Super Sino Group and Dang Shan ceased be a subsidiary of the Company. The rates for the water supply ranged from HK\$1.52 to HK\$2.24 per tonne.

#### Sewage treatment business

There are 3 sewage treatment projects of the Group located in Jiangxi, Guangdong and Shandong provinces (2014: 3 sewage treatment projects). The daily aggregate sewage disposal capacity was approximately 170,000 tonne generating a revenue of HK\$24.97 million, representing 11.04% of the Group's total revenue. The gross profit ratio was 44.25% (2014: 46.29%). The rates for sewage treatment ranged from HK\$0.82 to HK\$1.64 per tonne.

#### Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Group's major sources of revenue and gross profit contributing HK\$128.87 million and HK\$46.93 million respectively, representing 56.98% and 57.47% of the Group's total revenue and total gross profit respectively. The overall gross profit ratio was 36.42% (2014: 28.63%). The increase in revenue and gross profit by HK\$33.45 million and HK\$19.61 million respectively were due to the increase of pipeline construction work in Yingtan Water and Yichun Water.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### BUSINESS REVIEW (Continued)

#### Exploitation and sale of renewable energy business

In 2014, the Group has successfully secured 7 biogas power generation projects which are located in various provincial cities across China including Jiangsu, Hunan and Guangdong. These projects add a total of designed annual household waste processing capacity of 4.54 million tonne and could extract biogas from the household waste of 252 million m<sup>3</sup> annually which in turn could annually generate 113.78 million kilowatt of on-grid electricity and 59.60 million m<sup>3</sup> of compressed natural gas ("CNG"). Upon the commencement of commercial operation, the following projects could bring new income stream to the Group.

Project name	Business mode	Equity interest held by Company (%)	Annual designed household waste processing capacity (tonne)	Estimated annual biogas output (m <sup>3</sup> )	Estimated annual On-grid electricity (kilowatt)	Estimated annual CNG (m <sup>3</sup> )	Commencement date of operation	Exclusive right to collect landfill gas expiry in
1 Nanjing Jiaozishan	Power generation	100	584,000	16,000,000	25,120,000		October 2013	June 2025
2 ZhuZhou Biogas	Power generation	100	365,000	12,000,000	14,000,000		November 2014	October 2023
3 Shenzhen Pingshan	Power generation	100	237,300	8,000,000	21,660,000		December 2015	September 2024
4 Changsha Operation Contract*	Power generation	-	1,825,000	80,000,000	53,000,000		May 2014	October 2039
5 Changsha Qiaoyi Landfill Site*	CNG	91			22,000,000	December 2015		
6 Shenzhen Xiaping Landfill Site	CNG	88	1,275,000	120,000,000		28,800,000	July 2015	April 2030
7 Qingshan Landfill Site	CNG	100	255,500	16,000,000		8,800,000	November 2015	July 2024
			4,541,800	252,000,000	113,780,000	59,600,000		

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

In the first half of 2015, the revenue and gross profit amounted to HK\$18.18 million and HK\$3.30 million respectively which contributed from Nanjing Jiaozishan project, ZhuZhou Biogas project and Shenzhen Xiaping Landfill Site project from selling electricity to provincial power grid companies, and receiving tariff adjustment from a relevant government authority and selling CNG to external customers. Despite a rise in revenue by HK\$7.99 million, the gross profit recorded a mild drop by HK\$1.96 million over the same period of 2014. This was mainly because Shenzhen Xiaping Landfill Site project was operating at loss during its test and trial operation. The commercial operation date for this project is planned to commence in July 2015. The overall gross profit ratio was 18.15% (2014: 51.62%), the average electricity rate was HK\$0.77 per kilowatt and the average CNG rate was HK\$3.00 per m<sup>3</sup>.





## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OTHER EVENTS DURING THE PERIOD UNDER REVIEW

#### Adjustment to water tariff

On 17 June 2015, Jinan City Municipal Price Bureau\* (濟南市物價局), Shandong Province, the People's Republic of China approved Jinan Hongquan to increase in its water tariff charging from RMB1.095 to RMB1.560 per tonne with effect from 23 May 2015.

#### Redemption of CB

On 16 October 2013, the Company and Prosper Talent Limited entered into Subscription Agreement in respect of the issue of and subscription for CB in aggregate amount of HK\$200 million, comprising Series A Bond and Series B Bond. The Company had fully redeemed the Series A Bond and Series B Bond on 30 October 2014 and 14 January 2015 upon maturity ("**Redemption**"). Following the Redemption, the Company has no outstanding CB.

#### New fixed-rate other loans

On 1 April 2015, the Company and Prosper Talent Limited entered into a Subscription Agreement in respect of the issuance of other loans with an aggregate principal amount of not more than HK\$300 million at a fixed coupon interest of 10% per annum, comprising of the Series A Bond, Series B Bond and Series C Bond. Series A Bond and Series B Bond with an aggregate amount of HK\$200 million, were issued on 9 April 2015 and 8 May 2015, respectively. These other loans will mature in one year from the date of issuance. These other loans were classified as short-term loans. If the Company does not request for Series C Bond on or before 15 September 2015, Series C Bond will be automatically lapsed thereafter.

### OTHER EVENTS AFTER THE INTERIM PERIOD

#### Acquisition of Baoji Project

On 3 August 2015, Greenspring (Nanjing) entered into Sale and Purchase Agreement ("**S&P Agreement**") with Mr. Yu Gong Hung\* (魚江鴻) and Mr Li Hoi Gong\* (李海剛) (collectively known as "**Vendors**") to acquire the entire issued share capital of Baoji City Electric Power Development Co., Ltd\*, (寶雞市易飛明達電力發展有限公司) ("**Baoji Project**") for a consideration of RMB12.23 million. Baoji is principally engaged in new energy and renewable energy development, investment and associated technical research and consulting service, energy saving technical research and application. Projects of the Baoji includes (i) the operation of landfill gas power generator plant located in Baoji City landfill site, Shaanxi Province, the PRC and (ii) the operation of landfill gas emission-reduction plant which converts landfill gas into natural gas and electricity also located in Baoji City landfill site, Shaanxi Province, the PRC. As the conditions for completion have not been fulfilled by the Vendors, the Group has not paid any consideration and the acquisition is not completed.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OTHER EVENTS AFTER THE INTERIM PERIOD *(Continued)*

#### Acquisition of Wuzhou Landfill Project

On 21 August 2015, Greenspring (Nanjing), Wuzhou City Municipal and Landscape Garden Administration Bureau\* (梧州市市政和園林管理局) (“**Wuzhou City Municipal**”) and Wuzhou City Urban Waste Disposal Co., Ltd.\* (梧州市城市廢棄物處理有限責任公司) (“**Wuzhou City Company**”) entered into the development and operation agreement in relation to the comprehensive utilisation project of the landfill gas resources in respect of the household garbage landfill site in Wuzhou City. Wuzhou City Company is an entity under Wuzhou City Municipal and owns the corresponding rights of the land use right and garbage resources disposal right of the household garbage landfill in Wuzhou City. As agreed by Wuzhou City Municipal, it was decided to construct a comprehensive utilisation project for landfill gas resources at the existing garbage landfill site. Greenspring (Nanjing) will establish a project company to develop the household garbage sanitation landfill site in Wuzhou City (“**Wuzhou Landfill Project**”). The term of the project development and operation is six years, commencing from the date of commercial operation of such project. Upon the expiry of the term of development and operation, it can be renewed for a term not exceeding 3 years. Starting from the date of the project is put into operation, on a monthly basis, Greenspring (Nanjing) or the project company is required to pay Wuzhou City Company 5% of the sales revenue from its CNG products as resource utilisation fee. Greenspring (Nanjing) is responsible for conducting the engineering construction and production of Wuzhou Landfill Project.

#### FOREIGN EXCHANGE RISK

The Group’s exposure to foreign exchange risk is minimal as most of the Group’s subsidiaries operate in the PRC and most of the transactions, assets and liabilities are denominated in Renminbi. Accordingly, the Group does not have derivative financial instruments to hedge its foreign currency risks.

#### CAPITAL COMMITMENTS

As at 30 June 2015, the Group has the capital commitments contracted but not provided for acquisition of property, plant and equipment approximately HK\$90.31 million (31 December 2014: HK\$92.39 million) and properties under development in relation to development costs of existing projects of HK\$11.61 million (31 December 2014: HK\$26.65 million).



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### CONTINGENT LIABILITIES

During the Interim Period, the Company has issued guarantees to banks in respect of two bank borrowings made by two subsidiaries which expire on 22 January 2016 and 26 September 2019 respectively. As at 30 June 2015, the maximum liability of the Company relating to the aforesaid guarantees issued is the outstanding amount of the bank borrowings of the subsidiaries of HK\$28.46 million (31 December 2014: HK\$15.13 million).

### PLEDGE OF ASSETS

Property, plant and equipment with a carrying amount was HK\$nil (31 December 2014: HK\$0.75 million) were pledged to secure the respective bank borrowings as at 30 June 2015.

Properties under development with a carrying amount of approximately HK\$163.08 million (31 December 2014: HK\$146.08 million) have been pledged to secure a personal loan granted to Zhou Ping Hua, a non-controlling shareholder of a subsidiary of the Company.

### NO MATERIAL CHANGE

Save as disclosed above, during the six months ended 30 June 2015, 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 2014.

### EMPLOYEES

As at 30 June 2015, excluding jointly controlled entities and associates, the Group had 1,147 (2014: 1,168) employees, of which 10 (2014: 10) are Hong Kong employees. During the Interim Period, total employee benefit expenses, including directors' emoluments and provident funds, was HK\$54.67 million (2014: HK\$47.44 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages are normally reviewed as an annual basis by the Remuneration Committee. During the Interim Period, 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.

### PROSPECT

2015 is an important year for the Group to implement its transformation;

Water industry is still the main business of the Group. Water business is developing very steadily. The water tariffs adjustment of Yichun Water, a subsidiary of the Group, had passed public hearing and obtained the approval from Jiangxi Province Price Control Bureau, pending for the final confirmation from the municipal council meeting;



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **PROSPECT** *(Continued)*

The water tariffs of Jinan Hongquan, an associated company of the Group, were adjusted in the first half of the year. The actual net increase of water tariffs is RMB0.25 per tonne after deducting the increase of water resource costs, and provided that the water capacity is maintained without any decrease, the long-term loss-making Jinan Hongquan of the Group will turnaround from loss to profit;

The Group's water businesses had improved as a whole when compared with previous year;

After years of efforts, we have succeeded in entering into the garbage resource recycling treatment industry;

Since acquiring the garbage power company of Nanjing Feng Shang and establishing the foreign-invested company named Greenspring (Nanjing) in Nanjing by the Group with a capital of US\$30,000,000, the Group has formally entered into to the garbage recycling industry. Currently, the natural gas project of Shenzhen Li Sai, the largest landfill gas generating natural gas project in China, has already put into operation. Currently, it can generate over 50,000 m<sup>3</sup> of CNG per day with promising profitability;

The CNG project of Changsha Huiming Recycling Resources Technology Limited\* (長沙惠明再生資源科技有限公司), is another large landfill gas site which generates natural gas resources to the Group, is also completed. Currently, the project is undergoing commissioning and trial production and has a similar scale with Shenzhen Li Sai. After the successful commercial operations of the upgraded facilities, it can generate over 80,000 m<sup>3</sup> of CNG per day;

The construction works of Changsha Garbage CNG and Qingshan Garbage CNG, both operated by subsidiaries of the Group, are expected to be completed and put into operation during this year;

Project development was progressing smoothly. Up to the report date, the Group signed the S&P Agreement to acquire the Baoji Project and obtained the tender for the Wuzhou Landfill Project;

In the second half of the year, the Group will still pursue many garbage resource recycling projects and currently, over 10 projects are under preliminary business negotiations, the scale of which is over 20,000 tonne per day. If all the projects can be secured successfully, they will double the Group's garbage resource recycling projects and really enter into scalable development;

While striving for construction engineering projects, we will also enhance scientific research, actively participating and investing in the strategic cooperation with Academician Chen Yong\* (陳勇) of Chinese Academy of Engineering, Urban Mines Research Institute of Changzhou University and Guangzhou Institute of Energy Conversion of Chinese Academy of Sciences, in the development and research of garbage sorting and resource recycling, maintaining our leading position in terms of technology;

Our key indicators include environmental protection, new energy, clean energy, renewable energy, recyclable energy and sustainable and so on, which are also our striving directions. The nation pays high attention to new energy and it is our development drive for the next stage. At present, all staffs of the Group are endeavoured to vigorously promoting solid waste project development to realise our environmental protection dream of "Clear Water, Blue Sky and Vivid Green Land" conscientiously.



## SUPPLEMENTARY INFORMATION

### INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2015, the interests and short positions of each Director and Chief Executive of the Company, or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”) which (a) had been notified of the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which Directors have taken or deemed to have under such provisions of the SFO) or which (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in Appendix 10 to the Listing Rules to be notified to Company and the Stock Exchange were as follows:

#### Interest in the Shares

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wang De Yin	Beneficial owner	5,000,000 (L)	0.31%
Mr. Lin Yue Hui	Beneficial owner	5,000,000 (L)	0.31%
Mr. Liu Feng	Beneficial owner	5,000,000 (L)	0.31%
Ms. Deng Xiao Ting	Beneficial owner	3,000,000 (L)	0.19%
Ms. Chu Yin Yin, Georgiana	Beneficial owner	1,443,200 (L)	0.09%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,598,331,766 Shares in issue as at 30 June 2015.

The letter “L” denotes a long position in shares of the Company.

Save as disclosed above, as at 30 June 2015, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which Directors have taken or deemed to have under such provisions of SFO) or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.



## SUPPLEMENTARY INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the following persons and entities, other than a Director or chief executive of the Company disclosed under the section “Directors’ and Chief executive’s interests in Securities” above had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of SFO:

Name of shareholder	Capacity	Number of issued ordinary shares of the Company held	Approximate percentage of the issued share capital of the Company
Deng Jun Jie	Interest of controlled corporation	280,700,000 (L) <i>(Note 1)</i>	17.56%
Honghu Capital Co. Ltd	Beneficial owner	280,700,000 (L) <i>(Note 1)</i>	17.56%
Quantum China Asset Management Limited	Investment manager	129,566,000 (L) <i>(Note 2)</i>	8.11%
Yue Xiu Great China Fixed Income Fund VI LP	Beneficial owner	80,000,000 (L) <i>(Note 3)</i>	5.00%
Yue Xiu Investment Management Limited	Interest of controlled corporation	80,000,000 (L) <i>(Note 3)</i>	5.00%
Yue Xiu Investment Consultants Limited	Interest of controlled corporation	80,000,000 (L) <i>(Note 3)</i>	5.00%
Yue Xiu Securities Holdings Limited	Interest of controlled corporation	80,000,000 (L) <i>(Note 3)</i>	5.00%
Yue Xiu Enterprise (Holdings) Limited	Interest of controlled corporation	80,000,000 (L) <i>(Note 3)</i>	5.00%
Guangzhou Yuexiu Holdings Limited	Interest of controlled corporation	80,000,000 (L) <i>(Note 3)</i>	5.00%



## SUPPLEMENTARY INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS *(Continued)*

*Note 1:* These 280,700,000 shares are held by Honghu Capital Co. Ltd. ("**Honghu Capital**") which Mr. Deng Jun Jie ("**Mr. Deng**") is the beneficial owner. Mr. Deng is deemed to be interested in 280,700,000 shares held by Honghu Capital by virtue of the SFO.

*Note 2:* These 129,566,000 shares represents the aggregate number of shares held by investment funds which is managed by Quantum China Asset Management Limited.

*Note 3:* These 80,000,000 shares are held by Yue Xiu Great China Fixed Income Fund VI LP ("**Fixed Income Fund VI LP**") which is managed by Yue Xiu Investment Management Limited ("**Yue Xiu Management**"). Yue Xiu Investment Consultants Limited ("**Yue Xiu Consultants**") holds 100% equity interests of Yue Xiu Management. Yue Xiu Securities Holdings Limited ("**Yue Xiu Securities**") holds 100% equity interests of Yue Xiu Consultants. Yue Xiu Enterprises (Holdings) Limited ("**Yue Xiu Enterprises**") holds 100% equity interests of Yue Xiu Securities. Guangzhou Yuexiu Holdings Limited ("**Guangzhou Yuexiu**"), a state-owned enterprise in the PRC, holds 100% equity interests of Yue Xiu Enterprises. Accordingly, Yue Xiu Management, Yue Xiu Consultants, Yue Xiu Securities, Yue Xiu Enterprises, Guangzhou Yuexiu are also deemed to be interested in these 80,000,000 shares owned by Fixed Income Fund VI LP by virtue of the SFO.

*Note 4:* The shareholding percentage in the Company is calculated on the basis of 1,598,331,766 Shares in issue as at 30 June 2015.

*Note 5:* The letter "L" denotes a long position in Shares.

### SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2015 amounted to HK\$799,166,000 divided into 1,598,331,766 ordinary shares of HK\$0.50 each.

### DIRECTORS' RIGHTS TO ACQUIRES OR DEBENTURES

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



## SUPPLEMENTARY INFORMATION *(Continued)*

### SHARE OPTION SCHEME

At the Annual General Meeting (“**AGM**”) of the Company held on 3 June 2011, the shareholders of the Company approved the adoption of the Company’s New Share Option Scheme (“**Scheme**”). The scheme mandate limit for the Scheme allows the Company to issue a maximum of 41,033,176 share options under the Scheme. From the date of the Scheme being adopted up to 30 June 2015, no share options have been granted. Accordingly, the total number of the shares available for issue under the Scheme is 41,033,176, representing 2.57% of the issued share capital of 1,598,331,766 shares of the Company as at 30 June 2015. The purpose of the 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 Scheme will expire on 2 June 2021.

### 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.

### PURCHASES, REDEMPTIONS OR SALES OF COMPANY’S LISTED SECURITIES

There were no purchases, redemptions or sales of the Company’s listed securities by the Company or any of its subsidiaries during the Interim Period.

### 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 report.





## SUPPLEMENTARY INFORMATION *(Continued)*

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND 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 Board believed that the Company has complied with the code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2015 except for the following deviations:

- Pursuant to the code provision of A.2.1 of the CG Code, the roles of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. On 19 July 2012, Mr. Wang De Yin ("**Mr. Wang**"), currently is the Chairman of the Company, was appointed as a Chief Executive Officer of the Company ("**CEO**"). The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Wang, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.
- Pursuant to the code provision of A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. All independent non-executive directors of the Company ("**INEDs**") were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Company's Article of Association.
- Pursuant to code provision A.6.7 of the CG Code, the INEDs and other non-executive Directors should attend general meetings. At the AGM held on 4 June 2015 ("**2015 AGM**"), Mr. Li Jian Jun ("**Mr. Li**") was unable to join 2015 AGM due to his business engagement in China. Mr. Li is an INED of the Company. Except for him, all INEDs of the Company had attended the 2015 AGM to communicate with and developed a balanced understanding of the views of shareholders.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.



## SUPPLEMENTARY INFORMATION *(Continued)*

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

### AUDIT COMMITTEE

The Audit Committee comprises 3 INEDs of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Guo Chao Tian and Mr. Li Jian Jun, has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2015. The term of reference of the Audit Committee is available on the Company’s website and on the Stock Exchange’s website.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises 2 INEDs of the Company and 1 executive Director of the Company, is responsibility for reviewing and evaluating the remuneration policies of executive Directors and senior management and making recommendations to the Board from time to time. The term of reference of the Remuneration Committee is available on the Company’s website and on the Stock Exchange’s website.

### NOMINATION COMMITTEE

The Nomination Committee comprises 2 INEDs of the Company and 1 executive Director of the Company. The Nomination Committee is mainly responsible for reviewing the Board composition, Board Diversity Policy, advising the Board on the appointment and succession planning of Directors and assessing the independence of INEDs. The term of reference of the Nomination Committee is available on the Company’s website and on the Stock Exchange’s website.

### INVESTMENT COMMITTEE

The Investment Committee consists of 3 executive Directors and 3 Deputy General Managers of the Company. The role of Investment Committee is to oversee the Company’s strategic and investment policy on a regular basis and to advise the Board on the investment of the Company including asset allocation and new investment proposal. The term of reference of the Investment Committee is available on the Company’s website.



## **SUPPLEMENTARY INFORMATION** *(Continued)*

### **CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of Directors are set out as follows:

Ms. Chu Yin Yin, Georgiana, an executive director of the Company, was appointed as an independent non-executive Director of each Excel Development (Holdings) Limited (Stock code: 1372) and Sino Golf Holdings Limited (Stock code: 361) with effective 20 July 2015 and 24 August 2015, respectively. The shares of these companies are 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.

### **PUBLICATION OF THE INTERIM RESULTS AND REPORT**

The interim report of the Company for 2015 containing all information required by the Listing Rules will be dispatched to Shareholders and made available on the websites of the Company ([www.chinawaterind.com](http://www.chinawaterind.com)) and The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>).

### **BOARD OF DIRECTORS**

The Board of the Company as at the date of report comprise Mr. Wang De Yin, Mr. Liu Feng, Mr. Lin Yue Hui, Ms. Chu Yin Yin, Georgiana and Ms. Deng Xiao Ting, all being executive Directors and Mr. Wong Siu Keung, Joe, Mr. Li Jian Jun and Mr. Guo Chao Tian, all being INEDs.

### **APPRECIATION**

Finally, I would like to take this opportunity to express my gratitude to my fellow Directors, management and employees for their contributions and dedication to the development of the Group and deep thanks to our shareholders, customers, suppliers and business partners for their continued supports.

By order of the Board  
**China Water Industry Group Limited**  
**Wang De Yin**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2015