



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



Create For  
A Better Tomorrow

2017

Interim Report

\*For identification purpose only



**CHINA WATER INDUSTRY GROUP LIMITED**  
INTERIM REPORT 2017

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Deng Jun Jie (*Chairman*)  
(Appointed on 21 April 2017)  
Mr. Wang De Yin (*Chairman and Chief Executive Officer*)  
(Resigned on 21 April 2017)  
Mr. Lin Yue Hui (*Chief Executive Officer*)  
(appointed on 21 April 2017)  
Mr. Liu Feng  
Ms. Chu Yin Yin, Georgiana  
Ms. Deng Xiao Ting

#### Independent Non-Executive Directors

Mr. Guo Chao Tian  
Mr. Wong Siu Keung, Joe  
Ms. Qiu Na

#### AUDIT COMMITTEE

Mr. Wong Siu Keung, Joe (*Chairman*)  
Mr. Guo Chao Tian  
Ms. Qiu Na

#### REMUNERATION COMMITTEE

Mr. Wong Siu Keung, Joe (*Chairman*)  
Mr. Liu Feng  
Mr. Guo Chao Tian

#### NOMINATION COMMITTEE

Mr. Deng Jun Jie (*Chairman*) (Appointed on 21 April 2017)  
Mr. Wang De Yin (*Chairman*) (Resigned on 21 April 2017)  
Mr. Wong Siu Keung, Joe  
Mr. Guo Chao Tian

#### INVESTMENT COMMITTEE

Mr. Lin Yue Hui (*Chairman*) (Appointed on 21 April 2017)  
Mr. Wang De Yin (*Chairman*) (Resigned on 21 April 2017)  
Mr. Liu Feng  
Mr. Liu Hui Quan  
Mr. Huang De Ping  
Ms. Zeng Yuan Chun  
Mr. Liu Wei Qing

#### COMPANY SECRETARY

Ms. Chu Yin Yin, Georgiana

#### AUTHORISED REPRESENTATIVES

Mr. Liu Feng  
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 AS TO HONG KONG LAWS

Reed Smith Richards Butler  
Johnny K.K. Leung & Co.

#### LEGAL ADVISER 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

#### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

#### HONG KONG BRANCH SHARE REGISTRAR TRANSFER OFFICE

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

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

#### CONTACTS

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

#### WEBSITE

[www.chinawaterind.com](http://www.chinawaterind.com)

#### STOCK

1129

## FINANCIAL HIGHLIGHTS

### Six months ended 30 June

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Change %
• <b>Financial Results</b>			
Revenue	<b>289,177</b>	246,117	17.50%
Gross profit	<b>111,884</b>	94,495	18.40%
Loss for the period	<b>(41,498)</b>	(1,862)	2,128.68%
Loss attributable to owners of the Company	<b>(54,610)</b>	(18,935)	188.41%
Loss per share (HK cents) – Basic and diluted	<b>(3.42)</b>	(1.19)	187.39%

	As at 30 June 2017 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>	Change %
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• <b>Financial Position</b>			
Total assets	<b>2,917,127</b>	2,752,832	5.97%
Total liabilities	<b>1,219,315</b>	1,114,625	9.39%
Current assets	<b>1,012,280</b>	1,205,620	(16.04%)
Current liabilities	<b>901,178</b>	860,393	4.74%
Current ratio	<b>1.12 times</b>	1.40 times	(20.00%)
Cash and cash equivalents	<b>233,257</b>	459,179	(49.20%)
Gearing ratio	<b>41.80%</b>	40.49%	3.24%
Total net asset value	<b>1,697,812</b>	1,638,207	3.64%
Equity attributable to the Company's shareholders	<b>1,241,135</b>	1,263,852	(1.80%)
Equity attributable to the Company's shareholders per share (HK\$)	<b>0.78</b>	0.79	(1.27%)

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

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	4	289,177	246,117
Cost of sales		(177,293)	(151,622)
Gross profit		111,884	94,495
Other income, net		28,310	32,638
Change in fair value of investment properties		–	107
Net gain on disposal of available-for-sale investments		1,524	35,699
Reversal of impairment loss recognised on trade and other receivables		88	–
Selling and distribution expenses		(17,068)	(13,894)
Administrative expenses		(83,054)	(78,439)
Finance costs	6	(10,254)	(9,159)
Net loss on financial assets at fair value through profit or loss		(35,545)	(33,535)
Impairment loss recognised on available-for-sale investments		(16,815)	(11,777)
Share of (loss) profit of associates		(2,092)	28
<b>(Loss) profit before tax</b>		<b>(23,022)</b>	16,163
Income tax	7	(18,476)	(18,025)
<b>Loss for the period</b>	8	<b>(41,498)</b>	(1,862)
Attributable to:			
Owners of the Company		(54,610)	(18,935)
Non-controlling interests		13,112	17,073
		(41,498)	(1,862)
<b>Loss per share (HK Cents)</b>			
Basic and diluted	9	(3.42)	(1.19)

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

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Loss for the period</b>		<b>(41,498)</b>	(1,862)
<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:			
Exchange difference arising during the period		<b>44,875</b>	(26,833)
		<b>44,875</b>	(26,833)
Available-for-sale investments:			
Net (loss) gain arising on revaluation of available-for-sale investments during the period		<b>(12,530)</b>	3,800
Reclassification upon impairment		<b>16,815</b>	11,777
Reclassification adjustments relating to available-for-sale investments disposed of during the period		<b>(8,092)</b>	(35,699)
		<b>(3,807)</b>	(20,122)
Share of other comprehensive income of associates		<b>2,055</b>	(612)
Items that will not be reclassified to profit or loss:			
Gain on revaluation of investment properties upon transfer from property, plant and equipment		-	3,469
Deferred tax arising from revaluation on investment properties		-	(867)
		-	2,602
Other comprehensive income for the period, net of income tax		<b>43,123</b>	(44,965)
<b>Total comprehensive income for the period</b>		<b>1,625</b>	(46,827)
<b>Attributable to:</b>			
Owners of the Company		<b>(22,717)</b>	(57,987)
Non-controlling interests		<b>24,342</b>	11,160
		<b>1,625</b>	(46,827)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2017

	Note	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	686,527	454,530
Deposits paid for acquisition of property, plant and equipment		18,778	30,583
Deposits paid for acquisition of subsidiaries		–	29,769
Deposits paid for acquisition of land use rights		8,887	–
Prepaid lease payments		110,472	104,030
Operating concessions		502,166	483,794
Receivables under service concession arrangements		30,125	31,493
Investment properties		34,552	32,510
Other non-current assets		19,980	19,369
Other intangible assets		303,202	189,821
Available-for-sale investments	16	121,582	90,437
Interest in associates		59,291	71,534
Deferred tax assets		9,285	9,342
		<b>1,904,847</b>	<b>1,547,212</b>
<b>Current assets</b>			
Inventories		191,062	184,589
Receivables under service concession arrangements		5,003	5,122
Financial assets at fair value through profit or loss	16	170,079	232,808
Trade and other receivables	12	354,448	286,237
Prepaid lease payments		1,101	1,645
Amounts due from customers for contract works		7,055	4,982
Cash held by financial institutions		258	341
Bank balances and cash		283,274	489,896
		<b>1,012,280</b>	<b>1,205,620</b>
<b>Current liabilities</b>			
Overdraft held at financial institutions		50,275	31,058
Trade and other payables	13	238,165	256,255
Amounts due to customers for contract works		177,097	155,781
Bank borrowings		49,335	48,729
Other loans		308,218	295,265
Obligations under finance leases	14	25,119	10,444
Amounts due to non-controlling shareholders of subsidiaries		33,843	32,808
Loans from associates		3,019	2,927
Tax payables		16,107	27,126
		<b>901,178</b>	<b>860,393</b>
<b>Net current assets</b>		<b>111,102</b>	<b>345,227</b>
<b>Total assets less current liabilities</b>		<b>2,015,949</b>	<b>1,892,439</b>

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

At 30 June 2017

	Note	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital	15	798,270	798,270
Share premium and reserves		442,865	465,582
Equity attributable to owners of the Company		1,241,135	1,263,852
Non-controlling interests		456,677	374,355
<b>TOTAL EQUITY</b>		<b>1,697,812</b>	1,638,207
<b>Non-current liabilities</b>			
Bank borrowings		91,221	74,245
Other loans		67,607	64,947
Obligations under finance leases	14	44,127	20,320
Government grants		31,087	29,550
Deferred tax liabilities		84,095	65,170
		318,137	254,232
		2,015,949	1,892,439





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserve	Translation reserve	Reserve fund	Investment revaluation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2016 (audited)</b>	798,270	954,318	-	(9,671)	29,685	23,044	(484,819)	1,310,827	341,732	1,652,559
Changes in equity for the six months ended 30 June 2016:										
Loss for the period	-	-	-	-	-	-	(18,935)	(18,935)	17,073	(1,862)
Other comprehensive income for the period	-	-	1,327	(20,257)	-	(20,122)	-	(39,052)	(5,913)	(44,965)
<b>Total comprehensive income for the period</b>	-	-	1,327	(20,257)	-	(20,122)	(18,935)	(57,987)	11,160	(46,827)
Dividends paid to non-controlling shareholders										
	-	-	-	-	-	-	-	-	(1,218)	(1,218)
Transfers to reserve funds	-	-	-	-	7,024	-	(7,024)	-	-	-
<b>At 30 June 2016 (unaudited)</b>	798,270	954,318	1,327	(29,928)	36,709	2,922	(510,778)	1,252,840	351,674	1,604,514



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

For the six months ended 30 June 2017

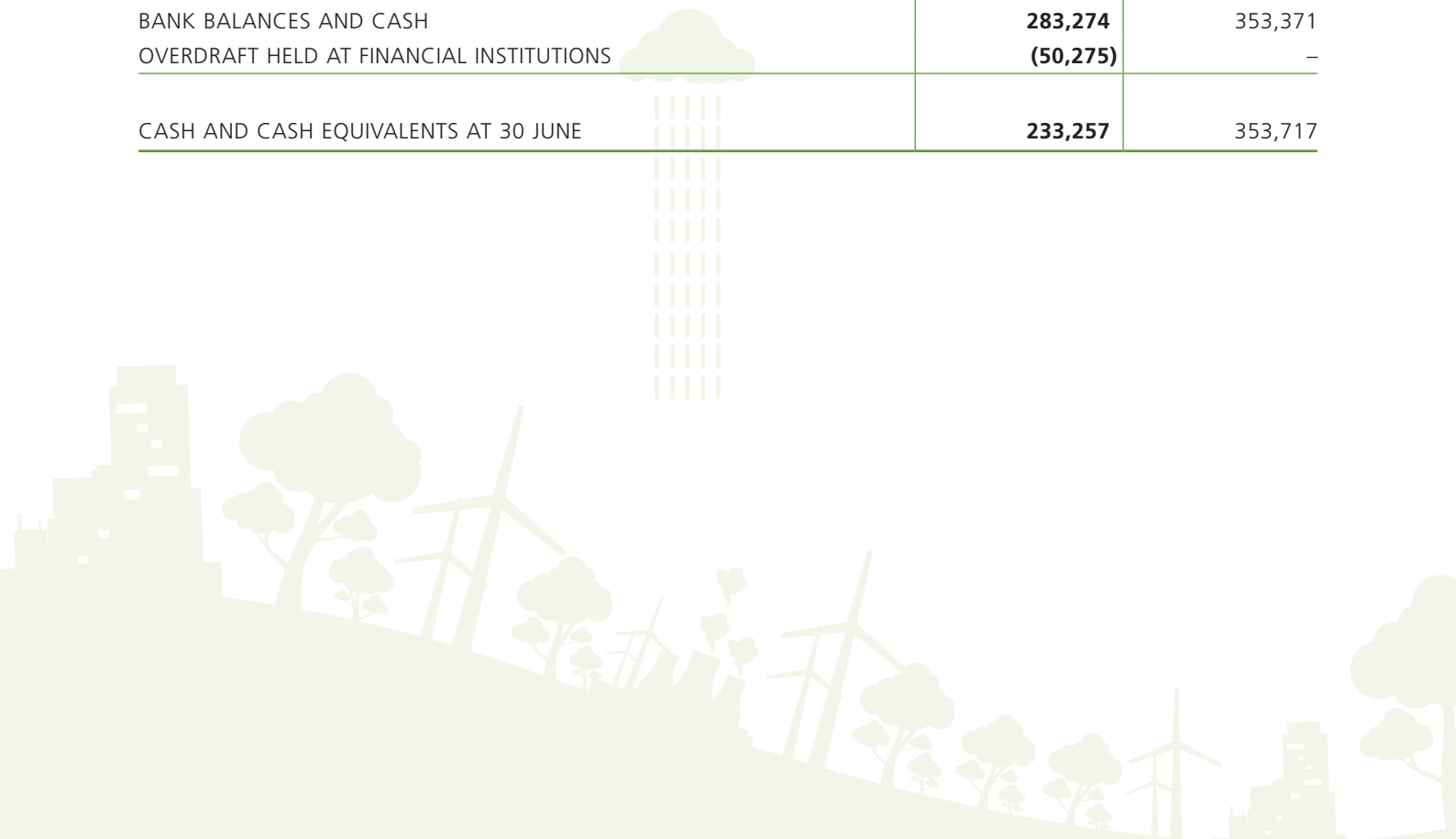
	Attributable to owners of the Company							Non-controlling Interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000			
<b>At 1 January 2017 (audited)</b>	798,270	954,318	1,748	(75,506)	42,214	8,893	(466,085)	1,263,852	374,355	1,638,207
Changes in equity for the six months ended 30 June 2017:										
Loss for the period	-	-	-	-	-	-	(54,610)	(54,610)	13,112	(41,498)
Other comprehensive income for the period	-	-	-	35,700	-	(3,807)	-	31,893	11,230	43,123
<b>Total comprehensive income for the period</b>	-	-	-	35,700	-	(3,807)	(54,610)	(22,717)	24,342	1,625
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	57,980	57,980
Transfers to reserve funds	-	-	-	-	5,352	-	(5,352)	-	-	-
<b>At 30 June 2017(unaudited)</b>	798,270	954,318	1,748	(39,806)	47,566	5,086	(526,047)	1,241,135	456,677	1,697,812



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2017

	<b>Six months ended 30 June</b>	
	<b>2017</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2016</b> <i>HK\$'000</i> <b>(Unaudited)</b>
NET CASH FROM OPERATING ACTIVITIES	<b>35,298</b>	28,919
NET CASH USED IN INVESTING ACTIVITIES	<b>(299,773)</b>	(93,490)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<b>27,840</b>	(51,944)
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(236,635)</b>	(116,515)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>459,179</b>	476,873
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>10,713</b>	(6,641)
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>233,257</b>	353,717
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
CASH HELD BY FINANCIAL INSTITUTIONS	<b>258</b>	346
BANK BALANCES AND CASH	<b>283,274</b>	353,371
OVERDRAFT HELD AT FINANCIAL INSTITUTIONS	<b>(50,275)</b>	–
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>233,257</b>	353,717



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 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 this report.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") 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, 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 2016, except for the accounting policy changes that are expected to be reflected in the 2017 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.

Amendments to HKAS 7	Statement of cash flow: Disclosure initiative
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealized losses
Amendments to HKFRSs	Annual Improvements to HKFRS 2014-2016 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.

In addition, the Group has applied the following accounting policies during the current period:

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

For the six months ended 30 June 2017

### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### Incompletion of initial accounting for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### 4. REVENUE

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Water supply services	56,278	54,573
Sewage treatment services	21,485	22,776
Water supply related installation and construction income	113,668	107,022
Water supply and sewage treatment infrastructure construction income	16,054	12,357
Sale of electricity	58,623	23,671
Sale of compressed natural gas	17,431	20,035
Service income from collection of landfill gas	5,638	5,683
	<b>289,177</b>	246,117

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

### 5. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

- (i) "Provision of water supply, sewage treatment and construction services" segment, which derives revenues primarily from the provision of water supply and sewage treatment operations and related construction services; 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.

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

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

For the six months ended 30 June 2017

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

#### Segment turnover and results

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

For the period ended 30 June 2017

	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>207,485</b>	<b>81,692</b>	<b>289,177</b>
<b>Reportable segment profit</b>	<b>50,113</b>	<b>7,201</b>	<b>57,314</b>
Unallocated corporate expenses			(21,674)
Interest income			180
Interest on overdraft held at financial institutions			(716)
Interest on fixed coupon bonds			(7,290)
Net gain on disposal of available-for-sale investments			1,524
Impairment loss recognised on available-for-sale investments			(16,815)
Net Loss on financial assets at fair value through profit or loss			(35,545)
<b>Loss before taxation</b>			<b>(23,022)</b>



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

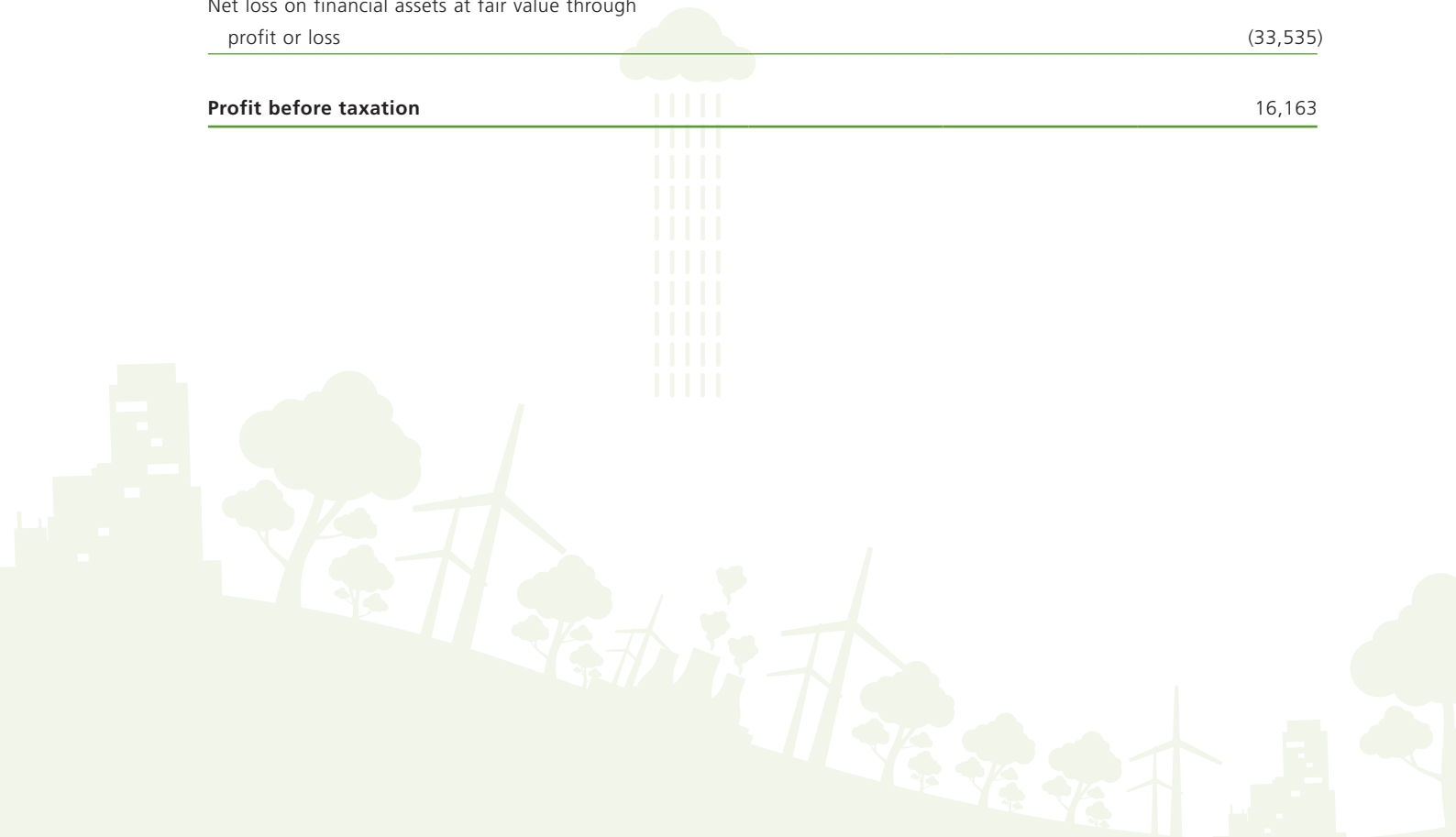
For the six months ended 30 June 2017

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

#### Segment turnover and results *(Continued)*

For the period ended 30 June 2016

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Total HK\$'000
<b>Reportable segment revenue</b>	196,728	49,389	246,117
<b>Reportable segment profit</b>	38,282	5,406	43,688
Unallocated corporate expenses			(10,843)
Interest income			117
Interest on fixed coupon bonds			(7,186)
Net gain on disposal of available-for-sale investments			35,699
Impairment loss recognised on available-for-sale investments			(11,777)
Net loss on financial assets at fair value through profit or loss			(33,535)
<b>Profit before taxation</b>			16,163



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

For the six months ended 30 June 2017

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

#### Other segment information

For the period ended 30 June 2017

	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	3,829	102	180	4,111
Interest expenses	(460)	(1,788)	(8,006)	(10,254)
Share of losses of associates	(2,092)	–	–	(2,092)
Depreciation of property, plant and equipment	(3,371)	(20,904)	(932)	(25,207)
Amortisation of:				
– Prepaid lease payments	(531)	(2)	–	(533)
– Concession intangible assets	(12,583)	–	–	(12,583)
– Other intangible assets	–	(12,608)	–	(12,608)
Loss on disposal of property, plant and equipment	(3)	(385)	–	(388)
Concession intangible assets written off	(30)	–	–	(30)
Net gain on disposal of available-for-sale investments	–	–	1,524	1,524
Reversal of impairment loss recognised on trade and other receivables	86	2	–	88
Impairment loss recognised on available-for-sale investments	–	–	(16,815)	(16,815)
Additions to non-current assets	27,388	356,357	7,667	391,412



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

For the six months ended 30 June 2017

### 5. SEGMENT INFORMATION (Continued)

#### Other segment information (Continued)

For the period ended 30 June 2016

	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	17,763	230	117	18,110
Interest expenses	(1,027)	(946)	(7,186)	(9,159)
Share of profit of associates	28	–	–	28
Depreciation of property, plant and equipment	(4,119)	(8,618)	(1,011)	(13,748)
Amortisation of:				
– Prepaid lease payments	(496)	–	–	(496)
– Concession intangible assets	(11,460)	–	–	(11,460)
– Other intangible assets	–	(7,510)	–	(7,510)
Loss on disposal of property, plant and equipment	(60)	(1)	–	(61)
Net gain on disposal of available-for-sale investments	–	–	35,699	35,699
Impairment loss recognised on available-for-sale investments	–	–	(11,777)	(11,777)
Additions to non-current assets	44,324	197,370	12	241,706

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 30 June 2017 (unaudited)					
Reportable segment assets	<b>1,038,967</b>	<b>1,101,121</b>	<b>586,526</b>	<b>190,513</b>	<b>2,917,127</b>
Reportable segment liabilities	<b>(331,390)</b>	<b>(456,995)</b>	<b>(296,885)</b>	<b>(134,045)</b>	<b>(1,219,315)</b>
As at 31 December 2016 (audited)					
Reportable segment assets	1,038,229	889,804	653,486	171,313	2,752,832
Reportable segment liabilities	(344,860)	(305,124)	(336,511)	(128,130)	(1,114,625)

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

For the six months ended 30 June 2017

### 6. FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on:		
– bank borrowings	3,891	1,999
– other loans	18,153	9,639
– overdraft held at financial institutions	1,732	–
Finance charges on obligations under finance leases	1,031	–
Total borrowing cost	24,807	11,638
Less: interest capitalised included in construction in progress	(14,553)	(2,479)
	10,254	9,159

### 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax ("EIT")	18,102	17,572
Over provision of tax in respect of prior years	(360)	–
Deferred tax	734	453
	18,476	18,025

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 2017 (six months ended 30 June 2016: 16.5%).

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

Nanjing Feng Shang New Technology Limited Liability Company ("Nanjing Feng Shang"), Hunan Huiming Environmental Technology Limited ("Huiming Technology"), Ningbo Qiyao New Energy Company Limited (Ningbo Qiyao), Changsha Huiming Recycling Resources Technology Limited ("Changsha Huiming"), Shenzhen City New China Water Environmental Technology Limited ("Shenzhen New China Water" (formerly known as Shenzhen City Greenspring Recycling Resources Technology Limited), Qingyuan City Greenspring Environmental Technology Limited ("Qingyuan City Greenspring"), Wuzhou City China Water New Renewable Resources Company Limited ("Wuzhou New China Water") and Hunan Fengming Energy Technology Limited ("Fengming Technology") are engaged in provision of electricity supply and sale of renewable energy. 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 Nanjing Feng Shang, Huiming Technology, Ningbo Qiyao, Changsha Huiming, Shenzhen New China Water, Qingyuan City Greenspring, Wuzhou New China Water and Fengming Technology were 2012, 2012, 2012, 2015, 2016, 2016, 2016 and 2016 respectively.

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

For the six months ended 30 June 2017

### 7. INCOME TAX EXPENSE *(Continued)*

- Nanjing Feng Shang, Huiming Technology and Ningbo Qiyao 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.
- Changsha Huiming is exempted from PRC income tax from 1 January 2015 to 31 December 2017 and is entitled to a 50% exemption of income tax from 1 January 2018 to 31 December 2020.
- Shenzhen New China Water, Qingyuan City Greenspring, Wuzhou New China Water and Fengming Technology are exempted from PRC income tax from 1 January 2016 to 31 December 2018 and are entitled to a 50% exemption of income tax from 1 January 2019 to 31 December 2021.

### 8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Staff costs including directors' emoluments		
– salaries, wages and other benefits	68,061	59,824
– retirement benefits scheme contributions	9,491	8,358
<b>Total staff costs</b>	<b>77,552</b>	68,182
Amortisation of:		
– Prepaid lease payments	533	496
– Concession intangible assets (included in cost of sales)	12,583	11,460
– Other intangible assets	12,608	7,510
Depreciation of property, plant and equipment	25,207	13,748
Loss on disposal of property, plant and equipment	388	61
Concession intangible assets written off	30	–
Bank interest income	(2,167)	(1,336)
Minimum lease payments under operating leases	3,846	2,902
Net exchange (gain) loss	(684)	1,626
Loss on sale of properties, net	502	769

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

For the six months ended 30 June 2017

### 9. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	<b>(54,610)</b>	(18,935)
	<b>'000</b>	<i>'000</i>
Weighted average number of ordinary shares issue Basic and diluted	<b>1,596,540</b>	1,596,540
Loss per share (HK Cents): Basic and diluted	<b>(3.42)</b>	(1.19)

For the six months ended 30 June 2017 and 30 June 2016, diluted loss per share equals basic loss per share as there was no dilutive potential share.

### 10. DIVIDENDS

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

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment amounted to approximately HK\$240,842,000 (six months ended 30 June 2016: approximately HK\$134,873,000), of which HK\$80,033,000 was purchased through acquisition of subsidiaries (six months ended 30 June 2016: HK\$63,744,000).

During the six months ended 30 June 2017, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$422,000 (six months ended 30 June 2016: approximately HK\$195,000).

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

For the six months ended 30 June 2017

### 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Trade receivables	63,398	63,856
Less: Allowance for doubtful debts	(2,332)	(2,347)
	61,066	61,509
Other receivables	100,149	100,183
Less: Allowance for doubtful debts	(4,924)	(4,858)
	95,225	95,325
Loan receivables	181,520	58,394
Less: Allowance for doubtful debts	(54,844)	(54,844)
	126,676	3,550
Deposits and prepayments (Note)	71,481	125,853
	<b>354,448</b>	286,237

Note: 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 5 days to 180 days given to the customers.

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

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Within 90 days	54,630	56,926
91 to 180 days	4,321	2,530
181 to 365 days	1,054	121
Over 1 year	1,061	1,932
	<b>61,066</b>	61,509

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

For the six months ended 30 June 2017

### 13. TRADE AND OTHER PAYABLES

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

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Within 90 days	21,921	12,829
91 to 180 days	8,665	9,383
181 to 365 days	7,752	1,350
Over 1 year	5,633	7,417
Trade payables	43,971	30,979
Other payables	182,283	214,137
Interest payables	11,911	11,139
	<b>238,165</b>	<b>256,255</b>

### 14. OBLIGATIONS UNDER FINANCE LEASES

	At 30 June 2017 (Unaudited)		At 31 December 2016 (Audited)	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payment HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payment HK\$'000
Within 1 year	25,119	28,330	10,444	12,235
After 1 year but within 2 years	26,477	28,330	11,382	12,235
After 2 years but within 5 years	17,650	18,865	8,938	9,176
	<b>44,127</b>	<b>47,195</b>	20,320	21,411
	<b>69,246</b>	<b>75,525</b>	30,764	33,646
Less: total future interest expenses		<b>(6,279)</b>		(2,882)
Present value of lease obligations		<b>69,246</b>		30,764

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

For the six months ended 30 June 2017

### 15. SHARE CAPITAL

	At 30 June 2017 (Unaudited)		At 31 December 2016 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised capital:				
<b>Ordinary shares of HK\$0.50 each</b>				
At the beginning and the end of the period/year	4,000,000	2,000,000	4,000,000	2,000,000
<b>Convertible preference shares of HK\$0.10 each</b>				
At the beginning and the end of the period/year	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
<b>Ordinary shares of HK\$0.5 each</b>				
At the beginning of the period/year	1,596,540	798,270	1,596,540	798,270
At the end of the period/year	1,596,540	798,270	1,596,540	798,270

### 16. INVESTMENTS

	Available-for-sale investments		Financial assets at fair value through profit or loss – held for trading	
	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Equity securities listed in Hong Kong	121,582	90,437	35,320	98,685
Unlisted investment funds (the "Funds")	–	–	134,759	134,123
	121,582	90,437	170,079	232,808

The fair value of listed equity securities are determined based on the quoted market bid prices available on the Stock Exchange.

The Funds primarily invest in listed securities in Asian market, and are stated with reference to the net asset values provided by the fund managers on the last day of each calendar month.

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

*For the six months ended 30 June 2017*

### 16. INVESTMENTS *(Continued)*

#### Financial instruments carried at fair value

	At 30 June 2017				At 31 December 2016			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurements</b>								
<b>Assets</b>								
Available-for-sale investments								
– Listed	121,582	–	–	121,582	90,437	–	–	90,437
– Unlisted	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss								
– Listed	35,320	–	–	35,320	98,685	–	–	98,685
– Unlisted	–	–	134,759	134,759	–	–	134,123	134,123

During the six months ended 30 June 2017, 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 2015 and 1 January 2016	35,015	114,928
Subscription	–	82,400
Disposals	(35,015)	(87,549)
Fair value gain included in net gain on financial assets at fair value through profit or loss	–	24,344
At 31 December 2016 and 1 January 2017	–	134,123
Subscription	–	36,050
Fair value loss included in net loss on financial assets at fair value through profit or loss	–	(35,414)
At 30 June 2017	–	134,759



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

For the six months ended 30 June 2017

### 17. CAPITAL COMMITMENTS

	<b>At 30 June 2017 HK\$'000 (Unaudited)</b>	At 31 December 2016 HK\$'000 (Audited)
Contracted but not provided for:		
Acquisition of concession intangible assets and property, plant and equipment	17,751	29,683
	<b>17,751</b>	29,683

### 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:

	<b>At 30 June 2017 HK\$'000 (Unaudited)</b>	At 31 December 2016 HK\$'000 (Audited)
Within one year	5,440	5,249
After one year but within five years	1,078	1,398
	<b>6,518</b>	6,647



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

For the six months ended 30 June 2017

### 19. LITIGATIONS

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

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("Swift Surplus") (collectively as the "Lenders") entered into repayment agreements (the "Repayment Agreements") with the Sihui Sewage Treatment Co. Ltd.\* (四會市城市污水處理有限公司) ("Sihui Sewage") 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 Judgement against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited ("Galaxaco") to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional 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"). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

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

For the six months ended 30 June 2017

### 19. LITIGATIONS *(Continued)*

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

On 16 July 2015, the Zhaoqing Intermediate People's Court adjudged that the Final Judgement recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("PRC Judgement"). On 27 January 2016, the PRC Judgement was announced on the website of The People's Court Announcement for 60 days ("Announcement Period"). If Top Vision has not appealed for the PRC Judgement within 30 days after the Announcement Period, the PRC Judgement will be automatically effective thereafter, the Company can enforce the PRC Judgement. On 10 August 2016, Sihui City People's Court\* (四會市人民法院) accepted to execute the PRC Judgement in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. Up to the date of this report, there is no further and significant progress revealed by the Liquidators. As at 31 December 2016 and 30 June 2017, the loan receivables from Top Vision of HK\$43.60 million were fully impaired.

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the Loan Receivables has been provided. It is unlikely that there will be a material adverse financial impact of the Group.

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

Guangzhou Hyde Environmental Protection Technology Co. Ltd.\* (廣州市海德環保科技有限公司) ("Guangzhou Hyde") (an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited\* (雲南超越燃氣有限公司) ("Yunnan Chaoyue Gas") entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK\$10 million ("Deposit") to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project ("Project"). Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessfully to obtain the Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Deposit to Guangzhou Hyde when it fell due despite Guangzhou Hyde's repeated requests and demands.

The 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 ("Commission") for arbitration on 24 February 2012. The Commission accepted the case and started a trial on 5 June 2012. After the trial, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 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.

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

For the six months ended 30 June 2017

### 19. LITIGATIONS *(Continued)*

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

On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the "Repayment Plan") to Guangzhou Hyde. On 1 September 2014, Kunming Court has approved the civil enforcement against Yunnan Chaoyue Gas. Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan. Up to the date of this report, the civil enforcement is still executed by Kunming Court without significant progress. 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.

### 20. RELATED PARTY TRANSACTIONS

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

**(ii) 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term benefits	5,425	5,314
Post-employment benefits	70	58
	<b>5,495</b>	<b>5,372</b>

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

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

For the six months ended 30 June 2017

### 21. ACQUISITION OF BUSINESSES

#### (a) Chengdu City Green State Renewable Energy Co., Limited

On 15 September 2015, New China Water (Nanjing) Renewable Resources Investment Company Limited entered into Sale and Purchase Agreements with 韓國(株)漢陽ENG (Hanyang ENG Co., Ltd.\*), RTS股份有限公司(Re-Tech Solution Co., Ltd.), 韓國產業銀行(Korea Development Bank\*) and 首都圈垃圾填埋場管理公社(Sudokwon Landfill Site Management Corp.) respectively, to acquire in aggregate of 49% equity interests of Chengdu City Green State Renewable Energy Co., Limited\* ("Chengdu City Project") (成都市綠州新再生能源有限責任公司). The acquisition was completed on 13 March 2017, since then, the Group is interested in 49% equity interests of Chengdu City Project. The final consideration for the acquisition was adjusted downward by RMB0.70 million from RMB50.2 million to RMB49.5 million (equivalent to approximately HK\$55.71 million). As the Group is entitled to appoint five out of seven members of the board of directors of Chengdu City Project, the Group is able to control the operating and financial policies over Chengdu City Project and therefore classified as an indirect non-wholly-owned subsidiary. Details of this acquisition are set out in the Company's announcement dated 15 September 2015. Chengdu City Project is principally engaged in solid waste detox treatment and landfill gas power generation in Changan landfill site, Sichuan Province, for an operation period of 11 years until December 2027.

	HK\$'000
Total consideration paid	55,710
Consideration payable	–
	55,710

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

	HK\$'000
Property, plant and equipment	50,635
Other intangible assets	110,066
Trade and other receivables	6,085
Bank balances and cash	24,187
Trade and other payables	(62,257)
Deferred tax liabilities	(15,026)
	113,690
Non controlling interests	(57,980)
	55,710

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

For the six months ended 30 June 2017

### 21. ACQUISITION OF BUSINESSES (Continued)

#### (a) Chengdu City Green State Renewable Energy Co., Limited (Continued)

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

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$6,085,000 at the date of acquisition.

#### Net cash outflow arising on acquisition

	HK\$'000
Total consideration paid	(55,710)
Bank balances and cash acquired	24,187
	(31,523)

#### Impact of acquisition on the result of the Group

Included in the Group's profit for the six months ended 30 June 2017 is a loss of HK\$4,380,000 attributable to the additional business generated by Chengdu City Project. Revenue included in the Group's revenue for the six months ended 30 June 2017 amount to HK\$3,926,000.

#### (b) Ningbo Qiyao New Energy Company Limited

On 15 December 2016, New China Water (Nanjing) Renewable Resources Investment Company Limited and China Shipbuilding Industry Corporation (Shanghai) New Energy Company Limited\* (中船重工(上海)新能源有限公司) entered into an acquisition agreement to acquire entire equity interests of Ningbo Qiyao New Energy Company Limited\* ("Ningbo Qiyao") (寧波齊耀新能源有限公司) for a consideration of RMB5.90 million (equivalent to approximately HK\$6.60 million). The acquisition was completed on 14 February 2017, on the date the control in Ningbo Qiyao was passed to the Group, since then, the Group is interested in 100% equity interests of Ningbo Qiyao. Details of this acquisition are set out in the Company's announcement dated 15 December 2016. Ningbo Qiyao is principally engaged in the operation of landfill gas power generation plant in Ningbo Yinzhou landfill, Ningbo City, Zhejiang Province, for an operation period of 18 years until June 2028.

	HK\$'000
Total consideration paid	6,600
Consideration payable	–
	6,600

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

For the six months ended 30 June 2017

### 21. ACQUISITION OF BUSINESSES *(Continued)*

#### (b) Ningbo Qiyao New Energy Company Limited *(Continued)*

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

	<i>HK\$'000</i>
Property, plant and equipment	16,843
Inventories	15
Trade and other receivables	79
Bank balances and cash	3,248
Trade and other payables	(12,602)
Government grants	(983)
	6,600

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

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$79,000 at the date of acquisition.

#### **Net cash outflow arising on acquisition**

	<i>HK\$'000</i>
Total consideration paid	(6,600)
Bank balances and cash acquired	3,248
	(3,352)

#### **Impact of acquisition on the result of the Group**

Included in the Group's profit for the six months ended 30 June 2017 is HK\$976,000 attributable to the additional business generated by Ningbo Qiyao. Revenue included in the Group's revenue for the six months ended 30 June 2017 amount to HK\$4,124,000.



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

For the six months ended 30 June 2017

### 21. ACQUISITION OF BUSINESSES *(Continued)*

#### (c) Shandong QiYao New Energy Company Limited

On 30 December 2016, New China Water (NanJing) Renewable Resources Investment Company Limited and China Shipbuilding Industry Corporation (Shanghai) New Energy Company Limited entered into an agreement to acquire entire equity interests of Shandong Qiyao New Energy Company Limited\* ("Shandong Qiyao") (山東齊耀新能源有限公司) for a consideration of RMB1.64 million (equivalent to approximately HK\$1.84 million). The acquisition was completed on 16 May 2017, on the date the control in Shandong Qiyao was passed to the Group, since then, the Group is interested in 100% equity interests of Shandong Qiyao. Details of this acquisition are set out in the Company's announcement dated 3 January 2017. Shandong Qiyao is principally engaged in operation of landfill gas power generation plant in Shandong Laiwu landfill, Laiwu City, Shandong Province, for an operation period of 20 years until November 2029.

	<i>HK\$'000</i>
Total consideration paid	1,840
Consideration payable	–
	<hr/> 1,840

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

	<i>HK\$'000</i>
Property, plant and equipment	10,754
Other intangible assets	1,513
Inventories	158
Trade and other receivables	2,230
Bank balances and cash	879
Trade and other payables	(13,387)
Deferred tax liabilities	(307)
	<hr/> 1,840

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

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$2,230,000 at the date of acquisition.



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

For the six months ended 30 June 2017

### 21. ACQUISITION OF BUSINESSES (Continued)

#### (c) Shandong QiYao New Energy Company Limited (Continued)

##### Net cash outflow arising on acquisition

	HK\$'000
Total consideration paid	(1,840)
Bank balances and cash acquired	879
	(961)

##### Impact of acquisition on the result of the Group

Included in the Group's profit for the six months ended 30 June 2017 is a loss of HK\$1,029,000 attributable to the additional business generated by Shangdong Qiyao. Revenue included in the Group's revenue for the six months ended 30 June 2017 amount to HK\$301,000.

#### (d) Datang Huayin Xiangtan Environmental Electricity Generation Company Limited

On 23 January 2017, Shenzhen City New China Water Environmental Technology Limited (formally called "Shenzhen City Greenspring Recycling Resources Technology Limited") entered into acquisition agreements with Datang Huayin Electric Power Co., Ltd\* (大唐華銀電力股份有限公司) and Xiangtan Feihong Industry Company\* (湘潭飛宏實業公司) respectively, to acquire in aggregate of 100% equity interests of Datang Huayin Xiangtan Environmental Electricity Generation Company Limited\* ("Xiangtan") (大唐華銀湘潭環保發電有限責任公司) for a consideration of RMB0.97 million (equivalent to approximately HK\$1.08 million). The acquisition was completed on 24 February 2017, on the date the control in Xiangtan was passed to the Group, since then, the Group is interested in 100% equity interests of Xiangtan. Details of this acquisition are set out in the Company's announcement dated 23 January 2017. Xiangtan is principally engaged in solid waste detox treatment and landfill gas power generation in Xiangtan Yuetang landfill, Xiangtan City, Hunan Province, for an operation period of 15 years until March 2024.

	HK\$'000
Total consideration paid	1,080
Consideration payable	–
	1,080

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

	HK\$'000
Property, plant and equipment	1,801
Other intangible assets	6,138
Trade and other receivables	22
Bank balances and cash	95
Trade and other payables	(4,837)
Government grants	(604)
Deferred tax liabilities	(1,535)
	1,080

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

For the six months ended 30 June 2017

### 21. ACQUISITION OF BUSINESSES *(Continued)*

#### (d) Datang Huayin Xiangtan Environmental Electricity Generation Company Limited *(Continued)*

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

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$22,000 at the date of acquisition.

#### **Net cash outflow arising on acquisition**

	HK\$'000
Total consideration paid	(1,080)
Bank balances and cash acquired	95
	<hr/>
	(985)

#### **Impact of acquisition on the result of the Group**

Included in the Group's profit for the six months ended 30 June 2017 is a loss of HK\$756,000 attributable to the additional business generated by Xiangtan. Revenue included in the Group's revenue for the six months ended 30 June 2017 amount to HK\$895,000.

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

On 24 July 2017, Jiangxi Shunda Construction Engineering Limited\* (江西省順大建築安裝工程有限公司), an indirectly wholly-owned subsidiary of the Company ("Purchaser") and Mr. Zhou Ping Hua\* (周平華) ("Vendor") entered into the Acquisition Agreement, pursuant to purchase 49% of the equity interests of Yingtan Xiangrui Property Limited\* (鷹潭祥瑞置業有限公司) ("Target Company") at a consideration of approximately RMB33.3 million (equivalent to approximately HK\$36.9 million).

The acquisition was completed on 1 August 2017, the Target Company has become a wholly-owned subsidiary of Yingtan.

Details of the acquisition has been set out in the Company's announcement dated 24 July 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group recorded a consolidated net loss of HK\$41.50 million (the “**First Half 2017**”), representing a significant deterioration in financial performance as compared to the consolidated net loss of HK\$1.86 million for the six months ended 30 June 2016 (the “**First Half 2016**”). Despite an improvement in revenue and gross profit, the Group recorded a substantial increase in consolidated net loss in the First Half 2017 mainly due to (i) the unrealized fair value loss on equity investments at fair value through profit or loss; (ii) impairment loss recognized on available-for-sale financial assets (“**AFS**”); (iii) a substantial decrease in gain on disposal of AFS; and (iv) sharing loss results from associates.

### Revenue and gross profit

For the First Half 2017, total revenue was HK\$289.18 million, an increase of HK\$43.06 million, or 17.50% from HK\$246.12 million for the First Half 2016. The increase was primarily attributable to the continued expansion of the renewable energy business.

Along with the increase in the Group’s turnover during the First Half 2017, the Group’s gross profit amounted to HK\$111.88 million for the First Half 2017, representing an increase of HK\$17.39 million or 18.40% from HK\$94.49 million for the First Half 2016. The gross profit margin for the First Half 2017 was 38.69% which was about the same as that for the same period of 2016 (First Half 2016: gross profit margin of 38.40%).

During the period under review, the main revenue and gross profit contributors were Yichun Water Industry Co., Ltd (“**Yichun Water**”) and its subsidiaries (“**Yichun Water Group**”) and Yingtan Water Supply Group Co., Ltd (“**Yingtan Water**”) and its subsidiaries (“**Yingtan Water Group**”), which collectively accounted for 51.44% of the total revenue and 66.71% of the total gross profit.

The summary of revenue and gross profit is as follows:

	Revenue				Gross Profit			
	2017		2016		2017		2016	
	HK\$'M	% to total	HK\$'M	% to total	HK\$'M	G.P.%	HK\$'M	G.P. %
Water supply business	56.28	19.46	54.57	22.17	19.64	34.90	19.79	36.27
Sewage treatment business	21.49	7.43	22.78	9.26	6.43	29.92	7.95	34.90
Construction services business	129.72	44.86	119.38	48.50	63.10	48.64	50.99	42.71
Exploitation and sale of renewable energy business	81.69	28.25	49.39	20.07	22.71	27.80	15.77	31.93
<b>Total</b>	<b>289.18</b>	<b>100</b>	<b>246.12</b>	<b>100</b>	<b>111.88</b>	<b>38.69</b>	<b>94.50</b>	<b>38.40</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW (Continued)

#### Other income, net

In the First Half 2017, other income, net amounted to HK\$28.31 million, represented other income of HK\$31.35 million less other losses of HK\$3.04 million (First Half 2016: HK\$32.64 million) down by HK\$4.33 million. The decrease was primarily due to government subsidy reduced and less loan interest income received. Other income comprised mainly interest income, government subsidy to certain biogas power generation projects, VAT refund, handling fee and rental income received from leasing power generation equipment. Other losses mainly represented a loss arising from the operations services provided pursuant to the Changsha Operation Contract and an operating loss generated from glass recycling business.

#### Selling and distribution expenses and administrative expenses

In the First Half 2017, selling and distribution costs together with administrative expenses (“**Total Expenses**”) collectively increased by HK\$7.79 million to HK\$100.12 million (First Half 2016: HK\$92.33 million). The rise was primarily attributable 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, insurance, rent and rates, legal and professional fee and depreciation. The ratio of Total Expenses for the First Half 2017 represented 34.62% of revenue, a drop of 2.9% from 37.52% for the First Half 2016.

#### Finance costs

Finance costs are mainly interests on fixed coupon bonds. In the First Half 2017, the finance costs were HK\$10.25 million, an increase of HK\$1.09 million from HK\$9.16 million in the corresponding period of 2016 due to interest paid for obtaining overdraft from financial institution.

#### Net gain on disposal of AFS investments

Included in gain on disposal of AFS of HK\$1.52 million (First Half 2016: HK\$35.70 million) was the realised gain on disposal of listed equity securities, representing a decrease of 95.73%, compared with the same period of last year.

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

Included in net loss on financial assets at fair value through profit or loss (“**FA**”) comprised (i) HK\$35.41 million for the fair value loss on investment fund (“**Fund A**”); (ii) HK\$2.60 million for the fair value loss on listed equity securities; and (iii) HK\$2.47 million for the gain on disposal of listed equity securities. For the First Half 2017, net loss on FA recorded HK\$35.54 million, an increase of HK\$2 million from the loss of HK\$33.54 million for the First Half 2016. The increase in net loss on FA was mostly due to fair value loss on the net asset value (“**NAV**”) of the Fund A. In 2016 and 2017, the Company invested HK\$118.45 million into Fund A which primarily invests in listed securities in Hong Kong. The fair value of this unlisted financial asset is based on the NAV of the fund calculated on the last day of each calendar month and reported by the fund manager accordingly. The change in fair value on this financial asset of HK\$35.41 million was solely on the loss of the NAV of the Fund A. The fair value of the Fund A and securities trading are determined based on the quoted market bid prices available on the Stock Exchange. Subsequent to the period-end, the Company had served a redemption notice to the fund manager to redeem the Fund A in whole.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Impairment loss recognized on AFS

Included in impairment loss recognized on AFS of HK\$16.81 million (First Half 2016: HK\$11.78 million) was the loss arising from the change in fair value of listed securities resulting from a significant and prolonged decline in their fair values at the end of reporting period below their costs.

#### Share of results from associates

The Group had three associated companies, including 35% equity interests in Jinan Hongquan Water Production Co., Ltd ("**Jinan Hongquan**"), 30% equity interests 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**"). For the First Half 2017, the Group shared the loss of HK\$2.09 million (First Half 2016: profit of HK\$0.03 million) which was mainly from the loss of HK\$3.58 million from Jinan Hongquan, the gain of HK\$1.55 million from Super Sino Group and the loss of HK\$0.06 million from Yu Jiang Hui Min.

#### Income tax

Income tax expense represents income tax payable by the Group under relevant income tax rules and regulations where the Group operates. Income tax expense consists of current income tax and deferred income tax. Current income tax mainly consists of PRC enterprise income tax at a rate of 25% that the PRC subsidiaries of the Group pay on their taxable income. For the First Half 2017, income tax expense increased by HK\$0.45 million to HK\$18.48 million in line with the improved performance of the Group's biogas power generation business (First Half 2016: HK\$18.03 million).

#### Loss attributable to Owners of the Company

For the First Half 2017, loss attributable to owners of the Company was HK\$54.61 million (First Half 2016: loss of HK\$18.94 million), an increase of HK\$35.67 million primarily due to a substantial decrease in gain on disposal of AFS.

#### Exposure to Fluctuations in Exchange Rates

Almost all of the Group's operating activities are carried out in the PRC with the most of transactions and assets denominated in RMB but the books are recorded in HK\$. In the First Half 2017, RMB recorded a mild appreciation against HK\$ resulted in a net exchange gain of HK\$0.68 million (First Half 2016: exchange loss of HK\$1.63 million). The Group has not adopted any hedging policies. Due to recent fluctuation of RMB exchange rate against HK\$, the Group had been monitoring the foreign exchange exposures closely and hedging any significant foreign currency exposure in order to minimise the exchange risk, if necessary.

### CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the First Half 2017, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group recorded cash and bank balance together with cash held at financial institutions of HK\$233.26 million (31 December 2016: HK\$459.18 million) including an overdraft held at financial institutions of HK\$50.28 million (31 December 2016: HK\$31.06 million). The decrease in cash and bank balance of the Group by HK\$225.92 million was mainly due to the acquisition of subsidiaries, payments for addition of property, plant and equipment, deposit paid for the acquisition of land use right for the construction of second phase sewage treatment plant and development of properties. With the steady operating cash flows, the Group should have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HK\$ and RMB.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

As at 30 June 2017, the net current assets for the Group were HK\$111.10 million (31 December 2016: HK\$345.23 million). The current ratio (current assets over current liabilities) is 1.12 times as at 30 June 2017 (31 December 2016: 1.40 times).

Net asset value was HK\$1,697.81 million (31 December 2016: HK\$1,638.21 million). Net asset value per share was HK\$1.06 (31 December 2016: HK\$1.03).

As at 30 June 2017, the Group's consolidated non-current assets increased by HK\$357.64 million to HK\$1,904.85 million (31 December 2016: HK\$1,547.21 million) mainly due to the expansion of renewable energy business.

### INVESTMENT PROPERTIES

Xiabu Water Plant Control Centre ("**Xiabu Centre**") has divided into two-block of buildings located at No. 1 Qilin East Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC which was wholly-owned by Yingtan Water. These properties are held on long-term lease expiring in February 2061. The usage of these buildings are for the purpose of office premise by own use and commercial leasing. The total gross floor area is approximately 25,170 square meters. Total commercial lettable floor area for leasing is 16,781 square meters, about 70% occupancy rate by the period end. The tenancy varied according to the terms agreed with tenants. As at 30 June 2017, the carrying value of the Xiabu Centre for leasing portion was HK\$34.55 million (31 December 2016: HK\$32.51 million). For the First Half 2017, the gross rental income from investment properties less direct outgoing recorded HK\$0.58 million (First Half 2016: HK\$0.54 million).

### OTHER NON-CURRENT ASSETS

During 2015, Yingtan Water entered into agreements with a local government office to transfer all units of the investment property (the "**Resumption Properties**") to the local government for the development of a composite project (the "**New Premises**"), which Yingtan Water received compensation including transfer of certain construction floor areas of the New Premises (the "**Yingtan New Premises**"). As at 30 June 2017, the construction of New Premises are still under construction and is expected to be completed in August 2017. The carrying value of the Yingtan New Premises was HK\$19.98 million (31 December 2016: HK\$19.37 million).

### INVENTORIES

As at 30 June 2017, inventories of HK\$191.06 million (31 December 2016: HK\$184.59 million) mainly comprised of properties held for sale of HK\$157.33 million (31 December 2016: HK\$151.64 million). Properties held for sale represented the construction of new commercial and residential buildings by Yingtan Xiang Rui Property Limited\* (鷹潭祥瑞置業有限公司) ("**Xiang Rui Property**") at Yingtan City, Jiangxi Province, the PRC which is beneficially owned as to 51% by Yingtan Water. The properties namely Yu Jing No.1\* (御景壹號) located at No. 8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC has been completed in July 2017 with a total saleable area of 35,370 sq.m., which comprised of 372 residential apartments and 105 retail shops. The pre-sales of the project had commenced since October 2014. As at 30 June 2017, approximately 66% of the residential apartments and retail shops are available for sales. For the First Half 2017, the income and net loss recognised from the sale of properties were HK\$7.52 million and HK\$0.50 million respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 30 June 2017, the FA recorded at fair value of HK\$170.08 million (31 December 2016: HK\$232.81 million). The portfolio investment contained Fund A and equity securities listed in Hong Kong.

As at 30 June 2017, the AFS recorded at fair value of HK\$121.58 million (31 December 2016: HK\$90.44 million). The portfolio investment contained only equity securities listed in Hong Kong.

The Group held a diversified portfolio of securities trading and investments including fund investment and the total market value of the portfolio investments was HK\$291.66 million, representing 10.00% of the total assets value of the Group as at 30 June 2017 (31 December 2016: HK\$323.25 million). The following analysis was the Group's top five investments at the end of reporting period:

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2017	Effective interest held as at 30 June 2017	Initial Investment cost (HK\$'000)	Market value as at 30 June 2017 (HK\$'000)	Realised gain/(loss) for the period ended 30 June 2017 (HK\$'000)	Accumulated unrealised holding gain/(loss) on revaluation (HK\$'000)	Percentage to total assets value of the Group as at 30 June 2017	Classification	Dividend received/receivable during the interim period (HK\$)
Tiger capital Fund SPC Fund – Class C3 Shares (Fund A)	Unlisted	Securities investment	100,342	–	118,450	134,759	–	16,309	4.62%	FA	–
Sino Haijing Holdings Limited	1106	Manufacture and sale of packaging materials	80,020,000	0.675%	15,988	16,084	(2,567)	96	0.55%	FA	–
Mega Expo Holdings Limited	1360	Organisation of trade shows and exhibitions, providing ancillary services and sub-contracting and management services for exhibitions and trade shows.	20,660,000	1.529%	29,220	30,370	11,803	1,150	1.04%	AFS	–
Green Energy Group Ltd	979	Trading of bio-cleaning materials, waste construction materials and provision of waste processing services, renewable energy and plastic recycling business.	39,000,000	4.119%	24,294	19,305	–	(4,989)	0.66%	AFS	–
China Ocean Fishing Holdings Limited	8047	Supply chain management services and money lending business.	35,900,000	1.485%	9,599	15,258	6,162	5,659	0.52%	AFS	–
						<b>215,776</b>	<b>15,398</b>	<b>18,225</b>			

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT *(Continued)*

The above top five investments in aggregate of HK\$215.78 million represented 73.98% of the total market value of the portfolio investments.

As investment in securities accounts for a significant portion of the Group's total assets, management will closely monitor the investment portfolio and capture opportunities arising from securities trading and investments in a prudent manner and balance investment risks. Notwithstanding the overall result of investment in securities for the First Half 2017 was in a loss position after taken up the impairment loss and/or fair value loss on financial assets investment, the Group believes that following the implementation of the favorable financial policies in Hong Kong, such as the Shanghai-Hong Kong Stock Connect, mutual recognition of funds and the Shenzhen-Hong Kong Stock Connect, the Group is optimistic about the future equity securities markets in Hong Kong.

### LIABILITIES AND GEARING

Total liabilities of the Group as at 30 June 2017 were HK\$1,219.32 million, an increase of HK\$104.69 million from HK\$1,114.63 million for 31 December 2016. The increase was mainly attributable to addition loans borrowing to finance the expansion of biogas power generation business. Total liabilities mainly comprised of the bank and other borrowings of HK\$516.38 million (31 December 2016: HK\$483.19 million), trade and other payables of HK\$238.17 million (31 December 2016: HK\$256.26 million) and deferred tax liabilities of HK\$84.10 million (31 December 2016: HK\$65.17 million). Except for the following 2016 Bonds denominated in HK\$, borrowings were mainly denominated in RMB.

On 14 June 2016, the Company, Guarantor and Prosper Talent Limited ("**Bondholder**") entered into a Subscription Agreement and Bond Instrument 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 and Series B Bond (the "**2016 Bonds**"). Series A Bond of HK\$200 million and Series B Bond of HK\$100 million was issued on 14 June 2016 and on 7 December 2016 respectively. This 2016 Bonds will mature in one year from the date of issuance. The repayment of the 2016 Bonds is guaranteed by a substantial shareholder of the Company. As at 30 June 2017, the outstanding 2016 Bonds amounted to HK\$297.91 million and were classified as a short-term other loans (31 December 2016: HK\$285.27 million). Pursuant to the Bond Instrument, the Company has an option to extend 2016 Bonds for another one year from the maturity date (the "**Extended Term**"), subject to the Bondholder's approval. With the approval of Bondholder, Series A Bond of HK\$200 million was extended for another one year following its original maturity date. Pursuant to the Bond Instrument, during the Extended Term, the interest rate of the Series A Bond will be charged at 18% per annum. In order to reduce the finance cost, the Company has been actively negotiating with the Bondholder to refinance the 2016 Bonds, including the possibility of the Bondholders to subscribe for any new bonds issued by the Company. Subsequent to the period-end, the Company had fully settled HK\$207.47 million of the principal amount of Series A Bond and the underlying interest.

On 5 September 2017, the Company, Guarantor and Bondholder entered into a Subscription Agreement and Bond Instrument 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 (the "**2017 Bonds**"). Series A Bond of HK\$100 million and Series B Bond of HK\$100 million was issued on 5 September 2017 and on 19 September 2017 respectively. This 2017 Bonds will mature in one year from the date of issuance. The repayment of the 2017 Bonds is guaranteed by Mr. Deng Jun Jie, an executive Director of the Company ("**Guarantee**"). The Guarantee is conducted on a better commercial terms without secured by any assets of the Group.



**MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)**LIABILITIES AND GEARING** (Continued)

As at 30 June 2017, the Group's total bank and other borrowings were HK\$516.38 million (31 December 2016: HK\$483.19 million). For the maturity profile, refer to the table below:

**Debt Analysis**

	30 June 2017		31 December 2016	
	HK\$'000	%	HK\$'000	%
<b>Classified by maturity</b>				
– repayable within one year				
Bank borrowings	49,335	9.55	48,729	10.08
Other loans	308,218	59.69	295,265	61.11
	<b>357,553</b>	<b>69.24</b>	343,994	71.19
<b>Classified by maturity</b>				
– repayable more than one year				
Bank borrowings	91,221	17.67	74,245	15.37
Other loans	67,607	13.09	64,947	13.44
	<b>158,828</b>	<b>30.76</b>	139,192	28.81
<b>Total bank and other borrowings</b>	<b>516,381</b>	<b>100</b>	483,186	100
<b>Classified by type of loans</b>				
Secured	138,253	26.77	118,509	24.53
Unsecured	378,128	73.23	364,677	75.47
	<b>516,381</b>	<b>100</b>	483,186	100
<b>Classified by type of interest</b>				
Fixed rate	444,116	86.01	408,141	84.47
Variable-rate	12,667	2.45	17,863	3.70
Interest free rate	59,598	11.54	57,182	11.83
	<b>516,381</b>	<b>100</b>	483,186	100

The Group's gearing ratio as at 30 June 2017 was 41.80% (31 December 2016: 40.49%). The ratio was calculated by dividing total liabilities of HK\$1,219.32 million over total assets of the Group of HK\$2,917.13 million.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### TRADE AND OTHER RECEIVABLES

As at 30 June 2017, the Group's trade and other receivables were approximately HK\$354.45 million (31 December 2016: HK\$286.24 million). These comprised of: (i) trade receivables of HK\$61.07 million, (ii) other receivables of HK\$95.22 million, (iii) loan receivables of HK\$126.68 million and (iv) deposits and prepayments of HK\$71.48 million.

Trade receivables had maintained at same level as at 2016 (31 December 2016: HK\$61.51 million). The average turnover period of the trade receivables as at 30 June 2017 were 38 days (31 December 2016: 34 days). The Group allows a credit period of 5 to 180 days to its customers. The average turnover period of the trade receivables fell within stipulated credit period.

Other receivables had maintained at same level as at 2016 (31 December 2016: HK\$95.33 million) which mainly included the remaining balance of HK\$20 million for the disposal of fund investment and HK\$28.87 million of tax recoverable. Subsequent to the period-end, HK\$20 million received for fund investment pursuant to the supplemental agreement.

Loans receivables increased by HK\$123.13 million to HK\$126.68 million (31 December 2016: HK\$3.55 million) represented loans to three unrelated parties which are secured and/or backed by guarantees and collaterals, with monthly interest rates ranging from 1% to 2.6% and maturity ranging from three months to nine months. Subsequent to the period-end, HK\$19.57 million received for the settlement of loan.

Deposits and prepayments decreased by HK\$54.37 million to HK\$71.48 million (31 December 2016: HK\$125.85 million) which mainly represented deposit paid for material procurement and tender deposits paid for bidding construction projects.

### TRADE AND OTHER PAYABLES

As at 30 June 2017, the Group's trade and other payables were approximately HK\$238.17 million (31 December 2016: HK\$256.26 million). The credit terms of trade payables vary according to the terms agreed with different suppliers.

### CAPITAL RAISING AND USE OF PROCEEDS

The Company has not conducted any equity fund raising activities during the Interim Period.

During the First Half 2017, the Group incurred capital expenditures amounting to HK\$15.42 million (First Half 2016: HK\$12.36 million) for acquisition of concession intangible assets.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### BUSINESS REVIEW

The year 2017 is a significant year for China's green development in light of new market conditions, challenges and targets for the environmental protection industry during the 13th Five-Year Plan period. In 2017, the Government Work Report clearly stated that Chinese government will take intensify efforts to strengthen environmental protection and making our sky blue again. "Pollution Controls and Smog Reduction, Environmental Protection and Green Development" have become hot topics this year and shown a new trend of China's overall development in 2017. In the First Half 2017, details of the 13th Five-Year Plan were announced consecutively in different provinces and cities, including special planning information, guidelines on executing the plan, implementation proposals and implementation regulations. Undoubtedly, the 13th Five-Year Plan will be implemented in full swing in 2017 and the environmental protection industry is stepping into a prime period of development. In light of the national strategy of promoting ecological civilisation, the Chinese government has launched a series of positive renewable energy development programs recently, which further affirmed the unwavering commitment of the government to vigorously develop new energies, indicating a promising prospect for the industry. To capture the above-mentioned opportunities and increase our market share in this industry, 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 (First Half 2016: 5 water supply projects). The daily aggregate water supply capacity was approximately 1.94 million tonne (including the capacity of 1.60 million tonne of two associated companies) (First Half 2016: 1.93 million tonne). The revenue and gross profit from water supply business amounted to HK\$56.28 million and HK\$19.64 million respectively, representing 19.46% and 17.55% of the Group's total revenue of HK\$289.18 million and total gross profit of HK\$111.88 million respectively. The overall gross profit ratio was 34.90% (First Half 2016: 36.27%). The decrease of 1.37% in gross profit ratio was due to piped water resource fee paid by Linyi Fenghuang Water Industry Co. Ltd ("Linyi Fenghuang") (臨沂鳳凰水業有限公司) to the relevant local government whereas no such expenses incurred in 2016. The rates for the water supply ranged from HK\$1.37 to HK\$2.90 per tonne.

Analysis of water supply projects on hand is as follows:

	Project name	Equity interest held by the Company (%)	Designed daily capacity of water supply (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Yichun Water	51	190,000	Jiangxi	2034
2	Yingtian Water	51	100,000	Jiangxi	2038
3	Linyi Fenghuang	60	50,000	Jiangxi	2037
4	Jinan Hongquan	35	1,500,000	Shandong	2036
5	Super Sino Group	30	100,000	Hainan	2037
	Total		1,940,000		

**MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)**BUSINESS REVIEW** (Continued)**Sewage treatment business**

There are 3 sewage treatment projects of the Group located in Jiangxi, Guangdong and Shandong provinces (First Half 2016: 3 sewage treatment projects). The daily aggregate sewage disposal capacity was approximately 170,000 tonne (First Half 2016: 170,000 tonne) generating a revenue of HK\$21.49 million and gross profit of HK\$6.43 million, representing 7.43% and 5.75% of the Group's total revenue of HK\$289.18 million and total gross profit of HK\$111.88 million respectively. The gross profit ratio was 29.92% (First Half 2016: 34.90%). The decrease in gross profit ratio by 4.98% was due to the operating cost increased for upgrading water quality standard in Jining City Haiyuan Water Treatment Co. Ltd ("Jining Haiyuan") (濟寧市海源水務有限公司) The rates for sewage treatment ranged from HK\$0.64 to HK\$1.28 per tonne.

Analysis of sewage treatment projects on hand is as follows:

Project name	Equity interest held by the Company %	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1 Jining Haiyuan	70	30,000	Shandong	2036
2 Gaoming Huaxin	70	20,000	Guangdong	2033
3 Yichun Fangke	54.33	120,000	Jiangxi	2035
Total		170,000		

**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\$129.72 million and HK\$63.10 million respectively, representing 44.86% and 56.40% of the Group's total revenue and total gross profit respectively. The overall gross profit ratio was 48.64% (First Half 2016: 42.71%). The increase in gross profit ratio was due to stringent cost control policy adopted and successfully bid more contract works with a higher gross profit margin.

**MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)**BUSINESS REVIEW** (Continued)**Exploitation and sale of renewable energy business**

As at 30 June 2017, the Group has successfully secured 24 biogas power generation projects which are located in various provincial cities across China including Jiangsu, Hunan, Shaanxi, Anhui, Hainan, Jiangxi, Sichun, Zhejiang, Chongqing, Shandong, Hebei, Guangxi and Guangdong. The revenue and gross profit recorded HK\$81.69 million and HK\$22.71 million respectively, compared with the First Half 2016, the revenue and gross profit increased by HK\$32.30 million and HK\$6.94 million respectively. Such increase was because 18 projects have operation in First Half 2017 (First Half 2016: 12 projects). Nevertheless, the overall gross profit ratio fell by 4.13% to 27.80% (First Half 2016: 31.93%) due to certain newly acquired projects still at trial operational stage not yet to generate positive contribution to the Group. The average electricity rate was HK\$0.6 per kilowatt-hour and the average CNG rate was HK\$1.83 per m<sup>3</sup>.

	Revenue				Gross Profit			
	2017		2016		2017		2016	
	HK\$'M	% to total	HK\$'M	% to total	HK\$'M	G.P.%	HK\$'M	G.P. %
Exploitation and sale of renewable energy business								
– Sale of electricity	<b>58.62</b>	<b>71.76</b>	23.67	47.92	<b>18.74</b>	<b>31.97</b>	9.19	38.83
– Sale of compressed natural gas	<b>17.43</b>	<b>21.34</b>	20.04	40.58	<b>1.07</b>	<b>6.14</b>	5.69	28.39
– Service income from collection of landfill gas	<b>5.64</b>	<b>6.90</b>	5.68	11.50	<b>2.90</b>	<b>51.42</b>	0.89	15.67
<b>Total</b>	<b>81.69</b>	<b>100</b>	49.39	100	<b>22.71</b>	<b>27.80</b>	15.77	31.93



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### BUSINESS REVIEW (Continued)

#### Exploitation and sale of renewable energy business (Continued)

Analysis of renewable energy projects on hand is as follows:

	Project name	Provincial cities in PRC	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
1	Nanjing Jiaozishan	Jiangsu	Power generation	100	October 2013	June 2025
2	ZhuZhou Biogas	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2029
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	Note 1
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	-	May 2014	} October 2039
11	Changsha Qiaoyi Landfill Site*	Hunan	CNG	94.6	December 2015	
12	Shenzhen Xiaping Landfill Site	Guangdong	CNG	88	July 2015	April 2030
13	Liuyang Biogas	Hunan	CNG/Power generation	100	CNG: July 2016 Power generation: October 2016	} October 2038
14	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	CNG: May 2016 Power generation: October 2016	
						July 2024
15	He County	Anhui	Power generation	100	June 2018	February 2036
16	Yichun South Suburban	Jiangxi	Power generation	100	July 2017	September 2026
17	Ningbo Qiyao	Zhejiang	Power generation	100	February 2017	June 2028
18	Shandong Qiyao	Shandong	Power generation	100	May 2017	November 2029
19	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
20	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
21	Xinhua	Hunan	Power generation	100	September 2017	December 2026
22	Zhangjiakou	Hebei	Power generation	70	June 2018	Note 2
23	Fengcheng	Jiangxi	Power generation	100	December 2017	March 2032
24	Anqiu City	Shandong	Power generation	100	February 2018	Note 3

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

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

Note 2: The collection period of landfill gas is until the volume of landfill gas generated from Zhang Jia Kou Landfill reduced to the level of which could not be further utilized.

Note 3: The collection period of landfill gas is until the volume of landfill gas generated from Anqiu Landfill reduced to the level of which could not be further utilized.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### ACQUISITION AND/OR FORMATION OF RENEWABLE ENERGY PROJECTS DURING THE PERIOD UNDER REVIEW

#### A. Chengdu City Project

On 15 September 2015, New China Water (Nanjing) Renewable Resources Investment Company Limited\* (“**New China Water (Nanjing)**”) (新中水(南京)再生資源投資有限公司) entered into Sale and Purchase Agreements with 韓國(株)漢陽 ENG (Hanyang ENG Co., Ltd.\*), RTS股份有限公司 (Re-Tech Solution Co., Ltd.), 韓國產業銀行 (Korea Development Bank\*) and 首都圈垃圾填埋場管理公社 (Sudokwon Landfill Site Management Corp.) respectively, to acquire in aggregate of 49% equity interests of Chengdu City Green State Renewable Energy Co., Limited\* (“**Chengdu City Project**”) (成都市綠州新再生能源有限責任公司). The final consideration for the acquisition was RMB49.5 million (equivalent to approximately HK\$55.71 million). As the Group is entitled to appoint five out of seven members of the board of directors of Chengdu City Project. The Group is able to exercise significant influence over the board of directors of Chengdu City Project, therefore classified as an indirect non-wholly-owned subsidiary of the Group. The acquisition was completed in March 2017.

#### B. Ningbo Qiyao Project

On 15 December 2016, New China Water (Nanjing), an indirect wholly-owned subsidiary of the Company, entered into acquisition agreement with China Shipbuilding Industry Corporation (Shanghai) New Energy Company Limited\* (“**China Shipbuilding**”) (中船重工(上海)新能源有限公司) to purchase the entire equity interests of Ningbo Qiyao New Energy Company Limited\* (“**Ningbo Qiyao Project**”) (寧波齊耀新能源有限公司), at a consideration of approximately RMB5.9 million (equivalent to approximately HK\$6.6 million). Ningbo Qiyao Project principally engages in the operation of landfill gas power generation plant in the Ningbo Yinzhou landfill, located in Zhejiang Province. The acquisition was completed in February 2017.

#### C. Shandong Qiyao Project

On 30 December 2016, New China Water (Nanjing) entered into the Acquisition Agreement with China Shipbuilding to purchase the entire equity interests of Shandong Qiyao New Energy Company Limited\* (“**Shandong Qiyao Project**”) (山東齊耀新能源有限公司), at a consideration of approximately RMB1.64 million (equivalent to approximately HK\$1.84 million). Shandong Qiyao Project principally engages in the operation of landfill gas power generation plant in the Shandong Laiwu landfill, located in Shandong Province. The acquisition was completed in May 2017.

#### D. Datang Huayin Project

On 23 January 2017, Shenzhen City New China Water Environmental Technology Limited\* (“**Shenzhen New China Water**”) (深圳市新中水環保科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreements with Datang Huayin Electric Power Co., Ltd\* (大唐華銀電力股份有限公司) and Xiangtan Feihong Industry Company\* (湘潭飛宏實業公司) (collectively known as “**Vendors**”), to purchase the entire equity interests of the Datang Huayin Xiangtan Environmental Electricity Generation Company Limited\* (大唐華銀湘潭環保發電有限責任公司) (“**Datang Huayin Project**”) at an aggregated consideration of approximately RMB0.97 million (equivalent to approximately HK\$1.08 million) and the liabilities in aggregate of approximately RMB4.6 million (equivalent to approximately HK\$5.11 million) shall be settled by Datang Huayin Project to Vendors if Datang Huayin Project is unable to settle such liabilities, Shenzhen New China Water will be responsible for such payment. Datang Huayin Project is principally engaged in the harmless treatment of city solid waste in Xiangtan Yuetang landfill. The acquisition was completed in February 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### ACQUISITION AND/OR FORMATION OF RENEWABLE ENERGY PROJECTS DURING THE PERIOD UNDER REVIEW (Continued)

#### E. Fengcheng Landfill Project

On 17 March 2017, Fengcheng Environmental Hygiene Department\* (豐城市環境衛生處) and Shenzhen New China Water have entered into an agreement on the neutralized collection and power generation of landfill gas. The agreement has a term of 15 years. Fengcheng Environmental Hygiene Department will allow Shenzhen New China Water to neutralize and collect all the landfill gas produced at Fengcheng Municipal Solid Waste Landfill ("**Fengcheng Landfill Project**"). In return, Shenzhen New China Water shall be responsible for the collection and utilization of Fengcheng landfill gas, the construction and production, the integrated utilization of collected landfill gas resources and the obtainment of profits. The Fengcheng Landfill Project Company has established in March 2017.

#### F. Anqiu City Landfill Project

On 1 June 2017, Anqiu City Environmental Hygiene Department\* (安丘市環境衛生管理處) and New China Water (Nanjing) have entered into an agreement on the neutralized collection and power generation of landfill gas ("**Anqiu City Landfill Project**"). The collection period of landfill gas is until the volume of landfill gas generated from Anqiu Landfill reduced to the level of which could not be further utilized. Anqiu City Environmental Hygiene Department allowed New China Water (Nanjing) to neutralize and collect all the landfill gas produced at Anqiu Municipal Solid Waste Landfill. In return, New China Water (Nanjing) shall be responsible for the collection and utilization of Anqiu City landfill gas, the construction and production, the integrated utilization of collected landfill gas resources and the obtainment of profits. The Anqiu City Landfill Project Company has established in June 2017.

#### G. Zhangjiakou Landfill Project

On 1 April 2017, Zhangjiakou City Cleaning and Wastage Disposal Company Limited\* (張家口市城潔廢棄物處置有限責任公司) ("**Zhangjiakou Company**") and Shenzhen New China Water have entered into a development and operation agreement on the neutralized collection and power generation of landfill gas, pursuant to which Zhangjiakou Company and Shenzhen New China Water have agreed to establish the project company which will be owned as to 70% by New China Water and as to 30% by Zhangjiakou Company ("**Zhangjiakou Landfill Project**"). The registered capital of project company will be RMB25 million. The collection period of landfill gas is until the volume of landfill gas generated from Zhangjiakou Landfill reduced to the level of which could not be further utilized. The Zhangjiakou Landfill Project Company has established in May 2017.

### OTHER EVENT AFTER THE PERIOD UNDER REVIEW

#### Yingtian Xiang Rui Property Limited

On 24 July 2017, the Jiangxi Shunda Construction Engineering Limited\* ("**Jiangxi Shunda**") (江西省順大建築安裝工程有限公司), an indirect wholly-owned subsidiary of the Company, and the Mr. Zhou Ping Hua\* ("**Mr. Zhou**") (周平華) entered into the Acquisition Agreement, pursuant to which the Mr. Zhou have conditionally agreed to sell and the Jiangxi Shunda has conditionally agreed to purchase 49% of the equity interests of the Xiang Rui Property at a consideration of approximately RMB33.3 million (equivalent to approximately HK\$36.9 million). As at 30 June 2017, the Xiang Rui Property is held as to 51% indirectly by Jiangxi Shunda. The acquisition of 49% equity interest was completed in August 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### CAPITAL COMMITMENTS

As at 30 June 2017, the Group has the capital commitments contracted but not provided for acquisition of property, plant and equipment and concession intangible assets approximately HK\$17.75 million (31 December 2016: HK\$110.55 million) and no properties under development in relation to development costs of existing projects have been provided (31 December 2016: nil).

### CONTINGENT LIABILITIES

During the interim period, the Company issued guarantees to banks in respect of bank borrowings made by two subsidiaries which expire on 24 May 2018 and 26 September 2019. As at 30 June 2017, the maximum liability of the Company relating to the aforesaid guarantee issued is the outstanding amount of the bank borrowings of the subsidiaries of HK\$21.88 million (31 December 2016: HK\$29.03 million).

### PLEDGE OF ASSETS

The Group's obligations under finance leases, bank loans and other loans of HK\$207.50 million in total as at 30 June 2017 (31 December 2016: HK\$149.27 million) were secured by charges over:

- (i) property, plant and equipment in which their carrying amount was HK\$75.90 million (31 December 2016: HK\$33.20 million); and
- (ii) contractual rights to receive revenue generated by certain of our subsidiaries.

### NO MATERIAL CHANGE

Save as disclosed above, during the period ended 30 June 2017, 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 2016.

### EMPLOYEES

As at 30 June 2017, excluding jointly controlled entities and associates, the Group had 1,183 (30 June 2016: 1,204) employees, of which 17 (30 June 2016: 13) are Hong Kong employees. During the Interim Period, total employee benefit expenses, including directors' emoluments and provident funds, was HK\$77.55 million (30 June 2016: HK\$68.18 million). The increase was caused by several of our renewable energy projects have commenced their operations in 2017. 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 for Directors and senior management 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.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS

In the first half of 2017, the Group deeply plowed its principal operations, continued innovation and intensified management, thus business was steadily developed. In the face of a challenging economic environment and abundant market opportunities, we fully demonstrated our tough operating strength which has provided quality assurance for achieving good business developments in the second half of the year.

#### I. The water segment continued to operate well and achieved steady development.

The water supply and sewage treatment companies recorded a steady increase in profits, marked by good operation and performance. Among these companies, Yingtan Water developed in a flexible way and actively innovated its investment and management models, with the revenue rising steadily and the profit ranking first. Yichun Water actively expanded new operations and made certain breakthroughs in the direct drinking water project business with the piped direct drinking water project to be introduced in the Yichun civil servants community soon. The percentage of its project revenue was also increased to a certain extent. On 28 June 2017, the Yichun Municipal Government held a hearing on water pricing reforms for the central urban areas of Yichun and passed the proposal for a tiered-pricing reform. Our side is currently working hard to coordinate, awaiting an official increase in water prices. Linyi Fenghuang was managed in a standardised way and a stable increase in its project revenue was achieved. Its water conveyance projects were successfully commenced, with a steady progress in the construction and transformation of municipal water supply networks. Other water service companies also continued to develop steadily and maintained a positive and stable growth in profits.

#### II. The renewable energy business continued to innovate and deepened corporate management while scaling up the industry chain.

1. For the biogas power generation projects of the renewable energy business, in the first half of 2017, we newly signed off three new projects in China, including Fengcheng in Jiangxi, Zhangjiakou in Hebei and Anqiu in Shandong. The Chengdu City Green State 20.8WM Biogas Power Generation Project, the largest landfill gas power generation project under construction in China, was put into operation in May this year (the project similarly enjoys power generation subsidies from the State) and several newly-built biogas power generation projects are expected to be successively operated in the second half of the year, providing a strong guarantee for an increase in profits from the Group's solid waste treatment segment in this year.
2. The Group strengthened scientific research and technological innovation to form an advanced and large-scale industry chain. On the basis of the original technological and strategic cooperation with Chen Yong, academician of the Chinese Academy of Engineering, Institute of Urban and Rural Mines of Changzhou University, Guangzhou Institute of Energy Conversion of the Chinese Academy of Sciences as well as Professor Zhang Qisheng, academician of the Chinese Academy of Engineering, we commenced cooperation with Henan University of Science and Technology on wave pyrolysis projects. The wide-ranging technical cooperation has not only broadened our horizons but has also expanded the business model from the field of pure household garbage to the field of biomass gasification poly-generation, which has opened up a path for a more optimized transformation of urban waste into resources from the perspective of industrialization and earnings model, thereby improving the core competitiveness of the enterprise and securing our leading position in technology.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

#### III. The Group's real estate business division developed a strategic layout with focus on "one base point, two centers".

"One base point" means exploring a real estate development path fitting in with the actual situation of China Water Industry and gradually strategising a focused, featured and planned industrial real estate network of the Group. "Two centers" means penetrating the Guangdong-Hong Kong-Macau Greater Bay Area and, with Huizhou as the center, ensuring the Honghu Blue Valley Wisdom Square Project and the China Water Industry Tower Project are well implemented; penetrating the Yangtze River Delta Economic Zone and, with Nanjing as the center, ensuring the Guanghua Wisdom Square Project is properly done. With the Group's growing business and its continued expansion of the project layout, we strive to build the projects into an international centre of the Group in terms of foreign investments, mergers and acquisitions, technological research and development, project operation and centralized procurement, laying a solid foundation for the innovative developments of the Group.

#### IV. The Group's international business division has been actively expanding overseas business. In addition to the inspection and research conducted on environmental protection projects in South East Asia, we successfully participated in relevant work of the Mandatory Producer Responsibility Scheme on Glass Beverage Containers of the Environmental Protection Department of Hong Kong and achieved an interim progress in the cooperation with Hong Kong's Nano and Advanced Materials Institute on the research and development of turning waste glass into products such as glass floor and wall tiles after going through crushing, colour separation and other processes. In the coming few months, we will continue to explore other waste treatment projects and expand the diversification of the solid waste disposal business, laying a good foundation for the development of overseas business.

Looking ahead, the Group will adhere to the basic principle of safeguarding the long-term interests of shareholders and continue to adopt a strategy aiming at steady growth to improve its recurrent profitability in the long run and maintain a strong financial position and cash flow. The Group is expected to achieve the set targets in the second half of 2017 and we remain fully confident about the prospects of the Group.



## SUPPLEMENTARY INFORMATION

## INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

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

As at 30 June 2017, 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:

## (a) Interest in the shares of the Company

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Deng Jun Jie	Interest of controlled corporation	437,788,000 (L) (Note 1)	27.42%
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	743,200 (L)	0.05%

Note 1: Mr. Deng Jun Jie ("Mr. Deng") is the beneficial owner of all share capital of Honghu Capital Co., Ltd. ("Honghu Capital") and is deemed to be interested in the 437,788,000 shares held by Honghu Capital.

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,596,539,766 shares in issue as at 30 June 2017.

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

**SUPPLEMENTARY INFORMATION** (Continued)**(b) Interest in the shares of associated corporation**

Name of director	Name of associated corporation	Nature of interest	Percentage of shareholding of the associated corporation (Note i)
Mr. Deng	Honghu Capital	Beneficial owner	100%

Note i: The disclosed interest represents the interests in the associated corporation, Honghu Capital which is held 100% by Mr. Deng. Under SFO, Mr. Deng is taken to be interested in the same number of shares in which other is interested.

Save as disclosed above, as at 30 June 2017, 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.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2017, the following persons and entities, other than a Director or Chief Executive of the Company disclosed under the section "Directors' and Chief Executive's interests in securities" above had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate Percentage of the issued share capital of the Company
Honghu Capital	Beneficial owner	437,788,000 (L) (Note 1)	27.42%
Yue Xiu Great China Fixed Income Fund VI LP	Beneficial owner	79,872,000 (L) (Note 2)	5%
Kingsford Global Asset Management Limited	Interest of controlled corporation	79,872,000 (L) (Note 2)	5%
Mr. Li Wei	Interest of controlled corporation	79,872,000 (L) (Note 2)	5%

Note 1: These shares are held by Honghu Capital which Mr. Deng is the beneficial owner. Mr. Deng is deemed to be interested in shares held by Honghu Capital by virtues of the SFO.

## SUPPLEMENTARY INFORMATION *(Continued)*

Note 2: Yue Xiu Great China Fixed Income Fund VI LP is a direct wholly-owned subsidiary by Kingsford Global Asset Management Limited, which is indirectly wholly-owned by Mr. Li Wei.

Note 3: The shareholding percentage in the company is calculated on the basis of 1,596,539,766 shares in issue as at 30 June 2017.

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

### SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2017 amounted to HK\$798,270,000 divided into 1,596,539,766 ordinary shares of HK\$0.50 each.

### DIRECTORS' RIGHTS TO ACQUIRE 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.

### SHARE OPTION SCHEME

At the annual general meeting (the "2011 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 (the "Scheme"). The refreshment of the scheme mandate limit for the Scheme was approved by the shareholders at the 2016 AGM held on 13 June 2016 (the "2016 AGM"), based on 1,596,539,766 shares in issue. The Company will be allowed to grant share options under the Scheme for subscription of up to a total of 159,653,976, representing 10% of the shares in issue as at the date of the 2016 AGM. From the date of the Scheme being adopted up to 30 June 2017, no share options have been granted. 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 remain in force for 10 years and 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.

### 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 this report.

## SUPPLEMENTARY INFORMATION *(Continued)*

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders' expectation and comply with relevant standards. The Board believed that the Company has complied with the code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2017 except for the following deviation:

- 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 ("**INEDs**") of the Company 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 16 June 2017 ("**2017 AGM**"), Mr. Guo Chao Tian ("**Mr. Guo**") was unable to attend 2017 AGM due to his business engagement in China. Mr. Guo is an INED of the Company. Except for him, all Directors of the Company had attended the 2017 AGM, at which the Directors had communicated with and developed a balanced understanding of the views of shareholder.

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.

### 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

### AUDIT COMMITTEE

The Audit Committee comprises 3 INEDs of the Company. INEDs have 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 2017. The term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

## SUPPLEMENTARY INFORMATION *(Continued)*

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

The Nomination Committee comprises 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 2 executive Directors and senior management of the Group. 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.

### 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:

On 21 April 2017, Mr. Wang De Yin has resigned to act as a Chairman, a Chief Executive Officer, an executive Director and a Chairman of both of the Nomination Committee and the Investment Committee of the Company and other directorship in subsidiaries of the Group. Mr. Wang De Yin was appointed as a chief consultant subsequent to the cessation of his aforesaid service. At the same date, Mr. Deng Jun Jie has been appointed as a Chairman, an executive Director and a Chairman of the Nomination Committee of the Company and Mr. Lin Yue Hui, currently an executive Director of the Company, has been appointed as a Chief Executive Officer and is re-designated from a member to a Chairman of the Investment Committee of the Company.

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 2017 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 (<http://www.hkex.com.hk>).



## SUPPLEMENTARY INFORMATION *(Continued)*

### BOARD OF DIRECTORS

The Board of the Company as at the date of this report comprise Mr. Deng Jun Jie (Chairman), Mr. Lin Yue Hui (CEO), Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana and Ms. Deng Xiao Ting, all being executive Directors, and Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian and Ms. Qiu Na, all being independent non-executive Directors.

### 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**  
**Mr. Deng Jun Jie**  
*Chairman and Executive Director*

Hong Kong, 28 August 2017

