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

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

Build A Dream and Share Future Success

2019 INTERIM REPORT

*For identification purpose only

CHINA WATER INDUSTRY GROUP LIMITED
INTERIM REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Yue Hui *(Chairman and Chief Executive Officer)*
Mr. Liu Feng
Ms. Deng Xiao Ting
Ms. Chu Yin Yin, Georgiana
Mr. Zhong Wei Guang
Mr. Ho Chi Ho (Appointed on 1 May 2019)
Mr. Zhu Yongjun (Appointed on 5 August 2019)

Independent Non-Executive Directors

Mr. Wong Siu Keung, Joe
Mr. Guo Chao Tian
Ms. Qiu Na
Mr. Lam Cheung Shing, Richard
(Appointed on 5 August 2019)

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. Lin Yue Hui *(Chairman)*
Mr. Wong Siu Keung, Joe
Mr. Guo Chao Tian

INVESTMENT COMMITTEE

Mr. Lin Yue Hui *(Chairman)*
Mr. Liu Feng
Mr. Liu Wei Qing
Mr. Li Han
Mr. Tang Po Shing
Mr. Zhong Wei Guang

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 Limited
Bank of China Industrial and Commercial

Hong Kong

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

LEGAL ADVISER AS TO HONG KONG LAWS

Johnny K.K. Leung & Co.

LEGAL ADVISER AS TO CAYMAN ISLANDS LAWS

Conyers Dill & Pearman

AUDITORS

Crowe (HK) CPA Limited

REGISTERED OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR TRANSFER OFFICE

Union Registrars Limited
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North Point Hong Kong

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STOCK

1129

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	HK$'000	*HK$'000*	*%*
Financial Results			
Revenue	**509,460**	493,602	3.21%
Gross profit	**211,107**	184,110	14.66%
Profit for the period	**49,895**	53,453	(6.66%)
Profit attributable to owners of the Company	**26,301**	23,673	11.10%
Profit per share (HK cents)			
– Basic and diluted	**1.65**	1.48	11.10%
EBITDA *(Note)*	**196,192**	174,855	12.20%

	As at 30 June 2019	As at 31 December 2018	Change
	HK$'000	*HK$'000*	*%*
Financial Position			
Total assets	**4,021,091**	3,560,712	12.93%
Total liabilities	**2,232,440**	1,798,302	24.14%
Current assets	**1,744,403**	1,378,507	26.54%
Current liabilities	**1,289,287**	955,779	34.89%
Current ratio	**1.35 times**	1.44 times	(6.25%)
Cash and cash equivalents	**175,319**	349,866	(49.89%)
Gearing ratio	**55.52%**	50.50%	9.93%
Net asset value	**1,788,651**	1,762,410	1.49%
Equity attributable to owners of the Company	**1,223,437**	1,219,396	0.33%
Equity attributable to owners of the Company per share (HK$)	**0.77**	0.76	1.32%

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019	2018
			(Note)
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*4*	**509,460**	493,602
Cost of sales		**(298,353)**	(309,492)
Gross profit		**211,107**	184,110
Other income, net		**34,229**	31,542
Change in fair value of investment properties		**–**	1,600
Reversal of impairment loss recognised on trade and other receivables		**1,155**	3
Selling and distribution expenses		**(21,422)**	(18,472)
Administrative expenses		**(126,902)**	(111,501)
Finance costs	*6*	**(33,824)**	(23,368)
Net (loss)/gain on financial assets at fair value through profit or loss		**(33,853)**	10,612
Gain on disposal of associates held for sale		**46,122**	–
Impairment loss recognised on trade and other receivables		**(1,688)**	–
Share of (loss)/profit of associates		**(357)**	2,278
Share of loss of joint venture		**(376)**	–
Profit before tax		**74,191**	76,804
Income tax	*7*	**(24,296)**	(23,351)
Profit for the period	*8*	**49,895**	53,453
Attributable to:			
Owners of the Company		**26,301**	23,673
Non-controlling interests		**23,594**	29,780
		49,895	53,453
Profit per share (HK Cents)			
Basic and diluted	*9*	**1.65**	1.48

	Note	Six months ended 30 June	
		2019	2018
			(Note)
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
			(Restated)
Profit for the period		**49,895**	53,453
Other comprehensive loss for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries:			
Exchange difference arising during the period		**(8,935)**	(27,038)
		(8,935)	(27,038)
Financial assets at fair value through other comprehensive income:			
Net loss arising on revaluation of financial assets at fair value through other comprehensive income during the period		**(14,002)**	(4,550)
Share of other comprehensive loss of associates		**(87)**	(1,927)
Share of other comprehensive loss of joint venture		**(11)**	–
Items that will not be reclassified to profit or loss:			
Gain on revaluation of investment properties upon transfer from property, plant and equipment		**–**	9,103
Deferred tax arising from revaluation on investment properties		**–**	(2,276)
		–	6,827
Other comprehensive loss for the period, net of income tax		**(23,035)**	(26,688)
Total comprehensive income for the period		**26,860**	26,765
Attributable to:			
Owners of the Company		**4,041**	(75)
Non-controlling interests		**22,819**	26,840
		26,860	26,765

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 (Note) HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**700,648**	907,612
Deposits paid for acquisition of property, plant and equipment		**7,597**	16,806
Deposits paid for acquisition of subsidiaries		**–**	3,416
Right-of-use assets		**461,986**	–
Prepaid lease payments		**–**	169,861
Operating concessions		**676,181**	636,312
Receivables under service concession arrangements		**21,425**	23,290
Investment properties		**73,277**	73,348
Other non-current assets		**18,686**	19,753
Other intangible assets		**244,373**	247,920
Financial assets at fair value through other comprehensive income	*12*	**40,581**	54,583
Interests in associates		**5,415**	6,133
Interests in joint ventures		**15,296**	11,721
Deferred tax assets		**8,948**	9,173
Deposit and prepayments	*13*	**2,275**	2,277
		2,276,688	2,182,205
Current assets			
Inventories		**564,958**	187,568
Receivables under service concession arrangements		**3,920**	4,158
Financial assets at fair value through profit or loss	*12*	**59,566**	84,015
Trade and other receivables	*13*	**831,599**	625,844
Prepaid lease payments		**–**	4,191
Contract assets		**21,907**	15,490
Cash held by financial institutions		**6,918**	2,371
Bank balances and cash		**224,825**	403,045
Amounts due from a joint venture		**19,108**	228
		1,732,801	1,326,910
Assets held for sale		**11,602**	51,597
		1,744,403	1,378,507

	Note	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 (Note) HK$'000 (Audited)
Current liabilities			
Overdraft held at financial institutions		**56,424**	55,550
Trade and other payables	*14*	**507,772**	285,374
Contract liabilities		**387,319**	309,371
Bank borrowings		**63,370**	55,362
Other loans		**87,020**	40,319
Lease liabilities		**119,667**	–
Obligations under finance leases		**–**	91,500
Deposit received from disposal of a associate		**46,065**	86,352
Amounts due to non-controlling shareholders of subsidiaries		**306**	695
Amounts due to associates		**–**	2,070
Deposit received from disposal of a subsidiary		**5,687**	5,693
Tax payables		**15,657**	20,508
		1,289,287	952,794
Liabilities directly associated with the assets held for sale		**–**	2,985
		1,289,287	955,779
Net current assets		**455,116**	422,728
Total assets less current liabilities		**2,731,804**	2,604,933
Capital and reserves			
Share capital	*15*	**798,270**	798,270
Share premium and reserves		**425,167**	421,126
Equity attributable to owners of the Company		**1,223,437**	1,219,396
Non-controlling interests		**565,214**	543,014
TOTAL EQUITY		**1,788,651**	1,762,410
Non-current liabilities			
Other payables	*14*	**11,374**	11,991
Bank borrowings		**94,119**	57,915
Other loans		**596,762**	544,725
Lease liabilities		**129,291**	–
Obligations under finance leases		**–**	117,167
Government grants		**29,820**	30,721
Deferred tax liabilities		**81,787**	80,004
		943,153	842,523
		2,731,804	2,604,933

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	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*	Fair value reserve (non-recycling) *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling Interests *HK$'000*	Total equity *HK$'000*
At 1 January 2018 (audited)	798,270	954,318	2,420	22,968	56,047	405	–	(529,029)	1,305,399	514,237	1,819,636
Impact on initial application of HKFRS 9	–	–	–	–	–	(405)	405	–	–	–	–
At 1 January 2018 (restated)	798,270	954,318	2,420	22,968	56,047	–	405	(529,029)	1,305,399	514,237	1,819,636
Changes in equity for the six months ended 30 June 2018:											
Profit for the period	–	–	–	–	–	–	–	23,673	23,673	29,780	53,453
Other comprehensive loss for the period	–	–	3,482	(22,680)	–	–	(4,955)	405	(23,748)	(2,940)	(26,668)
Total comprehensive income for the period	–	–	3,482	(22,680)	–	–	(4,955)	24,078	(75)	26,840	26,765
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	3,062	3,062
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	6,636	6,636
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(18,089)	(18,089)
Transfers to reserve funds	–	–	–	–	6,552	–	–	(6,552)	–	–	–
At 30 June 2018 (unaudited)	798,270	954,318	5,902	288	62,599	–	(4,550)	(511,503)	1,305,324	532,686	1,838,010

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

For the six months ended 30 June 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Reserve fund *HK$'000*	Fair value reserve (non-recycling) *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling Interests *HK$'000*	Total equity *HK$'000*
At 1 January 2019 (audited)	798,270	954,318	6,672	(63,425)	75,712	(11,010)	(541,141)	1,219,396	543,014	1,762,410
Changes in equity for the six months ended 30 June 2019:										
Profit for the period	–	–	–	–	–	–	26,301	26,301	23,594	49,895
Other comprehensive income for the period	–	–	–	(8,258)	–	(14,002)	–	(22,260)	(775)	(23,035)
Total comprehensive income for the period	–	–	–	(8,258)	–	(14,002)	26,301	4,041	22,819	26,860
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	111	111
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(730)	(730)
Transfers to reserve funds	–	–	–	–	8,391	–	(8,391)	–	–	–
At 30 June 2019 (unaudited)	798,270	954,318	6,672	(71,683)	84,103	(25,012)	(523,231)	1,223,437	565,214	1,788,651

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH (USED IN)FROM OPERATING ACTIVITIES	**(35,572)**	151,310
NET CASH USED IN INVESTING ACTIVITIES	**(260,431)**	(39,596)
NET CASH FROM(USED IN) FINANCING ACTIVITIES	**114,738**	(26,750)
(DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	**(181,265)**	84,964
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**349,866**	297,883
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**6,718**	(24,399)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**175,319**	358,448
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
CASH HELD BY FINANCIAL INSTITUTIONS	**6,918**	94
BANK BALANCES AND CASH	**224,825**	426,562
OVERDRAFT HELD AT FINANCIAL INSTITUTIONS	**(56,424)**	(68,208)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**175,319**	358,448

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; (ii) exploitation and sale of renewable energy in the PRC and (iii) property investment and development.

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, except for the accounting policy changes set out in note 3.

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

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for accounting periods beginning on 1 January 2019.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17 "Leases", and the related interpretations, HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease", HK(SIC) 15 "Operating Leases – Incentives", and HK(SIC) 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and prepaid lease payments.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below: *(Continued)*

(ii) Lessee accounting and transitional impact *(Continued)*

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was around 5% per annum.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below: *(Continued)*

(ii) Lessee accounting and transitional impact *(Continued)*

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019 *HK$'000*
Operating lease commitments at 31 December 2018	21,802
Add: obligations under finance leases recognised at 31 December 2018	208,667
Less: commitments relating to leases exempt from capitalisation	
– Short-term lease and other leases with remaining lease term ending on or before 31 December 2019	(1,829)
Less: total future interest expenses	(1,486)
Total lease liabilities recognised at 1 January 2019	227,154

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below: *(Continued)*

(ii) Lessee accounting and transitional impact *(Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Capitalisation of operating lease (Unaudited)	Reclassification (Unaudited)	Carrying amount at 1 January 2019 (Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Right-of-use assets	–	18,487	403,730	422,217
Property, plant and equipment	907,612	–	(229,678)	677,934
Prepaid lease payment (non-current)	169,861	–	(169,861)	–
Total non-current assets	2,182,205	18,487	4,191	2,204,883
Prepaid lease payment (current)	4,191	–	(4,191)	–
Total current assets	1,378,507	–	(4,191)	1,374,316
Lease liabilities (current)	–	(7,019)	(91,500)	(98,519)
Obligations under finance lease	(91,500)	–	91,500	–
Current liabilities	(955,779)	(7,019)	–	(962,798)
Net current assets	422,728	(7,019)	(4,191)	411,518
Total assets less current liabilities	2,604,933	11,468	–	2,616,401
Lease liabilities (non-current)	–	(11,468)	(117,167)	(128,635)
Obligations under finance lease	(117,167)	–	117,167	–
Total non-current liabilities	(842,523)	(11,468)	–	(853,991)
Net assets	1,762,410	–	–	1,762,410

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below: *(Continued)*

(iii) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)* **(C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)**	**Compared to amounts reported for 2018 under HKAS 17**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial result for six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	108,015	3,729	(3,624)	108,120	100,172
Finance costs	(33,824)	385	–	(33,439)	(23,368)
Profit before taxation	74,191	4,114	(3,624)	74,681	76,804
Profit for the year	49,895	4,114	(3,624)	50,385	53,453

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below: *(Continued)*

(iii) Impact on the financial result and cash flows of the Group *(Continued)*

	2019			
	Amounts reported under HKFRS 16 (A)	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B)	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Line items in the condensed consolidated statement of cash flows for six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Net cash generated from/(used in) operating activities	(35,572)	(3,624)	(39,196)	151,310
Net cash generated from/(used in) financing activities	114,738	3,624	118,362	(26,750)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below: *(Continued)*

(iv) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		1 January 2019	
	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	**119,667**	**133,732**	98,519	111,485
After 1 year but within 2 years	**67,111**	**74,064**	77,645	84,455
After 2 years but within 5 years	**60,953**	**65,903**	49,590	53,799
After 5 years	**1,227**	**1,304**	1,400	1,516
	129,291	**141,271**	128,635	139,770
	248,958	**275,003**	227,154	251,255
Less: total future interest expenses		**(26,045)**		(24,101)
Present value of lease obligations		**248,958**		227,154

(v) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40 "Investment Properties", to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(vi) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (v) above, the Group does not lease out any other assets as the lessor of operating leases.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification of interest in leasehold land and buildings held for own use

In accordance with HKAS 16 "Property, Plant and Equipment", the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies.

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4. REVENUE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Water supply services	**78,711**	76,005
Sewage treatment services	**24,675**	23,463
Water supply related installation and construction income	**103,290**	136,592
Water supply and sewage treatment infrastructure construction income	**60,360**	44,521
Sale of electricity	**208,575**	168,475
Sale of compressed natural gas	**14,986**	8,278
Service income from collection of landfill gas	**17,403**	6,843
Sale of properties	**1,460**	29,425
	509,460	493,602

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 reportable segments. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the six months ended 30 June 2019, the Board of the Company has reassessed the Group's operations and measurement of financial performance assessment and identified property investment and development as a separate and reportable segment of the Group. Comparative figures have been adjusted to conform to the current year's segment presentation.

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; and

(iii) "Property investment and development" segment, which derives revenues primarily from sale of commercial and residential units and rental income.

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

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 2019

	Provision of water supply, sewage treatment and construction services *HK$'000*	Exploitation and sale of renewable energy *HK$'000*	Property investment and development *HK$'000*	Total *HK$'000*
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	106,176	240,964	1,460	348,600
Over time	160,860	–	–	160,860
Reportable segment revenue	267,036	240,964	1,460	509,460
Reportable segment profit/(loss)	102,683	71,634	(7,389)	166,928
Unallocated corporate expenses				(40,085)
Interest income				4,193
Interest on overdraft held at financial institutions				(2,645)
Interest on fixed coupon bonds				(20,347)
Net loss on financial assets at fair value through profit or loss				(33,853)
Profit before taxation				74,191

5. SEGMENT INFORMATION *(Continued)*

Segment turnover and results *(Continued)*

For the period ended 30 June 2018

	Provision of water supply, sewage treatment and construction services *HK$'000*	Exploitation and sale of renewable energy *HK$'000*	Property investment and development *HK$'000*	Total *HK$'000*
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	119,658	183,596	29,425	332,679
Over time	160,923	–	–	160,923
Reportable segment revenue	280,581	183,596	29,425	493,602
Reportable segment profit/(loss)	68,392	43,048	(2,850)	108,590
Unallocated corporate expenses				(28,897)
Interest income				3,096
Interest on overdraft held at financial institutions				(800)
Interest on fixed coupon bonds				(15,797)
Net gain on financial assets at fair value through profit or loss				10,612
Profit before taxation				76,804

5. SEGMENT INFORMATION *(Continued)*

Other segment information

For the period ended 30 June 2019

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Corporate HK$'000	Total HK$'000
Interest income	1,382	43	28	4,193	5,646
Interest expenses	(929)	(9,292)	(268)	(23,335)	(33,824)
Share of loss of associates	–	(245)	–	(112)	(357)
Share of loss of Joint venture	(98)	–	(278)	–	(376)
Depreciation of:					
– Property plant and equipment	(2,796)	(27,798)	(301)	(2,655)	(33,550)
– Right-of-use asset	(718)	(11,427)	(1,495)	(3,507)	(17,147)
Amortisation of:					
– Concession intangible assets	(14,476)	(7,667)	–	–	(22,143)
– Other intangible assets	–	(15,337)	–	–	(15,337)
(Loss)/gain on disposal of property, plant and equipment	(23)	(3)	–	281	255
Loss on disposal of concession intangible assets	(149)	–	–	–	(149)
Impairment loss recognised on trade and other receivables	–	–	–	(1,688)	(1,688)
Reversal of impairment loss recognised on trade and other receivables	–	–	–	1,155	1,155
Additions to non-current assets	74,980	54,714	54,060	15,237	198,991

5. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the period ended 30 June 2018

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Corporate HK$'000	Total HK$'000
Interest income	8,613	79	18	3,096	11,806
Interest expenses	(825)	(5,912)	–	(16,631)	(23,368)
Share of profit of associates	2,278	–	–	–	2,278
Depreciation of property, plant and equipment	(3,381)	(33,000)	(19)	(1,442)	(37,842)
Amortisation of:					
– Prepaid lease payments	(581)	(10)	(328)	–	(919)
– Concession intangible assets	(14,378)	(4,845)	–	–	(19,223)
– Other intangible assets	–	(16,699)	–	–	(16,699)
Loss on disposal of property, plant and equipment	(22)	(37)	–	–	(59)
Concession intangible assets written off	(18)	–	–	–	(18)
Reversal of impairment loss recognised on trade and other receivables	3	–	–	–	3
Additions to non-current assets	40,716	104,302	32,491	8,019	185,528

	Provision of water supply, sewage treatment and construction services *HK$'000*	**Exploitation and sale of renewable energy** *HK$'000*	**Property investment and development** *HK$'000*	**Corporate** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
As at 30 June 2019 (unaudited)						
Reportable segment assets	**1,030,420**	**1,434,273**	**832,016**	**655,561**	**68,821**	**4,021,091**
Reportable segment liabilities	**(589,230)**	**(424,552)**	**(342,341)**	**(590,842)**	**(285,475)**	**(2,232,440)**
As at 31 December 2018 (audited)						
Reportable segment assets	1,004,654	1,425,340	398,947	604,592	127,179	3,560,712
Reportable segment liabilities	(508,540)	(608,936)	(50,391)	(341,299)	(289,136)	(1,798,302)

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
		(Note)
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
– bank borrowings	**3,620**	3,112
– other loans	**27,475**	21,224
– overdraft held at financial institutions	**2,645**	999
– lease liabilities	**9,510**	–
Finance charges on obligations under finance leases	**–**	3,833
Total borrowing cost	**43,250**	29,168
Less: interest capitalised included in construction in progress	**(9,426)**	(5,800)
	33,824	23,368

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits tax	**–**	–
Current tax		
– PRC Enterprise Income Tax ("**EIT**")	**24,320**	24,190
Deferred tax	**(24)**	(839)
	24,296	23,351

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 2019 (six months ended 30 June 2018: 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.

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

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
		(Note)
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments		
– salaries, wages and other benefits	**106,315**	89,996
– retirement benefits scheme contributions	**12,273**	11,813
Total staff costs	**118,588**	101,809
Amortisation of:		
– Prepaid lease payments	**–**	919
– Concession intangible assets (included in cost of sales)	**22,143**	19,223
– Other intangible assets	**15,337**	16,699
Depreciation		
– property, plant and equipment	**33,550**	37,842
– right-of-use assets	**17,147**	–
(Gain)/loss on disposal of property, plant and equipment	**(255)**	59
Loss on disposal of concession intangible assets	**149**	18
Short term lease payments	**2,393**	–
Bank interest income	**(1,338)**	(1,958)
Net exchange loss	**57**	529
Gross rental income from investment properties less direct outgoing of approximately HK$523,000 (first half 2018: HK$352,000)	**(1,594)**	(1,212)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

9. PROFIT PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company, used in the basic and diluted profit per share	**26,301**	23,673
	'000	*'000*
Weighted average number of ordinary shares issue		
Basic and diluted	**1,596,540**	1,596,540
Profit per share (HK Cents):		
Basic and diluted	**1.65**	1.48

For the six months ended 30 June 2019 and 30 June 2018, diluted profit per share equals basic profit per share as there was no dilutive potential share.

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment amounted to approximately HK$121,976,000 (including right-of-use assets of HK$57,558,000) (six months ended 30 June 2018: approximately HK$151,179,000).

During the six months ended 30 June 2019, the Group disposed of property, plant and equipment with carrying amount of approximately HK$100,000 (six months ended 30 June 2018: approximately HK$74,000).

During the six months ended 30 June 2018, the Group transferred certain owner-occupied properties with carrying amounts of approximately HK$6,575,000. The fair values of these properties upon transfer and at 30 June 2018 were approximately HK$15,678,000 and HK$15,789,000 respectively, as determined by the directors using income approach with reference to the valuation performed by a qualified valuer.

Right-of-use assets

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

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

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
Listed equity securities, at fair value	**100,147**	138,598
Classified as:		
Financial assets at fair value through profit or loss		
– Current	**59,566**	84,015
Financial assets at fair value through other comprehensive income		
– Non-current	**40,581**	54,583
	100,147	138,598

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

Financial instruments carried at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

Financial instruments carried at fair value *(Continued)*

Fair value hierarchy *(Continued)*

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

	At 30 June 2019				At 31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements								
Assets								
Financial asset at fair value through other comprehensive income								
– Listed	40,581	–	–	40,581	54,583	–	–	54,583
Financial assets at fair value through profit or loss								
– Listed	59,566	–	–	59,566	84,015	–	–	84,015

During the six months ended 30 June 2019, there were no significant transfer between instruments levels.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
Trade receivables	274,376	189,870
Less: Allowance for doubtful debts	(3,649)	(3,651)
	270,727	186,219
Other receivables	86,586	116,643
Less: Allowance for doubtful debts	(7,877)	(7,886)
	78,709	108,757
Loan receivables	215,410	133,424
Less: Allowance for doubtful debts	(56,830)	(56,279)
	158,580	77,145
Deposits and prepayments	325,858	256,000
	833,874	628,121
Amount due within one year included under current assets	831,599	625,844
Amount due after one year included under non-current assets	2,275	2,277
	833,874	628,121

13. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows an average credit period of 0 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 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Within 90 days	180,413	143,374
91 to 180 days	43,062	23,181
181 to 365 days	32,796	11,166
Over 1 year	14,456	8,498
	270,727	186,219

14. TRADE AND OTHER PAYABLES

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

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Within 90 days	67,529	62,716
91 to 180 days	24,982	16,727
181 to 365 days	18,661	10,985
Over 1 year	13,305	10,794
Trade payables	124,477	101,222
Other payables	380,365	182,127
Interest payables	14,304	14,016
	519,146	297,365
Amount due within one year included under current liabilities	507,772	285,374
Amount due after one year included under non-current liabilities	11,374	11,991
	519,146	297,365

15. SHARE CAPITAL

	At 30 June 2019 (Unaudited) Number of shares '000	At 30 June 2019 (Unaudited) Amount HK$'000	At 31 December 2018 (Audited) Number of shares '000	At 31 December 2018 (Audited) Amount HK$'000
Authorised capital:				
Ordinary shares of HK$0.50 each				
At the beginning and the end of the period/year	**4,000,000**	**2,000,000**	4,000,000	2,000,000
Convertible preference shares of HK$0.10 each				
At the beginning and the end of the period/year	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.5 each				
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. CAPITAL COMMITMENTS

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Contracted but not provided for:		
– Acquisition of concession intangible assets and property, plant	**290,367**	337,929
– Investment in an associate	**2,218**	2,220
	292,585	340,149

17. LITIGATIONS

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

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("**Swift Surplus**") (collectively as the "**Lenders**") entered into repayment agreements (the "Repayment Agreements") with the Sihui Sewage Treatment Co. Ltd.* (四會市城市污水處理有限公司) and Top Vision Management Limited ("**Top Vision**") (collectively as the "**Borrowers**") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58.43 million together with interest accrued thereon (the "**Loan Receivables**"). HK$5 million of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK$5 million of the Loan Receivables. However, the remaining Loan Receivables of HK$53.43 million (the "**Remaining Loan Receivables**") plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK$18.03 million of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the "**Partial Payment of the Remaining Loan Receivables**"). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK$35.40 million of the Remaining Loan Receivables and underlying interests (the "**Outstanding Balance**"). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the "**Writ**") to the High Court of Hong Kong Special Administrative Region (the "**High Court**") to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the "**Final Judgement**"). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

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

17. 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. On 28 June 2019, Sihui City People's Court accepted the "resumption implementation application" which was submitted by Swift Surplus to resume the execution of the final judgement and continued to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2022.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. On 29 March 2018, HKIAC has appointed a sole arbitrator for this arbitration proceedings.

On 6 March 2018, Liquidators informed Creditors that Top Vision sold its entire shareholding in Top Vision Huizhou to Tai Heng Construction Holding Ltd. ("**Tai Heng**") without payment of purchase consideration of RMB1 million. The Liquidator obtained a judgement from the High Court under the action of HCA 2448/2017 on 7 January 2019 against Tai Heng in favour of Top Vision, under which Tai Heng should repay approximately HK$3.90 million being principal and interest, and the Court further awarded judgement interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the "**Judgement Debts**"). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue statutory demand against Tai Heng. If Tai Heng fail to reply, the Liquidators may further pursue winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as "**Evidence**") to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company will apply to the Tribunal to arrange the arbitral hearing. Up to the date of this report, the arbitration proceeding is in the process and no substantial assets have yet been preserved or recovered. As at 31 December 2018 and 30 June 2019, 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.

17. LITIGATIONS *(Continued)*

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

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

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission ("**Commission**") for arbitration on 24 February 2012. The Commission accepted the case and started a trail on 5 June 2012. After the trail, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and the relevant arbitration fees. The above award confirmed the amount to be paid by Yunnan Chaoyue Gas to Guangzhou Hyde should be settled in one-off manner within 10 days from the date on which this award is served. Late payment will result in proceedings set out in article 229 of Civil Procedure Laws of the People's Republic of China. As Yunnan Chaoyue Gas has not performed repayment obligation under the award on time, Guangzhou Hyde applied to Kunming Intermediate People's Court (the "Kunming Court") for civil enforcement on 21 July 2012, and Kunming Court has accepted such application. On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the "Repayment Plan") to Guangzhou Hyde. On 1 September 2014, Kunming Court has approved the civil enforcement against Yunnan Chaoyue Gas. Up to the date of this report, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan. On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the "**Guarantors**") entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the "**Settlement Agreement**"). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. Up to the date of this report, there was no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

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

* *The English names are for identification purpose only.*

18. 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**13,934**	11,650
Post-employment benefits	**231**	75
	14,165	11,725

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

19. ACQUISITION OF BUSINESSES

Guangxi Ruirong Energy Technology Co., Ltd.

On 12 September 2018, Shenzhen City New China Water Environmental Technology Limited entered into the share transfer agreement with Zhejiang Zhongrui Low Carbon Technology Co.,Ltd ("**Zhejiang Zhongrui**") (浙江中睿低碳科技有限公司)) to acquire 100% equity interests of the Guangxi Ruirong Energy Technology Co., Ltd.* ("**Guangxi Ruirong**") (廣西睿榮能源科技有限公司) at a consideration of RMB9.5 million (equivalent to approximately HK$10.87 million). The acquisition was completed on 10 January 2019, on the date the control in Guangxi Ruirong was passed to the Group. Guangxi Ruirong is principally engages in the business of environmental protection in the PRC, for an operation period of 10 years until 2028.

	HK$'000
Total consideration paid	3,430
Consideration payable	7,440
	10,870

19. ACQUISITION OF BUSINESSES *(Continued)*

Guangxi Ruirong Energy Technology Co., Ltd. *(Continued)*

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

	HK$'000
Other intangible assets	12,671
Trade and other payables	(59)
Deferred tax liabilities	(1,742)
	10,870

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

Net cash outflow arising on acquisition

	HK$'000
Total consideration paid	10,870
Bank balances and cash acquired	–
	10,870

Impact of acquisition on the result of the Group

Included in the Group's profit for the six months ended 30 June 2019 is a loss of HK$1,300,000 attributable to the additional business generated by Guangxi Ruirong Project under Construction. Revenue included in the Group's revenue for the six months ended 30 June 2019 amount to HK$nil.

FINANCIAL REVIEW

Interim Results

For the six months ended 30 June 2019 (the "**First Half 2019**"), the Group recorded a consolidated net profit of HK$49.90 million, an decrease of 6.66% as compared to the consolidated net profit of HK$53.45 million for the six months ended 30 June 2018 (the "**First Half 2018**"). For the First Half 2019, profit attributable to owners of the Company was HK$26.30 million (First Half 2018: HK$23.67 million), an increase of HK$2.63 million primarily due to more profit generated from wholly-owned renewable energy projects and the gain on disposal of associate which was offset by an increase in net loss on financial assets at fair value through profit or loss and the finance costs. The basic and diluted earnings per share for the First Half 2019 was approximately HK$1.65 cents (First Half 2018: HK$1.48 cents).

Revenue and gross profit

The Group's total revenue generated from operations increased by approximately 3.21% from HK$493.60 million for the First Half 2018 to HK$509.46 million for the First Half 2019. The continuous growth was mainly due to the aggregate volume of on-grid electricity projects in operation continued to rise, contributing to an increase in revenue. However, such increase was set-off partially by the decrease of revenue from construction services business.

Along with the increase in the Group's revenue during the First Half 2019, the Group's gross profit amounted to HK$211.11 million for the First Half 2019, representing an increase of 14.66% from HK$184.11 million for the First Half 2018. The gross profit margin for the First Half 2019 was 41.44%, a slight increase of 4.14% from 37.30% of the same period of 2018.

For the First Half 2019, the renewable energy business segment become the principal source of the Group's revenue which contributed HK$240.96 million (First Half 2018: HK$183.60 million), representing a steady increase of approximately 31.25% as compared to the same period of 2018. Construction services business segment became the second largest revenue contributor of the Group and achieved a revenue of HK$163.65 million (First Half 2018: HK$181.11 million), representing a drop of approximately 9.64% as compared to the same period of 2018.

FINANCIAL REVIEW *(Continued)*

Other income, net

For the First Half 2019, other income, net amounted to HK$34.23 million (First Half 2018: HK$31.54 million) increased by HK$2.69 million. Included in other income, net was primarily of construction project income of HK$9.52 million, interest income of HK$5.65 million, government subsidy of HK$2.57 million to certain biogas power generation projects, VAT refund of HK$6.78 million, rental income of HK$1.59 million from investment properties and other services income of HK$4.87 million. The increase was mainly due to the contribution from building construction projects during the period.

Selling and distribution expenses and administrative expenses

For the First Half 2019, selling and distribution expenses together with administrative expenses ("Total Expenses") collectively increased by HK$18.35 million to HK$148.32 million (First Half 2018: HK$129.97 million). The rise was primarily attributable to the acquisition and establishment of new companies for renewable energy business in the PRC which caused the increment of staff costs and associated operating expenses. Total Expenses mainly consisted of staff costs of HK$87.62 million, legal and professional fee of HK$8.19 million and depreciation of HK$10.73 million. The ratio of Total Expenses for the First Half 2019 represented 29.11% of revenue, rose by approximately 2.78% from 26.33% for the First Half 2018.

Finance costs

Finance costs were mainly interests on fixed coupon bonds. For the First Half 2019, the finance costs were HK$33.82 million (First Half 2018: HK$23.37 million), increased by HK$10.45 million as compared to that of corresponding period. Such increase was due to the issue of new fixed coupon bonds in 2019.

Net loss on financial assets at fair value through profit or loss ("FVTPL")

For the First Half 2019, net loss on FVTPL recorded HK$33.85 million, a decrease of HK$44.47 million from the gain of HK$10.61 million for the First Half 2018. Included in net loss on FVTPL comprised (i) HK$30.33 million for the fair value loss on listed equity securities; and (ii) HK$3.53 million for the loss on disposal of listed equity securities. The change in fair value on securities trading is determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Gain on disposal of associate held for sale

Gain on disposal of associate was HK$46.12 million in the First Half 2019 attributable to the disposal of 35% equity interest in Jinan Hongquan Water Production Co. Ltd (the "**Jinan Hongquan**").

FINANCIAL REVIEW *(Continued)*

Share of results from associates

For the First Half 2019, the Group shared the loss of HK$0.35 million (First Half 2018: profit of HK$2.28 million) which was mainly from the loss of HK$0.25 million from Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (“**Ziyang Oasis Xinzhong Water**”) (資陽市綠洲新中水環保科技有限公司). As at 30 June 2019, the Group has three associated companies, including 10% equity interests in Yu Jiang Hui Min Small-Sum Loan Company Limited* (“**Yu Jiang Hui Min**”) (余江惠民小額貸款股份有限公司), 25% equity interests of Yingtan Yuanda Construction Industry Co., Ltd.* (鷹潭市遠大建築工業有限公司) and 49% equity interests of Ziyang Oasis Xinzhong Water.

Share of results from joint venture companies

For the First Half 2019, the Group shared the loss of HK$0.38 million (First Half 2018: profit of HK$Nil million) which was mainly from the loss of HK$0.27 million from Jiangxi Yuehe Real Estate Co., Ltd.* (“**Jiangxi Yuehe**”) (江西越和置業有限公司). As at 30 June 2019, the Group has two joint venture companies, including 40% equity interests in Jiangxi Yuehe and 65% equity interest in Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd. * (宜春市明月山方科污水處理有限公司).

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. No provision for Hong Kong profit tax has been made as the Group’s operations in Hong Kong did not generate any profit subject to Hong Kong profits tax purpose. 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. During the period, certain renewable energy companies in PRC are subject to tax concessions under the relevant tax rules and regulation. For the First Half 2019, income tax expense recorded HK$24.30 million, representing a year-on-year increase of 4.07%. (First Half 2018: HK$23.35 million).

Exposure to Fluctuations in Exchange Rates

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

TREASURY MANAGEMENT

For the First Half 2019, there had been no material change in the Group’s funding and treasury policies. The Group generally finances its business operations with internally generated cash flow, bank facilities and other borrowings mainly from the issuance of bonds. To support medium to long term funding requirements, the Group also considers via accessing to funding from capital markets, subject to market conditions. On the other hand, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. It has been the policy of the Group to maintain adequate liquidity at all times to meet its obligations and commitments as and when they fall due. The Group’s financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining medium to long term funding sources, with diversifying term structures and funding instruments.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group recorded cash and bank balance together with cash held at financial institutions of HK$175.32 million (31 December 2018: HK$349.87 million) including an overdraft held at financial institutions of HK$56.42 million (31 December 2018: HK$55.55 million), representing a decrease of 49.89% as compared to the same period of 2018 which was mainly due to the deposits paid for the acquisition of lands for property development in Shangrao City, Jiangxi Province, the PRC and further expansion in renewable energy business. 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 HKD and RMB.

As at 30 June 2019, the net current assets for the Group were HK$455.12 million (31 December 2018: HK$422.73 million). The current ratio (current assets over current liabilities) is 1.35 times as at 30 June 2019 (31 December 2018: 1.44 times).

Net asset value was HK$1,788.65 million (31 December 2018: HK$1,762.41 million). Net asset value per share was HK$1.12 (31 December 2018: HK$1.10).

As at 30 June 2019, the Group's total assets (including both of current and non-current) increased by HK$460.38 million to HK$4,021.09 million (FY2018: HK$3,560.71 million) representing a growth of 12.93%. The increase was mainly attributable to the net effect of: (i) further expansion of renewable energy business by acquiring more plants and equipments; (ii) the development of property projects; (iii) trade receivable increase driven by the growth in operating income as several new renewable energy projects commenced operation during the period; (iv) the increase in prepayments for building construction works and deposits paid for acquisition of investment and construction projects; and (v) decrease in financial assets relating to securities investment and cash and cash equivalents.

INVESTMENT PROPERTIES

As at 30 June 2019, the Group held the following investment properties:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	Effective interest held by the Group
1. **Xiabu Centre Xiabu Water** Plant Control Centre No. 1 Qilin East Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC	Commercial	16,781	Long	96.15%	51%
2. **Yihai International Building** Room C-103, Yihai International Street, 200 meters south of Phoenix Street and Lanting Road, Hedong District, Linyi City, Shandong Province, the PRC	Commercial	151.96	Long	100%	60%
3. **Yichun Properties** No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC.	Commercial	556.15	Long	100%	51%

As at 30 June 2019, the carrying value of investment properties recorded HK$73.28 million (31 December 2018: HK$73.35 million) including HK$64.87 million of the Xiabu Centre, HK$1.70 million of Yihai International Building and HK$6.71 million of Yichun Properties. For the First Half 2019, the gross rental income from investment properties less the direct outgoing recorded HK$1.59 million (First Half 2018: HK$1.21 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**"). The construction of New Premises was completed in December 2018. The carrying value of the Yingtan New Premises was HK$18.69 million (31 December 2018: HK$19.75 million).

INVENTORIES

As at 30 June 2019, inventories increased by HK$377.39 million to HK$564.96 million (31 December 2017: HK$187.57 million) mainly due to the acquisition of land in Yugan County, Shangrao City, Jiangxi Province, the PRC. The inventories mainly comprised of property held for sale of HK$106.04 million (31 December 2018: HK$102.62 million), and properties under development of HK$395.27 million (31 December 2018: HK$42.81 million) including the property development of Sanshui Guobinfu Project and Nanjing Space Big Data Industry Base Project. Properties held for sale represented the construction of Yu Jing No. 1* (御景壹號) project which comprised of 372 residential units and 105 retail shops. The pre-sales of the project had commenced since October 2014. As at 30 June 2019, there were 370 residential units and 7 retail shops being sold (31 December 2018: 367 residential units and 7 retail shops). Nanjing Space Big Data Industry Base Project will construct 6 blocks of research and development centers and underground car parks. This project is planned to be completed in June 2020.

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 30 June 2019, the fair value of securities investments of the Group including held-for-trading investment and held-for-long term investment recorded HK$100.15 million (31 December 2018: HK$138.60 million) representing 2.49% of the total assets value of HK$4,021.09 million (31 December 2018: 3.89% of total assets value of HK$3,560.71 million). All securities investments of the Group were listed in Hong Kong. The following analysis was the Group's top 10 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 2019	Effective interest held as at 30 June 2019	Initial investment cost *HK$'000*	Market value as at 30 June 2019 *HK$'000*	Realised gain/(loss) for the period ended 30 June 2019 *HK$'000*	Accumulated unrealised holding gain/(loss) on revaluation *HK$'000*	Dividend received/receivable during the period *HK$'000*	Percentage to total assets value of the Group as at 30 June 2019	Classification
1. Common Splendor International Health Industry Group Ltd	286	Health care products, investment and finance	66,900,000	2.23%	54,155	34,788	-	(19,367)	-	0.87%	FVPL
2. Ming Lam Holdings Limited	1106	Packaging business	44,500,000	0.30%	5,294	1,469	(3,527)	(3,825)		0.04%	FVPL
3. Dafeng Port Heshun Technology Co. Ltd	8310	Trading business, the provision of integrated logistics freight services and relevant supporting services as well as petrochemicals products storage business.	51,590,000	4.01%	35,143	9,235	-	(25,908)	-	0.23%	FVPL
4. Hong Kong Finance Investment Holding Group Ltd	7	Sale of electronic products, financial business and property investment	7,010,000	0.18%	6,460	6,239	-	(221)		0.16%	FVPL
5. Ms Concept Ltd	8447	Provision of catering services in Hong Kong	39,750,000	3.98%	11,062	3,498	-	(7,564)	-	0.09%	FVPL

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT *(Continued)*

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2019	Effective interest held as at 30 June 2019	Initial investment cost	Market value as at 30 June 2019	Realised gain/(loss) for the period ended 30 June 2019	Accumulated unrealised holding gain/(loss) on revaluation	Dividend received/receivable during the period	Percentage to total assets value of the Group as at 30 June 2019	Classification
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		
6. Fortunet E-Commerce Group Ltd	1039	Manufacture and sales of axles and related components; trading of goods through an electronic distribution platform, mobile applications and other related means in the PRC	6,500,000	0.36%	6,761	2,828	–	(3,933)	–	0.07%	FVPL
7. China Best Group Holding Ltd	370	Manufacture and sale of coal; provision of international air and sea freight forwarding and logistic services; trading of securities	157,500,000	3.10%	26,167	29,925	–	3,758	–	0.74%	FVOCI
8. China Tangshang Holdings Ltd	674	Exhibition related business, money lending business food and beverages, property sub-leasing, development and investment business	22,460,000	2.08%	4,846	4,380	–	(466)	–	0.11%	FVOCI
9. Fy Financial (Shenzhen) Co., Ltd. – H Shares	8452	Financial and advisory business, trade of medical equipment in the PRC and financial leasing	4,400,000	4.90%	5,153	2,640	–	(2,513)	230	0.07%	FVOCI
10. HK Life Sciences and Technologies Group Ltd	8085	Anti-aging and stem cell technology businesses; trading business; money lending business; and securities investment	169,100,000	2.97%	11,945	1,691	–	(10,254)	–	0.04%	FVOCI
Total					166,986	96,693	(3,527)	(70,293)	230		

FVOCI: Financial asset at fair value through other comprehensive income
FVTPL: Financial asset at fair value through profit or loss

The above top 10 investments in aggregate of HK$96.69 million represented 96.55% of the total market value of the portfolio investments.

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT *(Continued)*

The Board acknowledges that the performance of securities are affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factor that may affect their value. Accordingly, in order to mitigate possible financial risk related to the securities, the Board will closely from time to time to 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 securities for the First Half 2019 was in a loss position, the Group believes that 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 securities markets in Hong Kong.

TRADE AND OTHER RECEIVABLES

As at 30 June 2019, the Group's trade and other receivables were approximately HK$833.87 million (31 December 2018: HK$628.12 million). These comprised of: (i) trade receivables of HK$270.73 million, (ii) other receivables of HK$78.71 million, (iii) loan receivables of HK$158.58 million and (iv) deposits and prepayments of HK$325.85 million.

As at 30 June 2019, trade receivables increased by HK$84.51 million to HK$270.73 million which was in line with the increase of revenue. (31 December 2018: HK$186.22 million). The average turnover period of the trade receivables as at 30 June 2019 were 81 days (31 December 2018: 84 days). The Group allows a credit period of 0 day to 180 days to its customers. The average turnover period of the trade receivables fell within stipulated credit period.

As at 30 June 2019, other receivables decreased by HK$30.05 million to HK$78.71 million (31 December 2018: HK$108.76 million). Other receivables included mainly tax recoverable and payment in advance for the repair and maintenance.

As at 30 June 2019, loans receivables increased by HK$81.43 million to HK$158.58 million (31 December 2018: HK$77.15 million) represented loans to unrelated parties which are interest-bearing at rates ranging from 4% to 15% per annum and maturity ranging from 3 months to 60 months.

As at 30 June 2019, deposits and prepayments increased by HK$69.85 million to HK$325.85 million (31 December 2018: HK$256.00 million) which mainly represented prepayment relating to the material procurement for building construction projects and deposits paid including glass management contract, the finance lease, acquisition of investment projects and tender for construction projects.

LIABILITIES AND GEARING

As at 30 June 2019, the Group's total liabilities (including both current and non-current) recorded HK$2,232.44 million (31 December 2018: HK$1,798.30 million). The increase of HK$434.14 million was attributable to (i) the issuance of new bonds, (ii) addition loan facilities from bank (iii) acquiring more electricity power generators for the expansion of renewable energy business by entering into finance lease arrangements with leasing companies; and (iv) received deposits from customers relating to the sale of properties under development. Except for the issuance of bonds and non-financial institution loan denominated in HK$, borrowings were mainly denominated in RMB.

As at 30 June 2019, the Group's total bank and other borrowings were HK$841.27 million (31 December 2018: HK$698.32 million). For the maturity profile, refer to the table below:

	30 June 2019		31 December 2018	
	HK$'000	***%***	*HK$'000*	*%*
Classified by maturity				
– repayable within one year				
Bank borrowings	**63,370**	**7.54**	55,362	7.93
Other loans	**87,020**	**10.34**	40,319	5.77
	150,390	**17.88**	95,681	13.70
Classified by maturity				
– repayable more than one year				
Bank borrowings	**94,119**	**11.18**	57,915	8.30
Other loans	**596,762**	**70.94**	544,725	78.00
	690,881	**82.12**	602,640	86.30
Total bank and other borrowings	**841,271**	**100**	698,321	100
Classified by type of loans				
Secured	**157,489**	**18.72**	113,277	16.22
Unsecured	**683,782**	**81.28**	585,044	83.78
	841,271	**100**	698,321	100
Classified by type of interest				
Fixed rate	**517,302**	**61.49**	435,758	62.40
Variable-rate	**253,414**	**30.12**	200,460	28.71
Interest free rate	**70,555**	**8.39**	62,103	8.89
	841,271	**100**	698,321	100

LIABILITIES AND GEARING *(Continued)*

Debt Analysis

The Group's gearing ratio as at 30 June 2019 was 55.52% (31 December 2018: 50.50%). The ratio was calculated by dividing total liabilities of HK$2,232.44 million (31 December 2018: HK$1,798.30 million) over total assets of the Group of HK$4,021.09 million (31 December 2018: HK$3,560.71 million).

BONDS AND NON-EQUITY FINANCING

Bond I

On 25 October 2017, the Company entered into the Placing Agreement (the "**Placing Agreement I**") with Well Link Securities Limited (the "**Placing Agent I**"), pursuant to which the Placing Agent I on a best effort basis arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100 million ("**Bond I**"), within 70 days from the date of the Placing Agreement I. On 12 December 2017, the Company has completed the issuance of the Bond I to the placee(s) in an aggregate principal amount of HK$100 million. As at 30 June 2019, the outstanding Bond I amounted to HK$100.59 million and was classified as an other loan (31 December 2018: HK$98.36 million).

Bond II

On 4 December 2017, the Company entered into the Placing Agreement (the "**Placing Agreement II**") with Ayers Alliance Securities (HK) Limited, Mayfair & Ayers Financial Group Limited (formerly known as "**Mayfair Pacific Financial Group Limited**") and Sincere Securities Limited (the "**Placing Agents II**"), to use its reasonable endeavors to procure independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount not less than HK$100 million (the "**Bond II**"). As at 30 June 2019, the outstanding Bond II amounted to HK$190.39 million and was classified as an other loan (31 December 2018: HK$157.54 million). Up to the date of this report, the Company has issued of the Bond II to the placees in an aggregate principal amount of HK$208.10 million. The placing of Bond II has been completed on 30 May 2019.

Bond III

On 11 January 2018, the Company entered into a Placing Agreement (the "**Placing Agreement III**") with Prior Securities Limited (the "**Placing Agent III**") pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100 million ("**Bond III**"). As at 30 June 2019, the outstanding Bond III amounted to HK$18.09 million and was classified as an other loan (31 December 201: HK$12.78 million). Up to the date of this report, the Company has issued of the Bond III to the placees in an aggregate principal amount of HK$20 million. The placing of Bond III has not yet been completed.

BONDS AND NON-EQUITY FINANCING *(Continued)*

Bond IV

On 18 January 2018, the Company entered into a Placing Agreement (the "**Placing Agreement IV**") with Placing Agent III pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK$100 million ("**Bond IV**").). As at 30 June 2019, the outstanding Bond IV amounted to HK$15.41 million and was classified as an other loan (31 December 2018: HK$15.81 million). Up to the date of this report, the Company has issued of the Bond IV to the placees in an aggregate principal amount of HK$20 million. The placing of Bond IV has not yet been completed.

Bond V

On 24 August 2018, the Company entered into the Placing Agreement (the "**Placing Agreement V**") with Mayfair & Ayers Financial Group Limited (the "**Placing Agent V**"), to use its reasonable endeavors to procure independent placees to subscribe for 5% coupon unlisted bonds with a term of one year in aggregate principal amount not less than HK$100 million (the "**Bond V**"). As at 30 June 2019, the outstanding Bond V amounted to HK$32.67 million and was classified as an other loan (31 December 2018: HK$19.42 million). Up to the date of this report, the outstanding principal amounts of Bond V is HK$25.20 million. The placing of Bond V has been completed on 30 August 2019.

Bond VI

On 15 January 2019, the Company entered into the Placing Agreement (the "**Placing Agreement VI**") with the Placing Agent III pursuant to which the Placing Agent III on a best effort basis, to arrange independent Placees to subscribe for 5% per annum for Bonds (A) and 5.5% per annum for Bonds (B) (the "**Bond VI**") with a term of one year and two year respectively, up to an aggregate principal amount of HK$200 million. As at 30 June 2019, the outstanding Bond VI amounted to HK$1.82 million and was classified as an other loan (31 December 2018: Nil). Up to the date of this report, the Company has issued of the Bond VI for Bonds (B) to the placees in an aggregate principal amount of HK$2.00 million. The placing of Bond VI has not yet been completed.

Bond VII

On 8 March 2019, the Company has issued of the Bond VII to a subscriber in an aggregate principal amount of HK$30 million at a fixed coupon rate of 5% with a term of three months. As at 30 June 2019, the outstanding Bond VII amounted to HK$30.08 million and was classified as an other loan (31 December 2018: Nil). Subsequent to the Interim Period, the Bond VII was fully redeemed.

As at 30 June 2019, the aggregate bonds payable including Bond I, Bond II, Bond III, Bond IV, Bond V, Bond VI and Bond VII recorded in aggregate of HK$389.05 million which were utilized as general working capital and/or acquisition activities (31 December 2018: HK$303.91 million).

TRADE AND OTHER PAYABLES

As at 30 June 2019, the Group's trade and other payables were approximately HK$519.15 million (31 December 2018: HK$297.37 million). Increase of HK$221.78 million in trade and other payable was mainly due to the expansion of property development. 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 Interim Period, the Group incurred capital expenditures amounting to HK$60.36 million (First Half 2018: HK$20.16 million) for acquisition of concession intangible assets.

BUSINESS REVIEW

During the period under review, the Group is engaged in three business segments: (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy; and (iii) property investment and development. For the Interim Period, the Group recorded a steady growth in its city water supply operation and construction and environment protection segments. For the First Half 2019, the revenue and the segment profit of the Group amounted to HK$509.46 million, and HK$166.92 million respectively, representing an increase of 3.21% and 53.72% over the corresponding period of 2018.

The analysis of financial performance by segments is as follows:

	Revenue				Gross Profit			
	2019		2018		2019		2018	
	HK$'M	*% to total*	*HK$'M*	*% to total*	*HK$'M*	*G.P. %*	*HK$'M*	*G.P. %*
Water supply business	**78.71**	**15.45%**	76.01	15.40%	**28.06**	**35.65%**	23.50	30.92%
Sewage treatment business	**24.68**	**4.84%**	23.46	4.75%	**8.68**	**35.17%**	5.58	23.79%
Construction services business	**163.65**	**32.12%**	181.11	36.69%	**66.28**	**40.50%**	74.06	40.89%
sub-total	**267.04**	**52.42%**	280.58	56.84%	**103.02**	**38.58%**	103.14	36.76%
Exploitation and sale of renewable energy business	**240.96**	**47.30%**	183.6	37.20%	**108.00**	**44.82%**	78.63	42.83%
Property development	**1.46**	**0.29%**	29.42	5.96%	**0.09**	**6.16%**	2.34	7.95%
Total	**509.46**	**100.00%**	493.60	100.00%	**211.11**	**41.44%**	184.11	37.30%

BUSINESS REVIEW *(Continued)*

The analysis of financial performance by segments is as follows: *(Continued)*

	Segment profit/(loss)			
	2019		2018	
	HK$'M	***% to total***	*HK$'M*	*% to total*
Provision of water supply, sewage treatment and construction services	**102.68**	**61.52%**	68.39	62.98%
Exploitation and sale of renewable energy business	**71.63**	**42.91%**	43.05	39.64%
Property development	**(7.39)**	**(4.43%)**	(2.85)	(2.62%)
	166.92	**100.00%**	108.59	100.00%

1.1 Water supply business

There are four city water supply projects of the Group (including one water supply project of associated company) after the completion of disposal of 35% equity interest of Jinan Hongquan. These projects are well spread in various provincial cities and regions across China, including Jiangxi, Shandong and Hainan (First Half 2018: five water supply projects). The daily aggregate water supply capacity was approximately 0.49 million tonne (including the capacity of 100,000 tonne of associated company) (First Half 2018: 1.99 million tonne). Following the completion of disposal of 30% equity interest of Super Sino Group, the number of water supply projects and daily aggregate water supply capacity will be further reduced to three and 390,000 tonne respectively. For the First Half 2019, the revenue and gross profit from water supply business amounted to HK$78.71 million and HK$28.06 million respectively, representing 15.45% and 13.29% of the Group's total revenue and total gross profit respectively. Compared with the First Half 2018, the revenue and gross profit increased by HK$2.70 million and HK$4.56 million, the improvement was due to the increase in volume of water sold and the increase in water tariff in Yichun Water. The average rates for the water supply ranged from HK$1.77 to HK$2.56 per tonne (First Half 2018: from HK$1.74 to HK$2.69 per tonne).

BUSINESS REVIEW *(Continued)*

1.1 Water supply business *(Continued)*

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	240,000	Jiangxi	2034
2	Yingtan Water	51	100,000	Jiangxi	2038
3	Linyi Fenghuang	60	50,000	Shandong	2037
4	Super Sino Group	30	100,000	Hainan	2037
	Total		490,000		

1.2 Sewage treatment business

There are three sewage treatment projects of the Group located in Jiangxi, Guangdong and Shandong provinces (First Half 2018: three sewage treatment projects). The daily aggregate sewage disposal capacity was approximately 170,000 tonne (First Half 2018: 170,000 tonne) generating a revenue of HK$24.68 million and gross profit of HK$8.68 million respectively, representing 4.84% and 4.11% of Group's total revenue and total gross profit respectively. Compared with the First Half 2018, the revenue and gross profit increased by HK$1.22 million and HK$3.1 million respectively, the growth was due to the operating costs reduced in Jining Haiyuan Project. Upon the completion of Mingyue Mountain Project and Jinxiang Project, the number of sewage treatment plants will increase to five projects and the daily aggregate sewage disposal capacity will increase by 50,000 tonne to 220,000 tonne. The construction of Mingyue Mountain Project and Jinxiang Project are expected to be completed in May 2020 and in September 2019 respectively. The average rates for sewage treatment ranged from HK$0.65 to HK$1.93 per tonne (First Half 2018: from HK$0.65 to HK$1.32 per tonne).

BUSINESS REVIEW *(Continued)*

1.2 Sewage treatment business *(Continued)*

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		

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Group's second major sources of revenue and gross profit contributing HK$163.65 million and HK$66.28 million respectively, representing 32.12% and 31.40% of the Group's total revenue and total gross profit respectively. Compared with the First Half 2018, the revenue and gross profit decreased by HK$17.46 million and HK$7.78 million respectively. The decrease in revenue was due to several main water supply construction projects in Yingtan Water were nearly completed during the reporting period, while at the same time several new projects obtained by the Group late last year and early this year are still in the preparation stage.

	Revenue				Gross Profit (G.P. ratio)			
	2019	**%**	2018	%	**2019**		2018	
	HK$M	***to total***	*HK$M*	*to total*	***HK$M***	**G.P %**	*HK$M*	G.P. %
Water supply related installation and construction income	**103.30**	**63.12**	136.59	75.42	**62.30**	**60.31**	69.98	51.23
Water supply and sewage treatment infrastructure construction income	**60.35**	**36.88**	44.52	24.58	**3.98**	**6.59**	4.08	9.16
	163.65	**100.00**	181.11	100.00	**66.28**	**40.50**	74.06	40.89

BUSINESS REVIEW *(Continued)*

2 Exploitation and sale of renewable energy business

Up to the date of this report, the Group has 38 solid waste treatment projects, of which 29 have commenced operation with a total installed capacity of 149.85 MW, the remaining 9 are under construction, with an estimated total installed capacity of 27 MW. During the period, the Group secured 5 new projects in Nanning, Hainan Sanya, Lingao, Gaizhou and Lianyuan, with an estimated total installed capacity is 18.1 MW.

For the First Half 2019, the revenue and segment profit recorded HK$240.96 million and HK$71.63 million respectively. Compared with the First Half 2018, the revenue and segment profit increased by HK$57.36 million and HK$28.58 million respectively. Such increase was because 29 projects have full operation in 2019 (First Half 2018: 23 projects). As at 30 June 2019, the Group accumulated a total installed capacity of 153.85 MW, representing an increase of 75.23% compared to 30 June 2018 (First Half 2018: 87.80 MW).The average electricity rate was HK$0.57 per kilowatt-hour and the average CNG rate was HK$1.97 per m^3 (First Half 2018: average electricity rate HK$0.63 per kilowatt-hour and the average CNG rate was HK$2.06 per m^3).

	Revenue				Gross Profit			
	2019		2018		**2019**		2018	
	HK$'M	***% to total***	*HK$'M*	*% to total*	***HK$'M***	***G.P. %***	*HK$'M*	*G.P. %*
Biogas power generation business								
– Sale of electricity	**208.58**	**86.56**	168.48	91.76	**98.44**	**47.20**	77.51	46.01
– Sale of compressed natural gas	**14.98**	**6.22**	8.28	4.51	**2.79**	**18.62**	(1.67)	(20.17)
– Service income from collection of landfill gas	**17.40**	**7.22**	6.84	3.73	**6.77**	**38.90**	2.79	40.79
Total	**240.96**	**100.00**	183.60	100.00	**108.00**	**44.82**	78.63	42.83

BUSINESS REVIEW *(Continued)*

2 Exploitation and sale of renewable energy business *(Continued)*

Analysis of renewable energy projects on hand is as follows:

	Project name	Provincial cities in PRC/Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
1	Nanjing Jiaozishan	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 2032
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	*Note 1*
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	–	May 2014	October 2039
11	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	CNG: December 2015 Power generation: October 2017	
12	Shenzhen Xiaping Landfill Site	Guangdong	CNG/Power generation	88	CNG: July 2015 Power generation: January 2018	April 2030
13	Liuyang Biogas	Hunan	CNG/Power generation	100	CNG: July 2016 Power generation: September 2017	October 2038
14	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	CNG: May 2016 Power generation: October 2016	July 2024
15	He County	Anhui	Operation of landfill	100	2020	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	November 2017	December 2026
22	Zhangjiakou	Hebei	Power generation	70	October 2018	*Note 1*

BUSINESS REVIEW *(Continued)*

2 Exploitation and sale of renewable energy business *(Continued)*

	Project name	Provincial cities in PRC/Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
23	Fengcheng	Jiangxi	Power generation	100	January 2018	March 2032
24	Anqiu City	Shandong	Power generation	100	March 2018	*Note 1*
25	Danzhou	Hainan	Power generation	100	2020	*Note 1*
26	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
27	Haicheng	Liaoning	Power generation	100	August 2019	*Note 1*
28	Anlu	Hubei	Power generation	90	January 2019	February 2030
29	Laizhou	Shandong	Power generation	100	May 2019	February 2028
30	Jakarta TPST	Jakarta	Power generation	94	February 2018	December 2023
31	Guangzhou Huadu	Guangdong	Power generation	100	December 2019	June 2023
32	Zhijiang	Hubei	Power generation	51	February 2020	*Note 1*
33	Nanning	Guangxi	Power generation	100	October 2019	April 2028
34	Ziyang	Sichun	Power generation	49	October 2019	November 2026
35	Hainan Sanya	Hainan	Power generation	100	March 2019	January 2029
36	Lingao	Hainan	Power generation	100	May 2020	*Note 1*
37	Gaizhou	Liaoning	Power generation	100	October 2020	*Note 1*
38	Lianyuan**	Hubei	Power generation	100	September 2020	May 2034

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

** As at date of this report, the project has not been formed the project company or completed the acquisition.

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

BUSINESS REVIEW *(Continued)*

3. Property development

For the First Half 2019, property development recorded the revenue and segment loss of HK$1.46 million and HK$7.39 million respectively (First Half 2018: the revenue and segment loss of HK$ 29.42 million and HK$2.85 million) which was the sale of properties in Yu Jing No. 1 Project* (御景壹號). This project located at no. 8 Xinjiang north road, Xinjiang New District, Yingtan City and Jiangxi Province, the PRC has been completed in June 2016 with a total saleable area of 35,370 sq.m., which comprised of 372 residential units (99.5% sold) and 105 retail shops (6.7% sold). During the period, there were only 3 residential units being sold (First Half 2018: 179 residential units and 1 retail shops).

In recent years, the Board has been exploring appropriate diversification business opportunities and/or investments to expand the revenue sources and enhance the long-term growth potential of the Group. In 2013, the Group had acquired its first land as an one-off project in Yingtan city, Jiangxi Province, the PRC for the property development of Yu Jing No. 1 Project. With a view to broadening the revenue base and improving the profitability of the Group, in 2018, the Group has changed its investment strategy by acquiring two pieces of lands in cities including Nanjing and Huizhou for the development of Nanjing Space Big Data Industry Base and Honghu Blue Valley Wisdom Square project respectively. The premises of these projects are research and development centers and office buildings, of which part of the development will be leased out to other tenants as investment properties or sold as property development depending on the then property market condition of the related respective cities. In replenishing land reserves, the Group had acquired a property project company named Jiangxi Deyin. All these projects are still under construction or yet to develop. During the Interim Period, the Group has been continued to acquire premium land reserves by acquiring two pieces of lands in Shangrao City, Jiangxi Province, the PRC for the development of Sanshui Guobinfu Project and Sanshui California Sunshine Real Estate Project. The Group is planned to launch these projects to the market for pre-sale end of this year. This is the new starting point of the Group to step into the property industry. With the optimistic view of the property development market in Mainland China together with the Group's past experience in real estate projects, the Board expected that the property development will contribute considerable profits and cashflow for the Group and we will capture any capital appreciation from the investment property projects as and when opportunities arise. Having considered of these, the Board has determined to classify the property investment and development business as one of the Group's principal business activities in this reporting period.

BUSINESS REVIEW *(Continued)*

Land acquisition for the development of property projects

At present, the Group has acquired 6 land projects in the PRC with total site area of approximately 204,870 square meters. The development status of the property projects of the Group is as follows:

	Name of project	Location	Stage of completion	Expected/ Actual date of completion	Primary intended use of the Project	Approximate site area (square meters)	Estimated gross floor area after completion (square meters)	Lease term	Effective interest held by the Group (%)
1	Nanjing Space Big Data Industry Base* (南京空間大數據產業基地)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing, Jiangsu Province, the PRC	Under construction	March 2020	Research and development Centers (50% for sale and 50% for lease)	26,341	72,796	50 years	100
2	Sanshui Guobinfu* (三水·國賓府)	East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC	Under construction	March 2021	Residential and commercial (for sale)	30,742	148,251	70 years for residential and 40 years for commercial	51
3	Sanshui California Sunshine Real Estate* (三水加州陽光房地產)	East of Gai Zao Yu Ting Avenue, south of Siya Road B18-03, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC	Under construction	31 August 2022	Residential and commercial (for sale)	10,076	47,941	70 years for residential and 40 years for commercial	20.40
4	Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction	June 2020	Research and development Centre/ Commercial (for sale and/or for lease)	35,725	54,794	50 years	100
5	Jiangxi Deyin * (江西德銀)	East of Jingqi Road and Dongsan Road, Zhongtong Town, Yujiang District, Jiangxi Province, the PRC	Yet to develop		Residential and Commercial (for sale)	88,648	–	50 years	51
6	Water Supply Company Datang Water Quality Monitoring and Control Building Construction* (供水公司大樓水質化驗調度大樓建設)	North side of Xiujiang East Road, Yuanzhou District, Yichun City, Jiangxi Provision, east of Li Yuan Primary School	Yet to develop		Office Buildings (for lease)	13,338	40,413	50 years	51

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

I. Sanya City Project

On 16 January 2019, Sanya City Garden Environmental Protection Administration* (the "**Sanya City Administration**") (三亞市園林環境衛管理局) and Shenzhen City New China Water Environmental Protection Technology Ltd.* (深圳市新中水環保科技有限公司) ("**Shenzhen New China Water**") entered into the landfill gas harmless collection and combustion power generation utilization agreement for a term of 10 years. Sanya City Administration granted the right to Shenzhen New China Water to neutralize and collect all the landfill gas produced at Sanya landfill site in return of generating profit from the sale of electricity and carbon emission. Shenzhen New China Water will invest RMB15.00 million (equivalent to approximately HK$17.41 million) to form the project company for the construction of the relevant facilities in relation to the operation in the Sanya City Garbage Disposal Site Project ("**Sanya City Project**"). The project company was formed in December 2017.

II. Lingao County Landfill Project

On 5 March 2019, Lingao County Municipal Garden Administration* ("**Lingao Administration**") (臨高縣市政園林管理局) and Shenzhen New China Water entered into an agreement on the neutralized collection and power generation of land fill gas. The collection period of landfill gas is until the volume of landfill gas generated from Lingao County landfill reduced to the level of which could not be further utilized. Shenzhen New China Water will invest RMB16.00 million (equivalent to approximately HK$18.72 million) to form the project company for the construction of the relevant facilities in relation to the operation in the Lingao County Domestic Waste Landfill Gas Power Generation Project (the "**Lingao County Landfill Project**"). Lingao Administration allowed this project company to neutralize and collect all the landfill gas produced at Lingao County landfill. Project company shall be responsible for the project construction and collection landfill gas in return of profit from the sale of electricity and carbon emission. The total power generation capacity is amounting to 2,000 kilowatt per hour and an estimated on-grid electricity price RMB0.637 per kilowatt hour. The project company has been established in March 2019.

III Gaizhou City Project

On 22 April 2019, Shenzhen New China Water entered into a landfill gas harmless collection and combustion power generation utilization agreement with Gaizhou City Household Garbage Site* (蓋州市生活垃圾處理場). Shenzhen New China Water proposed to invest RMB39.40 million payable into two instalments, RMB28.40 million and RMB11.00 million respectively to develop Gaizhou City Domestic Waste Landfill Site Landfill Gas Power Generation Project (the "**Gaizhou City Project**"). At present, it has taken some domestic garbage from the city of Bayuquan. The daily disposable garbage capacity is 900 tonnes. With the expansion of urban area for the collection of garbage, it is expected that the daily disposable capacity will be increased to 1,200 tonnes. The daily disposable garbage capacity will be further increased to 1,500 tonnes once the construction of second phase of landfill gas plant being completed. The total power generation capacity is amounting to 6,000 kilowatt per hour, 4,000 kilowatt per hour for the first phase and 2,000 kilowatt per hour for the second phase. The exclusive right for the collection period of landfill gas is until the volume of landfill gas generated from Gaizhou landfill reduced to the level of which could not be further utilized. The on-grid electricity price is RMB0.607 per kilowatt hour. The project company has been established in May 2019.

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

IV. Lianyuan City Project

On 20 May 2019, New China Water (Nanjing) Renewable Resources Investment Co., Ltd.* (新中水(南京)再生資源投資有限公司) ("**New China Water (Nanjing)**"), an indirect wholly-owned subsidiary, entered into a landfill gas power generation utilization agreement with Lianyuan City Environmental Protection Administration* (漣源市市容環境衛生管理局). New China Water (Nanjing) proposed to invest RMB13.40 million with the usage of existing idle machineries to develop Lianyuan City Domestic Waste Landfill Biogas Power Generation Project (the "**Lianyuan City Project**"). No resource fee is required to pay for the first two years' operation. From the third year of operation onwards, there is 3% of annual electricity income payable to local government as a resource fee. The exclusive right for the collection period of landfill gas is 15 years from the effective date of operational agreement. The daily disposable garbage capacity is 350 tonnes. The total power generation capacity is amounting to 2,000 kilowatt per hour with the on-grid electricity price of RMB0.634 per kilowatt hour. Up to the date of this report, the project company has not been established.

OTHER MATERIAL EVENTS DURING THE PERIOD UNDER REVIEW

A. Acquisition of Water Intake Facilities

On 28 February 2019, the Yingtan Municipal Housing and Urban-Rural Development Bureau* (鷹潭市住房和城鄉建設局) (the "**Development Bureau**") and Yingtan Water Supply entered into the agreement in relation to the construction of the water intake Facilities, pursuant to which the Development Bureau will procure the construction of the water intake facilities and Yingtan Water Supply shall acquire from the Development Bureau the water intake facilities by installment payments in cash over eight years' time, commencing from the subsequent month after water connection. The cost of construction shall not exceed RMB420.0 million (equivalent to HK$491.4 million). The water intake facilities comprised of water supply pipelines and its ancillary facilities for i) the section from the Huaqiao Reservoir Luotang River Water Distribution Plant* (花橋水庫羅塘河配水站) to the intake of the Jiangnan Water Plant* (江南水廠), and ii) the intake section of the Xiabu Water Plant* (夏埠水廠) and the renovation of the Guiye Water Intake Pumping Station* (貴冶取水泵房泵站) (the "**Water Intake Facilities**"). The construction of Water Intake Facilities is planned to complete in August 2019.

OTHER MATERIAL EVENTS DURING THE PERIOD UNDER REVIEW *(Continued)*

B. Disposal of 30% equity-interest of Super Sino Group

On 8 June 2018, Billion City Investments Limited, a direct wholly-owned subsidiary of the Company (the "**Vendor**"), the Company as Guarantor and Guangdong Water Group (H.K.) Limited, a subsidiary of Guangdong Investment Limited (the "**Purchaser**") entered into the sale and purchase agreement (the "**Agreement**") pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 30% of the entire issued share capital of the Super Sino Investment Limited (the "**Target Company**"), and the Sale Loan due to the Vendor by the Target Company amounted to RMB27.48 million as at the date of the Agreement, at a consideration of RMB81.00 million (equivalent to approximately HK$95.78 million). The Vendor received RMB40.50 million as a deposit (equivalent to approximately HK$48.93 million), representing 50% of consideration from the Purchaser. On 28 August 2019, Vendor, Purchaser and Guarantor signed the supplement agreement. The second consideration payment will be paid within 10 days after the execution of supplemental agreement. The disposal of Target Company has been completed in August 2019.

C. Photovoltaic Power Project

On 23 March 2018, Golden Trend International Capital Limited ("**Golden Trend**"), an indirect wholly-owned subsidiary of the Company, and Mr. Li Han ("**Mr. Li**") entered into a Sales and Purchase Agreement, pursuant to which Mr. Li has agreed to sell and Golden Trend has agreed to purchase the entire equity interest of the Keen Resources Investment Limited ("**Keen Resources**") at a consideration of HK$1.50 million. Keen Resources and its subsidiaries principally engage in photovoltaic power plant construction, operation, maintenance and sales of photovoltaic equipment. The operation of photovoltaic power project will commence at the end of March 2018. The Board decided not to acquire the equity interest of Keen Resources because the relevant local government ceased to grant any subsidy to the photovoltaic power industry. The acquisition has been terminated in May 2019.

D. Electroplating Wastewater Treatment Facility Project

On 8 May 2019, Golden Trend (GuangDong) Environmental Protection Investment Co., Ltd ("**Golden Trend (GuangDong)**") (formerly known as Huijin (Guangdong) Environmental Technology Co., Ltd) (匯金（廣東）環保投資有限公司) (前稱為匯金（廣東）環保科技有限公司), an indirect wholly-owned subsidiary of the Company and Nanjing Linhou Eco Limited* ("**Nanjing Linhou**") (南京霖厚環保科技有限公司) entered into the JV Shareholders Agreement, pursuant to which the parties to the JV Shareholders Agreement agreed to establish the JV Company for the development of the electroplating wastewater treatment facility for an electroplating plant in Zhejiang Province, the PRC. The JV Company will be held as to 65% by Golden Trend (GuangDong) and 35% by Nanjing Linhou respectively and both parties will contribute the relevant register capital to the JV Company pursuant to their respective equity interest. The register capital of the JV Company will be RMB15 million (equivalent to approximately HK$17.40 million) with total investment amount of RMB45 million (equivalent to approximately HK$52.20 million). The JV Company will be principally engaged in the investment, construction, operation and maintenance of the electroplating wastewater treatment facilities for an electroplating plant in Zhejiang Province, the PRC with treatment capacity of 2,500 tonnes of wastewater per day, the PRC for a term of 11 years from the effective date of the BOT Contract. The JV Company was established in May 2019.

OTHER MATERIAL EVENTS DURING THE PERIOD UNDER REVIEW *(Continued)*

E. Sanshui Guobinfu Project

(i) On 3 June 2019, Yingtan Hongzhu Trading Co., Ltd.* ("**Yingtan Hongzhu**") (鷹潭市宏築貿易有限公司) entered into the Land Use Rights Grant Contract ("**Contract A**") with Yugan County Natural Resources Bureau for the acquisition of the land use rights of the Land at a total consideration of RMB300.08 million (equivalent to approximately HK$351.09 million). The land is located at the East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province* (江西省上饒市余干縣棚戶區改造玉亭大道以東，世紀大道以北B18-02) with parcel No. DEI2019035 (the "**Land A**"). The Land A has a total gross area of approximately 30,742 square meters with approximately 24,593 square meters to be of residential use and approximately 6,149 square meters to be of retail and commercial use. The terms of the land use rights of the Land A for residential use is 70 years and retail and commercial use for 40 years, respectively. According to the Contract A, the Land A shall be utilized for the development of residential, retail and commercial properties and shall commence construction on or before 31 August 2019 and all development shall be completed by 31 August 2022. On 3 June 2019, the Land A had been transferred to Jiangxi Hanhe Corporate Development Company Limited* (江西漢和企業發展有限公司) (the "**Project Company**"), a wholly-owned subsidiary of Yingtan Hongzhu. The construction of premises is planned to be completed in March 2021.

(ii) On 19 July 2019, the Project Company, Yingtan Sanrun Consultancy Company Limited* (鷹潭市三潤諮詢有限公司) (the "**Investor**") and Yingtan Hongzhu, entered into the Co-Operation Agreement in relation to the development and operation of the Sanshui Guobinfu Project* ("**Property Development Project**") situated on the Land A. Pursuant to which the Investor will invest RMB49.5 million (or approximately HK$56.4 million) to the Project Company and would then be interested in 30% of the risk and return of the Property Development Project.

F. Sanshui California Sunshine Real Estate Project

On 5 April 2019, Jiangxi Yuehe, a joint venture company of the Group, entered into the Land Use Rights Grant Contract ("**Contract B**") with Yugan County Natural Resources Bureau for the acquisition of the land use rights of the land at a total consideration of RMB82.75 million (equivalent to approximately HK$96.65 million). The land is for the development of Sanshui California Sunshine Real Estate Project which is located at the South of Siya Road B18-03, East of Gai Zao Yu Ting Avenue, Shanty Town, Yugan County, Shangrao City, Jiangxi Province* (江西省上饒市余干縣棚戶區改造玉亭大道以東，四衛路以南B18-03) with parcel No. DEI2019034 (the "**Land B**"). The Land B is for residential and commercial services and the terms of the land use rights of the Land B for residential use is 70 years and commercial-service for 40 years, respectively with total gross area of approximately 10,076 sq.m. According to Contract B, the Land B shall commence construction on or before 31 October 2019 and all development shall be completed by 31 October 2022. Jiangxi Yuehe is held as to 40% by Yingtan Hongzhu and as to 60% by the JV Parties. JV Parties represented Jiangxi Xiangyi Real Estate Development Company* (江西翔翼房地產開發公司), a company incorporated in the PRC which held 49% equity interest in the Jiangxi Yuehe and Yingjiang Yujiang District Jiangchuan Water Co., Ltd.* (鷹潭市余江區江川水務有限公司), a company incorporated in the PRC which held 11% equity interest of the Jiangxi Yuehe. The construction of premises is planned to be completed in December 2020.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2018 Annual Report required to be disclosed were as follows:

- Mr. Ho Chi Ho was appointed as an executive Director of the Company with effect from 1 May 2019; and
- Mr. Zhu Yongjun and Mr. Lam Cheung Shing, Richard were appointed as an executive Director and independent non-executive Director of the Company with effect from 5 August 2019,

CONTINGENT LIABILITIES

As at 30 June 2019, the Group has no material contingent liabilities (31 December 2018: Nil).

PLEDGE OF ASSETS

The Group's obligations under finance leases, bank loans and other loans of HK$373.396 million in total as at 30 June 2019 (31 December 2018: HK$257.12 million) were secured by charges over:

(i) property, plant and equipment in which their carrying amount was HK$198.269 million (31 December 2018: HK$263.81 million); and

(ii) contractual rights to receive revenue generated by certain of our subsidiaries.

NO MATERIAL CHANGE

Save as disclosed in this report, during the period ended 30 June 2019, 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 2018.

EMPLOYEES

As at 30 June 2019, excluding jointly controlled entities and associates, the Group had 1,366 (2018: 1,332) employees, of which 18 (30 June 2018: 13) are Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, was HK$118.59 million (First Half 2018: HK$101.81 million). The increase was caused by several of our new renewable energy projects have commenced their operations in 2019. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages are normally reviewed as an annual basis by the Remuneration Committee. During the Interim Period, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

PROSPECTS

Business Review:

Along with the intensifying Sino-US trade friction in recent years, there are concerns in the stable yet changing global economic environment. Downward pressure on the economy has further increased and the economic condition has become more complicated and deteriorated. Among development of the environment protection industry in China, water and soil solid waste gas has entered an epoch of comprehensive policy supervision. The government has deeply implemented policies to greatly adjust and optimize industry structure and introduced various favorable policies for the environment protection industry. Facing general pressure of global economic slowdown on enterprises, China Water Industry Group seized opportunities during difficult times and made progress while maintaining stability. In the first half of 2019, the Group rose to the challenge and achieved steady growth of operational results of the three major segments as well as successfully entered the electroplating wastewater treatment sector, which expanded the Group's business footprint in the environment protection industry and created immense room for development.

I. Steady growth in the results of the water supply segment and rapid development of intelligent water supply

All water supply segment companies have been enhancing water quality treatment technology to provide the society with quality water supply and sewage treatment services with stable growth in the results for the first half of the year. Meanwhile, the Group utilized technologies including artificial intelligence, Internet of Things (IOT), big data and cloud computing technology to raise operational and management efficiency, as a result achieved purposes including optimizing management model, lowering operational costs and comprehensively connecting precise data. Among which, the launch of Yingtan Water Supply Group's NB-IOT smart meter helped Yingtan became the first city with full coverage of IOT meters. Not only was Yingtan Water Supply Group a major demonstration company in the World Internet of Things Exposition, its success was also highlighted in the "Magnificent 70 Years, A New Era of Struggle – Overview of the Achievements of China*" (壯麗70年、奮鬥新時代-共和國發展成就巡禮) during live news the CCTV news channel on 22 July. Yichun Water Industry Co., Ltd actively constructed a laboratory scheduling building to meet demands for water quality testing and further facilitate intelligent Internet application, including urban-rural water supply integration, smart fire hydrants and remote meters. The upgrading, reconstruction and expansion project of Yichun Fangke Sewage Treatment Company Limited*'s sewage treatment plant in central city was put into water test run in late June with the effluent quality reaching National Class 1 Standard A. The new sewage treatment plant project of Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) was put into commissioning test run in late August with the effluent quality reaching National Class 1 Standard A.

PROSPECTS *(Continued)*

Business Review: *(Continued)*

II. Continuous growth of the new eco-energy segment

The new eco-energy segment developed steadily with an expanding business footprint. In the first half of the year, development of three projects in Lingao Hainan, Gaizhou Liaoning and Lianyuan Hunan has been completed. To date, New China Water companies own 38 domestic waste landfill gas resource utilization projects with an aggregate designed power generation installed capacity of over 173MW, maintaining the leading position in the industry. Meanwhile, with the assistance of the Group, New China Water companies proactively introduced various major banks, investment institutions and brokers in the first half of the year, while project financing strategic cooperation signed with Hitachi (China) Ltd. has been gradually commenced to provide solid fund protection for the new eco-energy segment and other segments of the Group. To maintain innovation and vitality of the Company's scientific research technology, the Company has been constantly pursuing industry-leading technology and optimizing the deploy of senior technicians to forge a top research team in the industry and enhance core competitiveness of the enterprise.

III. Orderly progress of the city-industry integration segment projects and successful implementation of the concept of city-industry integration

Sales and business invitation works of the Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) project in Huizhou are progressing well. The project has always been closely encompassing the planned key points and hot spots of Guangdong-Hong Kong-Macau Greater Bay Area. Leveraging Huizhou Federation of Young Entrepreneurs as the channel, organizations and groups interacted through various ways, such as site visit and forum exchange, in an aim to shape Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) in Huizhou as a demonstration base of youngster entrepreneurship in the Guangdong-Hong Kong-Macau area. Through government support by industrial policies, entrepreneurial ideas and innovative technology of youngsters in the Guangdong-Hong Kong-Macau area are incubated and implemented in the project while a small and medium-sized entrepreneurial base and a national-level science and technology smart park are built to implement "promoting cities with industries, prospering industries with cities and city-industry integration". The construction, sales and business invitation works of the Nanjing Space Big Data Industry Park (南京空間大數據產業園) project have been carried out orderly. In 2019, Yingtan Water Supply Group made investment into the development of two real estate projects with land parcel no. DEI2019035 and DEI2019034, located at the East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province. The overall construction of the two real estate projects is progressing smoothly, attracting a quite high quality of investment and tenants. Meanwhile, the real estate projects have been actively seeking optimization of the surrounding areas from the government, realizing the optimal school district planning for primary and secondary schools, thereby establishing great advantages for the sales of the two real estate projects in Yugan County.

PROSPECTS *(Continued)*

Business Review: *(Continued)*

IV. Setting foot in electroplating wastewater industry with promising development prospects

Electroplating wastewater treatment involves a wide field and it is an indispensable and important segment in the manufacturing industry. As the wastewater pollution in production process is serious and treatment is difficult, technology and management are the most critical aspects. In order to tackle the environmental protection issue of electroplating wastewater, China Water Industry Group will acquire advanced technology through multi-aspect study and establish an excellent team. Ningbo Xin Hui Jin Environmental Protection Technology Limited* (寧波新匯金環保科技有限公司) was established on 13 May 2019 and projects have commenced operation since 25 May 2019, signifying an official entrance into the electroplating wastewater treatment segment. Currently, the Company has an "electroplating wastewater treatment and heavy metal/ water recycle system" which allows external water discharge to stably meet the standard of table 3 under the "Emission Standard of Pollutants for Electroplating" 《電鍍污染物排放標準》(GB21900-2008). Not only did the efficient utilization of heavy metal and water resources materialize, the pollution issues arising from the heavy metal were also resolved, which significantly pushed forward the effective development of the national, and even international high-end manufacturing industry.

Business Development:

In light of the concerns on external economy, the Chinese economy proactively fosters internal development and unearth potentials. The service requirement of environmental protection industry shows a trend of further integration which brings along more market opportunities as well as restructure and reformation. Under the support from policies and the overall environment of market capacity expansion, professional and comprehensive capabilities are important for the development of environmental protection enterprises. In the second half of 2019, China Water Industry Group will strengthen its technology service and keep an open mind for learning in order to facilitate the sound development of business segments including water, new eco-energy, city-industry integration and electroplating wastewater and achieve steady success. Meanwhile, it will devote great effort to expand domestic and overseas markets for all businesses and actualize two-way prosperity for both domestic and overseas projects.

PROSPECTS *(Continued)*

Business Development: *(Continued)*

I. Consolidating water service segment as principal business and promoting innovative and diversified development

Along with the increasing urban population, the demand for water has been growing and the issue about water resources scarcity has been more serious. Water service industries such as water supply and wastewater treatment have become important fundamental industries. As the era of "Internet +" approaches, smart water service has become an inevitable trend in the development of water industry. In the second half of the year, China Water Industry Group will continue to develop smart water service on the basis of consolidating water supply and wastewater treatment as principal businesses. Meanwhile, forward-looking to the market and policy direction, it will proactively promote an innovative and diversified development.

1. To further optimize smart water supply and, through big data analysis of water supply, create other supporting service industries and generate revenue.

2. To facilitate the renovation works of Yingtan Water Supply Group Co. Ltd. and Linyi Fenghuang Water Industry Co. Ltd and achieve business breakthrough other than principal operations. To strongly support the business development of Zhongkuang Construction Group Co. Ltd.* (中曠建設集團有限公司) under Yingtan Water Supply Group to complete the construction of the Yugan real estate project on time with quality assurance.

3. To supervise the construction of a new laboratory building of Yichun Water Supply Co. Ltd.* (宜春供水有限公司) to create a new pattern for water supply. To speed up the finishing works of the new construction and expansion projects of Yichun Fangke and Jining Haiyuan and commence operation and production.

PROSPECTS *(Continued)*

Business Development: *(Continued)*

II. *Exploring the new eco-energy businesses and constructing an upstream and downstream industrial chain*

China has stated in the "Opinions of the CPC Central Committee and the State Council on Comprehensively Tightening Ecological and Environmental Protection and Resolutely Promoting Triumph in the Uphill Battle for Prevention and Control of Pollution"《中共中央國務院關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》) that three defensive battles of blue sky, clean water and rich soil will be commenced comprehensively. In the recent years, greater efforts have been devoted to the ecological and environmental treatment. Although each of the three battles has acquired certain achievement, there is still room of improvement in general. From the perspective of the market of environmental protection industry, solid waste treatment industries in the PRC and Southeast Asian countries are still at the development stage. The industrial prospects are still promising in terms of the demands for both storage and volume increase. In the second half of the year, we will continue to explore domestic and overseas projects and learn and acquire new technologies while maintain the existing projects. Meanwhile, we will proactively develop the upstream and downstream industry of waste landfill gas resource utilization projects.

1. To follow up the projects under discussion, especially the development of projects in Southeast Asian country, to further realize the "Going Global" development plan. To pay close attention to all advanced technologies in domestic and overseas environmental industries and seek quality strategic partners.

2. To widely develop the upstream and downstream industrial chain centering waste landfill gas resources utilization projects, such as: waste landfill management and operation, leachate treatment, sludge treatment and kitchen waste treatment.

III. *Facilitating City-industry Integration Projects, Promoting Cities with Industries and Prospering Industries with Cities*

City-industry integration is a new trend in modern city development, in which industry is the base of the city and city is the carrier of industrial development. Facilitating city-industry integration is a vital measure for adaption to the new normal in economic development, promotion of economic structural adjustment, and facilitation of regional synergy and coordination development. In the second half of the year, it will accelerate the main construction of the Huizhou Honghu Blue Valley Wisdom Square (惠州鴻鵠藍谷智慧廣場) project and the Nanjing Space Big Data Industry Park (南京空間大數據產業園) project and speed up the project investment and sales work to promptly actualize "Promoting Cities with Industries and Prospering Industries with Cities". It will complete the construction of the two real estate projects on schedule and will substantialize the project investment and sales work leveraging on its advantages, so as to realize profit and create value.

PROSPECTS *(Continued)*

Business Development: *(Continued)*

IV. Enhancing of technology and equipment and vigorously developing of electroplating wastewater treatment field

Discharge of industrial wastewater has caused serious impact on the construction of social and ecological environment. Electroplating wastewater is a major component of industrial wastewater. The treatment of which is especially important. Currently, the wastewater treatment facilities in China is under severe circumstances. The current situation of low treatment rate of counties and towns operated under an organizational system provides the wastewater treatment market with huge investment potentials in respect of construction and operation, while beautifying the living environment and improve people's quality of life are conducive to the enhance of the enterprise's social image, which brings along profound social and corporate benefits. In the future, with the Ningbo Xin Hui Jin project as a starting point, China Water Industry Group will bring the electroplating wastewater treatment technology and development equipment to the entire Zhejiang and Guangdong and even the whole country, and vigorously develop the electroplating wastewater treatment industry.

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

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

The Group will always be committed to achieving its business philosophy of "gaining government confidence, citizen satisfaction, shareholders' recognition and staff contentment". In 2019, adhering to its original aspiration and base on its origin, the Group will steadily develop its major businesses in the water supply and environment protection industries while exploring other businesses in the innovative water supply and environment protection industries, so as to unveil a new chapter of China Water Industry Group.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2019, 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 to 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 (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (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 the Company and the Stock Exchange were as follows:

(i) Interest in the Shares

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lin Yue Hui	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: 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 2019.

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

Save as disclosed above, as at 30 June 2019, 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 (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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 Co. Ltd.	Beneficial owner	437,788,000 (L) *(Note 1)*	27.42%
Mr. Deng Jun Jie	Interest of controlled corporation	437,788,000 (L) *(Note 1)*	27.42%

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

Note 2: The shareholding percentage in the company is calculated on the basis of 1,596,539,766 shares in issue as at 30 June 2019.

Note 3: The letter "L" denotes a long position in shares.

Save as disclosed above, as at 30 June 2019, the Company has not been notified by any person, or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2019 amounted to HK$798,270,000 divided into 1,596,539,766 ordinary shares of HK$0.50 each.

DIRECTORS' RIGHTS TO ACQUIRES OR DEBENTURES

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

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**"). From the date of the Scheme being adopted up to 30 June 2019, 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 up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders' expectation and comply with relevant standards. The 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 2019 and up to the publication date of this report except for the following deviation:

- Pursuant to the code provision of A.2.1 of the CG code, the roles of Chairman and the CEO of the Company should be separated and should not be performed by the same individual. Mr. Lin Yue Hui ("**Mr. Lin**") currently is a CEO, Chairman and an executive Director of the Company. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Lin, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

- Pursuant to the code provision of A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all Directors should be subject to retirement by rotation at least once every three years. All independent non-executive Directors ("**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.

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 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 2019.

AUDITOR REVIEW OF THE INTERIM FINANCIAL RESULTS

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

AUDIT COMMITTEE

The Audit Committee comprises 3 INEDs of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Guo Chao Tian and Ms. Qiu Na, has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2019. The term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

REMUNERATION COMMITTEE

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

INVESTMENT COMMITTEE

The Investment Committee consists of 3 executive Directors, 2 senior management and 1 department manager 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.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for 2019 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) and The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk).

BOARD OF DIRECTORS

The Board of the Company up to the publication date of this report comprise Mr. Lin Yue Hui (Chairman and CEO), Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana, Ms. Deng Xiao Ting, Mr. Zhong Wei Guang, Mr. Ho Chi Ho and Mr. Zhu Yongjun, all being executive Directors, and Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian, Ms. Qiu Na and Mr. Lam Cheung Shing, Richard, 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
Lin Yue Hui
Chairman and Executive Director

Hong Kong, 30 August 2019