



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**



**2020**  
Interim Report

\* For identification purpose only



CHINA WATER INDUSTRY GROUP LIMITED  
INTERIM REPORT 2020

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lin Yue Hui (*Chairman and Chief Executive Officer*)  
 Mr. Zhong Wei Guang (*Chief Operating Officer*)  
 Ms. Chu Yin Yin, Georgiana  
 Mr. Liu Feng  
 Ms. Deng Xiao Ting  
 Mr. Ho Chi Ho  
 Mr. Zhu Yongjun

#### Independent Non-Executive Directors

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

#### 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

#### LEGAL ADVISERS AS TO HONG KONG LAWS

Johnny K.K. Leung & Co.

#### LEGAL ADVISER AS TO CAYMAN ISLANDS LAWS

Conyers Dill & Pearman

#### AUDITORS

Crowe (HK) CPA Limited

#### REGISTERED OFFICE

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

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

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

#### HONG KONG BRANCH SHARE REGISTRAR TRANSFER OFFICE

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

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1207, 12th Floor  
 West Tower, Shun Tak Centre  
 168-200 Connaught Road Central  
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#### CONTACTS

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#### WEBSITE

www.chinawaterind.com

#### STOCK

1129

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Change
	HK\$'000	HK\$'000	%

**Financial Results**

Revenue	<b>532,714</b>	509,460	4.56%
Gross profit	<b>223,453</b>	211,107	5.85%
Profit for the period	<b>42,616</b>	49,895	(14.59%)
Profit attributable to owners of the Company	<b>2,226</b>	26,301	(91.54%)
Profit per share (HK cents)			
– Basic and diluted	<b>0.14</b>	1.65	(91.52%)
EBITDA ( <i>Note 1</i> )	<b>210,623</b>	196,192	7.36%

	As at	As at	Change
	30 June	31 December	
	2020	2019	
	HK\$'000	HK\$'000	%

**Financial Position**

Total assets	<b>5,105,772</b>	4,759,729	7.27%
Total liabilities	<b>3,157,796</b>	2,863,332	10.28%
Current assets	<b>2,716,119</b>	2,328,003	16.67%
Current liabilities	<b>2,350,562</b>	1,929,549	21.82%
Current ratio	<b>1.16 times</b>	1.21 times	(4.13%)
Cash and cash equivalents	<b>502,178</b>	390,906	28.47%
Gearing ratio ( <i>Note 2</i> )	<b>61.85%</b>	60.16%	2.81%
Net asset value	<b>1,947,976</b>	1,896,397	2.72%
Equity attributable to owners of the Company	<b>1,285,595</b>	1,284,897	0.05%
Equity attributable to owners of the Company per share (HK\$)	<b>0.81</b>	0.80	1.25%

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>532,714</b>	509,460
Cost of sales		<b>(309,261)</b>	(298,353)
Gross profit		<b>223,453</b>	211,107
Other income, net		<b>50,435</b>	34,229
Reversal of impairment loss recognised on trade and other receivables		–	1,155
Selling and distribution expenses		<b>(29,802)</b>	(21,422)
Administrative expenses		<b>(113,403)</b>	(126,902)
Finance costs	6	<b>(39,091)</b>	(33,824)
Net loss on financial assets at fair value through profit or loss		<b>(7,789)</b>	(33,853)
Gain on disposal of associates held for sale		–	46,122
Impairment loss recognised on trade and other receivables		<b>(3,675)</b>	(1,688)
Share of profit/(loss) of associates		<b>53</b>	(357)
Share of loss of joint ventures		<b>(2,439)</b>	(376)
<b>Profit before tax</b>		<b>77,742</b>	74,191
Income tax	7	<b>(35,126)</b>	(24,296)
<b>Profit for the period</b>	8	<b>42,616</b>	49,895
<b>Attributable to:</b>			
Owners of the Company		<b>2,226</b>	26,301
Non-controlling interests		<b>40,390</b>	23,594
		<b>42,616</b>	49,895
<b>Profit per share (HK Cents)</b>			
Basic and diluted	9	<b>0.14</b>	1.65

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Profit for the period</b>	<b>42,616</b>	49,895
<b>Other comprehensive loss for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of overseas subsidiaries:		
Exchange difference arising during the period	<b>(42,858)</b>	(8,935)
	<b>(42,858)</b>	(8,935)
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	<b>(2,672)</b>	(14,002)
Share of other comprehensive loss of associates	<b>(131)</b>	(87)
Share of other comprehensive profit of joint ventures	<b>2,211</b>	(11)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of investment properties upon transfer from property, plant and equipment	-	-
Deferred tax arising from revaluation on investment properties	-	-
	-	-
Other comprehensive loss for the period, net of income tax	<b>(43,450)</b>	(23,035)
<b>Total comprehensive (loss)/income for the period</b>	<b>(834)</b>	26,860
<b>Attributable to:</b>		
Owners of the Company	<b>(31,035)</b>	4,041
Non-controlling interests	<b>30,201</b>	22,819
	<b>(834)</b>	26,860

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	<i>Notes</i>	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	746,690	632,020
Deposits paid for acquisition of property, plant and equipment		10,340	6,506
Deposits paid for acquisition of right-of-use assets		–	82,606
Right-of-use assets		458,275	516,226
Operating concessions		763,805	763,285
Receivables under service concession arrangements		17,282	19,218
Investment properties		84,260	89,114
Other intangible assets		207,307	224,280
Financial assets at fair value through other comprehensive income	12	4,522	9,193
Interests in associates		7,038	7,116
Interests in joint ventures		22,887	14,588
Deferred tax assets		8,247	8,574
Deposit and prepayments	13	59,000	59,000
		<b>2,389,653</b>	2,431,726
<b>Current assets</b>			
Inventories		745,386	636,239
Receivables under service concession arrangements		3,340	3,616
Financial assets at fair value through profit or loss	12	28,664	51,435
Trade and other receivables	13	1,273,085	1,130,014
Contract assets		45,229	52,240
Cash held by financial institutions		94	6,792
Bank balances and cash		506,451	404,593
Amounts due from a joint venture		84,203	15,896
		<b>2,686,452</b>	2,300,825
Assets held for sale		29,667	27,178
		<b>2,716,119</b>	2,328,003

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

AT 30 JUNE 2020

		At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
<b>Current liabilities</b>			
Overdraft held at financial institutions		4,367	20,479
Trade and other payables	14	630,426	571,950
Contract liabilities		1,231,158	951,731
Bank borrowings		40,958	45,242
Other loans		320,754	167,029
Lease liabilities		95,350	122,624
Amounts due to non-controlling shareholders of subsidiaries		121	17,433
Tax payables		27,428	33,061
		<b>2,350,562</b>	1,929,549
<b>Net current assets</b>		<b>365,557</b>	398,454
<b>Total assets less current liabilities</b>		<b>2,755,210</b>	2,830,180
<b>Capital and reserves</b>			
Share capital	15	798,270	798,270
Share premium and reserves		487,325	486,627
Equity attributable to owners of the Company		<b>1,285,595</b>	1,284,897
Non-controlling interests		<b>662,381</b>	611,500
<b>TOTAL EQUITY</b>		<b>1,947,976</b>	1,896,397
<b>Non-current liabilities</b>			
Other payables	14	–	13,097
Bank borrowings		93,483	79,040
Other loans		441,790	572,529
Lease liabilities		155,089	149,719
Government grants		27,146	28,243
Deferred tax liabilities		89,726	91,155
		<b>807,234</b>	933,783
		<b>2,755,210</b>	2,830,180



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Reserve fund <i>HK\$'000</i>	Fair value reserve (non- recycling) <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling Interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>At 1 January 2019 (audited)</b>	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)
<b>Total comprehensive income for the period</b>	-	-	-	(8,258)	-	(14,002)	26,301	4,041	22,819	26,860
Capital contribution from non-controlling shareholders										
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(730)	(730)
Transfers to reserve funds	-	-	-	-	8,391	-	(8,391)	-	-	-
<b>At 30 June 2019 (unaudited)</b>	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 CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Reserve fund <i>HK\$'000</i>	Fair value reserve (non- recycling) <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling Interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>At 1 January 2020 (audited)</b>	798,270	954,318	11,846	(96,954)	94,825	(8,953)	(468,455)	1,284,897	611,500	1,896,397
Changes in equity for the six months ended 30 June 2020:										
Profit for the period	-	-	-	-	-	-	2,226	2,226	40,390	42,616
Other comprehensive income for the period	-	-	-	(30,589)	-	(2,672)	-	(33,261)	(10,189)	(43,450)
<b>Total comprehensive income for the period</b>	-	-	-	(30,589)	-	(2,672)	2,226	(31,035)	30,201	(834)
Capital contribution from non-controlling shareholders	-	31,733	-	-	-	-	-	31,733	44,171	75,904
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(23,491)	(23,491)
Transfers of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	8,888	(8,888)	-	-	-
Transfers to reserve funds	-	-	-	-	10,644	-	(10,644)	-	-	-
<b>At 30 June 2020 (unaudited)</b>	798,270	986,051	11,846	(127,543)	105,469	(2,737)	(485,761)	1,285,595	662,381	1,947,976

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET CASH (USED IN)FROM OPERATING ACTIVITIES	<b>202,677</b>	(35,572)
NET CASH USED IN INVESTING ACTIVITIES	<b>(80,670)</b>	(260,431)
NET CASH FROM FINANCING ACTIVITIES	<b>17,239</b>	114,738
(DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	<b>139,246</b>	(181,265)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>390,906</b>	349,866
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(27,974)</b>	6,718
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>502,178</b>	175,319
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
CASH HELD BY FINANCIAL INSTITUTIONS	<b>94</b>	6,918
BANK BALANCES AND CASH	<b>506,451</b>	224,825
OVERDRAFT HELD AT FINANCIAL INSTITUTIONS	<b>(4,367)</b>	(56,424)
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>502,178</b>	175,319

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 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**”) and Indonesia, whose functional currency is Renminbi (“**RMB**”) and Rupiah respectively, the functional currency of the Company and its subsidiaries (collectively referred to as the “**Group**”) is HK\$.

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

## 2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, except for the accounting policy changes set out in note 3.

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

## 3. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, and HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 4. REVENUE

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Water supply services	75,174	78,711
Sewage treatment services	29,709	24,675
Water supply related installation and construction income	146,585	103,290
Water supply and sewage treatment infrastructure construction income	31,113	60,360
Sale of electricity	227,964	208,575
Sale of compressed natural gas	6,749	14,986
Service income from collection of landfill gas	13,643	17,403
Sale of properties	1,777	1,460
	<b>532,714</b>	509,460

## 5. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 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 2020*

	Provision of water supply, sewage treatment and construction services <i>HK\$' 000</i>	Exploitation and sale of renewable energy <i>HK\$' 000</i>	Property investment and development <i>HK\$' 000</i>	Total <i>HK\$' 000</i>
<b>Reportable segment revenue</b>				
Disaggregated by timing of revenue recognition:				
Point in time	104,883	248,356	1,777	355,016
Over time	177,698	–	–	177,698
<b>Reportable segment revenue</b>	<b>282,581</b>	<b>248,356</b>	<b>1,777</b>	<b>532,714</b>
<b>Reportable segment profit/(loss)</b>	<b>84,919</b>	<b>72,958</b>	<b>(15,083)</b>	<b>142,794</b>
Unallocated corporate expenses				(30,990)
Interest income				1,774
Interest on overdraft held at financial institutions				(573)
Interest on fixed coupon bonds and other loan				(27,474)
Net loss on financial assets at fair value through profit or loss				(7,789)
<b>Profit before taxation</b>				<b>77,742</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 5. SEGMENT INFORMATION *(Continued)*

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

For the period ended 30 June 2019

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>				
Disaggregated by timing of revenue recognition:				
Point in time	106,176	240,964	1,460	348,600
Over time	160,860	–	–	160,860
<b>Reportable segment revenue</b>	<b>267,036</b>	<b>240,964</b>	<b>1,460</b>	<b>509,460</b>
<b>Reportable segment profit/(loss)</b>	<b>102,683</b>	<b>71,634</b>	<b>(7,389)</b>	<b>166,928</b>
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)
<b>Profit before taxation</b>				<b>74,191</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

#### Other segment information

*For the period ended 30 June 2020*

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	1,604	28	225	1,774	3,631
Interest expenses	(1,349)	(9,694)	(1)	(28,047)	(39,091)
Share of profit of associates	–	236	–	(183)	53
Share of loss of Joint ventures	(348)	–	(1,919)	(172)	(2,439)
Depreciation of:					
– Property plant and equipment	(3,820)	(25,636)	(120)	(1,944)	(31,520)
– Right-of-use assets	(534)	(16,625)	(1,174)	(2,959)	(21,292)
Amortisation of:					
– Concession intangible assets	(20,712)	(7,504)	–	–	(28,216)
– Other intangible assets	–	(12,762)	–	–	(12,762)
Gain/(loss) on disposal of property, plant and equipment	888	(422)	–	(4)	462
Loss on disposal of concession intangible assets	(249)	–	–	–	(249)
Impairment loss recognised on trade and other receivables	(219)	(1,049)	–	(2,407)	(3,675)
<b>Additions to non-current assets</b>	<b>53,796</b>	<b>31,206</b>	<b>80,743</b>	<b>142</b>	<b>165,887</b>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 5. SEGMENT INFORMATION *(Continued)*

### Other segment information *(Continued)*

For the period ended 30 June 2019

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 ventures	(98)	–	(278)	–	(376)
Depreciation of:					
– Property plant and equipment	(2,796)	(27,798)	(301)	(2,655)	(33,550)
– Right-of-use assets	(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

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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As at 30 June 2020 (unaudited)

Reportable segment assets	<b>1,780,272</b>	<b>1,566,324</b>	<b>1,405,659</b>	<b>339,089</b>	<b>14,428</b>	<b>5,105,772</b>
Reportable segment liabilities	<b>(896,146)</b>	<b>(502,586)</b>	<b>(1,063,139)</b>	<b>(644,653)</b>	<b>(51,272)</b>	<b>(3,157,796)</b>

As at 31 December 2019 (audited)

Reportable segment assets	1,753,892	1,497,042	1,106,719	393,502	8,574	4,759,729
Reportable segment liabilities	(761,657)	(526,110)	(871,576)	(654,300)	(49,689)	(2,863,332)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– bank borrowings	2,002	3,620
– other loans	33,332	27,475
– overdraft held at financial institutions	573	2,645
– lease liabilities	9,465	9,510
Total borrowing cost	45,372	43,250
Less: interest capitalised included in construction in progress	(6,281)	(9,426)
	39,091	33,824

### 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits tax	–	–
Current tax		
– PRC Enterprise Income Tax (“EIT”)	36,228	24,320
Deferred tax	(1,102)	(24)
	35,126	24,296

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 2020 (six months ended 30 June 2019: 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments		
– salaries, wages and other benefits	<b>98,492</b>	106,315
– retirement benefits scheme contributions	<b>3,793</b>	12,273
<b>Total staff costs</b>	<b>102,285</b>	118,588
Amortisation of:		
– Concession intangible assets (included in cost of sales)	<b>28,216</b>	22,143
– Other intangible assets	<b>12,762</b>	15,337
Depreciation		
– property, plant and equipment	<b>31,520</b>	33,550
– right-of-use assets	<b>21,292</b>	17,147
(Gain) on disposal of property, plant and equipment	<b>(462)</b>	(255)
Loss on disposal of concession intangible assets	<b>249</b>	149
Lease payments not included in the measurement of lease liabilities	<b>520</b>	2,393
Bank interest income	<b>(1,368)</b>	(1,338)
Net exchange loss	<b>(443)</b>	57
Gross rental income from investment properties less direct outgoing of approximately HK\$261,000 (first half 2019: HK\$523,000)	<b>(1,318)</b>	(1,594)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Profit attributable to the owners of the Company, used in the basic and diluted profit per share	<b>2,226</b>	26,301
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares issue Basic and diluted	<b>1,596,540</b>	1,596,540
Profit per share (HK Cents): Basic and diluted	<b>0.14</b>	1.65

For the six months ended 30 June 2020 and 30 June 2019, 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 2020, the Group acquired property, plant and equipment amounted to approximately HK\$124,864,000 (including right-of-use assets of HK\$0) (six months ended 30 June 2019: approximately HK\$121,976,000 (including right-of-use assets of HK\$57,558,000)).

During the six months ended 30 June 2020, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$351,000 (six months ended 30 June 2019: approximately HK\$100,000).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Listed equity securities, at fair value	22,238	49,465
Unlisted fund investments, at fair value	10,948	11,163
	<b>33,186</b>	60,628
Classified as:		
Financial assets at fair value through profit or loss		
– Current	28,664	51,435
Financial assets at fair value through other comprehensive income		
– Non-current	4,522	9,193
	<b>33,186</b>	60,628

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

### 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 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 2020				At 31 December 2019			
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Recurring fair value measurements</b>								
<b>Assets</b>								
Financial asset at fair value through other comprehensive income								
– Listed	4,522	–	–	4,522	9,193	–	–	9,193
Financial assets at fair value through profit or loss								
– Listed	17,716	–	–	17,716	40,272	–	–	40,272
– Unlisted fund investment	–	–	10,948	10,948	–	–	11,163	11,163

During the six months ended 30 June 2020, there were no significant transfer between instruments levels.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	<b>548,040</b>	474,394
Less: Loss allowance	<b>(4,699)</b>	(4,764)
	<b>543,341</b>	469,630
Other receivables	<b>189,893</b>	122,557
Less: Loss allowance	<b>(10,677)</b>	(10,862)
	<b>179,216</b>	111,695
Loan receivables	<b>221,120</b>	243,395
Less: Loss allowance	<b>(63,369)</b>	(63,262)
	<b>157,751</b>	180,133
Deposits and prepayments	<b>451,777</b>	427,556
	<b>1,332,085</b>	1,189,014
Amount due within one year included under current assets	<b>1,273,085</b>	1,130,014
Amount due after one year included under non-current assets	<b>59,000</b>	59,000
	<b>1,332,085</b>	1,189,014

The Group allows an average credit period of 0 days to 180 days given to the customers.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

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

	<b>At 30 June 2020 HK\$'000 (Unaudited)</b>	At 31 December 2019 HK\$'000 (Audited)
Within 90 days	<b>158,778</b>	132,932
91 to 180 days	<b>141,191</b>	195,387
181 to 365 days	<b>106,597</b>	51,238
Over 1 year	<b>136,775</b>	90,073
	<b>543,341</b>	469,630

## 14. TRADE AND OTHER PAYABLES

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

	<b>At 30 June 2020 HK\$'000 (Unaudited)</b>	At 31 December 2019 HK\$'000 (Audited)
Within 90 days	<b>146,719</b>	105,345
91 to 180 days	<b>28,938</b>	21,570
181 to 365 days	<b>31,841</b>	24,014
Over 1 year	<b>39,385</b>	35,180
Trade payables	<b>246,883</b>	186,109
Other payables	<b>368,730</b>	384,626
Interest payables	<b>14,813</b>	14,312
	<b>630,426</b>	585,047
Amount due within one year included under current liabilities	<b>630,426</b>	571,950
Amount due after one year included under non-current liabilities	–	13,097
	<b>630,426</b>	585,047



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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 15. SHARE CAPITAL

	At 30 June 2020 (Unaudited)		At 31 December 2019 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000

Authorised capital:

### Ordinary shares of HK\$0.50 each

At the beginning and the end of the period/year	4,000,000	2,000,000	4,000,000	2,000,000
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### 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
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Issued and fully paid:

### Ordinary shares of HK\$0.50 each

At the beginning of the period/year	1,596,540	798,270	1,596,540	798,270
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At the end of the period/year	1,596,540	798,270	1,596,540	798,270
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## 16. CAPITAL COMMITMENTS

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
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Contracted but not provided for:

– Acquisition of concession intangible assets and property, plant	9,501	14,125
– Investment in an associate	–	–

	9,501	14,125
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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 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 Judgment**"). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 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 Judgment recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("**PRC Judgment**"). On 27 January 2016, the PRC Judgment was announced on the website of The People's Court Announcement for 60 days ("**Announcement Period**"). If Top Vision has not appealed for the PRC Judgment within 30 days after the Announcement Period, the PRC Judgment will be automatically effective thereafter, the Company can enforce the PRC Judgment. On 10 August 2016, Sihui City People's Court\* (四會市人民法院) accepted to execute the PRC Judgment in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. On 28 June 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 Hong Kong International Arbitration Centre ("**HKIAC**"). HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. On 29 March 2019, 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 judgment interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the "**Judgement Debts**"). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue statutory demand against Tai Heng. If Tai Heng fail to reply, the Liquidators may further pursue winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as "**Evidence**") to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company applied to the Tribunal to arrange the arbitral hearing. On 16 March 2020, the arbitrator of HKIAC made an arbitration award that each guarantor shall jointly and severally liable to repay the principals together with the interest accrued thereon to the Lenders. Up to the date of this report, the legal processing in PRC is still in progress. As at 31 December 2019 and 30 June 2020, 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 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 trial on 5 June 2012. After the trial, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and the relevant arbitration fees.

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

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

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.\* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.\* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.\* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.\* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the “**Guarantors**”) entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the “**Settlement Agreement**”). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde with 10 days. Up to the date of this report, the Guarantors had not performed the court judgement and 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.*

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	6,361	13,934
Post-employment benefits	162	231
	<b>6,523</b>	14,165

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

## 19. EVENT AFTER THE END OF THE INTERIM PERIOD

On 10 June 2020, the Company announced that an indirect wholly owned subsidiary of the Company has entered into an agreement in respect of disposal of 惠州鴻鵠恆昌置業有限公司 (Huizhou Swan Heng Chang Property Development Company Limited) ("**Heng Chang**") at an aggregate consideration of approximately RMB161,049,000 (equivalent to approximately HK\$173,933,000) (the "**Disposal Transaction**"). The Disposal Transaction was subject to the approval of Company's shareholder by way of poll at Extraordinary General Meeting held on 14 August 2020 ("**EGM**").

Assets and liabilities of Heng Chang were reclassified as held for sale on 14 August 2020 after the Disposal Transaction being approved by the shareholders in the EGM.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Interim Results

Net profit for the six months ended 30 June 2020 (the “**First Half 2020**”) was HK\$42.62 million, representing a decrease of 14.59% from HK\$49.90 million for the six months ended 30 June 2019 (the “**First Half 2019**”). Profit attributable to owners of the Company for the First Half 2020 was HK\$2.23 million (First Half 2019: HK\$26.30 million), a substantial decrease of HK\$24.07 million was mainly due to the absence of gain on disposal of associates which occurred in First Half of 2019, which was partially offset by a decrease in the fair value loss on Group’s financial assets held for trading. Basic profit per share from operations for the First Half 2020 was at HK0.14 cents when compared with basic profit per share of HK1.65 cents recorded for the First Half 2019.

### Revenue and gross profit

The Group’s total revenue generated from operations slightly grew by 4.56% from HK\$509.46 million for the First Half 2019 to HK\$532.71 million for First Half 2020. The steady growth was mainly due to ongoing increase in the volumes of on-grid electricity of projects in operation and the recognition of construction service revenue for water supply infrastructure projects.

During the period under review, the renewable energy business segment become the principal source of the Group’s revenue which contributed HK\$248.36 million (First Half 2019: HK\$240.96 million). Construction services business segment became the second largest revenue generator of the Group which achieved a revenue of HK\$177.70 million (First Half 2019: HK\$163.65 million).

The Group’s gross profit in 2020 was HK\$223.45 million, up by 5.85% compared to HK\$211.11 million in 2019. The overall gross profit margin for the First Half 2020 was 41.95% similar to the same period of 2019 (First Half 2019: 41.44%).

### Other income, net

For the First Half 2020, other income, net amounted to HK\$50.44 million, (First Half 2019: HK\$34.23 million) rose by HK\$16.21 million. Included in the other income, net was primarily of interest income of HK\$3.63 million, project management income of HK\$19.84 million relating to building construction, net gain of HK\$8.22 million in trading of steels, government grants of HK\$3.64 million to subsidise certain renewable energy and waste treatment projects in the PRC, VAT refund of HK\$7.26 million and gross rental income after deducting the related outgoings of HK\$1.32 million from investment properties. The increase was mainly due to the provision of management service to building construction projects and trading of steel during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Selling and distribution expenses and administrative expenses

For the First Half 2020, selling and distribution expenses together with administrative expenses (“**Total Expenses**”) collectively dropped by HK\$5.11 million to HK\$143.21 million (First Half 2019: HK\$148.32 million). The decrease was mainly due to the implementation of strict cost controls measures resulting in the reduction of staff cost and the relief of social insurance supported by the government during the COVID-19 epidemic which were partially offset by the increase in selling expenses caused by the expansion of properties development business and more sale promotion activities launched. Total Expenses mainly consisted of staff costs of HK\$73.93 million, legal and professional fee of HK\$9.05 million, repair and maintenance of HK\$6.09 million and depreciation of HK\$11.39 million. The ratio of Total Expenses for the First Half 2020 represented 26.88% of revenue, dropped by approximately 2.23% from 29.11% for the First Half 2019.

#### Finance costs

Finance costs are mainly interests on fixed coupon bonds. For the First Half 2020, the finance costs were HK\$39.09 million (For the First Half 2019: HK\$33.82 million), an increase of HK\$5.27 million compared to the same period last year. The increase was mainly due to the increase of loan borrowings.

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

For the First Half 2020, net loss on financial assets at fair value through profit or loss (“**FVPL**”) recorded HK\$7.79 million, fell by HK\$26.06 million from the loss of HK\$33.85 million for the First Half 2019. Included in FVPL comprised (i) HK\$1.21 million for the fair value gain on listed equity securities; and (ii) HK\$9.00 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.

#### Share of results from associates

For the First Half 2020, the Group shared the profit of HK\$53,000 (First Half 2019: loss of HK\$0.35 million). As at 30 June 2020, the Group has two associated companies, including 10% equity interests in Yu Jiang Hui Min Small-Sum Loan Company Limited\* (余江惠民小額貸款股份有限公司) and 49% equity interests of Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.\* (資陽市綠洲新中水環保科技有限公司).

#### Share of results from joint venture companies

For the First Half 2020, the Group shared the loss of HK\$2.44 million (the First Half 2019: loss of HK\$0.38 million) which was mainly arising from Yugan Sanhai Real Estate Co., Ltd.\* (“**Yugan Sanhai**”) (余干三海置業有限公司) and Jiangxi Yuehe Real Estate Co., Ltd.\* (“**Jiangxi Yuehe**”) (江西越和置業有限公司). As at 30 June 2020, the Group has four joint venture companies, including 30% equity interests in Yugan Sanhai, 40% equity interests in Jiangxi Yuehe, 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) (“**Yichun Mingyue Mountain**”) and 30% sharing interest in the result performance of Shenzhen Ganglong Obstetrics and Gynecology Hospital\* – Ophthalmology Project (深圳港龍婦產科醫院 – 眼科項目).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Income tax

For the First Half 2020, the income tax increased by HK\$10.83 million to HK\$35.13 million due to the slightly increase in profit before tax of the Group and the successive expiry of tax concessions on certain renewable energy projects (First Half 2019: HK\$24.30 million). Income tax expenses consisted of PRC enterprise income tax and deferred income tax. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC.

#### Exposure to Fluctuations in Exchange Rates

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

### TREASURY MANAGEMENT

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development. The Group generally finances its business operations and capital expenditure 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 hands, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The Group's financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining substantial long term funding sources, with diversifying term structures and funding instruments. In anticipating new investments or maturity of bank and other borrowings, the Group will consider new financing while maintaining an appropriate level of gearing.

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

As at 30 June 2020, the Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Group recorded cash and cash equivalents of HK\$502.18 million (31 December 2019: HK\$390.91 million) including cash held at financial institutions of HK\$0.094 million (31 December 2019: HK\$6.79 million) and an overdraft held at financial institutions of HK\$4.37 million (31 December 2019: HK\$20.48 million). The increase in cash and bank balance of the Group by HK\$111.27 million was mainly due to the deposits received from customers for sale of properties under development. 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 mainly denominated in HK\$ and RMB.

The net current assets for the Group as at 30 June 2020 were HK\$365.56 million (31 December 2019: HK\$398.45 million). The current ratio (current assets over current liabilities) is 1.16 times as at 30 June 2020 (31 December 2019: 1.21 times).



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

Net asset value was HK\$1,947.98 million (31 December 2019: HK\$1,896.40 million). Net asset value per share was HK\$1.22 (31 December 2019: HK\$1.19).

As at 30 June 2020, the Group's consolidated non-current assets decreased by HK\$42.08 million to HK\$2,389.65 million (31 December 2019: HK\$2,431.73 million) was mainly due to the land acquisition for property development transferred to inventory.

### INVESTMENT PROPERTIES

As at 30 June 2020, the Group held the following investment properties for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	The Group's interest (%)
<b>1 Xiabu Centre</b> Xiabu Water Plant Control Centre No.1 Qilin East Road, Xinjiang New District, Yingtian City, Jiangxi Province, the PRC	Commercial	15,362.30	Long	96.84%	51%
<b>2 Yuehu Property</b> No.8 Shengli West Road, Yuehu District, Yingtian City, Jiangxi Province	Commercial	944.74	Long	86.81%	51%
<b>3 Yihai International Building</b> 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%
<b>4 Yichun Properties</b> No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	100%	51%

As at 30 June 2020, the carrying value of investment properties recorded HK\$84.26 million (31 December 2019: HK\$89.11 million) including HK\$59.50 million of the Xiabu Centre, HK\$1.79 million of Yihai International Building, HK\$6.39 million of Yichun Properties and HK\$16.58 million of Yuehu Property. The decrease by HK\$4.85 million was due to vacant units in Xiabu Centre transferred to buildings held for own use and the net exchange difference. Certain rent reliefs had been granted to the tenants during the period of COVID-19 pandemic, the gross rental income after deducting the related outgoings amounted to HK\$1.32 million which was down by 16.98% compared with the last corresponding period (First Half 2019: HK\$1.59 million).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### INVENTORIES

As at 30 June 2020, inventories of HK\$745.39 million (31 December 2019: HK\$636.24 million) mainly comprised of properties held for sale of HK\$96.00 million (31 December 2019: HK\$101.39 million) and properties under development of HK\$550.78 million (31 December 2019: HK\$485.27 million) for the construction of premises for Sanshui Guobinfu in Jiangxi Province and Nanjing Space Big Data in Nanjing, Jiangsu Province, the PRC.

Properties held for sale represented the construction of new commercial and residential buildings by Yingtan Xiang Rui Property Limited\* (“**Xiang Rui Property**”) at Yingtan City, Jiangxi Province, the PRC which is entirely owned by Yingtan Water Supply Group Co., Ltd. (“**Yingtan Water**”). The properties namely Yu Jing No. 1\* (御景壹號) located at No. 8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC has been completed in July 2017 with a total saleable area of 35,370 sq.m., which comprised of 372 residential apartments, 105 retail shops and 131 car parks. The pre-sales of the project had commenced since October 2014. As at 30 June 2020, there were 362 residential apartments and 7 retail shops being sold (31 December 2019: 356 residential apartments and 7 retail shops).

### PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 30 June 2020, the fair value of securities investments of the Group including held-for-trading investment and held-for-long term investment recorded HK\$33.19 million (31 December 2019: HK\$60.63 million) representing 0.65% of the total assets value of HK\$5,105.77 million as at 30 June 2020 (31 December 2019: total assets value of HK\$4,759.73 million). The securities investments of the Group comprised listed securities in Hong Kong and investment in fund in PRC.

#### List of stocks in terms of market value as at 30 June 2020

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2020	Effective interest held as at 30 June 2020	Initial investment cost	Market value as at 30 June 2020	Realised	Accumulated unrealised holding gain/(loss) on revaluation	Percentage to total assets value of the Group as at 30 June 2020	Classification	Dividend received/receivable during the year	
							gain/(loss) for the year ended 30 June 2020					
					HK\$'000	HK\$'000	HK\$'000	HK\$'000				
1	Aidigong Maternal & Child Health Limited	286	Healthcare investment management businesses, natural health food businesses and advantage growth businesses for children; provision of life healthcare services; investment and financing.	24,000,000	0.63%	17,876	15,600	(8,936)	(2,276)	0.31%	FVPL	-
2	China Best Group Holding Ltd	370	Manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities	32,210,000	0.63%	5,351	3,478	-	(1,873)	0.07%	FVOCI	-

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

#### List of stocks in terms of market value as at 30 June 2020 (Continued)

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2020	Effective interest held as at 30 June 2020	Initial investment cost HK\$'000	Market value as at 30 June 2020 HK\$'000	Realised gain/(loss) for the year ended 30 June 2020 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Percentage to total assets value of the Group as at 30 June 2020	Classification	Dividend received/receivable during the year HK\$'000	
3	Hong Kong Finance Investment Holding Group Ltd	7	Trading of electronic products, financial business and property investment	2,800,000	0.07%	2,660	2,100	-	(560)	0.04%	FVPL	-
4	Fy Financial (Shenzhen) Co., Ltd. – H Shares	8452	Financial leasing, provision of factoring and advisory services and the trading of medical equipment in the PRC	844,000	0.94%	988	650	(291)	(338)	0.01%	FVOCI	-
5	Ming Lam Holdings Limited (*)	1106	Manufacturing and sale of packaging products; Securities trading and other investing activities; Tourism and travel business; Money lending business and Storage and logistic service business	44,500,000	0.30%	5,294	-	-	(5,294)	0.00%	FVPL	-
6	China Tangshang Holdings Limited	674	Exhibition related business, money lending business, food and beverages, property sub-leasing, development and investment business.	3,580,000	0.33%	908	394	-	(514)	0.01%	FVOCI	-
7	Future Bright Mining Holdings Ltd	2212	Production and sale of marble and marble related products; and trading of commodities	780,000	0.02%	147	16	-	(131)	0.00%	FVPL	-

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

#### List of stocks in terms of market value as at 30 June 2020 (Continued)

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2020	Effective interest held as at 30 June 2020	Initial investment cost HK\$'000	Market value as at 30 June 2020 HK\$'000	Realised gain/(loss) for the year ended 30 June 2020 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Percentage to total assets value of the Group as at 30 June 2020	Classification	Dividend received/receivable during the year HK\$'000	
8	Chinese Energy Holdings Limited	8009	General trading (including market sourcing of technical and electronic products); trading of LNG products; money lending and investment in financial assets	250	0.00%	2	-	-	(2)	0.00%	FVPL	-
	<b>Name of unlisted investment</b>	<b>Brief description of the business</b>										
9	Guangdong Finance Industry Strategic Fund (**)		Investment in unlisted equity	N/A	N/A	11,163	10,948	-	(215)	0.22%	FVPL	-
	<b>Total</b>					<u>44,389</u>	<u>33,186</u>	<u>(9,227)</u>	<u>(11,203)</u>	0.65%	-	-

\* Ming Lam Holdings Limited has been suspended its trading in shares since 1 April 2020.

\*\* 粵財信託新興戰略行業股權投資集合資金信託計劃。The English names is for identification purpose only.

The Board acknowledges that the performance of securities are affected by the negative effect of the US-China trade war and the recent outbreak of COVID-19 across different regions, as well as the fluid outlook of interest rates. The Group recorded net loss of HK\$7.79 million on FVPL for the First Half 2020. Given the fluctuation in the worldwide financial markets and the impact of COVID-19, the Board expected that the fair value of trading investment may be further declined in second half of 2020. The Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. In views of the above, the Board will monitor stock market development closely and capture opportunities in a prudent manner so to balance investment risks of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### TRADE AND OTHER RECEIVABLES

As at 30 June 2020, the Group's trade and other receivables were approximately HK\$1,332.09 million (31 December 2019: HK\$1,189.02 million). These comprised of: (i) trade receivables of HK\$543.34 million, (ii) other receivables of HK\$179.22 million, (iii) loan receivables of HK\$157.75 million and (iv) deposits and prepayments of HK\$451.78 million.

#### (A) Trade Receivable

As at 30 June 2020, trade receivables increased by HK\$73.71 million to HK\$543.34 million which was mainly attributable to the increase in the government tariff subsidies to renewable energy projects (31 December 2019: HK\$469.63 million). The balance mainly included the government on-grid tariff subsidies of HK\$321.43 million (31 December 2019: HK\$248.39 million) and electricity sales receivables of HK\$35 million (31 December 2019: HK\$33.59 million) from local grid companies, representing 65.60% of the trade receivables. The tariff subsidies receivables are settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance of the PRC. There is no due date for settlement. The trade receivables from renewable energy business are fully recoverable considering there were no bad debt experiences with the local grid companies in the past and such tariff subsidies are funded by the PRC government. As the Group considers credit risk for such balances to be insignificant, the expected credit loss is minimal. In respect of the debtor balances due from the water supply and the sewage treatment and related construction service projects, these trade receivables have been grouped based on shared credit risk characteristics and the ageing portfolio to measure the expected credit loss.

The average turnover period of the trade receivables as at 30 June 2020 were 174 days (31 December 2019: 100 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.

#### (B) Other receivable

As at 30 June 2020, other receivables increased by HK\$67.52 million to HK\$179.22 million (31 December 2019: HK\$111.70 million) primarily due to interest receivable, payment in advance for repair and maintenance and tax recoverable. During the interim period, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness, available supportive forward looking information and the collection statistics.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

#### (C) Loan receivable

As at 30 June 2020, loans receivables fell by HK\$22.38 million to HK\$157.75 million (31 December 2019: HK\$180.13 million) represented loans to unrelated parties which are interest-bearing at rates ranging from 4% to 24% per annum and maturity ranging from 1 month to 60 months. The Group has obtained certain security for some of the loans including corporate and asset guarantee provided by the guarantors. During the interim period, the management of the Group made credit assessment from time to time individually with reference to borrowers' financial background, past collection history and evaluation of loan return performance, as well as impairment review of loan receivables.

#### (D) Deposits and prepayments

As at 30 June 2020, deposits and prepayments increased by HK\$24.22 million to HK\$451.78 million (31 December 2019: HK\$427.56 million) which mainly represented prepayment relating to the material procurement for building construction projects and the acquisition of projects, deposits paid including glass management contract and the finance lease.

### LIABILITIES AND GEARING

As at 30 June 2020, the Group's total liabilities (including both current and non-current) recorded HK\$3,157.80 million (31 December 2019: HK\$2,863.33 million). The increase of HK\$294.47 million was attributable to (i) addition loan facilities from non-financial institution; (ii) received deposits from customers relating to the sale of properties under development; and (iii) the expansion of building construction projects; and (iv) addition material procurement for renewable energy projects. Except for the issuance of bonds and non-financial institution loan denominated in HK\$, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 30 June 2020 was 61.85% (31 December 2019: 60.16%). The ratio was calculated by dividing total liabilities of HK\$3,157.80 million (31 December 2019: HK\$2,863.33 million) over total assets of the Group of HK\$5,105.77 million (31 December 2019: HK\$4,759.73 million).

As at 30 June 2020, the Group's total bank and other borrowings were HK\$896.99 million (31 December 2019: HK\$863.84 million). For the maturity profile, refer to the table below:

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## LIABILITIES AND GEARING (Continued)

## Debt Analysis

	30 Jun 2020		31 Dec 2019	
	HK\$'000	%	HK\$'000	%
<b>Classified by maturity</b>				
<b>– repayable within one year</b>				
Bank borrowings	40,958	4.57	45,242	5.24
Other loans	320,754	35.76	167,029	19.33
	<b>361,712</b>	<b>40.33</b>	212,271	24.57
<b>Classified by maturity</b>				
<b>– repayable more than one year</b>				
Bank borrowings	93,483	10.42	79,040	9.15
Other loans	441,790	49.25	572,529	66.28
	<b>535,273</b>	<b>59.67</b>	651,569	75.43
<b>Total bank and other borrowings</b>	<b>896,985</b>	<b>100</b>	863,840	100
<b>Classified by type of loans</b>				
Secured	167,066	18.63	118,700	13.74
Unsecured	729,919	81.37	745,140	86.26
	<b>896,985</b>	<b>100</b>	863,840	100
<b>Classified by type of interest</b>				
Fixed rate	502,122	55.98	506,451	58.63
Variable-rate	323,116	36.02	286,475	33.16
Interest free rate	71,747	8.00	70,914	8.21
	<b>896,985</b>	<b>100</b>	863,840	100

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### 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 13 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 2020, the outstanding Bond I amounted to HK\$100.32 million and was classified as an other loan (31 December 2019: HK\$96.93 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 2020, the outstanding Bond II amounted to HK\$199.94 million and was classified as an other loan (31 December 2019: HK\$195.04 million). On 30 May 2019, the Company has completed to issue the Bond II to the placees in an aggregate principal amount of HK\$208.10 million.

#### 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 2020, the outstanding Bond III amounted to HK\$18.77 million and was classified as an other loan (31 December 2019: HK\$18.52 million). On 10 January 2020, the Company has completed to issue the Bond III to the placees in an aggregate principal amount of HK\$20 million.

#### 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 2020, the outstanding Bond IV amounted to HK\$15.44 million and was classified as an other loan (31 December 2019: HK\$15.39 million). On 17 January 2020, the Company has completed to issue the Bond IV to the placees in an aggregate principal amount of HK\$20 million.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **BONDS AND NON-EQUITY FINANCING** *(Continued)*

#### **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 2020, the outstanding Bond V amounted to HK\$0 million and was classified as an other loan (31 December 2019: HK\$13.04 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 2020, the outstanding Bond VI amounted to HK\$1.95 million for Bonds (B) and was classified as an other loan (31 December 2019: HK\$1.94 million). The placing of Bond VI has been completed on 14 January 2020.

#### **Other bonds**

Except for the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers in an aggregate principal amount of HK\$57.00 million at a fixed coupon rate in range of 5% to 6% per annum with a term ranging from 1 to 3 years. As at 30 June 2020, the outstanding other bonds amounted to HK\$47.76 million and was classified as an other loan (31 December 2019: HK\$35.98 million).

As at 30 June 2020, the aggregate bonds including Bond I, Bond II, Bond III, Bond IV, Bond V, Bond VI and Other bonds recorded in aggregate of HK\$384.18 million which were utilized as general working capital, repayment of debts and/or acquisition activities (31 December 2019: HK\$376.84 million).

### **TRADE AND OTHER PAYABLES**

As at 30 June 2020, the Group’s trade and other payables were approximately HK\$630.43 million (31 December 2019: HK\$585.05 million). Increase of HK\$45.38 million in trade and other payable was mainly due to more water supply infrastructure construction projects and addition material procurement for renewable energy projects. 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 period under review.

During the First Half 2020, the Group incurred capital expenditures amounting to HK\$40.26 million (31 December 2019: HK\$171.96 million) for acquisition of concession intangible assets.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### 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 First Half 2020, the Group recorded a steady growth in its city water supply construction and environment protection segments. For the period under review, the revenue and the gross profit of the Group amounted to HK\$532.72 million and HK\$223.45 million respectively, representing an increase of 4.57% and 5.85% over the corresponding period of 2019.

The analysis of financial performance by segments is as follows:

	Revenue				Gross Profit			
	2020		2019		2020		2019	
	HK\$'M	% to total	HK\$'M	% to total	HK\$'M	G.P.%	HK\$'M	G.P.%
Water supply business	75.17	14.11	78.71	15.45	18.26	24.29	28.06	35.65
Sewage treatment business	29.71	5.58	24.68	4.84	10.23	34.43	8.68	35.17
Construction services business	177.70	33.36	163.65	32.12	83.11	46.77	66.28	40.50
sub-total	282.58	53.05	267.04	52.41	111.60	39.49	103.02	38.58
Exploitation and sale of renewable energy business	248.36	46.62	240.96	47.30	111.76	45.00	108.00	44.82
Property development	1.78	0.33	1.46	0.29	0.09	5.06	0.09	6.16
Total	532.72	100	509.46	100	223.45	41.95	211.11	41.44

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 1.1 Water supply business

There are three city water supply projects of the Group which are well spread in Jiangxi and Shandong provinces. PRC (First Half 2019: four water supply projects). The disposal of 30% equity interests of Super Sino Group was completed in 2019, the number of water supply projects and daily aggregate water supply capacity reduced to three and 390,000 tonne respectively. (First Half 2019: 0.49 million tonne). Total water supply to the Jiangxi and Shandong during the year recorded 40.94 million tonne (First Half 2019: 40.11 million tonne), up by 2.09% over same period of 2019. For the First Half 2020, the revenue and gross profit from water supply business amounted to HK\$75.17 million and HK\$18.26 million respectively, representing 14.11% and 8.17% of the Group's total revenue and total gross profit respectively. Compared with the First Half 2019, the revenue and gross profit dropped by HK\$3.54 million and HK\$9.80 million respectively, such decrease was mainly attributable to (i) the local government of Yichun City temporary adjusted an average water tariff down by 3% from the period of March to June 2020 so to expedite the resumption of operation and production during the COVID-19 pandemic; (ii) the decrease in volume of water sold by Yichun Water during the pandemic period; (iii) the relocation of water intake point to remote area resulting in increasing of electricity cost in Yingtan Water and (iv) an increase in medicine cost so to upgrade the quality of water. The average rates for the water supply ranged from HK\$1.66 to HK\$2.45 per tonne (First Half 2019: from HK\$1.77 to HK\$2.56 per tonne).

Analysis of water supply projects on hand is as follows:

	<b>Project name</b>	<b>Equity interest held by the Company (%)</b>	<b>Designed daily capacity of water supply (tonne)</b>	<b>Provincial cities in PRC</b>	<b>Exclusive operating right (expiry in)</b>
1	Yichun Water	51	240,000	Jiangxi	2034
2	Yingtan Water	51	100,000	Jiangxi	2038
3	Linyi Fenghuang	60	50,000	Shandong	2037
	Total		390,000		

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 1.2 Sewage treatment business

There are three sewage treatment projects of the Group located in Jiangxi, Guangdong and Shandong provinces (First Half 2019: three sewage treatment projects). The daily aggregate sewage disposal capacity was approximately 190,000 tonne (First Half 2019: 170,000 tonne) generating a revenue of HK\$29.71 million and gross profit of HK\$10.23 million respectively, representing 5.58% and 4.58% of Group's total revenue and total gross profit respectively. The increase in disposal capacity was the completion of second phase of sewage treatment plant in Yichun Fangke. Compared with the First Half 2019, the increase of waste water processing caused the revenue and gross profit slightly increased by HK\$5.03 million and HK\$1.55 million respectively. During the period under review, the Group processed in aggregate of 30.80 million tonne of waste water (First Half 2019: 29.05 million tonne), increasing by 6.02% over the same period of 2019. 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 240,000 tonne. The construction of Mingyue Mountain Project is planned to be completed in October 2020. The trial run operation of Jinxiang Project started in August 2020. The average rates for sewage treatment ranged from HK\$0.85 to HK\$1.29 per tonne (First Half 2019: from HK\$0.65 to HK\$1.30 per tonne).

Analysis of sewage treatment projects on hand is as follows:

	<b>Equity interest held by the Company</b>	<b>Designed daily sewage disposal capacity (tonne)</b>	<b>Provincial cities in PRC</b>	<b>Exclusive operating right (expiry in)</b>
<b>Project name</b>	<b>%</b>			
1 Jining Haiyuan	70	30,000	Shandong	2036
2 Gaoming Huaxin	70	20,000	Guangdong	2033
3 Yichun Fangke	54.33	140,000	Jiangxi	2035
Total		190,000		

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 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\$177.70 million and HK\$83.11 million respectively, representing 33.36% and 37.19% of the Group's total revenue and total gross profit respectively. Compared with the First Half 2019, the revenue and gross profit increased by HK\$14.05 million and HK\$16.83 million respectively. Such increase was due to new infrastructure construction work for water supply projects and construction material costs reduced.

	Revenue				Gross Profit/(loss) (G.P. ratio)			
	2020 <i>HK\$'M</i>	% <i>to total</i>	2019 <i>HK\$'M</i>	% <i>to total</i>	2020 <i>HK\$'M</i>	<i>G.P.</i> %	2019 <i>HK\$'M</i>	<i>G.P.</i> %
Water supply related installation and construction income	<b>146.59</b>	<b>82.49</b>	103.30	63.12	<b>83.28</b>	<b>56.81</b>	62.30	60.31
Water supply and sewage treatment infrastructure construction income	<b>31.11</b>	<b>17.51</b>	60.35	36.88	<b>(0.17)</b>	<b>(0.55)</b>	3.98	6.59
Total	<b>177.70</b>	<b>100</b>	163.65	100	<b>83.11</b>	<b>46.77</b>	66.28	40.50

#### 1.4 Exploitation and sale of renewable energy business

Up to the date of this report, the Group has 39 solid waste treatment projects, of which 32 have commenced operation with a total installed capacity of 160 MW, the remaining 7 are under construction, with an estimated total installed capacity of 13.5 MW. During the period, the Group secured 2 new projects in Liling and Chongqing, with an estimated total installed capacity is 7 MW.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

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

For the First Half 2020, the revenue and gross profit recorded HK\$248.36 million and HK\$111.76 million respectively. Compared with the First Half 2019, the revenue and gross profit steadily increased by HK\$7.40 million and HK\$3.76 million respectively. Included in revenue was HK\$70.57 million (First Half 2019: HK\$63.62 million) and HK\$157.40 million (First Half 2019: HK\$144.96 million) derived from the government tariff subsidies and the sale of electricity to local grid companies respectively, representing 28.41% and 63.38% of the total renewable energy revenue respectively. During the period under review, the Group had 32 projects in operation (First Half 2019: 29 projects), generating approximately 357,112.4 MWh of on-grid electricity which represented an increase of 5.69% over the same period of 2019 (First Half 2019: 337,893.3 MWh). As at 30 June 2020, the Group accumulated a total installed capacity of 173.5 MW, representing an increase of 12.77% compared to First Half 2019 (First Half 2019: 153.85 MW). The average electricity rate was HK\$0.594 per kilowatt-hour and the average CNG rate was HK\$1.84 per m<sup>3</sup> (First Half 2019: average electricity rate HK\$0.57 per kilowatt-hour and the average CNG rate was HK\$1.97 per m<sup>3</sup>).

	Revenue				Gross Profit (G.P)			
	2020 <i>HK\$'M</i>	% <i>to total</i>	2019 <i>HK\$'M</i>	% <i>to total</i>	2020 <i>HK\$'M</i>	<i>G.P.</i> %	2019 <i>HK\$'M</i>	<i>G.P.</i> %
Exploitation and sale of renewable energy business								
– Sale of electricity	<b>227.97</b>	<b>91.79</b>	208.58	86.56	<b>110.37</b>	<b>48.41</b>	98.44	47.20
– Sale of compressed natural gas	<b>6.75</b>	<b>2.72</b>	14.98	6.22	<b>0.03</b>	<b>0.44</b>	2.79	18.62
– Service income from collection of landfill gas	<b>13.64</b>	<b>5.49</b>	17.40	7.22	<b>1.36</b>	<b>9.97</b>	6.77	38.90
Total	<b>248.36</b>	<b>100</b>	240.96	100	<b>111.76</b>	<b>45.00</b>	108.00	44.82

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 1.4 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	<i>Note 1</i>
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	2021	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	Sichuan	Power generation	49	May 2017	December 2027

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 1.4 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	
21	Xinhua	Hunan	Power generation	100	November 2017	December 2026
22	Zhangjiakou	Hebei	Power generation	70	October 2018	<i>Note 1</i>
23	Fengcheng	Jiangxi	Power generation	100	January 2018	March 2032
24	Anqiu City	Shandong	Power generation	100	March 2018	<i>Note 1</i>
25	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
26	Haicheng	Liaoning	Power generation	100	August 2019	<i>Note 1</i>
27	Anlu	Hubei	Power generation	90	January 2019	February 2030
28	Laizhou	Shandong	Power generation	100	May 2019	February 2028
29	Jakarta TPST	Jakarta	Power generation	94	February 2018	December 2023
30	Guangzhou Huadu	Guangdong	Power generation	100	January 2020	June 2023
31	Zhijiang	Hubei	Power generation	51	December 2020	<i>Note 1</i>
32	Nanning	Guangxi	Power generation	100	April 2020	April 2028
33	Ziyang	Sichuan	Power generation	49	March 2020	November 2026
34	Hainan Sanya	Hainan	Power generation	100	March 2019	January 2029
35	Lingao	Hainan	Power generation	100	September 2020	<i>Note 1</i>
36	Gaizhou	Liaoning	Power generation	100	December 2020	<i>Note 1</i>
37	Lianyuan	Hubei	Power generation	100	November 2020	May 2024
38	Liling	Hunan	Power generation	100	September 2020	January 2027
39	Chongqing Heishizi Operation Contract	Chongqing	Power generation	-	September 2020	February 2039

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 1.5 Property Investment and development

The Group held various property development and investment projects which are mainly located in Jiangsu, Guangdong and Jiangxi provinces of China. For the First Half 2020, property development recorded the revenue and gross profit of HK\$1.78 million and HK\$0.09 million respectively (First Half 2019: the revenue and gross profit of HK\$1.46 million and HK\$0.09 million) which was the sale of properties in Yu Jing No. 1 Project\* (御景壹號). During the period, there were only 6 residential units sold (First Half 2019: 3 residential units being sold).

As of 30 June 2020, the Group has a total of 7 property projects of which 4 projects under construction and 3 projects yet to develop, with a total gross floor area ("GFA") of approximately 337,322 square meter. Up to the date of this report, the Group launched four projects for pre-sale, namely Sanshui Guobinfu which has 1,001 residential units (93% sold) and 155 shops (18% sold), Sanshui California Sunshine Real Estate which has 299 residential units (97% sold) and 62 shops (13% sold), Sanshui Jinlin House which has 431 residential units for phase one (33% sold) and Nanjing Space Big Data which has 567 commercial units (36% sold). The Group achieved satisfactory pre-sale results in Jiangxi Province. In accordance with the Group's accounting policy, the Group will recognise the property sale as revenue and/or sharing the results of these joint venture projects once the property handed over to the customers with the completion of legal assignment, but the implementation of quarantine and social distancing measures in the mainland China during the outbreak of COVID-19, the construction work had been affected resulting in delay in property delivery. On 10 June 2020, the Group had disposed the property project namely Honghu Blue Valley Wisdom Square at a consideration of RMB161.05 million.

Judging from past experience, the Board considers that the effect of the epidemic on the Chinese economy will be temporary. As the central government has introduced a series of fiscal and monetary policies to stabilize growth, the Chinese economy will sustain the general trend of growth amid stability with long-term promising outlook. The pandemic has been gradually under control in China since the second quarter of 2020, and all sectors have resumed operation. In view of the economic recovery in Mainland China, the Group will be actively to acquire premium lands to replenish our land bank for future development.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 1.5 Property Investment and development *(Continued)*

The analysis of development of property projects of the Group are as follows:

Name of project	Location	Stage of completion	Expected date of completion	Major usage/purpose	Approximate site area (square meters)	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
1. Nanjing Space Big Data Industry Base (南京空間大數據產業基地)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Under construction	October 2020	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	72,853	50	100
2. Sanshui Guobinfu project* (三水•國賓府項目)	East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province	Under construction	January 2021	Residential and commercial/for sale	30,742	128,374	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) <i>(Note)</i>	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	December 2022	Residential and commercial/for sale	10,076	40,944	70 years for Residential and 40 years for commercial	40
4. Sanshui Jinlin House* (三水金麟府) <i>(Note)</i>	Western part of Yugan County, south of Century Avenue, east of Xiwu Road, and west of production and living land of Yanxi Village, Yugan County, Shangrao City, Jiangxi Province, the PRC	Yet to develop	March 2023	Residential and commercial/for sale	68,449	–	70 years for Residential and 40 years for commercial	30
5. Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaixin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction	October 2020	Research and development Centre/Commercial (for sale and/or for lease)	30,544	54,738	50 years	100
6. 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
7. 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	December 2022	Other	13,337	40,412.62	50 years	51

*Note:* Property Projects are under the Joint Venture Agreements.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OTHER MATERIAL EVENTS DURING THE PERIOD UNDER REVIEW

#### Disposal of the entire equity interests in Huizhou Swan Heng Chang Property Development Company Limited

On 10 June 2020, 鴻鵠(惠州)投資有限公司 (Swan (Huizhou) Investment Company Limited) (the “**Vendor**”), 惠州市遠東康壽園療養中心有限公司 (Huizhou Yuandong Kangshouyuan Medical Center Co., Ltd.) (the “**Purchaser**”) and 惠州鴻鵠恒昌置業有限公司 (Huizhou Swan Heng Chang Property Development Company Limited\*) (the “**Disposed Company**”) entered into the disposal agreement in relation to the sale and purchase of the sale capital at an aggregate consideration of approximately RMB161,049,000 (equivalent to approximately HK\$173,933,000) (the “**Disposal Transaction**”) and the settlement arrangements of the Loan, the Vendor’s Loans, the Project Debts and the Construction Contracts Debts (the “**Disposal Agreement**”). The Disposal Transaction was approved by the shareholders by way of poll at the EGM on 14 August 2020. Up to the publication date of this report, certain conditions precedent have been fulfilled. As additional time is required for the fulfilment of the remaining conditions precedent, the Vendor and the Purchaser entered into a supplemental agreement to extend the Long Stop Date from 8 September 2020 to 26 November 2020 or such other date as the Vendor and the Purchaser may agree in writing. Except for the extension of the Long Stop Date and other corresponding changes made to the Disposal Agreement, all other terms and condition of the Disposal Agreement shall remain unchanged and continue in full force and effect.

Save as disclosed above, the Group did not have any other material acquisitions nor disposals of subsidiaries, interest in associates or joint ventures for the six months ended 30 June 2020.

#### The impact of the outbreak of COVID-19

In the First Half 2020, an unexpected outbreak of the COVID-19 has caused drastic fluctuations in economic and financial environment around the world. In the PRC, various industries suffered as a result of halt in production and operations of enterprises after the Lunar New Year in late January until April 2020. Nevertheless, the Group’s core businesses are public utility and environmental protection, the daily operation of the Group had not been adversely affected by the epidemic nor the global economic downturn. For the sales of the property business, it have been affected by the short-term psychological impact of the public on the pandemic. However, a number of local governments in China have introduced relaxation policies to support the local property market, in an effort to stabilize the future development of the Chinese property market. During the pandemic period, the Group’s active implementation of diversified online and offline sales strategies, the Group’s pre-sale recorded a satisfactory sale performance. The Group will closely monitor the development of COVID-19, and continue to assess the impact of the pandemic on the financial and operation of the Group.

### CONTINGENT LIABILITIES

As at 30 June 2020, the Group has no material contingent liabilities (31 December 2019: Nil).

### PLEDGE OF ASSETS

The Group’s obligations under finance leases, bank loans and other loans of HK\$365.52 million in total as at 30 June 2020 (31 December 2019: HK\$293.72 million) were secured by charges over:

- (i) property, plant and equipment in which their carrying amount was HK\$483.75 million (31 December 2019: HK\$375.67 million);
- (ii) right-of-use assets in which their carrying amount was HK\$58.67 million; and
- (iii) contractual rights to receive revenue generated by certain of our subsidiaries.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### NO MATERIAL CHANGE

Save as disclosed in this report, during the First Half 2020, 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 2019.

### EMPLOYEES

As at 30 June 2020, excluding jointly controlled entities and associates, the Group had 1,426 (2019: 1,366) employees, of which 21 (30 June 2019: 18) are Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, was HK\$102.29 million (First Half 2019: HK\$118.59 million). The decrease was due to the reduction of salaries and staff benefits and the relief of social insurance promulgated by the Chinese government which resulted in the relief of certain contributions to defined contribution scheme during the pandemic period. 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 First Half 2020, 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

With the COVID-19 pandemic sweeping across the globe in 2020, the global economy has taken a major hit, and the PRC has faced unprecedented challenges in its economic development seen, which has taken a heavy toll on all industries temporarily. For the environmental protection industry, in particular the micro to medium-sized enterprises with low anti-risk ability, the outbreak has resulted in liquidity strains or even capital chain ruptures, project halts due to labor shortage as well as disruption and loss in businesses from upstream and downstream sectors.

As a major player in the environmental protection industry in the PRC, the China Water was inevitably undermined to some degree in the short term by the outbreak of COVID-19. For instance, during the early stage of the pandemic, front-line project companies were unable to resume operation and production in time; schedules for new and ongoing projects were extended; and payment of electricity and sewage treatment fees were delayed. Under such extraordinary circumstances, the Group took measures to prevent and control the outbreak while striving to resume operation and production at the same time. We united as one and made concerted efforts towards the same goal, and achieved steady and orderly operation and development on the premise of effectively implementing various disease prevention measures. The Group saw positive overall results during the first half of the year, with all business segments recording steady growths. The Yingtan Water property segment achieved considerable growth and established a new profit source. We believe that during the pandemic, there are hopes and opportunities in times of difficulty and challenge.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

#### Business Review *(Continued)*

##### ***I. Stable growth in water sector with smart water service and engineering installation bore fruitful results***

As a business in relation to people's livelihood, the water sector is entrusted with a mission of city water supply and sewage treatment. During the pandemic when enterprises across the country temporarily shut down and suspended operation, various companies in the water sector promptly formed an anti-pandemic team that exhausted every means of prevention and testing to calmly deal with the situation and provide residents with safe water supply. In the first half of the year, despite all the difficulties, companies in the water sector endeavored to accomplish their respective performance targets with remarkable result in smart water service and engineering installation segments.

In particular, Yingtan Water has sufficiently showcased the effectiveness of its smart water service, which enabled daily tasks such as remote meter-reading, online payment and user services to be carried out through the smart water service platform during the pandemic, pragmatically followed the zero contact principle in prevention and control of pandemic, and finished water meter-reading and charges collection as scheduled without prejudice to quality and quantity. Water usage from January to June increased by 14.92% year-on-year while pipe leakage rate dropped by 1.23% as compared to the same period of last year. Meanwhile, Yingtan Water focused on the advancement of the railway reformation progress of "Three Supplies and Property Management" (三供一業), and completed the connection of main water supply pipes for three villages and the cutting off and reformation of three original railway pipe network. In the first half of the year, a total of 2,160 households have finished the railway reformation of "one household one meter", and an aggregate of 55 contracts for water supply facilities installation have been signed, representing an increase of 16 contracts as compared to the same period of last year. Confronted with the problem of water source change and insufficient production capacity, Yichun Water Industry Group Co., Ltd ("Yichun Water") (宜春水務集團有限公司) captured the opportunity to accelerate the cooperation with Sanyan Water Plant (三陽水廠). Currently, our joint formation of Yustong Water Co., Ltd. (宇通製水有限公司) with local municipal development companies has grown into a mature cooperation mode that helped better maintain our presence and position in the water supply market of Yichun City. With the support of local government, we have successfully completed the uplifting work of intake point which is now under stable and normal operation. In the meantime, Yichun Water Industry Group Co., Ltd. has stepped up efforts to build on its drinkable water business. It has reached an initial intent of cooperation with the Yichun Early Childhood Teachers College\* (宜春幼師專科學院). Linyi Fenghuang Water Industry Co. Ltd ("Linyi Fenghuang")\* (臨沂鳳凰水業有限公司) continued to forge ahead with its smart water meter reformation, enhance meter-reading analysis, strictly inspect unauthorized water use, further reduce the wastage rate and raise working efficiency. At the same time, it actively responded to the requirement of the PRC on improving business environment, and streamlining and optimizing the connection, meter-reading and installation procedures of water facilities and application materials; shortened the processing time for user-related procedures to 0.5 day; implemented the principle of "providing integrated services with one counter"; created a better business environment; and won extensive recognition from users nationwide and from the government.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

#### Business Review *(Continued)*

#### ***I. Stable growth in water sector with smart water service and engineering installation bore fruitful results (Continued)***

The upgrading and capacity expansion project of Class IA standard of the urban sewage treatment plant of Yichun Fangke Sewage Treatment Company Limited\* (“**Yichun Fangke**”) (宜春市方科污水處理有限公司) in the city center is under stable operation. The construction of the Mingyue Mountain Sewage Treatment Plant\* (明月山污水處理廠) project is moving forward in an orderly manner and a BOT supplementary agreement was signed at the beginning of the year in relation to the unit price to RMB1.908 per tonne. Besides, we reached an intent with local government to construct a new sewage treatment plant with a capacity of 10,000 tonne per day in Hongjiang Town (洪江鎮). Jining City Haisheng Water Treatment Company Limited\* (“**Jining Haisheng**”) (濟寧市海晟水務有限公司) has determined the sewage treatment charges procedure in principle with government departments, and it is expected to finish inspection and acceptance and put into operation in August 2020.

#### ***II. The new eco-energy segment increasing efficiency, reducing cost and expanding footprints***

The new eco-energy segment in general was not materially affected by the pandemic. While ensuring steady operation of existing projects, New China Water companies actively explored businesses and further expanded their footprints. In the first half of the year, three projects in Huadu Guangdong, Nanning Guangxi and Ziyang Sichuan have successfully commenced production and operation. In the meantime, development of two new projects in Liling Hunan and Heishizi Chongqing have started, whereas ongoing construction of new projects in Lingao Hainan, Lianyuan Hunan, Gaizhou Liaoning, Zhijiang Hubei and Liling Hunan all continued as planned.

In the first half of the year, New China Water companies provided strong funding for project development by closely working with various financial institutions. On the other hand, in order to increase corporate profit, enhance efficiency and reduce cost, New China Water companies established two drilling teams to conduct drilling works on their own. The companies also actively engaged with suppliers and effectively controlled unit prices of spare parts. Currently, drilling works for the Nanning Guangxi, Huadu Guangdong, Dongyang Zhejiang and Lingao Hainan projects have been completed, reducing construction costs by over 60%.

#### ***III. The city-industry integration segment realizing integral development across the whole industry chain, connecting three projects to achieve synergies and gaining brand recognition***

The Huizhou Honghu Blue Valley Wisdom Square\* (鴻鵠藍谷智慧廣場) Project is located in the center of the new urban planning development area in south Huizhou. It is the first prefabricated building construction and city-industry integration development project by the China Water in Huizhou. Capitalizing on development prospect of the Guangdong-Hong Kong-Macau Greater Bay Area and its promising outlook, the project has appealed to a number of companies that expressed their intent of establishing settlement, cooperation and acquisition. On 10 June 2020, the Group entered into a disposal and cooperation agreement with Huizhou Yuandong Kangshouyuan Medical Center Co., Ltd.\* (惠州市遠東康壽園療養中心有限公司) in relation to the project. Both parties of the partnership are observing the agreement to date.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

#### Business Review *(Continued)*

#### **III. The city-industry integration segment realizing integral development across the whole industry chain, connecting three projects to achieve synergies and gaining brand recognition *(Continued)***

The Nanjing Space Big Data Industry Park (南京空間大數據產業園) Project is the second city-industry integration development project meticulously crafted by the China Water. As the first cluster area for the space big data industry in Nanjing, the project actualized highly-efficient and scientific management of the intellectual park through the informatized management on the platform. As of June 2020, the project has secured sales and settlement agreements with dozens of new and high-tech enterprises, including Huaxunark (華訊方舟) and Yao Ze Technology (耀澤科技). Currently, the mainframe buildings have been topped out, and over 95% of the infrastructure, building electrical and plumbing as well as fire engineering works have completed. The project is expected to be completed and delivered by 31 October 2020.

The businesses of Zhongkuang Group (中曠集團), Hongzhu Trading (宏築貿易), Xiang Rui Property (祥瑞置業) under Yingtan Water saw rapid growth through cross-sector operations in building construction, building material trading and property development to form a unique comprehensive development cycle across the whole industry chain and realize an upgrade of the whole industry. In April 2019, Yingtan Water Supply Group tapped into the property development sector in Yugan County. In merely a year, its all-out efforts have resulted in the completion of three property projects, namely Sanshui Guobinfu\* Project (三水國賓府), Sanshui California Sunshine Real Estate\* Project (三水加州陽光) and Sanshui Jinlin House\* Project (三水金麟府). The three projects have created synergies and established the unique "Sanshui" branding. To date, construction of the main buildings for Sanshui Guobinfu Project and California Sunshine Real Estate Project are completed, with sales rate and collection rate of over 90%; phase 1 of pile foundation work for Sanshui Jinlin House has been completed and sales rate for buildings pre-sold in June also recorded over 30%, all of which topped the local sales chart. In addition, Yingtan Water has planned to push forward the Hongji Commercial Concrete (宏基商業混凝土) project. As a part of the building material industry, commercial concrete has enjoyed rapid development in recent years. Particularly, concrete produced in commercial concrete batching plants have become more and more popular and adopted by projects in major cities and key projects across the country. In the second half of 2020, taking advantage of opportunities in this time of rapid development, Yingtan Water will use Yingtan Hongji Building Material Technology Co., Ltd.\* (鷹潭市宏基建材科技有限公司) as a vehicle to enhance its efforts in commercial concrete production so to materialize new source for corporate profit growth.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

#### Prospects

Looking forward to the second half of 2020, despite the global economy in deep distress, China has shown uplifting signs of economic resumption with corporate productivity and people's life substantially returning to normal. The government places "stabilizing employment" as its utmost priority, including continuing to delay and reduce corporate social security expenses, so as to mitigate cost pressure for small to medium-sized companies. Meanwhile, the government and the community will put more emphasis on sanitation and health as well as environment health through assessment on the macro-environment and market trends, which will bring new businesses and opportunities for both the livelihood industry and environmental protection industry. In the second half of the year, the China Water Industry Group will accurately adjust its market position, adhere to national policies, and make use of effective market approaches and resource advantages of the corporate platform, so as to ensure steady business operation of the three main sectors, namely water, new eco-energy and city-industry integration sectors. In addition, we will focus on incorporating single operating points into the whole industry chain to achieve multi-driver growth and proactively seek new development opportunities.

#### *I. Guaranteeing the robust development of water supply as the main business*

Based on the pandemic development and projection for the industry, the water industry in the future will see rapid development in four major segments: smart water service, pipeline network quality upgrade, water ecosystem safety, non-hazardous sludge handling, especially the application of smart water service. In the second half of the year, companies from the water supply sector of the China Water will focus on "safety production and premium water supply" as well as guaranteeing the robust development of water supply as the main business, realizing the targeted company income, continuing the development of smart water service and stepping up its efforts in reconstructing the pipeline network water meter and related ancillary works for water supply and water connection projects. In the meantime, we encourage companies from the water supply sector to be more proactive in initiating innovative and feasible projects in business.

1. Yingtian Water will expedite the reform of "Three Supplies and One Property". It will speed up the completion of the reform project of large diameter electromagnetic water meter with 03 specification in the Jiangxi Province, and realize full intelligent meter management by improving management efficiency and lowering the management cost with the smart platform construction.
2. Yichun Water will finalize the constructions of laboratory testing building and composite building of Wenbi Peak water plant as soon as possible to achieve a new landscape for the industry. It will adhere emphasis on the facilitation of drinkable water project for the Yichun Early Childhood Teachers College and urban-rural water supply integration project for Nanmiao town to attain new points for profit growth.
3. Yichun Fangke and Jining Haisheng will properly finalize the trial and acceptance work of the new construction and expansion projects and commence operation and production, and at the same time, contribute to the national comprehensive black and stinky sewage management.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

#### Prospects *(Continued)*

#### **II. Acceleration of Project Construction and Promising Implementation of Special Subsidies**

The Ministry of Finance, the National Development and Reform Commission and the National Energy Administration jointly issued *Several Opinions on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy* (關於促進非水可再生能源發電健康發展的若干意見) at the beginning of the Year. It is apparent that the renewable power generation industry of China has seen rapid development with increasing proportion of installation. Renewable power generation industry will be likely to face loose supply, fluctuations in electricity prices, market reforms and other trends. New China Water companies will put into place the national special subsidies as soon as possible while identifying its core foundation amid market uncertainties. It will strive to be a representative model of the industry by improving technical competitiveness constantly, expanding new projects effectively and introducing strategic cooperation actively.

1. Accelerating the construction and commissioning of newly built projects in Lingao Hainan, Gaizhou Liaoning, Lianyuan Hunan and Liling Hunan; rectifying substandard projects, optimizing configuration and enhancing efficiency.
2. Maintaining close contact with relevant competent authorities, grasping details and trends of policies, prioritizing the implementation of national special subsidies; and proactively introducing strategic investors and providing positive capital guarantee for corporal development.
3. Adopting environmental protection as the entry point, we will continue to explore and learn so as to enhance our technical level and pursue new opportunities in the environmental protection industry, with a view to expanding business footprints of New China Water.

#### **III. Following up with project construction and sales collection on a timely basis and focusing on showcasing project advantages**

City-industry integration is a new kind of development philosophy emerged when China entered into a new stage of economic development and urban construction. It marks the evolvement from developing single residential properties to urban complexes, and further transitioning into integrated industry park development. Only projects that combine the urbanization trend with the urban development trend can maximize advantages of real estate developers in aspects of capital, construction, operation and industry resource integration, thereby building high-quality and self-owned brands.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

#### Prospects *(Continued)*

#### **III. Following up with project construction and sales collection on a timely basis and focusing on showcasing project advantages *(Continued)***

The China Water's existing projects in construction include Huizhou Honghu Blue Valley Wisdom Square Project, Nanjing Space Big Data Industry Park Project and Sanshui Guobinfu Project, Sanshui California Sunshine Real Estate Project and Sanshui Jinlin House Project in Yugan County Yingtan. For the second half of the year, we will push forward project construction with high efficiency and expedite collection of sales proceeds. Meanwhile, we will strive to flourish the "Sanshui" brand in Yugan by consolidating the corporate branding and building sound corporate image.

1. Establishing Sanshui Guobinfu Project, Sanshui California Sunshine Real Estate Project and Sanshui Jinlin House Project in Yugan County as the Company's highlight projects; and making all efforts to implement project construction and collection of sales proceeds and funding, with the aim to achieving even better results for the "Sanshui" brand in Yugan.
2. Selecting merit and quality projects to undertake. We will leverage the resource and platform advantages of Zhongkuang Group and help Zhongkuang to establish footprints in Guangdong-Hong Kong-Macau Greater Bay Area. In the second half of the year, we will also strive to undertake more than one prestigious construction project in the Bay Area market pivoting Huizhou.
3. Completing the stage-by-stage acceptance and delivery of Huizhou Honghu Blue Valley Wisdom Square Project and Nanjing Space Big Data Industry Park Project; effecting the disposal and cooperation matter in respect of Huizhou Honghu Blue Valley Wisdom Square Project; and focusing on enhancing the sales and fund seeking works of Nanjing Space Big Data Industry Park Project.

The Group will always be committed to achieving its business philosophy of "gaining government confidence, citizen satisfaction, shareholders' recognition and staff contentment". In view of the double whammy of the pandemic and economic downturn, we will strive to ensure stable development of our three major business segments including water service, new eco-energy and city-industry integration. Meanwhile, we will keep abreast of the social development, and actively push forward the application of smart service, while focusing on the development of the upstream and downstream industry chain in the environmental protection sector and the construction of city-industry integration property project. We will also pursue further expansion of the three major business segments, so as to refine and reinforce our portfolio with a view to building up the brand of China Water.

#### **IV. 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.

## SUPPLEMENTARY INFORMATION

### INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

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

As at 30 June 2020, the interests and short positions of each Director and Chief Executive of the Company, or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the securities and futures ordinance ("SFO") which (a) had been notified of the Company and the Stock Exchange pursuant to divisions 7 and 8 of part xv of the SFO (including interests and short positions in which directors have taken or deemed to have under such provisions of the SFO) or which (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code for securities transactions by Directors of listed companies (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to Company and the Stock Exchange were as follows:

#### Interest in the Shares

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. 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%

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 2020.

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

Save as disclosed above, as at 30 June 2020, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of part xv of the SFO (including interests and short positions which directors have taken or deemed to have under such provisions of SFO) or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

## SUPPLEMENTARY INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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	277,788,000 (L) <i>(Note 1)</i>	17.40%
Step Wide Investment Limited	Beneficial owner	160,000,000 (L) <i>(Note 2)</i>	10.02%

*Note 1:* These shares are held by Honghu Capital Co. Ltd. (“**Honghu Capital**”) which Mr. Deng Jue 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:* These shares are held by Step Wide Investment Limited (“**Step Wide**”) which Mr. Wong Hin Shek (“**Mr. Wong**”) is the beneficial owner. Mr. Wong is deemed to be interested in shares held by Step Wide by virtues of the SFO.

*Note 3:* The shareholding percentage in the company is calculated on the basis of 1,596,539,766 shares in issue as at 30 June 2020.

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

### SHARE CAPITAL

The Company’s issued and fully paid share capital as at 30 June 2020 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.

## SUPPLEMENTARY INFORMATION *(Continued)*

### 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 2020, 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2020 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.

## SUPPLEMENTARY INFORMATION *(Continued)*

- Pursuant to the code provision of A.6.7 of the CG Code, INEDs and other non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Guo Chao Tian, an independent non-executive Director could not attend the annual general meeting (the “**AGM**”) of the Company held on 24 June 2020 due to his business commitment. However, at the aforesaid AGM, there were executive Directors and INEDs present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

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

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

### **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 the internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2020. 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 including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Guo Chao Tin and Mr. Liu Feng. 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.

## SUPPLEMENTARY INFORMATION *(Continued)*

### **NOMINATION COMMITTEE**

The Nomination Committee comprises 2 INEDs and 1 executive Director of the Company including Mr. Lin Yue Hui (Committee Chairman), Mr. Wong Siu Keung, Joe and Mr. Guo Chao Tin. 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 including Mr. Lin Yue Hui (Committee Chairman), Mr. Liu Feng and Mr. Zhong Wei Guang, 2 senior management including Mr. Tang Po Shing and Mr. Liu Wei Qing and 1 department manager of Mr. Li Han. The role of Investment Committee is to oversee the Company's strategic and investment policy on a regular basis and to advise the Board on the investment of the Company including asset allocation and new investment proposal. The term of reference of the Investment Committee is available on the Company's website.

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

The interim results announcement is published on the websites of the Company ([www.chinawaterind.com](http://www.chinawaterind.com)) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report of the Company for 2020 containing all information required by the Listing Rules will be dispatched to Shareholders and made available on the above websites in due course.

### **BOARD OF DIRECTORS**

The Board comprises Mr. Lin Yue Hui (Chairman and CEO), Mr. Zhong Wei Guang (COO), Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana, Ms. Deng Xiao Ting, 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:**

I would like to take this opportunity to express my heartfelt gratitude, on behalf of the Board, to general investors and financial institutions for always offering their tremendous support to the Group, as well as to the pioneers and all the staff for achieving success for the Group. In the second half of the year, the Group will continue to explore and seek development, and look forward to sharing the Group's achievements and advancements with you.

By order of the Board  
**China Water Industry Group Limited**  
**Mr. Lin Yue Hui**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2020

\* For identification purposes only