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 Annual Report

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yongjun
(Appointed as the Chairman on 8 February 2021)
Mr. Zhong Wei Guang
Mr. Lin Yue Hui (Resigned as the Chairman and Chief Executive Officer on 8 February 2021)
Ms. Chu Yin Yin, Georgiana
Ms. Deng Xiao Ting
Mr. Liu Feng (Resigned on 8 February 2021)

Non-Executive Director

Mr. Ho Chi Ho (re-designated from an executive Director to a non-executive Director on 19 October 2020)

Independent Non-Executive Directors

Mr. Wong Siu Keung, Joe
Ms. Qiu Na
Mr. Lam Cheung Shing, Richard
Mr. Guo Chao Tian (Resigned on 8 February 2021)

AUDIT COMMITTEE

Mr. Wong Siu Keung, Joe *(Chairman)*
Ms. Qiu Na
Mr. Lam Cheung Shing, Richard
(Appointed as a member on 8 February 2021)
Mr. Guo Chao Tian (Resigned on 8 February 2021)

REMUNERATION COMMITTEE

Mr. Wong Siu Keung, Joe *(Chairman)*
Mr. Zhu Yongjun (Appointed as a member on 8 February 2021)
Mr. Lam Cheung Shing, Richard
(Appointed as a member on 8 February 2021)
Mr. Liu Feng (Resigned on 8 February 2021)
Mr. Guo Chao Tian (Resigned on 8 February 2021)

NOMINATION COMMITTEE

Mr. Zhu Yongjun
(Appointed as the Chairman on 8 February 2021)
Mr. Wong Siu Keung, Joe
Mr. Lam Cheung Shing, Richard
(Appointed as a member on 8 February 2021)
Mr. Lin Yue Hui (Resigned on 8 February 2021)
Mr. Guo Chao Tian (Resigned on 8 February 2021)

INVESTMENT COMMITTEE

Mr. Zhu Yongjun
(Appointed as the Chairman on 8 February 2021)
Mr. Zhong Wei Guang
Mr. Lin Yue Hui
(Resigned as the Chairman on 8 February 2021)
Mr. Liu Wei Qing (Resigned as a member on 8 February 2021)
Mr. Li Han (Resigned as a member on 8 February 2021)
Mr. Tang Po Shing
Mr. Liu Feng
Ms. Deng Xiao Ting (Appointed as a member on 8 February 2021)

COMPANY SECRETARY

Ms. Chu Yin Yin, Georgiana

AUTHORISED REPRESENTATIVES

Mr. Zhu Yongjun (Appointed on 8 February 2021)
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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D,
P.O. Box 1586, Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100, 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

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West Tower, Shun Tak Centre
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STOCK

1129

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020	2019	Change
	HK$'000	*HK$'000*	*%*
Financial Result			
Revenue	**1,129,548**	1,189,201	(5.02%)
Gross Profit	**480,300**	497,152	(3.39%)
Profit for the year	**120,466**	178,726	(32.60%)
Profit attributable to owners of the Company	**11,094**	115,617	(90.40%)
Earnings per share (HK cents) – Basic and diluted	**0.69**	7.24	(90.47%)
EBITDA *(Note)*	**439,706**	488,904	(10.06%)

	2020	2019
	HK$'000	*HK$'000*
Financial Position		
Gearing ratio	**60.90%**	60.16%
Current ratio	**1.13 times**	1.21 times
Cash and cash equivalents	**432,654**	390,906
Net asset value	**2,200,949**	1,896,397
Equity attributable to owners of the Company	**1,407,592**	1,284,897
Equity attributable to owners of the Company per share (HK$)	**0.88**	0.80

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

FIVE YEARS FINANCIAL SUMMARY

	2016	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Revenue	550,646	701,524	1,008,002	1,189,201	**1,129,548**
Finance costs	(24,083)	(33,780)	(47,559)	(68,757)	**(79,746)**
Profit before taxation	124,817	45,105	107,233	248,014	**180,786**
Income tax expense	(39,915)	(34,203)	(41,651)	(69,288)	**(60,320)**
Profit for the year	84,902	10,902	65,582	178,726	**120,466**
Assets and liabilities					
Non-current assets	1,547,212	1,907,825	2,182,205	2,431,726	**2,618,688**
Current assets	1,205,620	1,219,728	1,378,507	2,328,003	**3,010,108**
Total assets	2,752,832	3,127,553	3,560,712	4,759,729	**5,628,796**
Non-current liabilities	254,232	456,431	842,523	933,783	**761,074**
Current liabilities	860,393	851,486	955,779	1,929,549	**2,666,773**
Total liabilities	1,114,625	1,307,917	1,798,302	2,863,332	**3,427,847**
Net assets	1,638,207	1,819,636	1,762,410	1,896,397	**2,200,949**
Equity attributable to owners of the Company	1,263,852	1,305,399	1,219,396	1,284,897	**1,407,592**
Non-controlling interests	374,355	514,237	543,014	611,500	**793,357**
Earnings (loss) per share					
Basic	1.96 cents	(3.08) cents	0.42 cents	7.24 cents	**0.69 cents**
Diluted	1.96 cents	(3.08) cents	0.42 cents	7.24 cents	**0.69 cents**

CHAIRMAN'S STATEMENT FOR THE YEAR 2020

The outbreak and spread of the COVID-19 pandemic in 2020 not only threatened the public health and safety worldwide, but also severely hit the global economy. Meanwhile, it further aggravated the situation by putting significant downward pressure on the world economy, causing a sharp deterioration of the external environment that brought severe challenges to all industries. The lockdown measures across various countries once caused economies to shut down, and the unemployment rates soared. As the pandemic prevention and control policies of the PRC have achieved remarkable results, the domestic economy has been gradually recovering. Nevertheless, there were still some small and medium-sized enterprises that failed to survive the economic winter. The Group, as a well-known investment and integrated service provider in the domestic environmental protection industry, has been affected by the initial stage of the pandemic, but the Group has made quick adaptive adjustments and successfully passed the "survival test" with generally stable development of all business segments in 2020.

MARKET REVIEW:

2020 was the final year of the "13th Five-Year Plan" and the decisive year of the battle of pollution prevention and control. Ecological and environmental protection has delivered brilliant results: The nine binding indicators of ecological and environmental protection and the phased goals set for pollution prevention and control as determined in the outline of the "13th Five-Year Plan" have been fully accomplished beyond targets. The three environmental protection battles, namely blue sky, clear water and clean land, have achieved remarkable results. The environmental protection industry provided technical support for pollution control, and it in turn gained opportunities for its own development and expansion.

The promulgation and implementation of the new version of the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (《中華人民共和國固體廢物污染環境防治法》) in 2020 promoted the standardized development of the solid waste treatment and disposal industry in the PRC. In particular, the new Solid Waste Law clarifies the principles of reduction, recycling and harmless treatment of solid waste in the prevention and control of environmental pollution, and strengthens the supervision and management responsibilities of the government and its relevant departments; it also improves the environmental pollution prevention and control system for industrial solid waste, domestic waste, construction waste, agricultural solid waste, hazardous waste and other environmental pollution, and put forward higher requirements for the whole process of solid waste generation, collection, storage, transportation, utilization and disposal.

In terms of water treatment, the National Development and Reform Commission issued the "Notice on Accelerating County and Town Urbanization, and Enhancing the Strengths and Improving the Weaknesses" (《關於加快開展縣城城鎮化補短板強弱項工作的通知》), addressing the issues of "the heavy debts arising from environmental infrastructures in some areas and the unmatched urban sewage collection pipe networks" (「部份地區環境基礎設施欠賬大、城市收集管網不配套」). The Notice focuses on public spheres such as urban sewage pipe network construction, in which the market cannot effectively allocate resources and government support and guidance are required, and sets out the task to make up for the shortcomings in urban and rural sewage collection and treatment facilities, so as to further advance the full coverage of urban sewage pipe network and strengthen the treatment of pollution from domestic sources. In 2020, the daily sewage treatment capacity of cities and counties was over 200 million cubic meters, and the elimination rate of black and odorous water in built-up areas at prefecture-level and above reached 96%. Furthermore, the solid waste treatment and disposal capacity was significantly improved.

BUSINESS REVIEW:

I. Steady Improvement in Environmental Protection and New Energy Segments with Internal and External Efficiency Enhancement as Carbon Emission Reduction Contributed to Promising Outlook

Under the COVID-19 pandemic, the environmental protection and new energy segment had a steady improvement, and New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生能源投資有限公司) and its subsidiaries (the "**New China Water Companies**") not only realized annual on-grid power generation of 734 million kWh, but also sustained stable development. At the same time, it actively expanded its business market by entering into contracts for 9 new biogas power generation projects, namely Hunan Liling, Chongqing Heishizi, Shaanxi Ankang, Fujian Shanghang, Jiangxi Dingnan, Hubei Yangxin, Fujian Changting, Fujian Wuping and Liaoning Wafangdian, and adding 2 new operation service projects, namely the maintenance technical service project for gas collecting station and emergency incineration system of Guangzhou Xingfeng Domestic Waste Landfill Site and the operation service of the fully enclosed residual landfill of Beijing Fengtai District Circular Economy Industrial Park.

Efficiency was optimized through balanced internal and external resources. In 2020, New China Water Companies continued to enter into financing cooperation with various banks and financial leasing institutions to provide the corporation with a reliable safeguard of capital. At the same time, New China Water Companies set up three drilling teams to implement unified drilling coordinated by the headquarters and self-constructed pre-treatment facilities, saving approximately 78% of the construction cost throughout the year. In terms of carbon emission reduction, New China Water Companies actively responded to the national carbon emission reduction policy. Its subsidiaries Ningbo Qiyao New Energy Company Limited* (寧波齊耀新能源有限公司) and Shandong Qiyao New Energy Company Limited* (山東齊耀新能源有限公司) took the lead in entering the trading market of carbon emission reduction. In 2020, the total carbon emission reduction transaction volume was 300,000 tonne, laying a solid foundation for the Company to fully enter the carbon emission reduction trading market in the future, and the prospects are promising.

II. Steady Operation of Water Sector with Outstanding Effectiveness of Smart Water Services

In 2020, all companies in the water services segment achieved better performance targets. During the pandemic, the Company unremittingly fulfilled the responsibility of ensuring safe water for the use by residents, actively adopted various pandemic prevention and testing procedures, and calmly responded to the pandemic in order to ensure the safe production, safe water supply and qualified water output throughout the year.

Among which, Yingtan Water Supply Group Co. Ltd (鷹潭市供水集團有限公司) ("**Yingtan Water**") and its subsidiaries and associate companies (the "**Yingtan Water Group**") Yingtan Water Group made full use of the intelligent water platform to ensure safe and stable water supply without leaving home and through remote control, demonstrating the advantage of intelligent water. At the same time, the Company vigorously promoted the "Three Supplies and One Property" (「三供一業」) railway transfer and reformation project, and completed 11,447 reformation projects throughout the year. It carried through the government's decision and fully promoted the reformation project of drinking water for rural areas. During the year, the number of reformations reached 2,371 which improved the water quality for users to the greatest extent and enhanced users' experience and satisfaction. Yichun Water Industry Group Co. Ltd.* (宜春水務集團有限公司) and its subsidiaries (the "**Yichun Water Industry Group**") vigorously promoted the installation and application of new products such as smart fire hydrants and smart water meters. During the year, 61 new smart fire hydrants, 36 large meters with remote display were installed, and 8 pressurized pump stations were reformed to be unmanned. The construction projects of Linyi Fenghuang Water Industry Co. Ltd. made a rapid development where smart water meters were reformed, and the operation and management of water supply pipeline network and the maintenance of fire hydrants were comprehensively strengthened. Yichun Fangke Sewage Treatment Company Limited* (宜春市方科污水處理有限公司) approved the supplemental BOT concession contract for the expansion of the first-class A project and successfully raised the unit price of sewage treatment services by RMB0.04/tonne of water on the original basis. At the same time, the Company successfully applied for and was approved the environmental protection incentive fund of RMB10 million for the black and odorous water treatment project in Jiangxi Province in 2020. The new construction project of Mingyue Mountain Wentang Sewage Treatment Plant with capacity of 20,000 tonne/day was basically completed and entered the inspection and acceptance stage. Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) completed the inspection and acceptance and commenced production in August 2020, with a guaranteed minimum water volume of 20,000 tonne/day and the effluent meeting the National Class IA Standard.

III. Industry-City Integration and Segment-Brand Linkage Gaining High Reputation in Yugan

Works for Huizhou Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) Project and Nanjing Space Big Data Industrial Base Project continued to progress.

Yingtan Water Group made great efforts in the development of Sanshui Guobinfu Project* (三水•國賓府項目), Sanshui California Sunshine Real Estate* (三水加州陽光房地產) and Sanshui Jinlin House* (三水金麟府) in the Yugan region. These three projects acquired widespread recognition for Yugan and formed a characteristic Sanshui brand. At present, the main part of the two property projects, namely Sanshui Guobinfu Project* (三水•國賓府項目) and Sanshui California Sunshine Real Estate* (三水加州陽光房地產) Project, has been completed with sales rate and collection rate exceeding 95%, while Sanshui Jinlin House has achieved a pre-sale rate of 85%.

OUTLOOK AND FUTURE PLANS:

After the COVID-19 outbreak in 2020, the country and the people are bound to pay more attention to hygiene and health, and the government and society will attach higher significance to business areas including environmental protection. With the constant improvement of policies and measures for the development of the environmental protection industry, the development opportunities for the environmental protection industry are greater than challenges. 2021 is the kick-off year of the "14th Five-Year Plan" and a year of special importance in the progress of modern construction of the PRC. 2021 is also a year of reform for the Group. The Group will strive to build a highly reputable, larger scale and more dedicated enterprise with sustainable development, improve its adaptability and overcome uncertainties in the environment and markets.

In the future, the Group will continue to keep track of the upcoming national policies on renewable energy subsidies and implement the subsidies for power generation of all projects. In terms of carbon emissions, President Xi Jinping outlined the concepts at the ninth meeting of the Central Finance and Economics Committee that "China is striving to reach peak of carbon emissions by 2030 and carbon neutrality by 2060, which is a major strategic decision made by the Central Committee of the Communist Party of China after thorough consideration of the sustainable development of the Chinese people of all ethnic groups and creating of a community of shared future for mankind. The "14th Five-Year Plan" is a critical period and window period for carbon peaks. To this end, it is necessary to focus on forming a clean, low-carbon, safe and efficient energy system, implementing renewable energy alternatives, deepening power system reform, and building a new power system with new energy as the subjects so as to improve the green and low-carbon policy and market system, refine the energy "dual control" system, optimize fiscal and taxation, price, finance, land, government procurement and other policies that are conducive to green and low-carbon development, accelerate the promotion of carbon emission rights trading, and actively develop Green finance". The Group will closely follow the national carbon emission related policies, strengthen the learning of knowledge related to carbon emissions, proactively prepare for entering into carbon emission trading in an all-round way, seize the benefits of Green finance policies, realize the carbon assets of all projects, and acquire a new profit growth point for the Group. At the same time, the Group will further enhance its competitiveness in the industry and become a new leading enterprise in environmental protection.

Meanwhile, as the development of the domestic water and real estate industries has been gradually declining and the policies have been tightened continuously, the Group will progressively reduce the water and city-industry integration segment businesses, paving the way for further development of the environmental protection and new energy segments. We aim at further promoting the business expansion of the environmental protection and new energy segment by optimizing market positioning and strengthening financing cooperation. By leveraging on the advantages of technological innovation and projects, the Group formed a strategic alliance with other relevant environmental protection enterprises to create a new landscape for environmental protection business.

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

The Group will stay true to its original aspiration and always adhere to the business philosophy of "The government is assured and the public is satisfied. Shareholders' recognition and staff contentment are achieved" (「政府放心，市民滿意，股東認可，員工樂業」). The market remains sluggish in 2021; however, the Group is confident and well-prepared to face challenges. The Group will closely follow the national policies and conform with the market development trend so as to become sizable and reputable to write a new chapter for the Group.

Mr. Zhu Yongjun
Chairman and Executive Director
Hong Kong, 30 March 2021

FINANCIAL REVIEW

Net profit for the year

Net profit for the year ended 31 December 2020 (the "**FY2020**") was HK$120.47 million, representing a year-on-year decrease of 32.60% over HK$178.73 million for the year ended 31 December 2019 (the "**FY2019**"). Profit attributable to owners of the Company for the FY2020 was HK$11.09 million (FY2019: HK$115.62 million), a substantial decrease of HK$104.53 million primarily due to the absence of the gain on disposal of associates of which the disposals were completed in 2019 and the increase of impairment loss provided on assets for the renewable energy business. The effects of the aforesaid facts were partially offset by a decrease in both of the net loss on financial assets at fair value through profit or loss and administrative expenses. Basic profit per share from operations for the FY2020 was at HK0.69 cents when compared with basic profit per share of HK7.24 cents recorded for the FY2019.

Revenue and gross profit

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

Overall, the Group's revenue slightly decreased by HK$59.65 million or 5.02%, from HK$1,189.20 million for the FY2019 to HK$1,129.55 million for FY2020 due to the decrease in both the construction income from sewage treatment infrastructure projects and the sale of compressed natural gas.

During the year under review, the renewable energy business segment become the principal source of the Group's revenue which contributed HK$494.25 million (FY2019: HK$502.92 million). Construction services business segment became the second largest revenue generator of the Group which achieved a revenue of HK$390.78 million (FY2019: HK$456.99 million).

Overall gross profit in FY2020 was HK$480.30 million, fell by 3.39% compared to HK$497.15 million in 2019. The overall gross profit margin for the FY2020 was a slightly increase of 0.71% to 42.52% (FY2019: 41.81%).

During the year, the Group had entered into the equity transfer agreement for the purpose of disposal 20% equity interests in the Yingtan Water Group (the "**Disposal**"). Yingtan Water Group is one of the main revenue and gross profit contributor to the Group. For the FY2020, Yingtan Water Group had contributed HK$244.44 million and HK$131.92 million of revenue and gross profit respectively, representing 21.64% and 27.47% to the total revenue and total gross profit respectively. Subsequent to the year-end, this Disposal was approved by the shareholders by way of poll at the Extraordinary General Meeting ("**EGM**") on 10 February 2021. Following the Disposal, the Yingtan Water Group will cease to be a subsidiary of the Company and will be accounted for as the financial instruments of the Company instead. Accordingly, the financial performance of the Yingtan Water Group will not be consolidated to the Group. The operating results and/or the net assets of the Group will be affected thereafter.

The analysis of financial performance by segments is as follows:

	Revenue				Gross Profit						2020 vs 2019	
	HK$' M 2020	% to the total	HK$' M 2019	% to the total	HK$' M 2020	% to the total	% Gross profit margin	HK$' M 2019	% to the total	% Gross profit margin	Revenue Increase/(Decrease) HK$ M	Gross Profit Increase/(Decrease) HK$ M
Water supply business	**175.99**	**15.58**	174.16	14.65	**52.79**	**10.99**	**30.00**	64.60	12.99	37.09	1.83	(11.81)
Sewage treatment business	**64.88**	**5.74**	49.73	4.18	**22.26**	**4.63**	**34.31**	14.60	2.94	29.36	15.15	7.66
Construction service business	**390.78**	**34.60**	456.99	38.43	**189.80**	**39.52**	**48.57**	180.44	36.29	39.48	(66.21)	9.36
Sub-total	**631.65**	**55.92**	680.88	57.26	**264.85**	**55.14**	**41.93**	259.64	52.23	38.13	(49.23)	5.21
Exploitation and sale of renewable energy business	**494.25**	**43.76**	502.92	42.29	**215.16**	**44.80**	**43.53**	236.62	47.60	47.05	(8.67)	(21.46)
Property Development	**3.65**	**0.32**	5.40	0.45	**0.29**	**0.06**	**7.97**	0.89	0.18	16.48	(1.75)	(0.60)
Total	**1,129.55**	**100**	1,189.20	100	**480.30**	**100**	**42.52**	497.15	100	41.81	(59.65)	(16.85)

Other operating income, net

For the FY2020, other operating income, net amounted to HK$133.09 million, (FY2019: HK$87.78 million) rose by HK$45.31 million. Other operating income, net mainly consisted of project management income of HK$52.63 million relating to building construction, net gain in trading of steels of HK$18.57 million, government grants of HK$5.78 million to subsidise certain renewable energy and waste treatment projects in the PRC, VAT refund of HK$31.60 million and rental income of HK$4.60 million from investment properties. The increase was mainly due to the provision of management service to building construction projects and trading of steels during the year.

Selling and distribution expenses and administrative expenses

For the FY2020, selling and distribution expenses together with administrative expenses ("**Total Expenses**") collectively dropped by HK$24.65 million to HK$296.98 million (FY2019: HK$321.63 million). The decrease was mainly due to the implementation of strict cost controls measures resulting in the reduction of staff cost, and administrative expenses and the relief of social insurance supported by the government during the Coronavirus Disease 2019 ("**COVID-19**") pandemic 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$152.41 million, legal and professional fee of HK$14.96 million, repair and maintenance of HK$11.14 million, depreciation and amortisation of HK$31.04 million. The ratio of Total Expenses for the FY2020 represented 26.29% of revenue, dropped by approximately 0.76% from 27.05% for the FY2019 which was in line with the business performance of the Group.

Finance costs

Finance costs are mainly interests on fixed coupon bonds. For the FY2020, the finance costs were HK$79.75 million (FY2019: HK$68.76 million), an increase of HK$10.99 million as compared to that of last year. The increase was mainly due to less interest capitalised included in construction in progress in 2020. In 2019, the construction of Jinxiang project was under infrastructure period and the expansion of second phase in Yichun Fangke sewage treatment plant was completed which made more interest capitalised in this year.

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

Included in net loss on financial assets at fair value through profit or loss ("**FVPL**") comprised (i) HK$4.44 million for the fair value loss on listed equity securities; and (ii) HK$9.00 million for the loss on disposal of listed equity securities. For the FY2020, net loss on FVPL recorded HK$13.44 million, a decrease of HK$26.13 million from the loss of HK$39.57 million for the FY2019. The change in fair value on securities trading is determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Impairment loss recognised on other intangible assets, goodwill and property, plant and equipment ("PPE")

For the FY2020, the impairment loss on other intangible assets, goodwill and PPE recorded HK$3.58 million (FY2019: HK$4.86 million), HK$0.76 million (FY2019: HK$1.35 million) and HK$19.02 million (FY2019: HK$4.04 million) respectively, which were mainly provided for Nanjing Jiaozishan project, Zhuzhou Biogas project, Ningbo Qiyao project, Shangdong Qiyao Project, Fengcheng project and Haicheng project, all these projects are in relation to the renewable energy business. The reasons of impairment loss provided on these projects are (i) as no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators, it was expected that the power generation will be stopped within a year; and (ii) an expected decrease in new garbage delivered to the landfill sites, which caused the volume of landfill gas collected and the electricity generated less than expected. Since recoverable amounts of those assets for the aforesaid projects are less than their carrying amount, this resulted in an impairment loss.

Net impairment loss recognised on trade and other receivable

For the FY2020, the net impairment loss on trade and other receivable recorded HK$18.53 million (FY2019: HK$11.34 million). The Group applies HKFRS 9 simplified approach to measure the expected credit loss ("**ECL**"), which permits the use of lifetime expected loss provision for all trade and other receivable. In assessing the ECL of the Group's trade and other receivable including contract assets, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information, credit risk characteristics including forward-looking information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics and business nature. In determining the default risk, factors including but not limited to, the past default history, the duration of the underlying receivables, the financial background of guarantors, the possibility of adverse change in the debtor's business environment and the debtor's financial position, would be considered.

Share of results from associates

For the FY2020, the Group shared the loss of HK$1.80 million (FY2019: profit of HK$2.18 million) which was mainly arising from Yugan San Hai Property Limited* ("**Yugan San Hai**") (余干三海置業有限公司). As at 31 December 2020, the Group has four 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), 37% equity interest in Yingtan City Hongji Construction Materials Technology Limited* (鷹潭市宏基建材科技有限公司), 49% equity interests of Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (資陽市綠州新中水環保科技有限公司) and 30% equity interests in Yugan San Hai.

Share of results from joint venture companies

For the FY2020, the Group shared the loss of HK$2.15 million (the FY2019: loss of HK$2.72 million) which was mainly arising from Jiangxi Yuehe Property Co., Limited* ("**Jiangxi Yuehe**") (江西越和置業有限公司). As at 31 December 2020, the Group has three joint venture companies, including 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).

Income tax

For the FY2020, the income tax decreased by HK$8.97 million to HK$60.32 million due to addition tax of HK$9.00 million imposed on the disposal of associates in 2019 (FY2019: HK$69.29 million). Except for this, the income tax was in line with the performance of the Group, no provision for Hong Kong Profits Tax has been made in the financial statements for the FY2020 and FY2019 as the Group's operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the year, certain renewable energy companies in PRC are subject to tax concessions under the relevant tax rules and regulation.

Exposure to Fluctuations in Exchange Rates

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

TREASURY MANAGEMENT

For the FY2020, there had been no material change in the Group's funding and treasury policies. The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development and the repayment of financial liabilities when due. The Group generally finances its business operations and capital expenditure with internally generated cash flow, bank facilities and other borrowings from financial institutions. 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

For the FY2020, the Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Group recorded cash and cash equivalents of HK$432.65 million (As at 31 December 2019: HK$390.91 million) including cash held at financial institutions of HK$0.14 million (As at 31 December 2019: HK$6.79 million) and an overdraft held at financial institutions of HK$4.61 million (As at 31 December 2019: HK$20.48 million). The increase in cash and bank balance of the Group was mainly due to deposits received from customers for the sale of properties under development and deposit received from the disposal of subsidiary. With the steady operating cash flows, the Group should have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HK$ and RMB.

The net current assets for the Group in 2020 were HK$343.33 million (As at 31 December 2019: HK$398.45 million). The current ratio (current assets over current liabilities) was 1.13 times as at 31 December 2020 (As at 31 December 2019: 1.21 times).

Net asset value amounted to HK$2,200.95 million (As at 31 December 2019: HK$1,896.40 million). Net asset value per share was HK$1.38 (As at 31 December 2019: HK$1.19).

As at 31 December 2020, the Group's consolidated non-current assets grew by HK$186.96 million to HK$2,618.69 million (As at 31 December 2019: HK$2,431.73 million) was mainly due to the development of property projects including the Nanjing Space Big Data Industry Base and Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) and newly established renewable energy projects which made the property, plant and equipment to increase.

INVESTMENT PROPERTIES

As at 31 December 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 (%)
1 **Xiabu Centre** Xiabu Water Plant Control Centre No. 1 Qilin East Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC	Commercial	15,313.43	Long	96.89%	51%
2 **Yuehu Property** No. 8 Shengli West Road, Yuehu District, Yingtan City, Jiangxi Province	Commercial	944.74	Long	86.81%	51%
3 **Yihai International Building** Room C-103, Yihai International Street, 200 meters south of Phoenix Street and Lanting Road, Hedong District, Linyi City, Shandong Province, the PRC	Commercial	155.28	Long	100%	60%
4 **Yichun Properties** No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	76%	51%

As at 31 December 2020, the carrying value of investment properties recorded HK$94.33 million (As at 31 December 2019: HK$89.11 million) including HK$73.06 million of the Xiabu Centre, HK$1.94 million of Yihai International Building, HK$7.46 million of Yichun Properties and HK$11.87 million of Yuehu Property. The increase of HK$5.22 million was the revaluation of fair value of investment properties and the net retranslation exchange gain which was partially offset the vacant units in Xiabu Centre transferred to buildings held for own use. For the FY2020, the rental income from investment properties maintained at similar level of HK$4.60 million (FY2019: HK$4.60 million).

INVENTORIES

As at 31 December 2020, inventories of HK$900.82 million (As at 31 December 2019: HK$636.24 million) comprised of properties held for sale of HK$106.24 million (As at 31 December 2019: HK$101.39 million), raw material of HK$62.52 million (As at 31 December 2019: HK$49.58 million) and work-in-progress of HK$96.26 million (As at 31 December 2019: Nil), properties under development of HK$635.80 million (As at 31 December 2019: HK$485.27 million).

Properties under development represented the construction of premises for Sanshui Guobinfu Project* in Jiangxi Province and Nanjing Space Big Data Industry Base in Nanjing, Jiangsu Province, the PRC which are entirely owned by Jiangxi Hongzhu Trading Co. Limited* (江西宏築貿易有限公司) and New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司) respectively. The expected completion date for these properties are in December 2021 and April 2021 respectively.

Properties held for sale represented the construction of new commercial and residential buildings by Xiang Rui Property at Yingtan City, Jiangxi Province, the PRC which is entirely owned by Yingtan Water. The properties namely Yu Jing No. 1* (御景壹號) located at No. 8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC has been completed in July 2017 with a total saleable area of 35,370 sq.m., which comprised of 372 residential apartments, 105 retail shops and 131 car parks. The pre-sales of the project had commenced since October 2014. As at 31 December 2020, there were 366 residential apartments and 8 retail shops being sold (As at 31 December 2019: 356 residential apartments and 7 retail shops).

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 31 December 2020, the fair value of securities investments of the Group including held-for-trading investment and held-for-long term investment recorded HK$27.32 million (As at 31 December 2019: HK$60.63 million) representing 0.49% of the total assets value of HK$5,628.80 million as at 31 December 2020. The securities investments of the Group comprised listed securities in Hong Kong and investment fund in the PRC. The following analysis was the Group's investments at the end of reporting period:

List of stocks in terms of market value as at 31 December 2020

	Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2020	Effective interest held as at 31 December 2020	Initial investment cost	Market value as at 31 December 2020	Realised gain/ (loss) for the year ended 31 December 2020	Accumulated unrealised holding gain/ (loss) on revaluation	Percentage to total assets value of the Group as at 31 December 2020	Classification	Dividend received/ receivable during the year
						HK$'000	HK$'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	11,760	(8,936)	(6,116)	0.21%	FVPL	16
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	6,442,000	0.63%	5,351	2,642	–	(2,709)	0.05%	FVOCI	–

	Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2020	Effective interest held as at 31 December 2020	Initial investment cost	Market value as at 31 December 2020	Realised gain/ (loss) for the year ended 31 December 2020	Accumulated unrealised holding gain/ (loss) on revaluation	Percentage to total assets value of the Group as at 31 December 2020	Classification	Dividend received/ receivable during the year
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*			*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	283	–	(2,377)	0.01%	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	388	(291)	(600)	0.01%	FVOCI	41
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	0.16%	908	340	–	(568)	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	21	–	(126)	0.00%	FVPL	–
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	–

	Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2020	Effective interest held as at 31 December 2020	Initial investment cost	Market value as at 31 December 2020	Realised gain/ (loss) for the year ended 31 December 2020	Accumulated unrealised holding gain/ (loss) on revaluation	Percentage to total assets value of the Group as at 31 December 2020	Classification	Dividend received/ receivable during the year
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*			*HK$'000*
	Name of unlisted investment		**Brief description of the business**									
9	Guangdong Finance Industry Strategic Fund (**)		Investment in unlisted equity	N/A	N/A	11,163	11,882	–	719	0.21%	FVPL	–
	Total						**27,316**	**(9,227)**	**(17,073)**	**0.49%**	**-**	**-**

* 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.

FVPL: Financial asset at fair value through Profit or loss

FVOCI: Financial asset at fair value through other comprehensive income

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$13.44 million on FVPL for the FY2020. Given the fluctuation in the worldwide financial markets and the impact of COVID-19, the Board expected that the fair value of equity investment may be further declined. The Board has planned to scale down the short-term investment in equity trading 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.

TRADE AND OTHER RECEIVABLES

As at 31 December 2020, the Group's trade and other receivables were approximately HK$1,503.67 million (As at 31 December 2019: HK$1,189.02 million). These comprised of: (i) trade receivables of HK$560.56 million, (ii) other receivables of HK$212.50 million, (iii) loan receivables of HK$144.34 million and (iv) deposits and prepayments of HK$586.27 million.

(A) Trade Receivable:

As at 31 December 2020, trade receivables increased by HK$90.93 million to HK$560.56 million (As at 31 December 2019: HK$469.63 million) which was mainly attributable to the increase in the government tariff subsidies to renewable energy projects. The balance mainly included the government on-grid tariff subsidies of HK$432.48 million (As at 31 December 2019: HK$248.39 million) and electricity sales receivables of HK$34.63 million (As at 31 December 2019: HK$33.59 million) from local grid companies, representing 83.33% 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. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote. During the year, the net impairment loss recognized on trade receivable recorded HK$0.05 million (FY2019:HK$1.21 million).

The average turnover period of the trade receivables as at 31 December 2020 were 166 days (As at 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 31 December 2020, other receivables increased by HK$100.80 million to HK$212.50 million (As at 31 December 2019: HK$111.70 million) primarily due to interest receivable, dividend income and tax recoverable. At the reporting date, 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. During the year, the net impairment loss recognised on other receivable was HK$0.63 million (FY2019: HK$3.19 million).

(C) Loan receivable

As at 31 December 2020, loans receivables decreased by HK$35.79 million to HK$144.34 million (As at 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. 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. During the year, the net impairment loss recognised on loans receivable amounted to HK$14.11 million (FY2019: HK$6.94 million). Subsequent to the year-end, HK$85.21 million received for the settlement of certain loans.

(D) Deposits and prepayments

As at 31 December 2020, deposits and prepayments increased by HK$158.71 million to HK$586.27 million (As at 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, payment in advance for construction works, deposits paid including glass management contract and the finance lease. During the year, the net impairment loss recognised on deposits and prepayments was HK$3.74 million (FY2019: Nil).

LIABILITIES AND GEARING

As at 31 December 2020, the Group's total liabilities (including both current and non-current) recorded HK$3,427.85 million (As at 31 December 2019: HK$2,863.33 million). The increase of HK$564.52 million was attributable to (i) addition bank loan; (ii) received deposits from customers relating to the sale of properties under development; and (iii) billing in advance for construction projects; Except for the issuance of bonds and non-financial institution loan denominated in HK$, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 31 December 2020 was 60.90% (As at 31 December 2019: 60.16%). The ratio was calculated by dividing total liabilities of HK$3,427.85 million (As at 31 December 2019: HK$2,863.33 million) over total assets of the Group of HK$5,628.80 million (As at 31 December 2019: HK$4,759.73 million).

As at 31 December 2020, the Group's total bank and other borrowings were HK$880.79 million (As at 31 December 2019: HK$863.84 million). For the maturity profile, refer to the table below:

Debt Analysis

	31 December 2020		31 December 2019	
	HK$'000	***%***	*HK$'000*	*%*
Classified by maturity				
– repayable within one year				
Bank borrowings	**53,998**	**6.13**	45,242	5.24
Other loans	**340,151**	**38.62**	167,029	19.33
	394,149	**44.75**	212,271	24.57
Classified by maturity				
– repayable more than one year				
Bank borrowings	**97,813**	**11.10**	79,040	9.15
Other loans	**388,827**	**44.15**	572,529	66.28
	486,640	**55.25**	651,569	75.43
Total bank and other borrowings	**880,789**	**100**	863,840	100
Classified by type of loans				
Secured	**154,187**	**17.51**	118,700	13.74
Unsecured	**726,602**	**82.49**	745,140	86.26
	880,789	**100**	863,840	100
Classified by type of interest				
Fixed rate	**460,740**	**52.31**	506,451	58.63
Variable-rate	**341,912**	**38.82**	286,475	33.16
Interest free rate	**78,137**	**8.87**	70,914	8.21
	880,789	**100**	863,840	100

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 31 December 2020, the outstanding Bond I amounted to HK$87.65 million and was classified as an other loan (As at 31 December 2019: HK$96.93 million). Subsequent to the year-end, the outstanding Bond I was fully settled.

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 31 December 2020, the outstanding Bond II amounted to HK$185.11 million and was classified as an other loan (As at 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 31 December 2020, the outstanding Bond III amounted to HK$19.18 million and was classified as an other loan (As at 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 31 December 2020, the outstanding Bond IV amounted to HK$15.82 million and was classified as an other loan (As at 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.

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 31 December 2020, Bond V was fully settled (As at 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 31 December 2020, the outstanding Bond VI amounted to HK$2.07 million for Bonds (B) and was classified as an other loan (As at 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 31 December 2020, the outstanding other bonds amounted to HK$50.06 million and was classified as an other loan (As at 31 December 2019: HK$35.98 million).

As at 31 December 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$359.89 million which were utilized as general working capital, repayment of debts and/or acquisition activities (As at 31 December 2019: HK$376.84 million).

TRADE AND OTHER PAYABLES

As at 31 December 2020, the Group's trade and other payables were approximately HK$638.53 million (As at 31 December 2019: HK$585.05 million). Increase of HK$53.48 million in trade and other payable was mainly due to the increase in property construction payable according to the completion stage, more plant facilities acquired for newly established 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 year, the Group incurred capital expenditures amounting to HK$38.47 million (FY2019: HK$171.96 million) for acquisition of concession intangible assets.

BUSINESS REVIEW

1.1 Water supply business

There are three city water supply projects of the Group which are well spread in Jiangxi and Shandong provinces, the PRC. The daily aggregate water supply capacity was approximately 0.39 million tonne (FY2019: 0.39 million tonne). Total water supply to the Jiangxi and Shandong during the year recorded 93.14 million tonne (FY2019: 89.45 million tonne), increasing by 4.13% over 2019. For the FY2020, the revenue and gross profit from water supply business amounted to HK$175.99 million and HK$52.79 million respectively, representing 15.58% and 10.99% of the Group's total revenue and total gross profit respectively. Compared with the FY2019, the revenue slightly increased by HK$1.83 million but the gross profit dropped by HK$11.81 million which 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 relocation of water intake point to remote area resulting in increasing of electricity cost in Yingtan Water; (iii) an increase in medicine cost so to upgrade the quality of water; and (iv) increase in water source cost and repairing cost. The average rates for the water supply ranged from HK$1.84 to HK$2.57 per tonne (FY2019: from HK$1.75 to HK$2.51 per tonne).

The analysis of financial performance by segment is as follows:

		2020	2019	Variance
Water Supply Business				
Revenue	*HK$'million*	**175.99**	174.16	1.83
Gross profit	*HK$'million*	**52.79**	64.60	(11.81)
Gross profit %	*%*	**30.00**	37.09	(7.09)
Designed daily capacity of water supply	*Tonne*	**390,000**	390,000	-

Analysis of water supply projects on hand is as follows:

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

1.2 Sewage treatment business

Following the completion of construction of Mingyue Mountain plant and Jining Haisheng plant in 2020, the number of sewage treatment projects will increase to five projects which are located in Jiangxi, Guangdong and Shandong provinces (FY2019: three projects) and the daily aggregate sewage disposal capacity will increase by 50,000 tonne to 240,000 tonne (FY2019: 190,000 tonne). For the FY2020, the revenue and gross profit recorded HK$64.88 million and HK$22.26 million respectively, representing 5.74% and 4.63% of the Group's total revenue and total gross profit respectively. During the period under review, the Group processed in aggregate of 61.67 million tonne of waste water (FY2019: 58.52 million tonne), increasing by 5.38% over the last year due to Jining Haisheng Project commenced its operation in August 2020. Compared with the FY2019, the revenue and gross profit slightly increased by HK$15.15 million to HK$64.88 million and HK$7.66 million to HK$22.26 million respectively due to (i) the increase of waste water processing; (ii) reduced value added tax from 13% to 6% from May 2020; and (iii) slightly increase of sewage treatment rate in Yichun Fangke project. The average rates for sewage treatment ranged from HK$0.99 to HK$1.43 per tonne (FY2019: HK$0.68 to HK$1.27 per tonne).

The analysis of financial performance by segment is as follows:

		2020	2019	Variance
Sewage Treatment Business				
Revenue	*HK$'million*	**64.88**	49.73	15.15
Gross profit	*HK$'million*	**22.26**	14.60	7.66
Gross profit %	*%*	**34.31**	29.36	4.95
Designed daily sewage disposal capacity	*Tonne*	**240,000**	190,000	50,000

Analysis of sewage treatment projects on hand is as follows:

	Project name	Equity interest held by the Company %	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Jining Haiyuan	70	30,000	Shandong	2036
2	Jining Haisheng	100	30,000	Shandong	2049
3	Gaoming Huaxin	70	20,000	Guangdong	2033
4	Yichun Fangke	54.33	140,000	Jiangxi	2036
5	Yichun Mingyue Mountain	65	20,000	Jiangxi	2047
	Total		**240,000**		

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Group's second major sources of revenue and gross profit contributing HK$390.78 million and HK$189.80 million respectively, representing 34.60% and 39.52% of the Group's total revenue and total gross profit respectively. Compared with the FY2019, the revenue decreased by HK$66.21 million but the gross profit increased by HK$9.36 million. The decrease in revenue was due to absence of large scale infrastructure construction work for sewage treatment projects which completed in 2019 and slowing down of construction progress in the first half of FY2020 caused by the temporary policies issued by local PRC governments regarding postponement of work resumption and traffic restrictions to control the COVID-19 outbreak. As at mid April 2020, the Group's construction projects gradually resumed to normal and caught up the behind schedule.

The analysis of financial performance by segment is as follows:

		2020	2019	Variance
Water supply related installation and construction income				
Revenue	*HK$'million*	**352.18**	285.47	66.71
Gross profit	*HK$'million*	**192.49**	160.72	31.77
Gross profit %	*%*	**54.66**	56.30	(1.64)
Water supply and sewage treatment infrastructure construction income				
Revenue	*HK$'million*	**38.60**	171.52	(132.92)
Gross profit	*HK$'million*	**(2.69)**	19.72	(22.41)
Gross profit/(loss) %	*%*	**(6.97)**	11.50	(18.47)
Total				
Revenue	*HK$'million*	**390.78**	456.99	(66.21)
Gross profit	*HK$'million*	**189.80**	180.44	9.36
Gross profit %	*%*	**48.57**	39.48	9.09

1.4 Exploitation and sale of renewable energy business

Up to the date of this report, the Group has 46 solid waste treatment projects, of which 37 have commenced operation with a total installed capacity of 165 MW, the remaining 9 are under construction, with an estimated total installed capacity of 15 MW. During the year, the Group secured 8 new projects in Liling, Chongqing Heishizi, Ankang, Dingnan, Shanghang, Yangxin, Changting, Wuping, with an estimated total installed capacity is 18 MW.

For the FY2020, the revenue and gross profit recorded HK$494.25 million and HK$215.16 million respectively representing 43.76% and 44.80% to the total revenue and total gross profit respectively. Compared with the FY2019, the revenue and gross profit dropped by HK$8.67 million and HK$21.46 million respectively.

The slight decline in business performance was because (i) the delay in the construction of the projects due to the COVID-19 pandemic, resulting in insufficient new projects to be put into production in the first half of the year; (ii) the emergency repair and technical transformation of the power plants were not fixed in time which affected the efficiency of production and the increase in the loss in electricity; (iii) no new garbage delivered to landfill site and the existing landfill not sufficient to support the operation which made three power generation plants suspended their operation in 2020 and two power generation plants to be closed within one year; (iv) technical transformation in respect of safety by changing the natural gas sales model from filling to pipeline which made the production stopped from April 2020 and resumed its operation in December 2020.

Included in revenue was HK$147.88 million (FY2019: HK$143.18 million) and HK$310.65 million (FY2019: HK$298.93 million) derived from the government tariff subsidies and the sale of electricity to local grid companies respectively, representing 29.92% and 62.85% of the total renewable energy revenue respectively.

The analysis of financial performance by segment is as follows:

		2020	2019	Variance
Exploitation and sale of renewable energy business				
– Sale of electricity				
Revenue	*HK$'million*	**459.69**	443.09	16.60
Gross profit	*HK$'million*	**216.49**	225.54	(9.05)
Gross profit %	*%*	**47.09**	50.90	(3.81)
– Sale of compressed natural gas				
Revenue	*HK$'million*	**6.96**	28.33	(21.37)
Gross profit/(loss)	*HK$'million*	**(2.47)**	6.64	(9.11)
Gross profit/(loss) %	*%*	**(35.49)**	23.44	(58.93)
– Service income from collection of landfill gas				
Revenue	*HK$'million*	**27.60**	31.50	(3.90)
Gross profit	*HK$'million*	**1.14**	4.44	(3.30)
Gross profit %	*%*	**4.13**	14.10	(9.97)
Total				
Revenue	*HK$'million*	**494.25**	502.92	(8.67)
Gross profit	*HK$'million*	**215.16**	236.62	(21.46)
Gross profit %	*%*	**43.53**	47.05	(3.52)

Summary of revenue		2020	% to total	2019	% to total
Government tariff subsidies	*HK$'million*	**147.88**	**29.92**	143.18	28.47
The sale of electricity to local grid companies	*HK$'million*	**310.65**	**62.85**	298.93	59.44
Other	*HK$'million*	**1.16**	**0.24**	0.98	0.20
		459.69	**93.01**	443.09	88.10
Compressed natural gas & landfill gas	*HK$'million*	**34.56**	**6.99**	59.83	11.90
		494.25	**100.00**	502.92	100.00

During the year under review, the Group had 34 projects in operation (FY2019: 29 projects), generating approximately 734,141.40 MWh of on-grid electricity which represented an increase of 3.68% over 2019 (FY2019: 708,075.20 MWh). As at 31 December 2020, the Group accumulated a total installed capacity of 177 MW, representing an increase of 17.37% compared to 31 December 2019 (As at 31 December 2019: 150.80 MW).The average electricity rate was HK$0.66 per kilowatt-hour and the average CNG rate was HK$1.93 per m^3 (FY2019: average electricity rate HK$0.58 per kilowatt-hour and the average CNG rate was HK$1.91 per m^3).

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 *(Note 2)*	Jiangsu	Power generation	100	October 2013	June 2025
2	ZhuZhou Biogas *(Note 3)*	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	*Note 1*
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	–	May 2014	October 2039
11	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	CNG: December 2015 Power generation: October 2017	

	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
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	2022	February 2036
16	Yichun South Suburban	Jiangxi	Power generation	100	July 2017	September 2026
17	Ningbo Qiyao *(Note 2)*	Zhejiang	Power generation	100	February 2017	June 2028
18	Shandong Qiyao *(Note 2)*	Shandong	Power generation	100	May 2017	November 2029
19	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
20	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
21	Xinhua	Hunan	Power generation	100	November 2017	December 2026
22	Zhangjiakou	Hebei	Power generation	70	October 2018	*Note 1*
23	Fengcheng *(Note 3)*	Jiangxi	Power generation	100	January 2018	March 2032
24	Anqiu City	Shandong	Power generation	100	March 2018	*Note 1*
25	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
26	Haicheng	Liaoning	Power generation	100	August 2019	*Note 1*
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	January 2021	*Note 1*
32	Nanning	Guangxi	Power generation	100	April 2020	April 2028
33	Ziyang	Sichun	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 2021	*Note 1*
36	Gaizhou	Liaoning	Power generation	100	January 2021	*Note 1*
37	Lianyuan	Hubei	Power generation	100	January 2021	May 2024
38	Liling	Hunan	Power generation	100	October 2020	January 2027
39	Chongqing Heishizi Operation Contract	Chongqing	Power generation	–	November 2020	February 2039
40	Ankang	Shaanxi	Power generation	100	July 2021	September 2030
41	Dingnan	Jiangxi	Power generation	100	October 2021	*Note 1*
42	Shanghang	Fujian	Power generation	100	October 2021	September 2025
43	Yangxin	Hubei	Power generation	100	January 2022	September 2026

	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
44	Changting	Fujian	Power generation	100	October 2021	December 2025
45	Wuping	Fujian	Power generation	100	October 2021	December 2030
46	Wafangdian	Liaoning	Power generation	100	January 2022	*Note 1*

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

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

Note 2: These projects had suspended their operation in 2020.

Note 3: These projects will be suspended their operation in 2021.

1.5 Property Investment and development

For the FY2020, property development recorded the revenue and gross profit of HK$3.65 million and HK$0.29 million respectively (FY2019: the revenue and gross profit of HK$5.40 million and HK$0.89 million) which was the sale of properties in Yu Jing No. 1 Project* (御景壹號). During the year, there were only 10 residential units and 1 retail shop being sold (FY2019: 4 residential units and 1 retail shop being sold).

		2020	2019	Variance
Property Investment and development				
Revenue	*HK$'million*	**3.65**	5.40	(1.75)
Gross profit	*HK$'million*	**0.29**	0.89	(0.60)
Gross profit/(loss) %	*%*	**7.97**	16.48	(8.51)

As at 31 December 2020, the Group has a total of 7 property projects of which 4 projects under construction and 3 projects yet to develop, with an estimated total gross floor area ("**GFA**") after completion of approximately 337,371 square meter. During the year, the Group launched four projects for pre-sale, namely Sanshui Guobinfu Project* (三水 • 國賓府項目) which has 1,001 residential units (96% sold) and 157 shops (18% sold), Sanshui California Sunshine Real Estate* (三水加州陽光房地產) which has 299 residential units (99% sold) and 64 shops (17% sold), Sanshui Jinlin House* (三水金麟府) which has 1546 residential units for phase one (18% sold) and Nanjing Space Big Data Industry Base which has 567 commercial units (49% 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 entered into the disposal agreement to dispose the property project namely Honghu Blue Valley Wisdom Square*. However, on 26 November 2020, the disposal agreement was terminated. In the second half of the year, with full economic recovery in the PRC and Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) well situated in the Guangdong-Hong Kong-Macau Bay Area where the pace of supply was not adequately catered for market demand, the Group has capture this advantage to relaunch this project to the market and to study from benchmarking enterprises, enhance its professional and project-specific marketing capabilities so to substantially shorten the life cycle of development and speed up the cash inflow.

Land acquisition for the development of property projects

As at 31 December 2020, the Group has 7 property projects under development in the PRC with total site area of approximately 268,136 square meters. The development status of the property projects of the Group is as follows:

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Total site area (square meters	Estimated total GFA 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)	Guanghua West Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC	Under construction (95%)	April 2021	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) *(Note)*	East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province	Under construction (75%)	December 2021	Residential and commercial/ for sale	30,742	128,384	70 years for Residential and 40 years for commercial	100
3.	Sanshui California Sunshine Real Estate* (三水加州陽光房地產) *(Note)*	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 (95%)	April 2021	Residential and commercial/ for sale	10,076	40,984	70 years for Residential and 40 years for commercial	40

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Total site area (square meters	Estimated total GFA after completion (square meters)	Lease term (years)	Group's interest (%)
4.	Sanshui Jinlin House* (三水金麟府) *(Note)*	B-19-0033, 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, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction (70%)	December 2021	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) *(Note)*	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

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Total site area (square meters	Estimated total GFA after completion (square meters)	Lease term (years)	Group's interest (%)
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	50 years	51
						268,136	337,371		

Note: Yingtan Water Group has held equity interests in these projects.

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

The Group had entered into eight landfill gas collection and power generation agreements with different government authority departments in the PRC. The investment mode for these projects are building-owning-operation. The Group has held 100% equity interests in the following projects. The analysis of new construction and acquisition of renewable energy projects for power generation is as follows:

	Date of agreement	Name of project company	Concession Agreement Signing Department	Project name	Provincial cities in PRC	Garbage disposal capacity (tons/day)	Estimated investment cost/ consideration (RMB)	Expected commencement date of operation	Exclusive right to collect landfill gas expiry in	Average electricity rate per kilowatt-hour (RMB)
	For new construction									
1	19 January 2020	Zhuzhou New Water Environmental Protection Technology Co., Ltd.* (株州新中水環保科技有限公司)	Liling City Appearance and Environmental Sanitation Administration and Liling Yingfeng Zhonglian Environmental Industry Co., Ltd.	Liling Municipal Waste Landfill Power Generation Project ("**Liling Project**")	Hunan	600	15,000,000.00	October 2020	7 years from the date of agreement	0.634
2	17 September 2020	Ankang New Water Environmental Protection Technology Co., Ltd.* (安康新中水環保科技有限公司)	Urban Management Law Enforcement Bureau of Ankang City (Hanbin Branch)	Ankang Landfill Biogas Power Generation Project ("**Ankang Projects**")	Shaanxi	400	14,000,000.00	July 2021	10 years	0.532
3	23 September 2020	Shanghang Greenspring Environmental Technology Limited* (上杭縣青泓環保科技有限公司)	Shanghang County Environmental Sanitation Management Office	Shanghang County Landfill Gas Power Generation Project ("**Shanghang Project**")	Jiangxi	300	8,000,000.00	October 2021	5 years	0.585
4	15 October 2020	Dingnan Greenspring Environmental Technology Limited* (定南縣青泓環保科技有限公司)	Dingnan County Urban Management Bureau	Dingnan County Landfill Gas Power Generation Project ("**Dingnan Project**")	Fujian	250	8,000,000.00	October 2021	until the volume of landfill gas fully utilized	0.629

	Date of agreement	Name of project company	Concession Agreement Signing Department	Project name	Provincial cities in PRC	Garbage disposal capacity (tons/day)	Estimated investment cost/ consideration (RMB)	Expected commencement date of operation	Exclusive right to collect landfill gas expiry in	Average electricity rate per kilowatt-hour (RMB)
5	5 December 2020	Changting County Greenspring Environmental Protection Technology Co., Ltd.* (長汀縣青泓環保科技有限公司)	Changting County Health Management Office	Changting County Landfill Gas Power Generation Project ("**Changting Project**")	Fujian	300	8,000,000.00	October 2021	5 years	0.629
6	21 December 2020	Wuping County Greenspring Environmental Protection Technology Co., Ltd.* (武平縣青泓環保科技有限公司)	Wuping County Urban Management Bureau	Wuping County Landfill Gas Power Generation Project ("**Wuping Project**")	Fujian	200	8,000,000.00	October 2021	10 years	0.629
7	5 March 2021	Wafangdian* project (瓦房店項目) (the project company has not been established)	Wafangdian Urban Management Comprehensive Law Enforcement Bureau	Wafangdian Landfill Gas Power Generation Project ("**Wafangdian Project**")	Liaoning	800	7,000,000.00	January 2022	until the volume of landfill gas fully utilized	0.5472
For acquisition										
8	2 December 2020	Huangshi Hangwei Smart Energy Co., Ltd.* (黃石市航為智慧能源有限公司)	City Appearance and Public Utilities Administration of Yangxin County	Landfill Gas Power Generation Project of Yangxin Waste Landfill Site ("**Yangxin Project**")	Hubei	400	350,000.00	January 2022	6 years	0.587

OTHER MATERIAL EVENT DURING THE YEAR UNDER REVIEW

A. Termination in the disposal of the entire equity interests in Huizhou Swan Heng Chang Property Development Company Limited

On 10 June 2020, Swan (Huizhou) Investment Company Limited (the "**Swan (Huizhou)**"), Huizhou Yuandong Kangshouyuan Medical Center Co., Ltd.* (惠州市遠東康壽園療養中心有限公司) (the "**Huizhou Yuandong**") 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 RMB161.05 million (equivalent to approximately HK$173.93 million) and the settlement arrangements of the bank loan of RMB45 million (equivalent to approximately HK$48.60 million), the loans in aggregate of RMB46.96 million (equivalent to approximately HK$50.71 million) due from Swan (Huizhou), the project debts in aggregate of RMB16.02 million (equivalent to approximately HK$17.30 million) due from contractor and the construction contracts debts of RMB11.50 million (equivalent to approximately HK$12.42 million) due from various contractors (the "**Disposed Transaction**"). The Disposed Transaction was approved by the shareholders by way of poll at the EGM on 14 August 2020. On 26 November 2020, as certain conditions precedent have not been fulfilled and no agreement was reached by the Swan (Huizhou) and the Huizhou Yuandong to further extend the extended long stop date, the Disposed Transaction was terminated.

B. The auction of the land use right of the Land in Shangrao City, Jiangxi Province, PRC

On 18 May 2020, Yingtan Xiang Rui Property Limited* (鷹潭祥瑞置業有限公司) (the "**Yingtan Property**") and Yingtan Sanhui Trading Company Limited* (鷹潭三匯貿易有限公司) (the "**Yingtan Sanhui**") entered into a joint venture agreement ("**JV Agreement**"). Pursuant to the JV Agreement, Yingtan Property and Yingtan Sanhui shall establish a joint venture company ("**the JV Company**") in Yingtan, to participate in the bidding of the land located in Hengfeng County, the PRC with total area of 27,487.33m^2 (the "**Land**") for the development of the property development project and the total investment amount of the JV Company would not exceed RMB125.00 million (equivalent to approximately HK$137.00 million). The JV Company will be owned as to 49% by Yingtan Property and 51% by Yingtan Sanhui. On 20 May 2020, the JV Company did not win the auction of the land use right of the Land. In view of such, JV Agreement was terminated and the auction deposit amount refunded to each equity holder of the JV Company.

C. Finance Lease Arrangement

On 27 August 2020, Zhuzhou New China Water Environmental Technology Ltd.* (株洲新中水環保科技有限公司) (the "**Existing Lessee**"), Canton Greengold Financial Leasing Ltd.* (廣東綠金融資租賃有限公司) (the "**Greengold Leasing**") and Guangzhou Shenfa Electromechanical Industry Development Company Limited* (廣州市深發機電實業發展有限公司) (the "**Guangzhou Shenfa**") entered into the existing sale and purchase agreement I, pursuant to which Greengold Leasing shall purchase the containerised generators (the "**Leased Assets I**") from the Guangzhou Shenfa for the purchase price I of RMB12,000,000 (the "**Purchase Price I**") (equivalent to approximately HK$14,400,000). On the same date, the Existing Lessee and Greengold Leasing entered into the existing finance lease agreement I, pursuant to which the Greengold Leasing shall lease the Leased Assets I to the Existing Lessee for a lease consideration comprising of principal amount equivalent to the Purchase Price I and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price I.

On 24 September 2020, the Existing Lessee and Greengold Leasing entered into the existing sale and purchase agreement II, pursuant to which Greengold Leasing shall purchase the high and low voltage power distribution system and substation system equipment (the "**Leased Assets II**") from the Existing Lessee for the purchase price II of RMB3,000,000 (the "**Purchase Price II**") (equivalent to approximately HK$3,600,000). On the same date, Existing Lessee and Greengold Leasing entered into the existing finance lease agreement II, pursuant to which Greengold Leasing shall lease back the Leased Assets II to the Existing Lessee for a lease consideration comprising of principal amount equivalent to the Purchase Price II and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price II.

D. Disposal of 20% equity interests in Yingtan Water Supply Group Co., Ltd

On 15 December 2020, China Water Industry (HK) Limited (the "**China Water (HK)**"), being an indirect wholly-owned subsidiary of the Company, Jiangxi Sanchuan Group Company Limited* (江西三川集團有限公司) (the "**Jiangxi Sanchuan**") and Yingtan Water entered into the Equity Transfer Agreement, pursuant to which the China Water (HK) has conditionally agreed to sell, and the Jiangxi Sanchuan has conditionally agreed to purchase 20% equity interests in the Yingtan Water for a total consideration of RMB120,000,000 (equivalent to approximately HK$142,416,000). The Yingtan Water is owned as to 51% by the China Water (HK), 46% by Jiangxi Sanchuan Water Supply Company Limited* (江西三川水務有限公司) and 3% by Yingtan City Water Supply Company Limited* (鷹潭市供水公司). The Disposal was approved by the shareholders by way of poll at the EGM on 10 February 2021. As all conditions precedent have been fulfilled, the Disposal was completed in February 2021. Upon Completion, the Yingtan Water will cease to be a subsidiary of the Company, and the financial information of the Yingtan Water Group will cease to be consolidated into the consolidated financial statements of the Group.

E. Impact of COVID-19 outbreak to the Group

During the early stage, the Group's project construction and operation for the renewable energy business have been inevitably affected by the COVID-19 outbreak. Project companies encountered shortage of materials due to interruption of raw material transportation which caused the productivity of power generation was below the standard. Meanwhile, higher emission standards and the stringent infection prevention and control measures exerted greater pressure on the Group. Routine work was affected by the COVID-19 restrictions while the construction of new projects for power generation was delayed. In addition, given the COVID-19 prevention and control requirements across provinces, market expansion, tendering and procurement and business negotiation were interrupted. As longer processing time was required for the application for commencement of construction works for water supply and sewage treatment projects as well as building construction which caused the related business fell behind schedule. Following the effective containment of the pandemic in China, such temporary policies were lifted. As at mid-April 2020, all the Group's construction projects resumed operations. For the sales of the property business, it have been affected by the short-term psychological impact of the public on the pandemic. During the pandemic period, the Group's pre-sale recorded a satisfactory sale performance.

However, due to the main business models of the Group as a provision of water supply and sewage treatment services and the sale of renewable energy, its daily operation has not been seriously affected by COVID-19. The stability performance of these businesses in 2020 proved that the Group was not suffering any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

With the COVID-19 gradually under control in the second half of 2020, the Group continued to adopt the pandemic prevention measures and at the same time put great effort to accelerate the implementation of different business targets and hence the annual overall operating results still maintained at stable performance as compared with last year.

OTHER MATERIAL EVENT AFTER THE YEAR UNDER REVIEW

F. Finance Lease Arrangement

On 7 February 2021, Wuzhou City China Water New Renewable Resources Company Limited* (梧州市中水新能源科技有限公司) (the "**Lessee 1**"), Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (大唐華銀湘潭環保發電有限責任公司) (the "**Lessee 2**") and Hunan Liuyang New China Water Environmental Technology Limited* (湖南瀏陽新中水環保科技有限公司) (the "**Lessee 3**"), each being a subsidiary of the Company, (collectively known as the "**Lessees**"), entered into the finance lease agreement (the "**Finance Lease**") with Greengold Leasing, pursuant to which Greengold Leasing shall purchase certain biogas power generating facilities (the "**Leased Assets**") from the Lessees for a total consideration of RMB27,000,000 (equivalent to approximately HK$32,400,000) which was paid on the date of the Finance Lease. The Leased Assets would then be leased back to the Lessees for a term of three (3) years. The transfer agreement was entered into between Greengold Leasing and the Lessees on the date of the Finance Lease, effecting the terms of the Finance Lease in relation to the transfer of the Leased Assets from the Lessees to Greengold Leasing above.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

The Group's obligations under finance leases, bank loans and other loans of HK$381.57 million in total as at 31 December 2020 (As at 31 December 2019: HK$293.72 million) were secured by charges over:

(i) property, plant and equipment in which their carrying amount was HK$167.57 million (As at 31 December 2019: HK$24.55 Million);

(ii) right-of-use assets in which their carrying amount was HK$340.18 million (As at 31 December 2019: HK$351.12 million); and

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

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition results of operations and business prospects may be affected by several risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future:

Risk	Description	Key Risk Mitigations	Changes
Foreign exchange rates risk	The Group's assets, borrowings and major transactions are mainly denominated in Renminbi. The Group mainly settles business expenses and receives operating income in mainland China in Renminbi. The Group also remits HK dollars to PRC and converts into Renminbi for acquisition of projects or capital injection to establish investment companies. As the Group's financial statements are presented in HK dollars. Any appreciation or depreciation of HK dollars against Renminbi will affect the Group's financial position. The Management consider the exposure to foreign exchange risk is minimal and will continue to closely monitor the exposure and take any actions when appropriate.	– Management actively monitor the fluctuation in exchange rate and the Group's exposure to foreign exchange rate risk – Perform sensitivity analysis to quantify the foreign exchange rate risk – Management review regularly what necessary action (such as hedging) should be taken	Increased
Equity price risk	The Group is exposed to equity price risk through its investments in listed equity securities and investments in funds. Unfavorable movement in equity price could bring book or actual investment loss to the Group.	– The Board actively review and monitors the investment portfolio and take necessary action to limit the potential loss in an acceptable level – Establish investment policies that clearly set out control limits and approval procedures – Obtain Board approval for investment decisions – Establish investment department to perform study and analysis to the investment and the potential investment – Reduce the size of the investment portfolio, to minimize the loss in investment and focus the capital on operation.	Decreased

Risk	Description	Key Risk Mitigations	Changes
Liquidity risk	Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets.	– Actively monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows. – Decrease the level of investments to release the funds for operation. – Perform regular cashflow forecast for the Management to manage the liquidity of each business unit.	Increased
Operational and pricing risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Also, as the Company has only limited ability to change/re-negotiate wastewater treatment or water supply fees. If relevant local government authority rejects the Company's applications to increase the tariffs to compensate the increase in actual costs, the Company might suffer from loss or decrease in profitability.	– Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. – Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. – Our management will identify and assess key operational exposures regularly so that appropriate risk response could be taken.	Unchanged

Risk	Description	Key Risk Mitigations	Changes
Investment risk	Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments and thus risk assessment is a core aspect of the investment decision process.	– Site visit and detailed analysis will be performed to ensure invest only to high quality projects. – Regular updates on the progress of the investments of our Group would be submitted to the Board.	Increased
Manpower and retention risk	Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group.	– Provide attractive remuneration package (including performance bonus) to suitable candidates and personnel – Create positive and work-life balance working environment to avoid staff dissatisfaction – Regularly review staff benefit package and compare to market – Establish clear career path, backup staff plan and rotate staff regularly, if possible, to reduce impact from staff departure	Slightly decreased
Legal and regulatory compliance risk	Our business success and operations could be impacted by the change of respective government laws and regulation in PRC. Any failure to anticipate the trend of regulatory changes or cope with relevant requirement may result in non-compliance of local laws or regulations, leading to not only financial loss but also reputational damage to the Group.	– Actively monitors and pays close attention to the relevant regulatory and legislative developments of the markets it operates – Consults with regulators of the markets on changes which could impact on our businesses. – Training provided to staff in new staff orientation training. – On-going training to staff to alert them latest regulatory requirements.	Unchanged

NO MATERIAL CHANGE

Save as disclosed in this report, during the year, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the 31 December 2019.

BUSINESS PROSPECTS

The outlook and future plans of the Group are set out in the Chairman Statement on pages 7 to 8.

EMPLOYEES

As at 31 December 2020, excluding jointly controlled entities and associates, the Group had 1,430 (As at 31 December 2019: 1,406) employees, of which 18 (As at 31 December 2019: 20) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$222.18 million (As at 31 December 2019: HK$233.04 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 year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

DIRECTORS

Executive Directors

Mr. Zhu Yongjun ("Mr. Zhu"), aged 53, was appointed as an executive Director of the Company in August 2019. In February 2021, Mr. Zhu has been appointed as the Chairman, an Authorised Representative, a member of the Remuneration Committee, the chairman of the Nomination Committee and the chairman of the Investment Committee. He obtained his undergraduate from Hunan University in 1989 and a master degree of business administration in Peking University in the People's Republic of China in 2005. Currently, Mr. Zhu is the chairman of the board and an executive director of the New Concepts Holdings Limited (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. From February 2015 to March 2020, Mr. Zhu was the chairman of the board of Josab Water Solutions AB, a company incorporated under the laws of Sweden, whose shares are listed on the Spotlight Stock Market, a stock exchange in Sweden. Mr. Zhu started his environmental protection career in 2001. From July 2007 to February 2009, Mr. Zhu was an executive director of Softpower International Limited (Stock code: 380) which is listed on the Main Board of the Stock Exchange. From May 2008 to March 2013, Mr. Zhu was an executive Director of EverChina Int'l Holdings Company Limited (Stock Code: 202) which is listed on the Main Board of the Stock Exchange. From January 2009 to May 2015, he was also the chairman of the board of Heilongjiang Interchina Water Treatment Company Limited (Stock Code: 600187) which is listed on the Shanghai Stock Exchange.

Mr. Zhong Wei Guang ("Mr. Zhong"), aged 53, was appointed as an executive Director of the Company in September 2018. Mr. Zhong was appointed as Chief Operating Officer in November 2019. He is a member of the Investment Committee and a director of Swan (Huizhou) Investment Company Limited, a subsidiary of the Group. Currently, he serves as a general manager and deputy general manager in Huizhou Junfeng Investments Limited* (惠州俊峰投資有限公司) and Huizhou City Huixinfu Investment Co., Limited* (惠州市惠新福投資有限公司) respectively. Mr. Zhong was a committee member of 9th, 10th and 11th session of the Huizhou City Political Consultative Conference. He has over 20 years of experience in corporate management in PRC.

Mr. Lin Yue Hui ("Mr. Lin"), aged 49, was appointed as an executive Director of the Company in August 2011. He is also the director of certain subsidiaries of the Group. In April 2017, Mr. Lin was appointed as a CEO and was re-designated from a member to a Chairman of Investment Committee of the Company. Mr. Lin was appointed as the Chairman of the Company and a Chairman of Nomination Committee in September 2018. In February 2021, Mr. Lin Yue Hui has resigned as the Chairman, the Chief Executive Officer, the Process Agent and the chairman of the Nomination Committee and has been re-designated from the chairman of the Investment Committee to a member of the Investment Committee. He previously was a partner of Guanghe Law Firm. Mr. Lin obtained a Certificate of Graduation from Doctoral Program from China University of Political Science and Law. Mr. Lin was granted the PRC lawyer's qualification certificate in 2001. Before joining the Company, Mr. Lin had accumulated 17 years of experience in the law profession, his area of practice includes litigation matters involving acquisitions and mergers, real estate, economic disputes etc. He had also been a legal consultant of various companies in PRC. Up to the date of this report, Mr. Lin held 5,000,000 shares, representing approximately 0.31% of the issued capital of the Company.

Ms. Chu Yin Yin, Georgiana ("Ms. Chu"), aged 50, was appointed as an executive Director and Company Secretary of the Company as well as Financial Controller of the Group in October 2006, November 2006 and November 2019 respectively. Ms. Chu holds a Bachelor's Degree of Accounting and a Master's Degree of Corporate Governance. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of the Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Chu is also a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. Ms. Chu has over 20 years' extensive experience by working in an international audit firm and other listed companies. On 28 November 2018, Ms. Chu has resigned as an independent non-executive Director (the "**INED**") and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of Bisu Technology Group International Limited (stock code:1372). On 4 April 2019, Ms. Chu has resigned as an INED, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of Sino Golf Holdings Limited (stock code: 361). Both of the aforesaid companies are listed on the Main Board of the Stock Exchange. Up to the date of this report, Ms. Chu held 743,200 shares, representing approximately 0.05% of the issued share capital of the Company.

Ms. Deng Xiao Ting ("Ms. Deng"), aged 46, was appointed as an executive Director of the Company in July 2012. Ms. Deng has been appointed as a member of the Investment Committee in 8 February 2021.She is the director of various subsidiaries of the Group. Ms. Deng has once served as a national civil servant at Huizhou Public Security Bureau. Ms. Deng graduated from Jinan University, majoring in Accounting and subsequently graduated from the Party School of the Central Committee of C.P.C. with a major in law. Ms. Deng is the sister of Mr. Deng Jun Jie ("Mr. Deng"), a substantial shareholder of the Company and an aunt of Mr. Tang Po Shing, a Vice President of the Company. Up to the date of this report, Ms. Deng held 3,000,000 shares, representing approximately 0.19% of the issued capital of the Company.

Non-executive Director

Mr. Ho Chi Ho ("Mr.Ho"), aged 46, was appointed as an executive Director of the Company in May 2019. Mr. Ho has been re-designated from an executive Director to a non-executive Director in October 2020. He holds a Master degree in Business Administration from the Hong Kong University of Science and Technology and a Bachelor degree in Business Administration (Accounting and Finance) from The University of Hong Kong. He is registered as a Responsible Officer under the Securities and Future Ordinance for Type 6 (advising on corporate finance) regulated activities. Currently, Mr. Ho is an executive Director of the Kingston Financial Group Limited (the "**Kingston Fin**") (stock code: 1031) which is listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He is responsible for origination and execution of corporate finance transactions including mergers and acquisitions, corporate and capital restructuring, business projects evaluation, and equity and debt fund raising. Mr. Ho has extensive experience in banking and capital markets. From 2003 to 2007 and having rejoined in August 2011 up to present, Mr. Ho is now served as a Managing Director of Kingston Corporate Finance Limited, a wholly owned subsidiary of Kingston Fin and a responsible officer under the Securities and Futures Ordinance for type 6 regulated activity (advising on corporate finance). Mr. Ho has over 20 years of experience in corporate finance advisory with participation in activities including corporate and assets mergers and acquisitions, initial public offerings sponsorship, and equity and debts syndication.

Independent non-executive Directors

Mr. Wong Siu Keung, Joe ("Mr. Wong"), aged 56, was appointed as an INED of the Company in October 2012. Mr. Wong is a Chairman of both of the Audit Committee and Remuneration Committee and a member of the Nomination Committee. Mr. Wong is currently an INED of Hang Tai Yue Group Holdings Limited (formerly known as Interactive Entertainment China Cultural Technology Investments Limited) (stock code: 8081) and Worldgate Global Logistics Ltd (stock code: 8292), both companies are listed on the GEM of The Stock Exchange. Mr. Wong holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master's Degree of Corporate Governance from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years.

Ms. Qiu Na ("Ms. Qiu"), aged 42, was appointed as an INED of the Company in September 2016. Ms. Qiu is a member of the Audit Committee. Graduated from the Information Institute of Defense Studies, NDU, PLA* (中國人民解放軍國防信息學院) in 2012, majoring in accountancy. Ms. Qiu is currently a general manager of Huizhou City Huixinfu Property Company Limited. She has extensive experience in human resources management, accounting, corporate administration and property development.

Mr. Lam Cheung Shing, Richard ("Mr. Richard Lam"), aged 62, was appointed as an INED of the Company in August 2019. Mr. Richard Lam has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee in 8 Febuary 2021.He was admitted to the master degree of business administration in the Chinese University of Hong Kong in 2006. He is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.Currently, Mr. Richard Lam is an executive Director, the deputy chairman and chief executive officer of the EverChina. In August 2001, Mr. Richard Lam was appointed as an executive Director and deputy chief executive officer of the EverChina and was designated as the chairman of the EverChina during the period from May 2009 to June 2009. Mr. Richard Lam spent over ten years in PricewaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the EverChina, Mr. Richard Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited. Other than the directorship in the EverChina, currently, Mr. Richard Lam is also an independent non-executive Director of Lajin Entertainment Network Group Limited (Stock code: 8172) which is listed on the GEM Board of the Stock Exchange. Besides, Mr. Richard Lam was appointed as an independent non-executive Director of Eagle Legend Asia Limited (Stock code: 936) during the period from May 2013 to December 2014 and an executive Director of Kai Yuan Holdings Limited (Stock code: 1215) during the period from December 2001 to July 2008 and re-designated as a non-executive Director during the period from July 2008 to November 2008, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Richard Lam was appointed as an executive Director of China Pipe Group Limited (Stock code: 380), which is listed on the Main Board of the Stock Exchange, during the period from June 2007 to February 2009.

SENIOR MANAGEMENT OF THE GROUP

Mr. Liu Feng ("Mr. Liu"), aged 58, resigned as an executive Director, an authorized representative and a member of the Remuneration Committee in February 2021 but remain serves as the director of various subsidiaries of the Group. In April 2021, Mr. Liu was appointed as a Vice President of the Company. In August 2011, Mr. Liu was appointed as an executive Director of the Company. Mr. Liu graduated from Guangdong Provincial Party School majoring in Economics and subsequently attained postgraduate qualification. Before joining the Company, he had accumulated over 30 years of experience in the banking, finance and property sectors, including the posts of section chief and deputy governor of Foshan Commercial Bank and held directors and senior posts in various investment companies.

Ms. Shou Li Rong ("Ms. Shou"), aged 50, was appointed as the Vice President of the Company in May 2017. Ms. Shou is a chairman of Yingtan Water Supply Group Co. Ltd, a subsidiary of the Group. Ms. Shou holds a bachelor's degree from Jiangxi Normal University and has certified qualification as a registered supervision engineer and a registered real estate appraiser and professional titles as an accountant and economist. Ms. Shou has worked for the government for nearly twenty years and served as the deputy mayor of the People's Government of Guixi City (貴溪市人民政府) with many years of work experience.

Mr. Tang Po Shing ("Mr. Tang"), aged 28, graduated from School of Economics and Management of Wuhan University in July 2015 with a bachelor's degree in marketing. He obtained a master's degree in entrepreneurship and innovation management from Loughborough University in October 2017. Mr. Tang joined the Group in November 2017. He previously served as an assistant to the general manager of Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司), the deputy general manager of the Investment and Financing Department of the Company, the vice chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司). Mr. Tang was appointed as a Vice President of Company in January 2019 and currently act as the chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited (新中水(南京)再生資源投資有限公司) and a member of Investment Committee. Mr. Tang is the son of Mr. Deng Jun Jie, a substantial shareholder of the Company and the nephew of Ms. Deng, an executive director of the Company.

Mr. Liu Hui Quan ("Mr. Liu"), aged 58, was appointed as a Vice President of the Company in January 2012. In February 2021, he resigned as a member of Investment Committee. Mr. Liu is a vice chairman of FoShan City Gaoming Huaxin Sewage Treatment Company Limited* (佛山市高明區華信污水處理有限公司), a director of Yichun Water Industry Group Co., Ltd. (formerly known as Yichun Water Industry Co., Ltd.), a director of Jining City Haiyuan Water Treatment Company Limited* (濟寧市海源水務有限公司) and a director of Guangzhou Hyde Environmental Protection Technology Co. Ltd* (廣州市海德環保科技有限公司), all these companies are the subsidiaries of the Group. Mr. Liu holds a Master's Degree in Business Administration from Honolulu University, United States of America. Before joining Company, Mr. Liu has over 10 years extensive experience in the human resource management in the PRC.

Mr. Liu Wei Qing ("Mr. Liu"), aged 58, graduated from Jiangxi University of Science and Technology (formerly known as Jiangxi Institute of Metallurgy) and holds a bachelor's degree in Engineering and a university lecturer certificate. In February 2021, he resigned as a member of Investment Committee. Mr. Liu joined the Company in April 2012 and was appointed as a Vice President of the Company in May 2017. Currently, Mr. Liu is a vice chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司), a vice chairman and director of Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司) and a director of Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司), all these companies are the subsidiaries of the Group. He has extensive management work experience in information technology and domestic urban water supply industry, daily waste treatment, and the comprehensive utilization of landfill gas of the landfill site.

OVERVIEW

The board (the "**Board**") of directors believes that good corporate governance enhances credibility and improves shareholders' and other stakeholders' interests. Maintaining a good, solid, and sensible framework of corporate governance is one of the Company's prime tasks.

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment to high-standard practices will translate into long-term value and ultimately maximize returns to shareholders. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

For the year ended 31 December 2020, 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**"), save for the deviations of Code A.2.1 and A.4.1.

A. Directors

A.1 The Board

- The overall management of the Company's business is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have to take decisions objectively in the interests of the Company. The Company has held 59 Board meetings in the year of 2020. Directors have been consulted to advice the agenda of the Board meeting. For the board regular meeting, at least 14 days notice has been given to the Directors.

- Directors may attend meetings in person or through other means of telephone, electronic or other communication facilities in accordance with the minutes of the Board. The Board Committees are recorded in sufficient details and kept by the company secretary for inspection at any reasonable time on reasonable notice by any Director.

- Directors were supplied with adequate and relevant information in a timely manner to enable them forming decision in the relevant meetings. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Agreed procedures are in place providing to the member of the Board and/or committee to seek independent professional advice at the Company's expenses to assist them to discharge their duties.

- Where a substantial shareholder or a Director had a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, a Board meeting was held by physical board meeting rather than a written resolution with the presence of Independent Non-executive Directors ("**INEDs**") who have no material interest in the transaction.

- There was in place a Directors' and Officers' Liabilities Insurance cover in respect of legal actions against Directors and senior management arising out of corporate activities.

- The Board holds meetings on a regular basis and will meet on other occasions when a board level decision on a particular matter is required. The individual attendance records of each Director including INEDs at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, Investment Committee and annual general meeting ("**AGM**") during the year ended 31 December 2020 are set out below:

Attendance Records

	Number of meetings attended/held					
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**Investment Committee**	**Annual General Meeting**
Executives Directors:						
Mr. Zhu Yongjun ("**Mr. Zhu**") *(Chairman)*	26/59	N/A	N/A	N/A	N/A	N/A
Mr. Zhong Wei Guang ("**Mr. Zhong**") *(COO)*	50/59	N/A	N/A	N/A	11/12	1/1
Mr. Lin Yue Hui ("**Mr. Lin**")	59/59	N/A	N/A	2/2	12/12	1/1
Ms. Deng Xiao Ting ("**Ms. Deng**")	54/59	N/A	N/A	N/A	N/A	1/1
Ms. Chu Yin Yin, Georgiana ("**Ms. Chu**")	46/59	N/A	N/A	N/A	N/A	1/1
Mr. Liu Feng ("**Mr. Liu**")	59/59	2/2	N/A	N/A	12/12	1/1
Non-executive Director:						
Mr. Ho Chi Ho ("**Mr. Ho**")	26/59	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors:						
Mr. Wong Siu Keung, Joe ("**Mr. Wong**")	59/59	2/2	3/3	2/2	N/A	1/1
Ms. Qiu Na ("**Ms. Qiu**")	48/59	N/A	3/3	N/A	N/A	1/1
Mr. Lam Cheung Shing, Richard ("**Mr. Richard Lam**")	26/59	N/A	N/A	N/A	N/A	1/1
Mr. Guo Chao Tian ("**Mr. Guo**")	50/59	2/2	3/3	2/2	N/A	NA

N/A: not applicable

A.2. Chairman and Chief Executive Officer

- On 4 September 2018, Mr. Lin, currently is the Chief Executive Officer ("**CEO**") of the Company, was appointed as a Chairman of the Company. This deviates from the code provision A.2.1, the roles of the Chairman and CEO of the Company should be separate and should not be performed by the same individual. 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. On 8 February 2021, Mr. Lin resigned as the Chairman and CEO of the Company, but he remain serves as an executive Director of the Company. Mr. Zhu, an executive Director of the Company, was appointed as the Chairman of Company at the same date. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. The Board currently comprises five executive Directors, one non- executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition.

- The Chairman provides leadership and focus on his role for the Group's overall strategy planning, analysis of market trend and establishment of the Group's future development direction. Also, he is responsible for the effective functioning of the Board in accordance with good corporate governance practice, and encourages and facilitates active contribution of directors in board activities and constructive relations between executive and non-executive Directors. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at board meeting.

- The Chairman, with the assistance of the Company Secretary and other relevant departmental heads, reviews from time to time various procedural aspects of the Company in order to ensure that good corporate governance practices and procedures are well in place.

- The Chairman believes that it is in the Directors' own best interest to voice whatever concerns they may have as each Director has the same general legal responsibilities to the Company as any other Director, regardless of whether they are executive or non-executive. As such, in each Board meeting, the Chairman nurtures an open and uninhibited environment where other Directors with different views are free to express their own opinions.

- The Chairman has held one private meeting with INEDs to discuss major events or issues which incurred in 2020 and the Company's business plan to be developed in 2021. The Board believed that INEDs could through this private meeting to voice out their concerns on financial aspects after discussing major events or issues and provide constructive advice on the direction of Company's future development.

- When compiling board papers, the Chairman works closely with the Company Secretary to ensure that comprehensive, adequate, complete, reliable and timely information are presently to the Board to enable them to set strategy, monitor progress towards meeting the Group's objectives and to conduct regular reviews of financial performance, risk management and other business issues.

- On the other hand, the CEO focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the company practices and procedures, business objectives and risk assessment for the Board's approval.

- The executive Directors and Management also work closely with the Company Secretary to ensure that information necessary to keep Directors updated of the latest situation of the Company and for them to make informed decisions are presented to the Board in a timely manner.

A.3 Board Composition

- Up to the date of this report, the Board comprises a total of nine members including five executive Directors, one non-executive Director ("**NED**") and three INEDs. Members of the Board have different professional and relevant industry experiences and background so as to bring in valuable contributions and advices for the development of the Group's business.

- Up to the date of this report, the Board comprised three INEDs, and two of the INEDs has possessed professional qualifications in accounting and financing field. Mr. Wong and Mr. Richard Lam are certified public accountants.

- The Company has received written confirmation from each INED of their independence to the Group. The Group considered all of INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

- The Company has maintained an updated list of its directors identifying their role and function on its website and on the Stock Exchange's website.

- Ms. Deng is an executive Director of the Company, she is the sister of Mr. Deng Jun Jie, a substantial shareholder of the Company.

- Save as disclosed above, to the best knowledge of the Company, there is no financial, business or family relationship among the members of the Board.

- The names of the directors and their respective biographies are set out on pages 41 to 43 of this annual report.

A.4 Appointment, re-election and removal

The Company has on 19 January 2012 established Nomination Committee, further details of which are set out in section of A.5 Nomination Committee. All Directors including INEDs have signed letter of appointments with the Company. In addition, the shareholders have right to nominate any person to become a director of the Company in accordance with the Articles of Association ("**A.A.**") of the Company, the procedure for election of directors was published on the Company's website.

- The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the A.A. which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an additional to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The Nomination Committee has considered the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

- The Company's A.A requires for those Directors appointed to fill a casual vacancy to hold office only until the first general meeting after their appointment and be subject to re-election at such meeting. The Company's A.A. also requires at every AGM, one-third of the Directors for the time being or, if their number is not a multiple of three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Directors, including those appointed for a specific term shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election to fill a casual vacancy until the next general meeting or the next AGM.

- All INEDs and NED of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at AGM of the Company in line with the Company's A. A. This deviates from Code Provision of A.4.1 of 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.

- Any appointment of an INED who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. Mr. Wong has served the Board since October 2012 and will be serving as an INED for more than nine years if he was re-elected at the AGM. As such, a separate resolution will be proposed for his re-election at the AGM. During his years of appointment, Mr. Wong has demonstrated his ability, integrity and experience to provide an independent view to the Company's matters. He has given an annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules and has been assessed by the Nomination Committee to be independent. The Board is of the view that Mr. Wong is able to continue to fulfil his role as required and his long service would not affect his exercise of independent judgment, and, therefore, considers him to be independent and recommends him to be re-elected at the AGM.

A.5 Nomination Committee

- For the FY2020 and up to the date of this report, the Nomination Committee has the following changes:

    - On 8 February 2021, Mr. Guo and Mr. Lin resigned as a member and Chairman of the Nomination Committee respectively.

    - At the same date, Mr. Richard Lam and Mr. Zhu were appointed as a member and Chairman of the Nomination Committee respectively.

  Following the said changes, the Nomination Committee comprised an executive Director, namely Mr. Zhu (Committee Chairman), two INEDs, namely Mr. Wong and Mr. Richard Lam. The terms of reference of the Nomination Committee is available on the Company's website and on the Stock Exchange's website.

- The main duties of the Nomination Committee include the following:

  (a) to review the policy concerning diversity of Board members (the "**Board Diversity Policy**") and the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and disclose such policy, including any measurable objectives that the Nomination Committee has set for implementing the policy and progress on achieving these objectives, in the Company's corporate governance report;

  (b) to develop and maintain a policy for nomination of Board members (the "**Nomination Policy**") which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship during the year, and to review periodically and disclose the policy in the Company's corporate governance report;

  (c) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships under the Nomination Policy and Board Diversity Policy;

  (d) to assess the independence of INEDs; and

  (e) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive.

- Nomination Policy

  The Group has a formal, considerate and transparent nomination policy for the appointment of new Director or re-election of Directors to the Board. The Group has adopted a nomination procedure and the Board, based on the criteria established, evaluate and select candidates for the directorships. In assessing, selecting and recommending candidates for directorship to the Board, the Nomination Committee will give due consideration to the factors including but not limited to:

  – Reputation for integrity;

  – Accomplishment and experience in the relevant industries in which the Company's business is involved and other professional qualifications;

  – Relevant skills and experience to contribute to the Board;

  – Commitment in respect of available time and relevant interest;

  – Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

  – Contribution that the candidates can potentially bring to the Board;

  – Plans in place for the orderly succession of the Board; and

  – Independence criteria as required under the Listing Rules for candidates for INEDs. All candidates must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules.

- These above-mentioned factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Nomination Committee considers the personal profile and credentials of the proposed candidates and may request candidates to provide additional information and documents if it considers necessary, and assesses the proposed candidates or incumbent candidates on criteria set out above. The Nomination Committee may also invite nominations of suitable candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

- Board Diversity Policy

  – The Company has adopted a board diversity policy (the "**Policy**") in August 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Policy has been available on the Company's website.

  – The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge and length of service.

  – During the year under review, the Nomination Committee held one meeting to review the composition of the Board and its committees as well as the background and experiences of the Board members and evaluate the contributions of the Board members to the Group in 2020. An analysis of the Board's current composition is set out in the following chart:

Name of director	Title	Age	Gender	Professional/ Industry experience	Length of service on Board (since)
Mr. Zhu	ED and Chairman	53	Male	Environmental protection and investment	August 2019
Mr. Zhong	ED and COO	53	Male	Financial investment	September 2018
Mr. Lin	ED	49	Male	PRC law profession and investment	August 2011
Ms. Deng	ED	46	Female	Accounting and investment	July 2012
Ms. Chu	ED, Company Secretary and Group Financial Controller	50	Female	Accounting, auditing and financing	October 2006
Mr. Liu	ED	58	Male	Banking financing and property operation	August 2011
Mr. Ho	NED	46	Male	Corporate finance and investment	May 2019
Mr. Wong	INED	56	Male	Accounting, auditing and financing	October 2012
Ms. Qiu	INED	42	Female	Accounting and property management	September 2016
Mr. Richard Lam	INED	62	Male	Accounting, taxation and corporate finance	August 2019
Mr. Guo	INED	75	Male	Economic Analysis and investment	June 2012

ED: executive Director
NED: Non-executive Director
INED: Independent non-executive Director
COO: Chief Operating Officer

- The Nomination Committee review the Policy from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

- During the year, the Nomination Committee held 2 meetings and the attendance of each member is set out in the section headed "The Board" of this report.

A.6 Responsibilities of the Directors

- The Company ensures that every newly appointed Director should receive a comprehensive information package containing business activities and operation of the Group, the Directors' responsibilities and duties and other statutory requirement upon his/her appointment. The Company Secretary is responsible for keeping all Directors updated on the Listing Rules and other statutory requirement.

- All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors have confirmed that they have complied with code provision A.6.5 of the CG Code for the year ended 31 December 2020. During the year, Company Secretary has provided the updated materials in relation to amendments to the Listing Rules in 2020 and other rules to the Directors.

  During the year ended 31 December 2020, the Directors participated in the following training:

	Type of Continuous Professional Development		
	Training on regulatory development, directors' duties or other relevant topics	**Reading on regulatory updates or information relevant to directors' duties and the Company**	**Courses relating to Corporate Governance/ Accounting/ Financial or other professional skills**
Mr. Zhu	X		
Ms. Zhong		X	
Mr. Lin		X	
Mr. Liu		X	
Ms. Deng		X	
Ms. Chu	X	X	X
Mr. Ho	X	X	X
Ms. Qiu		X	
Mr. Wong	X	X	X
Mr. Richard Lam		X	
Mr. Guo		X	

- INEDs were well aware of their functions and had been actively providing their independent advices at the Board meetings, take the lead where potential conflicts of interest arise and scrutinize the Company's performance so as to achieve agreed corporate goals.

- Up to the date of this report, Mr. Wong and Mr. Richard Lam both of INEDs, are members of the Audit, Remuneration and Nomination Committees. Ms. Qiu is a member of Audit Committee.

- There were satisfactory attendances and active participations at the Board meetings, the Board Committee meetings and the general meetings by the Directors.

- The Company has adopted the full set of 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 specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors, the Board confirms that the Director of the Company have complied with the Model Code regarding directors' securities transactions during the year and up to the date of this Report.

A.7 Supply of and access to information

- The Company's senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions.

- For Board meetings and the Board Committee meetings, the agenda accompanying with Board papers and relevant materials were sent to all Directors at least 3 days before the intended date of the Board meetings or Board Committee meetings. Queries raised by the Directors would be responded promptly by the relevant management.

B Remuneration of Directors and Senior Management

The Company has established a Remuneration Committee since 29 June 2005 with written terms of reference in consistence with the CG Code. A majority members of the Remuneration Committee is INEDs. For the FY2020 and up to the date of this report, the Remuneration Committee has the following changes:

- On 8 February 2021, Mr. Liu and Mr. Guo resigned as members of the Remuneration Committee;

- At the same date, Mr. Richard Lam and Mr. Zhu were appointed as members of Remuneration Committee.

Following the said changes, the Remuneration Committee currently comprises two INEDs, namely Mr. Wong (Committee Chairman), Mr. Richard Lam and an executive Director, namely Mr. Zhu. The terms of reference of the Remuneration Committee is available on the Company's website and on the Stock Exchange's website.

- The main duties of the Remuneration Committee include the following:

  i. To make recommendation to the board on the Company's policy and structure for all remuneration of directors and senior management;

ii. To determine the remuneration packages of executive directors and senior management, according to the major scope, responsibilities and duties, importance of position of the directors and the senior management as well as the remuneration level of the related position in the market;

iii. To review and approve management remuneration policy with reference to corporate goals and objectives resolved by the Board from time to time;

iv. To report back to the Board on their decision or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

- The Remuneration Committee would consult the Chairman or CEO the proposals relating to the remuneration of other executive Directors. The Remuneration Committee may have access to external professional advice if considered necessary.

- The details of the remuneration of the Directors are set out in note 44 of the consolidated financial statements of this annual report. The band of the emoluments of senior management personnel and related number of members of senior management personnel are as follows:

	31 December	
Emolument band (HK$)	**2020 Number of individuals**	2019 Number of individuals
Nil to 500,000	–	1
500,001 to 1,000,000	**1**	3
1,000,001 to 1,500,000	**3**	1

During the year, the Remuneration Committee determined the remuneration packages of the executive Directors including INEDs and senior management of the Company, and reviewed the collective performance and individual performance.

- The Group's share option scheme as described on note 41 of this annual report is adopted as the Group's long-term incentive scheme.

- The Remuneration Committee held 2 meetings during the year to review and approve the remuneration of executive Directors including INEDs and senior management. The attendance record of individual members is set out in the section headed "The Board" of this report.

C Accountability and Audit

C.1 Financial Reporting

- Management was required to provide detailed reports and sufficient explanation to enable the Board to make an informed assessment of the financial and other information put before for approval.

- The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020. The Board must ensure that the financial statements of the Group are prepared so as to give a true and fair view of the financial status of the Group.

- The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirement.

- A statement by the independent auditor of the Company about their reporting responsibilities is included in the Report of the Auditors on pages 130 to 134 of this annual report.

- A separate statement in the Annual Report on pages 9 to 40 containing a discussion and analysis of the Group's performance.

- Executive Directors are provided with a wide range of reports on monthly intervals and are fully aware of the Company's latest performance, position and prospects.

C.2 Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review a sound and effective risk management and internal control systems. An enterprise risk management (ERM) framework is in place to implement risk management and internal control effectively.

It should be acknowledged that our risk management and internal control systems are designed to manage rather than eliminate the risks of failure to achieve the Group's business objectives, and can only provide reasonable, but not absolute assurance against material misstatements or losses.

Risk Management Structure

Effective risk management resides at all levels of the Group. Staff in different business units identify and manage risks during their daily operation, the management is responsible for identifying, assessing and responding to risk at strategic level. The Board and the Audit Committee reviews and monitors major risks and effectiveness of risk management and internal control systems. Through this top down and bottom up approach, together with independent review by the internal audit function, assisted the Group manage its major risks in an effective manner.

Board Oversight

The Board

- Oversees the risk management and internal control systems;
- Determines the Group's business strategies and risk appetite;
- Reviews at least annually the effectiveness of the risk management and internal control systems; and
- Monitors the risk management and internal control systems in an on-going manner.

Audit Committee

- Oversees the evaluation and improvement process of risk management and internal control systems;
- Reviews the Group's risk register; and
- Reviews and approving the internal control review plan and review results.

Management Risk Management and Leadership

- Identify and monitor all risks relevant to daily operations of the Group;
- Report to the Board and Audit Committee on the risks identified including strategic, operational, financial, reporting and compliance risks and its changes during the year;
- Implement, execute and on-going monitor risk management and internal control processes; and
- Develop and execute appropriate action plans to mitigate the risk identified and to resolve material internal control defects.

Internal audit function and external auditors

Internal Audit Function

- Review the effectiveness of the Group's risk management and internal control systems;
- The scope of the internal control review is risk-based and is reviewed by the Audit Committee; and
- Communicate the internal control review result directly to the Audit Committee.

External Auditor

- Communicate internal control issues they noticed during their audit to Audit Committee directly.

Risk Management Process

The risk management process defined the procedures for identifying, assessing, responding and monitoring risks and their changes. The Management discusses regularly with each operating functions to collect their views towards the risks they have identified at operation level, and to strengthen their understanding to risk management at the Group's strategic level foster two way communication. Management collect views towards risks at different angle and formulate risk universe, from which risks relevant to the Group are identified. Risk identification is a continuous and interactive process, major risks are communicate between the bottom and the top.

Significant risks are classified into one of the four categories: strategic, operational, financial, reporting and compliance. After identified all relevant risks, the Management assess the potential impact and possibilities of the risks and prioritize the risks, appropriate internal control measures are then developed to mitigate the risks and effectiveness of internal control measures and changes of risks are monitored in an on-going manner and communicate to the Board and Audit Committee to allow their monitoring at the top level.

Main features of our risk management and internal control systems

Maintain an effective internal control system at operational level

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key positions;
- Establish code of conduct, explain the Group's requirements on integrity and ethical value to all staff;
- Establish whistle blowing mechanism, encourage employees to report incidents of misconduct or fraud;
- Establish appropriate level of information technology access rights, avoid leakage of price sensitive information; and
- Establish insider information disclosure policy, including reporting channels and responsible person of disclosure, unified response to external enquiries and obtain advices from professionals or the Stock Exchange of Hong Kong Limited, if necessary.

In evaluating the effectiveness internal control systems, the Board has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions.

On-going risk monitoring at risk management level

The Management identifies and mitigates major risks according to the risk management process, the identified risks are summarized in risk register and submitted to the Board and Audit Committee for their review together with annual internal control review plan to enable the Board and Audit Committee effectively monitor major risks of the Group and how the risks are managed. Major risks relevant to the Group are shown on pages 36 to 39 of this Report.

Independent review

The Group has established an independent internal control department to conduct an internal control review on an annual basis, the scope of review has covered the period from 1 January 2020 to 31 December 2020. The results of the internal control review has been submitted to the Audit Committee.

The Management has established remediation and improvement plan for internal control weaknesses identified. Nothing has come to the Audit Committee's or Board's attention to believe that risk management and internal control systems of the Group are inadequate or ineffective.

C.3 Audit Committee

The Audit Committee of the Company was established since 29 June 2005 with specific written terms of reference. For the FY2020 and up to the date of this report, the Audit Committee has the following changes:

- On 8 February 2021, Mr. Guo resigned as a member of the Audit Committee. At the same date, Mr. Richard Lam was appointed as a member of Audit Committee.

Following the said changes, the Audit Committee comprises 3 INEDs, namely Mr. Wong (Committee Chairman), Ms. Qiu and Mr. Richard Lam. Mr. Wong and Mr. Richard Lam are certified public accountant for many years. The revised term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

The major duties of the Audit Committee include:

(a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and the terms of engagement of the external auditor;

(b) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgments contained in them;

(c) to monitor and review the Company's financial controls, internal control and risk management systems;

(d) to co-ordinate between the internal and external auditors, to monitor the performance of both internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor the effectiveness of the internal audit function;

(e) to review the interim and final results of the Group prior to recommending them to the Board for approval;

(f) to ensure compliance with applicable statutory accounting and reporting requirements, Listing Rules, legal and regulatory requirements, an internal rules and procedures approved by the Board;

(g) to review and discuss the adequacy of resources, qualifications or experience of staff of the Group's accounting and financial reporting function and their training programs and budget;

(h) to monitor the compliance of the Whistle-blowing policy and ensuring the fair and independent investigation with appropriate follow up action;

(i) to report back to the Board on their decision or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

For the year under review, the Audit Committee held 3 meetings included the reviewing of the financial statements, annual report and accounts and interim report. The Group's annual report for the year ended 31 December 2020 and internal audit reports have been reviewed by the Audit Committee. The attendance record of individual members is set out in the section headed "The Board" of this report.

D. Delegation by the Board

D.1 Management functions

- When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstance where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

- The segregation of duties and responsibilities between the Board and the management has been defined as follows:

  The overall management of the Company's business is vested on the Board. The duties of the Board include:

  – Formulating and the approval of the Company's operational strategies and management policies and establishing corporate governance and internal control system;

  – Setting the objectives and targets of the Company;

  – Monitoring performance of management and providing guidance to the management; and

  – Reviewing the Company's policies and practices on corporate governance.

  The day to day management administration and operation of the Company are delegated to the senior management. The duties of the management include:

  – Regularly evaluating businesses and operation performance;

  – Ensuring effective implementation of the Board's decision;

  – Ensuring adequate fundings; and

  – Monitoring performance of the management of the Group.

- Each Director including INED was appointed by formal letter of appointment with the Company upon appointment. Such letter of appointment sets out key terms and condition, the roles and functions and amount of remuneration.

D.2 Board Committees

The Company has set up four committees including an Audit Committee, a Remuneration Committee, a Nomination Committee and an Investment Committee of the Board with respective terms of reference which clearly defined its authority and duties. The Chairman of Board Committees reported to the Board their work, findings and recommendations at the Board meetings.

D.3 Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

E Communication with shareholders and investors

E.1 Effective communication

- The AGM or other general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

- The Company serves notice to shareholders in writing of not less than twenty-one (21) clear days and not less than twenty (20) clear business days before the AGM. Any Extraordinary General Meeting ("**EGM**") at which the passing of a Special Resolution may be called by notice in writing of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other EGM may be called by notice in writing of not less than fourteen (14) clear days and not less than ten (10) clear business days.

- The external auditor of the Company should attend the AGM to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

- Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors proposed by shareholders.

- The Company continues to enhance communications and relationships with its investors. Designated Directors or senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

- The Company maintains a corporate website (www.chinawaterind.com) as one of the channels to promote effective corporate communication with the investors and the general public. The website is used to disseminate company announcements, shareholder information and other relevant financial and non-financial information in an electronic format on a timely basis.

- The updated consolidated version of the Company's Memorandum and A.A is available on the Company's website and on the Stock Exchange's website. During the year, there was no change in the Company's constitutional documents.

- The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. The Policy will be reviewed regularly to ensure effectiveness and compliance with the prevailing regulatory and other requirements.

- Dividend Policy

  The Company has adopted a dividend policy ("**Dividend Policy**") on 3 January 2019. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board shall take into account, inter alia:

  a) the Group's actual and expected financial performance;

  b) retained earnings and distributable reserves of the Group and each of the members of the Group;

  c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

  d) the Group's capacity from current and future operation, future commitments at the time of preparing and making the distribution;

  e) any restrictions on payment of dividends that may be imposed by the Group's lenders;

  f) any restrictions under the laws of Hong Kong and Cayman Islands and the Company's A.A;

g) the dividends received from the Group's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend;

h) the Group's expected working capital requirements;

i) general economic conditions, business cycle of the Group's core business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

j) any other factors that the Board deem appropriate.

This Dividend Policy and the declaration and/or payment of future dividends under this policy are subject to the Board's continuing determination that this Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable Dividend Policy.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. This Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

E.2 Shareholders' rights

- Procedures for Shareholders to Convene an EGM

Pursuant to the A.A of the Company, the Directors may, whenever they think fit, convene an EGM. EGM shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an EGM to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

- Procedures for Proposing a Person for Election as a Director

  As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section ("Procedure for shareholders to propose a person for election of Directors" sub-section) of the Company's' website at www.chinawaterind.com.

- Procedures for Directing Shareholders' Enquiries to the Board

  Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary and the Group Financial Controller whose contact details are set out in the "Contact Us" section of the Company's website at www.chinawaterind.com.

- Procedures for making proposals at Shareholders' Meetings

  To put forward proposals at an AGM or EGM, the shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business at Room 1207, 12/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

  The notice period to be given to all shareholders for consideration of the proposal raised by the shareholders concerned at an AGM or EGM varies according to the nature of the proposal, as follows:

  - At least 14 clear days and not less than 10 clear business days if the proposal constitutes an ordinary resolution of the Company in an EGM.

  - At least 21 clear days and not less than 10 clear business days if the proposal constitutes a special resolution of the Company in an EGM.

  - At least 21 clear days and not less than 20 clear business days if the resolution of the Company in an AGM.

E.3 Voting by poll

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's A.A. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results were published on the website of the Stock Exchange as well as the Company's website.

F. Company Secretary

The Company Secretary has been a full time employee who has knowledge of the Company's affairs. The appointment of the current Company Secretary was approved by the Board in November 2006. The Company Secretary reports to the Chairman and CEO and is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

INVESTMENT COMMITTEE

The Investment Committee of the Company was established since 18 December 2008 with specific terms of reference. For the FY2020 and up to the date of this report, the Investment Committee has the following changes:

- Mr. Liu Wei Qing and Mr. Li Han resigned as members of the Investment Committee with effect from 8 February 2021;

- At the same date, Mr. Zhu and Ms. Deng were appointed as the Chairman and a member of Investment Committee;

- At the same date, Mr. Lin was re-designated from the Chairman to a member of the Investment Committee.

Following the said changes, the Committee members consisted of four executive Directors, namely Mr. Zhu (Committee Chairman), Mr.Lin, Mr. Zhong and Ms. Deng and two Vice Presidents of the Company including Mr. Liu and Mr. Tang Po Shing. The terms of reference of the Investment Committee is available on the Company's website.

- The role of Investment Committee is to oversee the Company's long-term development strategies and major investment decisions and to provide recommendations on the investment of the Company including asset allocation and new investment proposal.

- The major duties of the Investment Committee include:

  (a) Analysis and evaluation of the Company's long-term planning and major investment plans;

  (b) Review the investment policies and strategy;

  (c) Review and analysis of the actual progress of the Company's major strategies plans;

  (d) Review the annual investment proposal of the Company; and

  (e) Report back to the Board on their decision or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

- The Investment Committee held 12 meetings during the year. The attendance record of individual members is set out in the section headed "The Board" of this report.

AUDITORS' REMUNERATION

For the financial year, the remuneration paid and payable to Crowe (HK) CPA Limited, the auditors of the Company, totalled approximately of HK$3,213,000, of which HK$2,390,000 related to audit services and HK$823,000 to professional services for special engagements, taxation and other non-audit services. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of auditor.

COMPLIANCE WITH THE CODE ON THE CORPORATE GOVERNANCE CODE

The Company has complied with the CG Code throughout the financial year ended 31 December 2020 except for deviations from the code provision A.2.1 and A.4.1 as below:

- 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. During the period from 4 September 2018 to 7 February 2021, Mr. Lin took up the positions of Chairman and CEO. The Board has evaluated the 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 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. On 8 February 2021, Mr. Lin resigned as the Chairman and CEO of the Company, but he remain serves as an executive Director of the Company. Mr. Zhu, an executive Director of the Company, was appointed as the Chairman of Company at the same date. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. The Board currently comprises five executive Directors, one non- executive Director and three INEDs, and therefore has a strong independence element in its composition. The Company has been in compliance with code provision A.2.1 of the CG Code when Mr. Lin resigned as the Chairman and CEO of the Company and Mr. Zhu was appointed as the Chairman since 8 February 2021.

- 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 INEDs and NED 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 board of Directors of the Company, present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. 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. The details of principal activities and other particulars of the subsidiaries are set out in note 22 to the consolidated financial statements.

Details of the activities during the year as required by schedule 5 to the Companies Ordinance, including a description of the key risks and uncertainties facing the Group, an indication of likely future development in the Group's business is set out under the sections of Management Discussion and Analysis on pages 9 to 40, Chairman's Statement on pages 5 to 8 of this Annual Report respectively. An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to sustainable future development. We assess the materiality of various environmental, social and governance ("**ESG**") issues and take measures to control the environmental and social impacts on operations. All our businesses are required to comply with all applicable ESG laws and regulations strictly. Discussion on the Group's ESG initiatives, performance and applicable ESG laws and regulations can be found in the section headed "Environmental, Social and Governance Report" on pages 80 to 129 of this annual report.

SEGMENT INFORMATION

Analyses of the Group's segmental information by businesses for the year ended 31 December 2020 are set out in note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Group and the Company are set out in the financial statements on pages 135 to 272.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020. (FY2019: nil)

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affected the sustainability of our business. Engaging with those stakeholders will not only help us understand the possible risks and opportunities to our business, but also help us to mitigate risk and seize the opportunities in the real market situation. The Group believes that our people are critical success factors to the Group's competitiveness in the market. As such, we had adopted a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Customer satisfaction with our services and products has a profound effects on our profitability. To provide good quality services to our customers, our dedicated teams are in constant communication with our customers and potential customers to uncover and create customer needs and help customers make informed decisions. Collaborative and mutual beneficial business relationship with our suppliers is of important to achieve higher levels of efficiency and competitive advantage. The Group evaluate the capabilities of our suppliers to determine if they are able to meet the requirement and needs of the Group from time to time. Developing and maintaining good relationship with various commercial banks and financial institutions always are our main tasks because our capital-intensive projects require on-going funding to maintain continuous growth.

MAJOR CUSTOMERS AND SUPPLIERS

Information on the Group's revenue and purchases attributable to the major customers and suppliers during the year is set out as follows:

	2020	2019
The largest customer	**10.26%**	10.67%
Five largest customers in aggregate	**24.32%**	25.09%
The largest supplier	**6.66%**	9.34%
Five largest suppliers in aggregate	**24.98%**	27.94%

For the year ended 31 December 2020, the percentage of revenue from the five largest customers in aggregate was less than 30% of the Group's total revenue and the percentage of purchase from the five largest suppliers in aggregate was less than 30% of the Group's total purchase.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in note 35 and note 41 to the consolidated financial statements, respectively.

RESERVES AND DISTRIBUTIVE RESERVE

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 35 to the consolidated financial statements, respectively.

The Company had no reserve available for distribution to shareholders as at 31 December 2020 (31 December 2019: Nil).

BANK BORROWINGS AND BANKING FACILITIES

Particulars of bank loans of the Group as at 31 December 2020 are set out in note 31 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

DIRECTORS

The Directors of the Company were:

Executive Directors:

Mr. Zhu Yongjun ("**Mr. Zhu**") *(Chairman)*
Mr. Zhong Wei Guang ("**Mr. Zhong**") *(Chief Operating Officer)*
Mr. Lin Yue Hui ("**Mr. Lin**")
Ms. Deng Xiao Ting ("**Ms. Deng**")
Ms. Chu Yin Yin, Georgiana ("**Ms. Chu**")

Non-executive Director

Mr. Ho Chi Ho ("**Mr. Ho**")

Independent non-executive Directors:

Mr. Wong Siu Keung, Joe ("**Mr. Wong**")
Ms. Qiu Na ("**Ms. Qiu**")
Mr. Lam Cheung Shing, Richard ("**Mr. Richard Lam**")

In accordance with article 108(A) of the Company's Articles of Association ("**A.A.**"), one-third of the Directors for the time being or, if their number is not a multiple of three or a multiple of three, then the number nearest to but not exceeding one-third shall retire from the office by rotation at least once every three years, Mr. Zhong, Mr. Wong and Ms. Deng will retire from office by rotation and will offer themselves for re-election at the AGM.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 41 to 44 of the Annual Report.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The Company has adopted a Share Option Scheme as incentive to Directors and eligible employees, details of the scheme are set out as "Share Option Scheme" below.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2020, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations and does not have specific terms of appointment but is subject for retirement and for re-elections at the forthcoming AGM as required by the A.A. of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 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	Beneficial owner	5,000,000 (L)	0.31%
Ms. Deng	Beneficial owner	3,000,000 (L)	0.19%
Ms. Chu	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 31 December 2020.

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

Save as disclosed above, as at 31 December 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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) *(Note 1)*	17.40%
Step Wide Investment Limited	Beneficial owner	160,000,000 (L) *(Note 2)*	10.02%

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

Note 2: 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 31 December 2020.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

Pursuant to the A.A, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his or her office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the subsidiaries of the Company in Hong Kong and the PRC while the shares of the Company are listed on the Stock Exchange. The Group's establishment and operations shall comply with the relevant laws and regulations in Hong Kong, the PRC and the relevant places of incorporation of the company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and SFO. As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year and up to the date of this report, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme adopted by the Company described below, the Group has not entered into any equity-linked agreements during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in the year under review.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

CONNECTED TRANSACTION

During the year, the Group engaged in a connected transaction under the Listing Rules.

On 15 December 2020, China Water Industry (HK) Limited (the "**China Water (HK)**"), being an indirect wholly-owned subsidiary of the Company, Jiangxi Sanchuan Group Company Limited* (江西三川集團有限公司) (the "**Jiangxi Sanchuan**") and Yingtan Water entered into the Equity Transfer Agreement, pursuant to which the China Water (HK) has conditionally agreed to sell, and the Jiangxi Sanchuan has conditionally agreed to purchase 20% equity interests in the Yingtan Water for a total consideration of RMB120,000,000 (equivalent to approximately HK$142,416,000). The Yingtan Water is owned as to 51% by the China Water (HK), 46% by Jiangxi Sanchuan Water Supply Company Limited* (the "**Sanchuan Water Supply**") (江西三川水務有限公司) and 3% by Yingtan City Water Supply Company Limited* ("**Yingtan Water Supply**") (鷹潭市供水公司). Jiangxi Sanchuan is the controlling shareholder of Sanchuan Intelligence Technology Holding Company Limited* (the "**Sanchuan Intelligence Technology**") (三川智慧科技股份有限公司), which in turn is the holding company of Sanchuan Water Supply. As Sanchuan Water Supply is a substantial shareholder of the Yingtan Water, Jiangxi Sanchuan is thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The Disposal was approved by the shareholders by way of poll at the EGM on 10 February 2021. As all conditions precedent have been fulfilled, the Disposal was completed in February 2021. Upon completion, Yingtan Water is owned as to 46% by Sanchuan Water Supply, 31% by China Water (HK), 20% by Jiangxi Sanchuan and 3% by Yingtan Water Supply.

The details have been disclosed in the announcement and circular dated 15 December 2020 and 24 January 2021 respectively and also are set out in note 47 to the financial statements.

The Company has complied with the disclosure requirement prescribed in Chapter 14A of the Listing Rules with respect to the connected transaction entered into by the Group during the year under review. This connected transaction not constituted as a related party transaction according to the significant accounting policy of note 3(ag).

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 46 to the financial statements. The related party transactions mentioned in note was not connected transaction as defined in the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which Directors were appointed as directors to represent the interest of the Company and/or the Group.

SHARE OPTION SCHEME

At the AGM of the company held on 3 June 2011, the shareholders of the Company approved the adoption of the Company's New Share Option Scheme ("**Scheme**"). A summary of the principal terms of the Scheme, as disclosed in accordance with the Listing Rules on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is as follows:

(i) Purpose

The purpose of the Scheme is to enable the Company to grant options to selected eligible 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 basis of eligibility of any of the participants to the grant of options shall be determined by the Board from time to time on the basis of the Board's opinion as to his/her contribution or potential contribution to the development and growth of the group.

(ii) Qualifying participants

Under the terms of the Scheme, the Directors of the Company may, at their discretion, grant options to the employees, executive or non-executive Directors, business associate, person or entity that provides research, development or other technological support to any shareholder of any member of the Group or any invested entity, any adviser or consultant to any owner of business or business development of any member of the Group or any invested entity (the "**eligible participants**").

(iii) Maximum number of shares

The scheme mandate limit for the Scheme allows the Company to issue a maximum of 159,653,976 share options under the Scheme, representing 10.00% of the issued share capital of 1,596,539,766 shares of the Company as at the date of this report.

(iv) Maximum entitlement of each eligible participant

Share options granted to connected person and its associates is subject to the approval of the INEDs. In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any eligible participants may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

(v) Option period

In respect of any particular option, such period commencing on the date of grant or such later date as the Directors may decide and expiring on such date as the Directors may determine, such period not to exceed 10 years from the date of grant.

(vi) Acceptance of offer

An offer of the grant of an option shall remain open for acceptance for a period of 21 days from the date of the letter containing the grant. An offer of the grant of the option shall be regarded as having been accepted when the duplicate of the grant letter duly signed by the grantee together with a remittance in favour of the company of HK$1.00 by way of consideration for the grant thereof is received by the Company.

(vii) Subscription price

The subscription price in respect of any particular option shall be such price as the Directors may determine at the date of grant of the relevant option but shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option.

(viii) The remaining life of the Scheme

The Directors shall be entitled at any time within 10 years commencing on 3 June 2011 to offer the grant of an option to any eligible participant. The Scheme will expire on 2 June 2021.

Save for the Scheme, the Company did not have any other share option scheme as at 31 December 2020. From the date of the Scheme being adopted up to 31 December 2020, no options had been granted and remained outstanding under the Scheme of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's A.A or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor its subsidiaries purchased, redeemed or sold of the Company's listed securities.

RETIREMENT SCHEMES

The Group's subsidiary in the PRC participates in a central pension scheme ("**CPS**") operated by the PRC government. The subsidiaries are required to contribute a certain percentage of the relevant PRC employees' salaries to the CPS. The Group's subsidiary in Hong Kong has also participated in a mandatory provident fund scheme for its staff based in Hong Kong pursuant to the mandatory provident fund schemes ordinance. Save as disclosed, the Group was not required to operate any other of retirement benefits of its employees during the year.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events for the year are set out in note 47 to the consolidated financial statements.

SUFFICIENT OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors of the Company, at least 25% of the Company's issued share capital were held by members of the public as at date of this report.

AUDIT COMMITTEE

In accordance with the requirements of the Listing Rules, the Group established an Audit Committee comprising three INEDs of the Company. The Audit Committee of the Company has reviewed the audited consolidated financial statements for the year ended 31 December 2020. Information on the work of Audit Committee and its composition are set out in the Report of the Corporate Governance on page 60 of this report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2019 Annual Report required to be disclosed were as follows:

i. the updated biographic details of the Directors are set out on pages 41 to 43 of the Annual Report;

ii. Mr. Ho has been re-designated from an executive Director to a non-executive Director with effect from 19 October 2020;

iii. The following changes were with effect from 8 February 2021:

- Mr. Lin has resigned as the Chairman, the Chief Executive Officer, the Process Agent and the chairman of the Nomination Committee and has been re-designated from the chairman of the Investment Committee to a member of the Investment Committee. However, Mr. Lin remain serves as an executive Director of the Company;

- Mr. Zhu, an executive Director, has been appointed as the Chairman, an Authorised Representative, a member of the Remuneration Committee, the chairman of the Nomination Committee and the chairman of the Investment Committee;

- Mr. Liu has resigned as an executive Director, an Authorised Representative and a member of the Remuneration Committee. Mr. Liu was appointed as a senior management of the Company subsequent to the aforesaid resignation;

- Mr. Guo Chao Tian has resigned as an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee;

- Ms. Chu, an executive Director and Company Secretary of the Company, has been appointed as the process agent to accept service of process and notices on behalf of the Company;

- Mr. Richard Lam, an independent non-executive Director, has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee; and

- Ms. Deng, an executive Director, has been appointed as a member of the Investment Committee;

Iv. On 6 March 2020, Mr. Zhu resigned as the chairman of the board of Josab Water Solutions AB, a company incorporated under the laws of Sweden, whose shares are listed on the Spotlight Stock Market, a stock exchange in Sweden.

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

CORPORATE GOVERNANCE

The Company's Corporate Governance principles and practices are set out in the Corporate Governance Report on page 45 to 67 of this Annual Report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and considers all the INEDs to be independent.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 2 June 2021. Notice of AGM will be published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (www.hkexnews.hk), and will be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine shareholders' eligibility to attend and vote at the forthcoming AGM of the Company to be held on Wednesday, 2 June 2021, the register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for entitlement to attend the AGM, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration, not later than 4:00 p.m. on Thursday, 27 May 2021.

AUDITORS

Crowe (HK) CPA Limited (the "**Crowe (HK)**") will retire, being eligible and offer themselves for re-election. A resolution is to be proposed by the Company at the forthcoming AGM, to re-appoint Crowe (HK) as the auditor of the Company.

By order of the board
Mr. Zhu Yongjun
Chairman and executive Director

Hong Kong, 30 March 2021

ABOUT THIS REPORT

Purpose of the Report

This is the seventh Environmental, Social and Governance ("**ESG**") Report (the "**Report**") of China Water Industry Group Limited ("**China Water**", "**the Company**", and together with its subsidiaries, collectively known as "**the Group**", "**We**"). The Report sets out our policies, approaches and data in respect of environmental and social sustainable development in 2020. It emphasises on the Group's principal business and the aspects important to our stakeholders in order to provide stakeholders with more detailed and valuable information for reference and respond to the concerns from different stakeholders in a more comprehensive manner. For details regarding the corporate governance of the Group in 2020, please refer to the section headed "Corporate Governance Report" in this annual report.

Reporting Year and Scope

This Report covers the reporting period form 1 January 2020 to 31 December 2020 (the "**Reporting Period**"). Unless otherwise stated, the scope of this Report covers the Group's core business segments including (i) provision of water supply and sewage treatment services[#] (ii) construction of water supply and sewage treatment infrastructure; and (iii) exploitation and sale of renewable energy in the People's Republic of China (the "**PRC**").

Reporting Standard

This Report is prepared in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX**"), and complies with the disclosure obligations under the "comply or explain" provisions contained in the ESG Reporting Guide. Reference to the ESG Reporting Guide is appended to this Report for stakeholders' easy review.

Access to The Report

This Report is part of the Group's annual report and is available in both Chinese and English. It is available for download and access on the Group's website at http://www.chinawaterind.com and the website of HKEX at www.hkex.com.hk.

Contact Information

To improve the quality of this Report, we sincerely welcome your comments and suggestions regarding this Report and our sustainability performance. Please send your feedback to info@chinawaterind.com.

[#] Two sewage treatment business projects, which has come into operation in the third quarter of 2020 and will commence operation in 2021 respectively, have not yet established comprehensive data collection systems. Thus, disclosure for sewage treatment business covers only the other three projects.

HIGHLIGHTS OF THE YEAR 2020

Water supply business

93,137,679 tonnes of clean water

Supplying clean water to **3** cities

Exploitation and sale of renewable energy business

780,153,213 kWh of green electricity generated

As at 31 December 2020, **34** landfill-gas-to-power projects have been in operation

Equivalent to **4,965,296** tonnes of carbon dioxide emissions avoided

* The amount of carbon dioxide emitted by the same coal power generation

Sewage treatment business

53,341,016 tonnes of sewage treated

3 sewage treatment projects have been in operation

9,235 tonnes of Chemical Oxygen Demand ("**COD**") reduced.

Water hypoxia that hinders water eco-system was prevented by alleviating the amount of organic waste in water

AWARDS AND RECOGNITIONS

Received by	Award/Recognition	Organiser
Yichun Fangke Sewage Treatment Company Limited*	Winner of the national "Ankang Cup" competition (全國"安康盃"競賽優勝班組)	All-China Federation of Trade Unions (中華全國總工會)、Ministry of Emergency Management (應急管理部)、National Health Commission (國家衛生健康委員會)
Yichun Water Industry Group Co. Ltd.*	Yichun Youth May 4th Medal (宜春青年五四獎章)	Communist Youth League Yichun Committee (共青團宜春市委)、Youth Federation (市青年聯合會)
Yichun Water Industry Group Co. Ltd.*	Advanced comprehensive unit (綜合工作先進單位), Advanced business environment building unit營商環境建設工作先進單位Advanced marketing unit (宣傳工作先進單位), Advanced public energy-saving and general waste segregation unit (公共機構節能和生活垃圾分類工作先進單位)	Yichun Committee of the Comprehensive Administrative Law Enforcement Bureau of Communist Party of China (Yichun City Administration) 中共宜春市綜合行政執法局（宜春市城市管理局）委員會
Yichun Water Industry Group Co. Ltd.*	Yichun advanced business environment unit (宜春市營商環境先進單位)	Yichun Committee of the Communist Party of China (中共宜春市委)
Linyi Fenghuang Water Industry Co., Ltd	Tax Meritorious Enterprise (納稅功勳企業)	Jiuqu Residential District National People's Congress Work Office（九曲街道辦事處）
Hunan Liuyang New China Water Environmental Technology Limited	City Management Quality Service Award (城市管理優質服務獎)	Liuyang Urban Management And Law Enforcement（瀏陽市城市管理和綜合執法局）

INDUSTRY PARTICIPATION

We actively participate in different industry activities to exchange knowledge with many outstanding industry participants and absorb diverse ideas and innovative concepts in the industry, thereby achieving mutual growth with industry peers.

Participating Company	Event	Organiser
Yingtan Water Supply Group Co. Ltd.	Water Industry Development Summit (水業發展高峰論壇)	Water Industry Branch of Jiangxi Urban Construction Management Association (江西省城市建設管理協會水業行業分會)、Ganzhou Water Treatment Co. Ltd (贛州水務股份有限公司)

OUR APPROACH TO SUSTAINABILITY

Our Tenet, Mission, Vision and Core Values

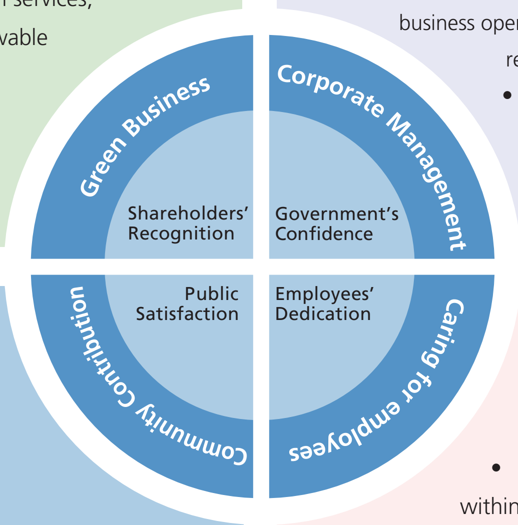
Company tenet	The Group is a professional investment and operation management service provider for municipal water service and environmental new energy which specialises in investment and operation of water and environmental protection projects
Company mission	We assume the social responsibilities of providing clean water to the public, improving the living environment and creating value for the society
Company vision	Headquartered in China, we aspire to expand our presence to Asia and across the world
Core values	We strive to provide services that embrace government's confidence, public satisfaction, shareholders' recognition and employees' dedication

To complement the national "clean and low-carbon" policy and create the largest value for shareholders, we strive to formulate long-term sustainable development strategy and realise our corporate core values through green business, corporate management, caring for employees and community contributions. The practice of corporate social responsibility is a long way to go. However, we firmly believe that by adhering to the idea of bringing positive impacts to the environment and society, we can create mutual benefits for the corporate and the society by carrying out environmental protection works, caring for our employees, making contribution to the society and bearing corporate responsibility in hands with every stakeholder in an active and diligent manner.

Key areas of core values and practices of the Group

- Continue to develop green business, provide water supply, sewage treatment and construction services, and develop and sell renewable energy business
- Reduce the impact on environment and create benefits for investors

- Carry out risk management for sustainable development strictly implement management systems to ensure our business operation is in compliance with relevant laws and regulations
- Exert positive influence on the supply chain and facilitate suppliers to fulfill corporate responsibilities



- Green business operations
- Dedicate to public welfare
- Raise the environmental awareness of employees, business partners and the public
- Maintain good communication with stakeholders

- Adhere to the employment principle of "ability, integrity and meritocracy"
- Enhance communications within the team, promote team cooperation, and create a harmonious working atmosphere

ENVIRONMENTAL SOCIAL AND GOVERNANCE RISK MANAGEMENT

In a market of constant change, we realize different factors may cause various imparts or risk on the business. In this regard, we have adopted a series of risk management procedures. The Board determines the Group's business strategy and risk tolerance, and is responsible for establishing, maintaining and assessing the risk management and internal control system. The management is responsible for risk management of business operation, and collects internal and external data and opinions of stakeholders through different channels, historical data, future forecast and information about other relevant domestic and overseas companies, in order to identify, assess and respond to the risks and opportunities faced by the Group including environmental, social and governance risks and report identified risks and changes to the Board. The Board considers environmental, social and governance risks as strategic issues. As such, the Group formulated a series of environmental, social and governance risk policies in 2019 to provide further guidance and regulation on management of environmental, social and governance risks.

Environmental, Social and Governance Risk Policies

Objective setting	Recognize the importance of key ESG issues to the Group.
Risk assessment	Identify ESG risks and assess their signicance and frequency to the Group.
Integration of policies and measures into business	Establish strategical policies and measures, and integrate them into the business processes to achieve different objectives.
Stakeholder communications	Communicate with and engage stakeholders in the ESG reporting process, collect their opinion to enhance the Group's ESG strategy and long-term value creation.
Board oversight	The Board (or a committee delegated) should include competent personnel with delegation of proper authority and responsibility, and establish proper procedures to oversee long-term ESG strategy and its execution.

Stakeholder Engagement

We attach great importance and actively respond to the concerns from all stakeholders. In order to achieve sustainable development, we have established a mechanism for cooperation and communication with stakeholders through diverse channels. Our main stakeholders include employees, governments, shareholders, business partners, non-governmental organisations, customers, suppliers, communities, etc. Stakeholder engagement is an integral part in formulating our sustainability strategy as a deep understanding of their opinions and expectation for the Group and changing business strategy accordingly helps us to address and manage existing and potential risks and opportunities in the market which is greatly beneficial to the building the Group's resilience and sustain competitive advantage.

Materiality Assessment

As an informative and valuable source of information to stakeholders, the content of the Report has been ceaselessly improved. Based on the materiality reporting principle set out in the ESG Reporting Guide and the result of materiality analysis, we determine the environmental and social issues that may have material impacts on the assessment and decision-making of the stakeholders as well as the Group's development. The issues will form the basis of the Report.

Our procedures:

1) Sort out the ESG Reporting Guide, stakeholders' opinions, internal management report, media coverage, industry trend and other relevant information and analysis to identify all relevant issues that may be considered in the report

2) Engage a third party consulting firm to conduct an online questionnaire survey for stakeholders, and invite the Group's stakeholders from different sectors to rate the importance of identified economic, environmental and social issues (rating from 1 to 6, with 1 being not important at all and 6 being very important)

3) The Group's management will assess the importance of relevant issues to the Group's business

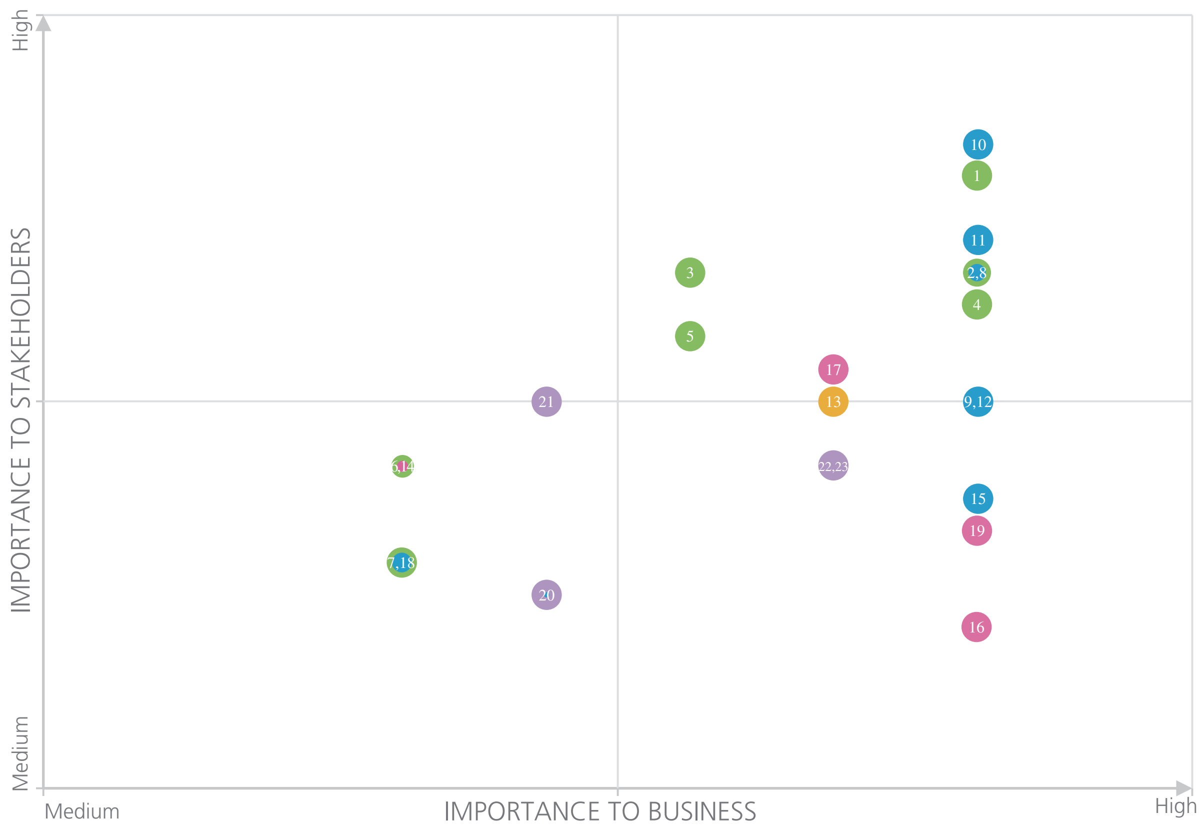
4) Consolidate the ratings from internal and external stakeholders and prepare the materiality matrix, in particular, the relevant issues are arranged vertically based on external stakeholders' ratings with high ratings being on top, and arranged horizontally based on management's assessment with most important being at the right

5) Determine the economic, environmental and social issues that are most concerned by the Group and the stakeholders and create the outline for the report

Materiality analysis is designed to determine and prioritise the issues that are concerned by both the Group and the stakeholders. During the year, we defined a total of 6 issues to be the most important issues to our business and our stakeholders which become the disclosure focuses of this Report.

Six Material issues	Relevant Chapter/section
1. Air emissions	Management in Greenhouse Gas Emissions and Energy
2. Waste	Solid Waste Management
4. Water consumption	Water Management
8. Staff welfare	Employee Benefits
10. Occupational health and Safety	Occupational Health and Safety
11. Staff development and training	Employee Trainings

Materiality Matrix



Key issues considered

1.	Air emissions
2.	Waste
3.	Carbon emission and energy
4.	Water consumption
5.	Climate change risk
6.	Green procurement
7.	Environmental risk in supply chain
8.	Staff welfare
9.	Equal-opportunity, diversity, anti-discrimination
10.	Occupational health and safety
11.	Staff development and training
12.	Employment compliance
13.	Ethically responsible sourcing
14.	Transparency & traceability of raw materials
15.	Product assurance and quality
16.	Customer service
17.	Intellectual property rights management
18.	Marketing and advertising
19.	Anti-corruption
20.	Community investment
21.	Technology design and innovation
22.	Economic performance
23.	Business growth

CONTROL MEASURES IN RESPONSE TO CORONAVIRUS DISEASE ("COVID-19")

In the face of challenges brought about by the outbreak of COVID-19 pandemic, the Group has a deep sense of responsibility to ensure our non-stop service to the general public during this difficult time. All staff members have been devoted in their respective roles. At the same time, we are taking all feasible actions to safeguard the health and wellbeing of our employees.

Responses in place

01 Protecting the health and safety of our employees, we stepped up cleaning and disinfection of public areas and facilities, provided our employees with the most up-to-date information of the virus and underwent visitor management and temperature screening.

02 In order to keep customers safe at home, our water supply business actively promoted online service and offered contactless service to avoid potential exposure to contaminants via physical touchpoints during the pandemics.

03 Helping customers through this hard time, we offered discount to corporate customers within our water supply region. During the period of prevention and control of the COVID-19 outbreak, payment reminders, utility shutoffs and late fees were on hold.

04 Intensified disinfection procedures on drinking water and water treatment facility were undertaken to prevent spread of virus in the water treatment works and ensure drinking water safety.

05 We developed an emergency response plan to effectively manage the situation in the event of emergency.

Keeping customers safe

The COVID-19 pandemic escalated in January 2020. Aiming at maintaining drinking water safety during the COVID-19 pandemic and protecting the health and wellbeing of the general public, Yingtan Water Supply Group Co., Ltd. put in place preventive measures and precautionary measures timely, efficiently, scientifically and orderly.

- Enhance production management: The shift system headed by commanders and leaders was strictly executed. The responsible person was required to be standby at all times and to keep guards more frequently during the epidemic.
- Strengthen water quality control and safeguard water quality and safety: Inspections on disinfection facilities in water treatment plants were undergone. To comply with the requirements of the national water quality standards "Standards for Drinking Water Quality" (《生活飲用水衛生標準》), the control on water disinfection procedures were heightened. The inspection frequency on water quality monitoring points and parameters were also increased.
- Step up inspections to upkeep water distribution systems: A number of water trucks were on 24-hour standby during the epidemic. Water distribution system leaks were also located and repaired in timely manner through frequent inspections. Round-the-clock customer service hotline was available to help customers on water issues and ensure reliable water supply during the crisis.
- Strengthen the disinfection and cleaning of water purification structures: 24-hour shift was further strengthened. The water supply facilities and production area environment were cleaned, maintained and sanitized every day to prevent viruses from invading water supply production sites.
- Remain wholly committed to serving the community by improving quality of service: Online service is available around-the-clock. Citizens can check and pay water bills easily at home through the company's official account on Alipay or Wechat.
- To ensure water safety, water treatment plants turned to closed-off management and access was heavily restricted to the water treatment plants to third parties.

Yingtan Water Supply Group Co., Ltd. implements thoroughly the responsibility of prevention and control, strengthen the inspection and monitoring of water supply facilities, and ensure the safety of water for the general public.

CORPORATE MANAGEMENT & BUSINESS ETHNIC

Business Integrity

Adopting a zero-tolerance approach to corruption, the Group upholds the business environment of integrity and fairness and requires all employees to perform duties based on ethical standards of honesty and integrity with a view to establishing a long-term, honest, trustworthy and reliable business relationship with all business partners. Based on the "Provisions of the Criminal Law of the People's Republic of China" (《中華人民共和國刑法》), "Company Law of the People's Republic of China" (《中華人民共和國公司法》), "Anti-Unfair Competition Law of the People's Republic of China" (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations, we formulate and implement a series of internal procedures and guidelines, and set out the Group's requirements on ethical and professional conduct in the employees' handbook. We adopt zero tolerance approach to bribery, extortion, fraud and money laundering, deal with any misconduct seriously and take disciplinary actions against the violators. We also attach importance to cultivating employees' integrity and moral value and hope that our employees can voluntarily report and refuse any dishonest offer of money or gift. In addition, in order to protect the whistleblowers from unfair dismissal, oppression or inappropriate disciplinary action, the privacy of and information provided by the whistleblowers will be kept in strict confidence.

Some project companies have formulated the "Procurement and Reimbursement Management Measures", "Financial Management System" and internal audit system, and conducted comprehensive audits on management, finance and operations to effectively prevent bribery, extortion, fraud, and money laundering.

In 2020, the Group was not aware that its business and employees were involved in any material non-compliance with laws and regulations related to bribery, extortion, fraud and money laundering.

Information Protection

On the other hand, the Group respects customer's privacy and personal information. As our water supply project company collects user information, we require our employees to handle confidential documents that contain customers' information with due care and diligence. In addition to employment contract, employees are also required to sign relevant non-disclosure agreement in respect of customers' information. We have established relevant information security management system and the office storing sensitive information is under surveillance where its access keys are kept by designated staff. Important computers and files are encrypted with passwords being managed by relevant personnel to safeguard customers' information. During the reporting period, we did not receive any cases of customer privacy infringement or loss of customers' information or relevant confirmed complaints.

Supplier Management

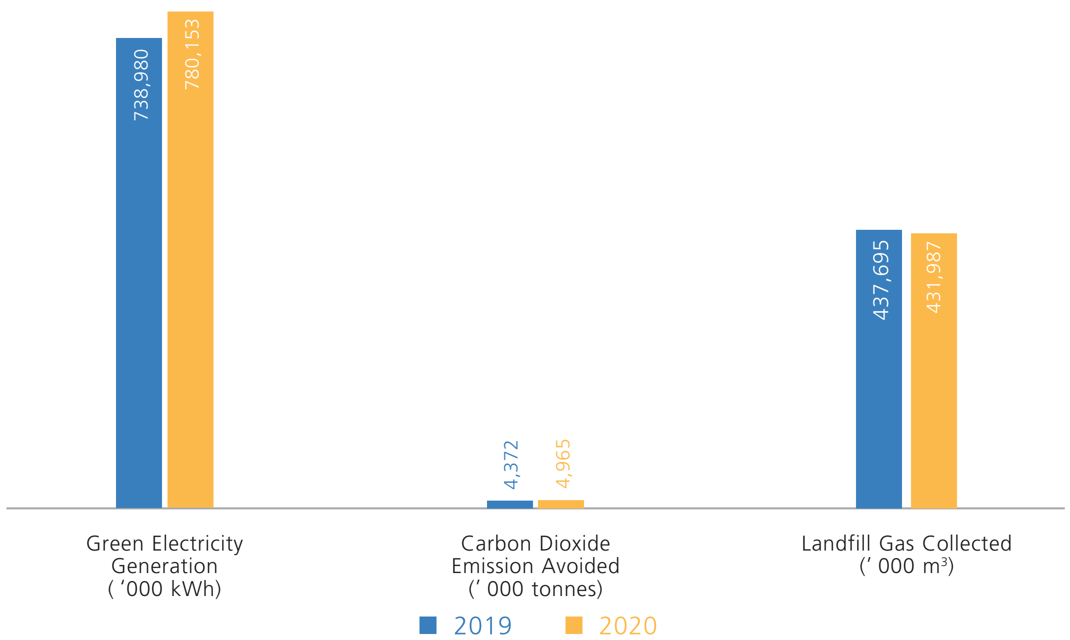
As our business is closely related to the well-being of general public, we are committed to cooperating with high quality suppliers. We have formulated supplier management standards to enable our project companies to select suppliers objectively in terms of company qualification, technology, quality, reputation, business performance, delivery capacity and after-sale services. We also visit suppliers' places of operation on a regular basis to assess their compliance, and conduct continuous investigation, analysis and screening to select long-term and stable suppliers to be included in the List of Qualified Suppliers. Suppliers who fail to meet the supply requirements for multiple times will be removed from the list to ensure that we maintain a high quality supplier management system, thereby guaranteeing the quality of raw material.

In addition to general service performance of suppliers, we also consider their sustainability performance, including business ethics. The Group adheres to zero tolerance for child labour and forced labour, and resolutely upholds human rights and labour rights. We avoid the use of child labour and forced labour, and expect our suppliers to adhere to the same principles, in order to create a harmonious, fair and sustainable society.

GREEN BUSINESS

In over a decade since its establishment, the Group has expanded from the traditional water service sector at the beginning to environmental protection, new energy and other business sectors. With a geographical coverage of various provinces and cities in China including Guangdong, Jiangxi, Chengdu and Foshan, the Group provides a full range of comprehensive solutions to facilitate the development of environmental protection industry in China.

Exploitation and sale of renewable energy



"Guidance on Establishment of Target Oriented System for Development and Utilisation of Renewable Energy of National Energy Administration" (《國家能源局關於建立可再生能源開發利用目標引導制度的指導意見》) was designed to optimise the national energy structure and specify the responsibilities and obligations for development and utilisation of renewable energy in different areas to ensure that the objectives of saving energy, reducing emission, increasing proportion of non-fossil energy and achieving sustainable development can be met. It also set out the target proportion of renewable energy in total energy consumption of different provinces, regions and cities in 2020 as well as the target proportion of non-hydropower renewable energy in total electricity consumption in China to encourage the use of renewable energy. The Group has been actively facilitating the implementation of national environmental protection policies with a vision of "creating an environment of blue sky, green land and clear water". While pursuing economic and social development, the Group also pays attention to maintaining the harmony between human and nature and implements President Xi Jinping's idea of "lucid waters and lush mountains are invaluable assets".

Utilisation of municipal waste energy is an emerging energy industry, and our renewable energy projects are in line with the national policies related to energy saving and environmental protection. We install effective biogas collection system in landfills to fully utilise the biogas produced from anaerobic fermentation of organic wastes at the landfills for power generation, which makes the landfills self-sufficient in electricity, reduces the use of fossil fuels for power generation, and prevent odour pollution of landfill gas caused to nearby residents, thereby creating economic benefits for the society and making contribution to environmental protection. Organic matter is a kind of biomass which contains solar energy absorbed through photosynthesis.

As such, biogas produced from decomposition of organic matter is considered as a renewable energy. As at 31 December 2020, the Group has been operating 34 landfill gas power generation projects in various provinces and municipalities including Jiangsu, Hunan, Shaanxi, Anhui, Hainan, Jiangxi, Sichuan, Zhejiang, Chongqing, Shandong, Hebei, Guangxi, Guangdong, etc. to deliver power to urban power grid, and generated a total of 780,153,213 kWh of green electricity throughout the year which increased the proportion of clean energy. In addition, we have been operating a compressed natural gas projects in Guangdong which generated a total of 3,803,000 m^3 of compressed natural gas throughout the year.

Biogas, if mixed with air in certain proportions, will become explosive gas, and the risk of explosion resulting from accumulation of biogas can be mitigated by burning off residual biogas. In addition, the main component of landfill gas is methane, which is a greenhouse gas, and the greenhouse effect caused by one kilogram of methane is 23 times stronger than one kilogram of carbon dioxide. As such, burning methane can reduce the greenhouse effect caused by it. Landfill biogas may migrate out of the landfill through underground paths, and our biogas collection system can reduce such migration of biogas. In 2020, a total of 431,987,115 m^3 of landfill gas was collected and equivalent to 4,965,296 tonnes of carbon dioxide emission was avoided because of our projects.

In order to realise landfill gas power generation and grid connection, we install voltage stabilisers in the generator sets in accordance with the Regulations on Electricity regulation (《電力監管條例》) and the Regulations on the Administration of Power Business Licenses (《電力業務許可證管理規定》) and promptly contact the responsible power grid dispatchers to ensure timely and safe grid connection operation. During the Reporting Period, we were not aware of any material non-compliance with the relevant laws and regulations.

The following is the accumulated achievement of our renewable energy business since our first waste utilisation project commenced operation in 2014:

Generated
2,758,319,939
kWh of green electricity

Generated
78,045,593
m^3 of compressed natural gas

Equivalent to
19,998,318
tonnes of carbon dioxide emission avoided

Collected
1,874,964,579
m^3 of landfill gas

Sewage treatment

Since 2019, policies on improving the quality and efficiency of sewage treatment have been introduced. The improvement of quality and efficiency is not only a transformation of sewage treatment plants or a simple diversion of sewage and rain. The State has formulated the "Three-Year Action Plan on Quality and Efficiency Improvement for Urban Wastewater Treatment (2019-2021)"(《城鎮污水處理提質增效三年行動方案(2019-2021年)》), which requires built-up areas in cities at prefecture level and above to generally achieve zero direct discharge of domestic sewage within three years, and basically eliminate unencumbered areas of domestic sewage collection and treatment facilities and black and odourous water in urban villages, old towns and rural-urban fringe zones, to fully cover, fully collect and fully deal with sewage water, and improve the living environment of residents. The Group cares for the society and strives to serve the community through good sewage treatment service. Currently, the Group has 3 sewage treatment projects, located in Jiangxi's Yichun, Shandong's Jining and Guangdong's Foshan. The following is the achievement of our sewage treatment business in 2020:

Daily aggregate sewage disposal capacity is approximately **190,000** tonnes.
53,341,016 tonnes of sewage treated
9,235 tonnes of COD reduced

Accumulated achievement since the commissioning of the first sewage treatment project in 2007:
532,410,327 tonnes of sewage treated
89,693 tonnes of COD reduced

Decontaminating and purifying water are the core responsibilities of our sewage treatment business. All our projects have been qualified for operation under the Pollutant Discharge Permit. During the Reporting Period, we were not aware of any material violations of applicable laws and regulations, including but not limited to the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and the Criminal Law of the People's Republic of China (《中華人民共和國刑法》). We specifically use facilities and treatment technologies of different sises according to the nature of the sewage to be treated, including Biolak technology of Germany, Cyclic Activated Sludge System (CASS) technology and Anaerobic-Anoxic-Oxic (A2/O) technology, combining with biological oxidation tank, magnetic-coagulation separation, ultraviolet irradiation disinfection, etc. The domestic sewage treated at the Gaoming Sewage Treatment Plant of the Group in Foshan, Guangdong Province meets the national first-class B standard, and the sewage treated at the remaining sewage treatment plants is discharged in accordance with the national first-class A standard of the Emission Standards for Pollutants in Urban Sewage Treatment Plants (《城鎮污水處理廠污染物排放標準》), to ensure that it will not detrimentally affect natural ecology and human health and sewage will only be discharged at designated locations in the agreement with the government.

Before the construction of the sewage treatment plant, we have obtained the approval of the "Environmental Assessment of Construction Projects" (《建設項目環境評價》) and the "Environmental Protection Acceptance of Construction Projects "(《建設項目環境保護驗收》). The wastewater treatment plant meets the national environmental protection standards during the construction phase. We do not directly discharge the pollutants specified in the Environmental Protection Tax Law of the People's Republic of China and are eligible for tax concessions accordingly. In 2020, all treated effluent is discharged either to the ocean or river, amounting to 53,341,016 tonnes in total.

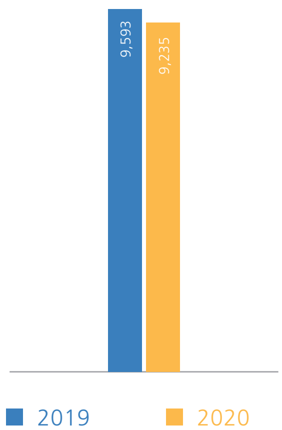
Yichun Fangke Sewage Treatment Company Limited has continuously improved the construction of wastewater and sludge treatment facilities, and constructed and operated Yichun Sewage Treatment Plant and Mingyue Mountain Wentang Sewage Treatment Plant in a build-operate-transfer (BOT) model. The upgrading, reconstruction and expansion project of phase IV Yichun Sewage Treatment Plant started in October 2018. It was commissioned after water connection in July 2019, and completed environmental inspection and acceptance in November of the same year. Currently, its daily sewage disposal capacity reaches 140,000 tonnes. The construction project of Mingyue Mountain Wentang Sewage Treatment Plant started in May 2019, aiming to connect water and operate by 2021. Phase I construction is expected to reach a daily sewage disposal capacity of 20,000 tonnes. The two sewage treatment plants will undertake an important task of treating the domestic sewage in the central city area of Yichun and in the area of Mingyue Mountain Wentang.

In addition to sewage treatment, we also focus on recycling waste and actively explore the possibility of sludge reuse. Yichun Fangke Sewage Treatment Company Limited dehydrates sludge with sludge dehydration technology. The target water content of sludge is reduced from 80% to 40%. The dehydrated sludge is sent to landfills designated by the government. We reduce the amount of sludge generated in the process of treatment, and also save landfill sites and help extend the useful life of landfills.

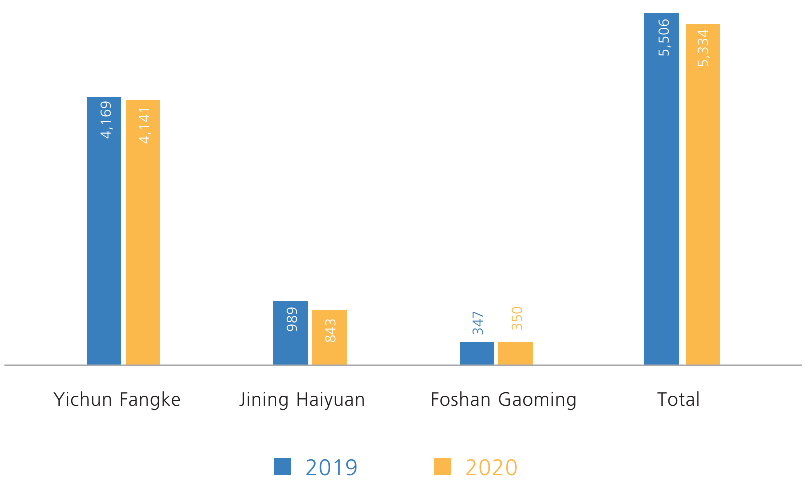
Total volume (tonnes) of treated sludge discharged by various disposal methods as at 31 December 2020

Incineration	Landfill	Bricking-making	Total
531	34,005	5,716	40,252

Reduction in COD (Tonnes)



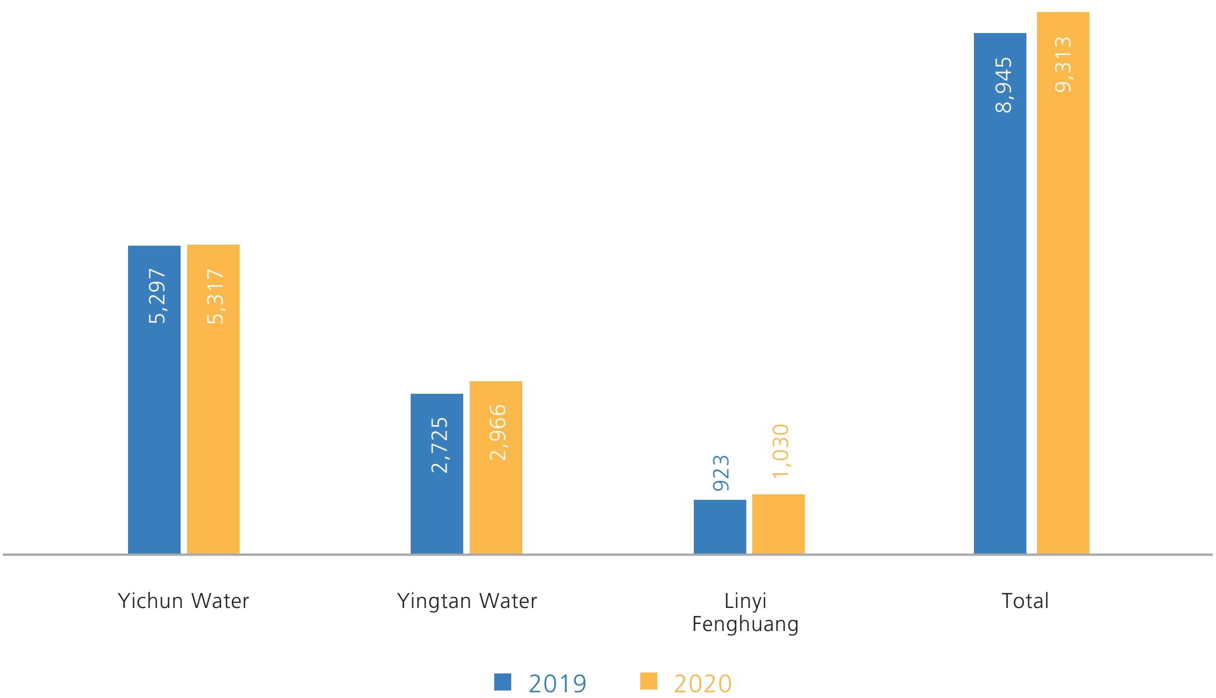
Volume of Sewage Treated by Projects (10,000 tonnes)



Water Supply

Supply of drinking water to the general public has been one of the principal activities of the Group for many years. Upholding the motto "Everything in water supply matters, serve without boundary" and the attitude of "our pursuit of the need of the customer", we are committed to providing customers with stable and reliable running water, ensuring the safety of urban water supply, offering urban resident-oriented services, as well as, complying with the laws and regulations related to water resources, including but not limited to the Water Law of the People's Republic of China (《中華人民共和國水法》). In 2020, we have 3 water supply projects, situated in Yichun (Jiangxi), Yingtan (Jiangxi) and Linyi (Shandong), supplied a total of 93,137,679 tonnes of water during the year.

Volume of Water Supply by Projects (10,000 tonnes)



Water Safety

In order to ensure safe water supply to citizens and strengthen the sanitary supervision and environmental sanitation management of production process of various water plants, we have established and implemented a water quality monitoring system in accordance with the "Urban Water Supply Regulations" (《城市供水條例》) to ensure that the water quality meets the drinking water sanitary standards set by the state. During the Reporting Period, we were not aware of any material non-compliance with laws and regulations relating to product responsibility.

First line of defense: Various types of water storage equipment are also regularly cleaned and disinfected to prevent water pollution. Sanitation protection areas for water source will be set up in the factories where necessary. It is strictly prohibited to build any facilities that may endanger water quality and sanitation and conduct activities that hinder the sanitation of water source and water quality.

Second line of defense: We have set up the pressure measurement point of the pipe network to ensure that the pressure of the water supply pipe network complies with national standards.

Third line of defense: We have established a timely temporary water termination notification system and a water meter installation system, which have greatly improved our service quality. We also regularly inspects and repairs reservoirs, water diversion channels, water intakes, pumping stations, wells, water distribution networks, household water meters, water purification plants, public water stations, etc. Security guards are also arranged to monitor important areas of the water plant around the clock to ensure safe operation.

Forth line of defense: We regularly commission third-party testing companies to conduct detailed water quality inspections at representative sampling points, including water intake point, water outlet point, frequent water taking points of the residents, as well as the ending point of the pipe network. The testing parameters include more than 30 different detection items such as color, coliform, odour, oxygen demand, free residual chlorine, lead, etc. We have set up our own testing center for some water supply projects to strengthen the supervision of water quality.

At the same time, in addition to comprehensive ancillary facilities, we also attach great importance to the health conditions of and knowledge acquired by employees. All staff engaged in water supply and management must obtain health certificates before they can start work and are required to conduct health check once a year. No employee suffering from an illness which affects the sanitary of water supply shall directly engage in related works. In addition, we regularly train our employees to improve their health and safety awareness, alertness and operational skills, thereby achieving a mutually beneficial and win-win employment relationship.

Online monitoring equipment training at water quality monitoring point

In order to ensure that the general public can be supplied with safe and assured tap water, Yingtan Water Supply Group Co., Ltd. has been equipped with an online water quality monitoring device at the Guixi water intake source to monitor changes in source water quality in real time, 24 hours a day. To further strengthen and improve the water quality control work, the water quality monitoring station organized department personnel to the Guixi water intake source to carry out special training on the use and maintenance of water quality online monitoring equipment. This training was mainly divided into two parts: explanation on equipment knowledge and on-site practical operation demonstration. The structure and monitoring principle of the equipment are explained in detail. Demonstration on the retrieval of monitoring data, the calibration of the results, and the troubleshooting of faults were performed. Participants also had discussions on how to make good use of the water quality monitoring data and how to manage and control water quality. We will continue to make good use of this water quality monitoring system, perform well in water quality data analysis, monitoring, etc., continue to strengthen water quality management, and struggle to meet the higher water quality needs of water users.

Safeguard the quality of raw material and build safety line of defense

Yingtan Water Supply Group Co., Ltd. always puts safe and high-quality water supply in the first place. In order to effectively ensure the safety of drinking water for users, its water quality monitoring station not only strictly controlled the quality of water source, water output and pipeline water, but also the process of water treatment. Polyaluminum chloride, which was the water treatment agent used, had undergone strict safety inspections with various checking and multiple guarantees for the safety of water supply.

The water quality monitoring station took sample of each batch of water treatment agent according to the standard, and strictly followed the national standard "Polyaluminum chloride for drinking water" (《生活飲用水用聚氯化鋁》) (GB15892-2009) for testing. The testing items include alumina and salt-based There are a total of 10 indicators including temperature, pH, water insoluble matter, lead, mercury, arsenic, etc.. Agent can be put into use only after passing all tests.

After passing the tests, the inspectors also verified the coagulation effect of the polyaluminum chloride. According to the water source quality, the coagulation and mixing test was carried out. Appropriate dose ratio was obtained by simulating the polyaluminum chloride dosing process in the water plant. According to the results from laboratory test, the production of the water plant was provided a scientific basis guide for safe production and high-quality water supply.

Management of Water Supply Projects

We have formulated the Project Management System and the Project Quality Management System to strengthen our management of project quality. We regulate the project construction process in strict compliance with the "Water Pipeline Construction and Inspection Standards"(《給水排水管道工程施工及驗收規範》)(GB50268-2008), to promote coordination between departments and improve working efficiency. The materials of the water pipeline are also important to the quality of water supply. We will only use the pipes that obtain product quality certificates or certificates in conformity with the national standards such as "Polyethylene (PE) for Water Supply" (《給水用聚乙烯(PE)管材》)(GB/T13663-2000), to ensure the safety of water supply and the health of users. Some project companies use stainless steel pipes, pipes and fittings from suppliers that have passed ISO9001:2015 quality management system certification.

In respect of project maintenance, our professional maintenance personnel of engineering department are put on standby around the clock. Once receiving any leakage report, they will immediately rush to the site to conduct maintenance, to ensure the operations are in compliance with the requirements of the local authority for the management of water supply and water usage, and the water pressure is up to standard. We also attach importance to providing a safe working environment. When conducting maintenance work, all relevant personnel are required to wear helmets and high-visibility clothing. Meanwhile, warning signs and guard rails are in place to avoid accidents.

Always online to resolve problem

Yuhucheng community has more than 2,000 households. It had faced a frequent failure on water pumping facilities, which caused repeated water outage and affected residents severely, since August 2020. In the absence of professional site maintenance personnel, equipment failure cannot be fixed on time. The community can only ask for help from the water supplier. Once Yichun Water Industry Group Co. Ltd.* had received the call for help, staff were sent to the job site for detailed investigation. It was found that the facility was over-loaded. It caused an abnormal power voltage which further damaged the electronic component in the control panel and interrupted the normal operation. With the immediate help from maintenance personnel, the facility was repaired and the water supply had resumed normal in a timely manner. The property management thanked the maintenance personnel for their help.

Adhering to the service tenet of "Everything in water supply matters, serve without boundary", we have put the needs of users in the first place for many years. Being people-centric, we targeted on providing users with services of higher quality and standard and winning their hearts by guaranteeing water supply at all times. The staff of Yuhu City Community Property Service Center also expressed their gratitude to the staff for their conscientious and dedicated service attitude by sending a silk banner with "exquisite technology to resolve problem" to Community Pressurization Management Department of Yichun Water Industry Group Co. Ltd.*.

Regular emergency drills to ensure the safety of water supply continuously

In order to further strengthen employees' awareness of safety precautions, improve emergency response capabilities, and ensure safe and high-quality water supply, Yingtan Water Supply Group Co., Ltd. conducted emergency drills. This exercise with the theme of "sudden power failure, high turbidity of the source water" was carried out to spot the problems in the emergency plan, thereby improving the practicability and operability of the emergency plan and shortening the time for resuming normal production. After receiving the emergency notification, the operators, drug workers, maintenance team, and operation leaders arrived at the designated locations within the specified time. The emergency drill leader assigned tasks to everyone, and conducts unified command. Upon receiving the instruction, personnel in each position responsible for the equipment put into emergency handling operations immediately:

- Step 1: In face of sudden power failure and high turbidity of the source water, the second pump operator must report to supervisor as soon as possible, so as to start production adjustment, and at the same time quickly close the relevant unit valves and cut off the circuit load;

- Step 2: After receiving the command, the person in charge of the dosing room should close its equipment valve as soon as possible;

- Step 3: The person in charge and team members of the integrated pool flocculated the high turbidity source water of the reaction tank immediately. They transported the polyaluminum chloride quickly to the reaction tanks of each integrated pool for manual sprinkling to ensure that the source water was reacted and flocculated and prevent high turbidity water from entering the clear pool;

- Step 4: Power transmission process: After the call, the person in charge of operation checked whether all loads were disabled and the three-phase power supply had back to normal. He then resumed the operation of the power transmission equipment, notified the dosing room and the integrated pool to resume operation and stop manual spraying, and checked whether the water outlet met the standard and restore the normal water supply.

In this emergency drill, the person in charge proceeded step by step and completed the drill successfully. Through regular emergency drills, work routine is more deeply rooted in the hearts of the people, and the safety of water supply is continuously guaranteed.

Optimizing customer service

The Group is committed to providing customer-oriented services to ensure that our customers receive the most effective and high-quality services. Some project companies also provide 24-hour customer service hotlines, coupled with the 12345 service hotline offered by the government, the opinions or needs of customers are accepted and addressed on a timely basis. In addition, we have formulated the codes of customer service, job responsibilities and processes to further standardise and optimise customer service. We also set up relevant contingency plans for emergencies such as power outages of water plants, burst of main pipe and other natural disasters, to give employees clear instructions on how to deal with the issues, improve their resilience in emergencies and ensure stable water supply. In addition, customers can pay water bills, make an inquiry and check corporate information, such as temporary water supply suspension notice, water fees schedule and water quality testing report and etc., via their WeChat public accounts set up by project companies, which fully demonstrates our corporate transparency. Our payment channels have also expanded to banks, Alipay, and Mobile QuickPass. Besides, service counters have been created in the administrative services centre for the convenience of customers. We have designated personnel in the meter-reading department for handling complaints and following up the problems regarding water meter, water fee and others reported by the landlords.

Work Flow for Customer Service

Receive	Complaints from customers are received via hotlines of the Company and the government and are recorded in detail.
Transfer	According to the priority, the complaints will be transferred to the head of departmental leaders for instructions.
Handle	The complaints will be handled by relevant departments on a timely basis (3 working days).
Return visits	Telephone return visits are made to follow up the situation and customer satisfaction, and the cases are reported in written form to head of departmental leaders via email for signature.

NB-IoT smart water meter optimizes service level

As a 5G trail city, Yingtan City is vigorously building a smart city. Yingtan Water Supply Group Co., Ltd. takes this opportunity to fully promote the installation of remote smart water meters and the construction of software platforms. Currently, it managed 160,000 user water meters, 157,000 smart water meters with a coverage rate of 98%, of which 103,000 NB-IoT smart water meters. Based on the two and a half years of NB-IoT smart water meter application, it has achieved great results.

Since the use of the NB-IoT smart water meter, smart meter reading has been fundamentally achieved. Meter readers no longer need to make reading record in person. 5G transmission is used to achieve point-to-point transmission. In order to further enhance the potential value of the data, Yingtan Water Supply Group Co., Ltd. and Hangzhou Sanchuan Guode conducted in-depth cooperation to integrate the existing system with the centralized meter reading system of NB-IoT smart water meters based on the achievement of remote meter reading and data transmission. All the back-end interfaces are connected to interconnect all existing system. All systems can utilize the data in the centralized meter reading system, which further improves the utilization rate of data and can create more data value from it. For example, the quality of a call and user experience can be improved by the acquisition of basic information of the user before the call is connected. The water consumption of the caller and the reasons for the call can be predicted in advance.

In addition, the project company can discover users' abnormal water consumption information by combining artificial intelligence analysis, and use the automatic SMS notification function to provide convenient services such as reminder of overdue payment, step water consumption, and abnormal water consumption. For example, water consumption habits and average water consumption of a user can be calculated with the help of big data analysis. An abnormal water volume reminder can be set once the user's situation is abnormal. The SMS system will promptly push SMS notification to inform the user about the abnormal water volume. The user can check or request assistance to avoid wasting water and also reduce unnecessary losses. On the other hand, when the water consumption exceeds the upper limit of the ladder, a SMS notification allows users to consume water consciously and reduce service contradictions caused by information blocking. The intelligent service system not only significantly reduces user complaints, but also significantly improves user service experience, and is widely accepted.

OUR ENVIRONMENT

As a company focusing on water related services and renewable energy, the Group is part of the fabric of the nature. We are committed to solving environmental problems and making good use of all resources to reduce the impact on the environment. We implemented methods in treating waste, wastewater, gas emissions and noise produced during the manufacturing process, and applied information technologies to build up a green office. Our project companies have formulated a sound environmental management systems, some of which have obtained ISO 14001 environmental management system certification, to continuously monitor and manage the impact on the environment, as well as, adopt stringent emission standards. During the Reporting Period, we were not aware of any material non-compliance with relevant environmental protection laws and regulations by the Group, including but not limited to the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》), the "Environmental Protection Tax Law of the People's Republic of China" (《中華人民共和國環境保護税法》), the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (《中華人民共和國固體廢棄物污染環境防治法》), the "Law of the People's Republic of China on the Prevention and Control of Water Pollution" (《中華人民共和國水污染防治法》), the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" (《中華人民共和國大氣污染防治法》) and the "Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise" (《中華人民共和國環境噪聲污染防治法》).

Management in Greenhouse Gas Emissions and Energy

The major source of greenhouse gases of the Group is electricity consumption. During the year, we implemented a number of energy saving measures, such as optimizing the power system and building design, purchasing imported energy saving production equipment and electrical appliances, and adjusting the sewage treatment equipment according to the quality of inflow water. In addition, we are also determined to replace and reduce the electricity generated by fossil fuels with renewable energy power generation. We prefer landfill gas electricity generation for the project of landfill gas electricity generation. We will first cover the landfill for deodourisation. The landfill gas collected via gas wells and pipes is purified and utilised to effectively improve the environmental sanitation of the entire landfill, reduce the landfill safety hazards, solve the problem of landfill odour pollution and make good use of renewable resources. Our employees are offered low-carbon energy-saving guidelines to encourage them to develop the habit of saving electricity, such as turning off lights and controlling air-conditioning temperature. In addition to electricity, the vehicles, equipment, backup generators and canteens of the Group also consume diesel, petrol, natural gas and other fuels. We strive to explore any methods that can achieve energy saving and emission reduction.

Indicator [i]	Unit	2020	2019
Total energy consumption	MWh	**458,581.29**	482,307.08
Purchased Electricity	MWh	**34,631.99**	39,419.01
Petrol	MWh	**851.06**	1,025.84
Diesel	MWh	**579.30**	482.79
Liquefied Petroleum Gas	MWh	**57.08**	48.42
Natural Gas	MWh	**22.10**	22.10
Landfill Gas [ii]	MWh	**422,439.76**	441,308.92
Total Energy Consumption Intensity	KWh/thousand HKD	**0.41**	0.41

Remarks:

i. Our total energy consumption includes purchased electricity and fuels (non-renewable and renewable) consumed and the relevant conversion factors reference from "Technical Note: Conversion of fuel data to MWh" published by CDP.

ii. Included landfill gas consumption for the generation of sold electricity.

Air emission directly exhausted from our operations mainly comes from electricity generators, flares of landfill gas, different types of vehicles and canteen stoves. Air emission emitted from generators is treated by deNOx devices and will be emitted only if it meets the emission limits stipulated in the "Boiler Air Pollutant Discharge Standards" (《鍋爐大氣污染物排放標準》). In the event of poor biogas quality, stoppage of landfill gas recycling device or excessive gas supply, we will use the flare system of the landfill gas electricity generation project to burn the biogas in high temperature, burn down or treat the hazardous substances in a harmless manner. Air emission that meets the "Integrated Emission Standard for Regional Air Pollutants" (《大氣污染物綜合排放標準》) will be discharged through a specific exhaust pipe. Relevant project companies have obtained the discharge permits issued by the government. We conduct regular check-ups for prevention and control of air pollution. We also entrust third-party environmental monitoring institutions to conduct on-site monitoring of atmospheric pollution. In case of any non-compliance, corrective actions will be taken base on the "Procedure of Non-compliance, Corrective and Preventive Action". In order to reduce fume emission from cooking, we installed fume purifying devices in the canteen.

Indicator [iii]	Unit	2020	2019
Total Greenhouse Gas (GHG) Emissions	Tonnes of CO_2 equivalent	**31,640.20**	35,779.10
Direct Emissions (Scope 1)	Tonnes of CO_2 equivalent	**421.71**	441.75
Indirect Emissions (Scope 2)	Tonnes of CO_2 equivalent	**31,242.34**	35,361.20
GHG Removal (Tree Plantation) (Scope 1)	Tonnes of CO_2 equivalent	**23.85**	23.85
GHG Emissions (Biogenic) [ii, v]	Tonnes of CO_2 equivalent	**221,515.56**	282,037.19
Total GHG Emissions Intensity (Scope 1 & 2) [iv]	Kg of CO_2 equivalent/ thousand HKD	**28.00**	30.09
Nitrogen Oxides (NO_x) [ii]	Kg	**304,168.99**	387,057.11
Sulphur Oxides (SO_x) [ii]	Kg	**107,391.20**	136,732.78
Particulate Matter (PM) [ii]	Kg	**25,718.30**	33,199.40

Remarks:

iii. Our reporting on air and greenhouse gases (GHG) emissions mainly base on the requirements in "How to prepare an ESG report" published by HKEX and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute. Operational control approach is adopted when defining organisational boundary for the purpose of GHG accounting and reporting.

GHG emissions is presented in carbon dioxide equivalent (CO_2 equivalent). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased or acquired) and refrigeration internally consumed by the Group. With reference to the emission factors for Mainland China based operations newly supplemented in "How to prepare an ESG report, the scope 2 indirect emission in 2019 has also been restated.

iv. Total GHG emission intensity (Scope 1 and 2) excludes biogenic emission. In accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition), published by World Business Council for Sustainable Development and World Resources Institute, emissions data for direct GHG emissions from combustion of biomass or biofuels should be reported separately.

v. Biogenic emission represents GHG emission from landfill gas electricity generation.

Wastewater Management in relation to Renewable Energy Project

As for the landfill power generation project, landfill operators are responsible for the sanitation of the landfills and the treatment of leachate, and we are responsible for landfill gas collection through the gas wells and pipes in the landfills. The leachate inside the gas well will flow to the waste through the wall of the well, and finally be drawn out through the drainage pipe, and sent directly to the leachate treatment facility of the landfill together with the condensate inside the gas pipe for treatment. In addition, our drainage and sewage pipes are constructed based on the principle of "rain and sewage diversion". The rainwater collected separately is discharged directly. The purpose of separating the collection of sewage and rainwater is to reduce sewage production. The condensate generated by the cooling tower will be recycled for our internal use. The domestic sewage treated by septic or leachate tanks will be transported to sewage treatment station of landfill or used for greening and fertilisation.

Water Management

We constantly review various water conservation measures, and focus on reducing water use and recycling wastewater. We implemented water conservation policies within the Group, installed low-flow water-saving devices, and eliminated outdated apparatuses with high water consumption. During the Reporting Period, we did not have any problems in sourcing water that is fit for purpose. In addition, we actively encourage the reuse of wastewater.

Indicator[vi]	Unit	2020	2019
Total Water Consumption	m^3	**27,576.00**	39,182.00
Total Water Consumption Intensity	m^3/thousand HKD	**0.02**	0.03

Remarks:

vi. Water consumption of 2019 and 2020 represent 8 project companies.

Noise Management

We use large machines such as generator units, water pumps and gas boosters in daily operations, which will inevitably create a certain degree of noises. In order to reduce the impact of noise on nearby communities and ensure that noise level in factory area meets the "Standards of Category II of the Emission standard for Industrial Enterprises Noise at Boundary" (《工業企業廠界環境噪聲排放標準》)(GB12348-2008). We properly arrange the layout of the factory area. Regular inspection and maintenance of equipment are carried out to maintain good operating conditions. Also, noisy equipment is encapsulated in a soundproof box and installed with damping pads are installed between the equipment and the ground, where possible, to reduce the noise derived by mechanical vibration.

Solid Waste Management

Our solid waste is mainly general domestic refuse, food waste and hazardous waste generated in the production process. We identify hazardous waste, including waste oil, waste desulphurisation agent and sludge, according to the "Directory of National Hazardous Wastes"(《國家危險廢物名錄》). We collect and store different categories of hazardous wastes in accordance with the "Standard for Pollution Control Hazardous Waste Storage" (《危險廢物貯存污染控制標準》), set up temporary liquid waste storage area and collection facilities that meet environmental requirements in the factory area, and entrust qualified hazardous waste collectors to dispose wastes to comply with the "Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Waste" (《中華人民共和國固體廢物污染環境防治法》) and other relevant laws and regulations. This is to protect public health and prevent hazardous waste from causing other unnecessary environmental pollution. To ensure that recyclers have sufficient resources to properly recycle and dispose of waste, we conduct spot checks and supervise waste recyclers regularly.

As for general solid waste, we properly store and dispose of recyclable and non-recyclable general waste according to the "Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes" (《一般工業固體廢物儲存、處置場污染控制標準》) (GB18599-2001). Recyclable general waste such as scrap iron, plastic, food waste, waste paper, etc., are segregated and then handed over to qualified recyclers to reduce waste generation. Our Environmental Management Team will review the waste management semi-annually and continue to optimise the management system.

Indicator	Unit	2020	2019
Total Hazardous Waste	Tonnes	**118.87**	231.86
Waste Oil and Waste Containing Oil	Tonnes	**111.87**	220.26
Waste Drum	Tonnes	**3.04**	0.80
Waste Activated Carbon	Tonnes	**–**	10.80
Waste Catalyst	Tonnes	**3.96**	–
Total Hazardous Waste Intensity	Tonnes/thousand HKD	**0.11**	0.20
Total Non-Hazardous Waste	Tonnes	**80.10**	55.42
Recycled			
Metal	Tonnes	**10.39**	14.85
Food Waste	Tonnes	**32.16**	5.40
Paper	Tonnes	**0.50**	0.31
Other General Refuse	Tonnes	**5.00**	0.50
Plastic	Tonnes	**8.00**	–
Disposed			
Food Waste	Tonnes	**2.30**	7.75
Paper	Tonnes	**0.20**	0.21
Other General Refuse	Tonnes	**21.55**	26.40
Total Non-Hazardous Waste Intensity	Kg/thousand HKD	**0.07**	0.05

Joining hands to take green initiatives in building a green home

In order to allow better understanding of waste segregation, raise environmental awareness, and encourage employees to actively participate in waste separation, the Party branch of Yichun Fangke Sewage Treatment Co., Ltd. organized an activity with the theme of "Joining hands to take green initiatives in building a green home" and paid a visit to Yichun City Green Power Renewable Energy Co., Ltd.. The activity was divided into two parts: (1) Visit the exhibition hall of "Science Education Base for Domestic Waste Classification and Reduction" to learn about waste classification. (2) Visit a waste incineration power plant to understand the entire production process.

First of all, the narrator introduced the four types of domestic waste treatment process and explained the importance of waste classification with the help of pictures, texts and environmental protection related films. Everyone had a better understanding of domestic waste treatment. Then, participants were led to the control room of the waste incineration power plant. The narrator further explained the monitoring work of the whole process of waste incineration with the real-time monitoring data such as flue gas emission indicators and combustion furnace temperature displayed on the electronic screen.

Then, the staff in the waste lifting control room demonstrated the operation process of the smart steel claws operation chair to grab the waste and feed it into the incinerator. Finally, participants visited the landfill leachate treatment center. The on-site visit not only deepened the participants' understanding of waste segregation, but also witnessed the process of waste recycling which turned trash into treasure. Every participant agreed that they should ask around them to actively participate in waste separation, build a good part of waste segregation atmosphere, and thus turn the concept of "green, low-carbon, and environmental protection" into reality with practical actions.

CARING FOR EMPLOYEES

The Group highly recognises the various values that employees bring to us, and is committed to providing a workplace with motivation and satisfaction that encourages collaboration, offers employees opportunities to learn and grow at work and in life, and maintains a win-win relationship with employees. During the Reporting Period, we were not aware of any violations of laws and regulations related to employment by the Group, including but not limited to the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》), the "Social Insurance Law of the People's Republic of China" (《中華人民共和國社會保險法》) and the "Provisions on the Prohibition of Using Child Labour" (《禁止使用童工規定》).

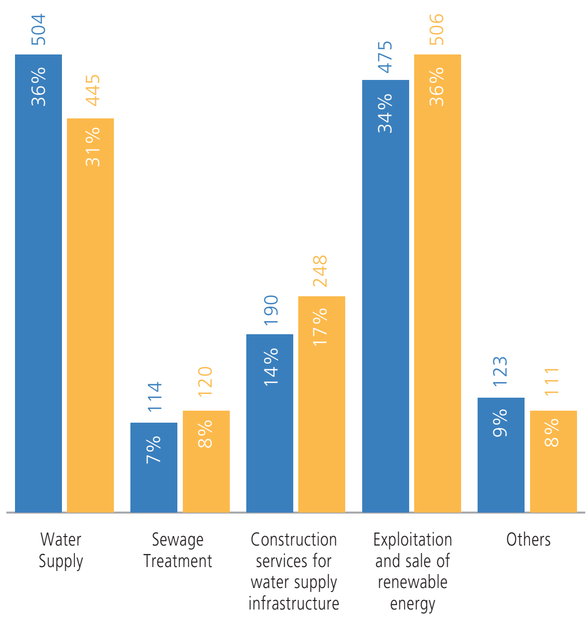
People Management

To protect the legitimate rights and interests of employees and the Group, we have developed relevant personnel management systems for each of our project unit based on the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), which clearly stipulate the operation procedures and regulations related to employee recruitment, resignation, promotion, salary, working hours, leave, etc. The Group recruits talents mainly by posting advertisements on newspapers, job boards, job markets, recruitment agencies, talent websites, internal promotions or referrals from coworkers. We hire and promote excellent, suitable and capable talents in a fair, open and transparent manner without any discrimination based on race, religion, gender, marital status, sexual orientation, age, disability, etc. We adopt a zero-tolerance attitude towards child labour and forced labour, and strictly implement the "Provisions on Prohibition of Child Labour" (《禁止使用童工規定》) of the State Council. The Group performs stringent inspection of ID cards and photos of candidates during recruitment processes, and checks their residence registration if necessary. Candidates will be admitted into registration procedures only after verification of photos. Those who have not obtained an ID card shall hold a certificate of over 16 years old approved by the police station where their residence is registered. Employees shall guarantee the authenticity, legality and validity of the submitted documents, and shall not borrow or falsify the documents to deceive the Company. Otherwise, they will not be qualified for employment or their labour relationship with the Company will be terminated immediately. The Company will claim all the legal responsibilities to those who cause serious consequences. In the event of any recruitment of child under the age of 16, the management personnel of relevant department will be accountable. A special team will be set up to ensure the victims are adequately protected, and all their salaries are immediately settled. We will escort the child to his/her original place of residence and obtain the signature of the parent or guardian for confirmation.

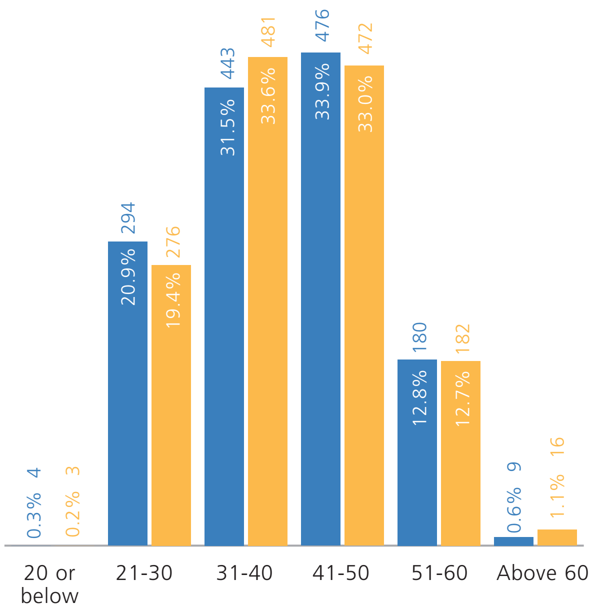
In addition, we sign Labour Contracts with all new employees within one month after they join the Company on a willing basis and have their social security paid. We will never recruit employees by forced or deceptive means such as seizing their ID cards or other valid documents. If necessary, the Supplement Agreement to Labour Contract and the Confidentiality Agreement will be signed at the same time. If an employee is involved in a serious violation of the regulations, the Company is entitled to terminate the labour relationship with the employee in writing in accordance with the Labour Law of the People's Republic of China and relevant regulations. The employee dismissed by the Company will not be given financial compensation other than wages. We distribute Employee Handbooks to employees, which provide details on corporate management policies, employee compensation, leaves, benefits, etc., and notify employees of any updates.

As of 31 December 2020, the Group had 1,430 employees*^; 426 are female employees which accounted for 30% of the total number of employees. All our employees are located in China (including Hong Kong).

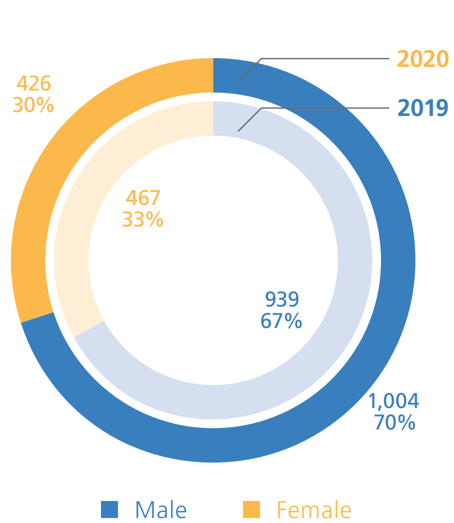
Distribution Of Employee By Business Segment



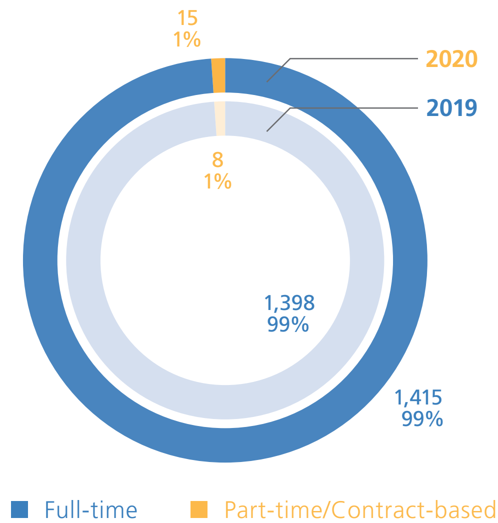
Distribution Of Employee By Age Group



Distribution Of Employee By Gender



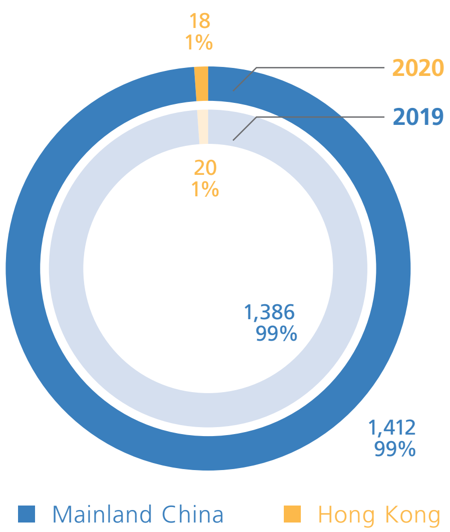
Distribution Of Employee By Employee Category



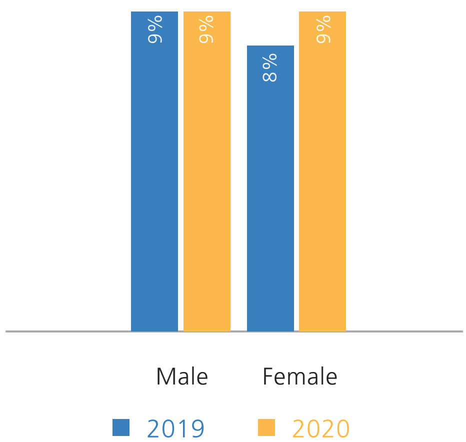
* The data related to employees covers all employees of the Group and the scope of disclosure is consistent with that of the financial report.

^ Our reporting on social KPIs mainly make reference to the calculation methodologies stated in "How to prepare an ESG report" published by HKEX. KPIs for development and trainings in 2019 have also been restated.

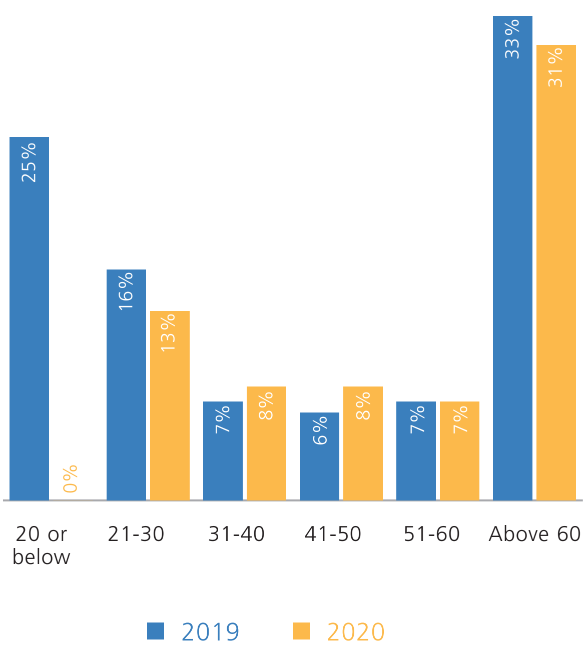
Distribution Of Employee By Region



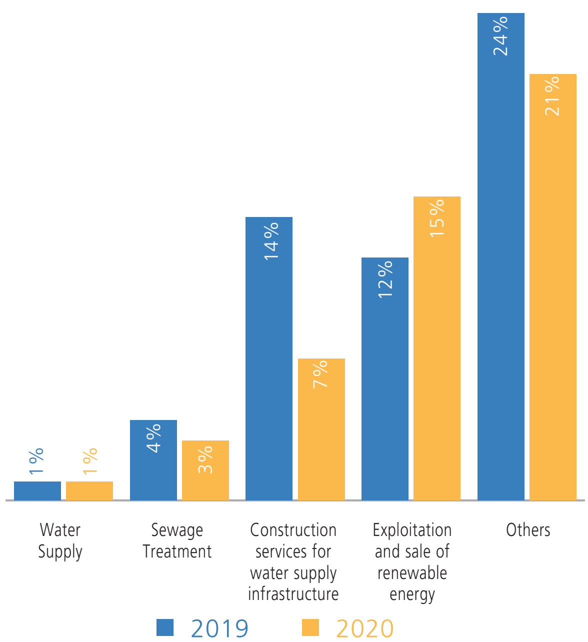
Staff Turnover By Gender



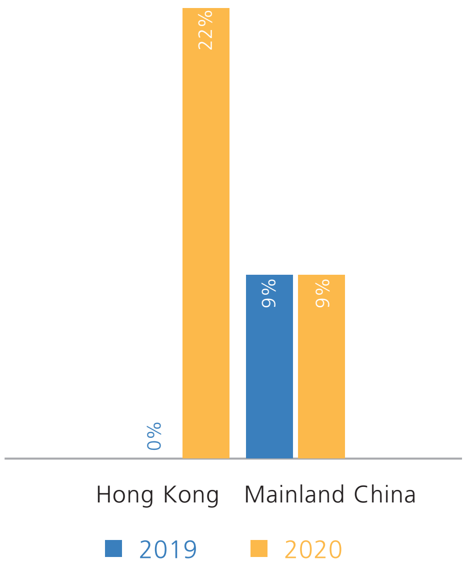
Staff Turnover By Age Group



Staff Turnover By Business Segment



Staff Turnover By Region



Protection for Our Female Employees

The Group has always been making the best use of talent and gender-neutral. We have a female employee protection system, which includes a review mechanism to ensure that female employees will not be unreasonably dismissed due to pregnancy, maternity leave, breastfeeding, etc. and be able to get a basic salary on the basis of fair treatment. They will not be a target of discrimination in salary reviews, promotion and work arrangements to protect their rights and interests. For pregnant employees, we will make the necessary job transfers to avoid them from taking jobs that are harmful to health.

Occupational Health and Safety

We have developed and strictly implemented a system for safety production and education, emergency response plans and safe operating procedures to comply with the "Prevention and Control of Occupational Diseases Law of the People's Republic of China" (《中華人民共和國職業病防治法》) and the "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》). The Group has designated personnel to conduct 24-hour patrolling. The production personnel of factory area inspect and organise fire drills regularly to prevent and eliminate hidden threats to safety in time. Each project company has an operation safety team in place, which is responsible for educating employees on safety production, formulating safety production and operation procedures, and supervising the implementation of safety procedures. We maintain work-related injury insurance for employees, and equip personnel in special positions with masks, gloves, safety shoes, cotton coats and other protective equipment.

We strictly abide by other laws and regulations applicable to occupational health and safety, including but not limited to the "Fire Services Law of the People's Republic of China" (《中華人民共和國消防法》), the "Regulations on the Safety Administration of Hazardous Chemicals" (《危險化學品安全管理條例》) and the "Provisions on the Supervision and Administration of Occupational Health at Work Sites" (《工作場所職業衛生監督管理規定》). During the Reporting Period, we were not aware of any material non-compliance with laws and regulations related to occupational health and safely.

The following are some of the measures taken by the project company to ensure the occupational health and safety of employees:

- Smoking and use of fire in the operation or storage area of flammable and explosive materials and landfills is strictly forbidden
- Regular inspection is conducted to eliminate risk of fire
- Supervision is required for operations such as flaming and welding
- Employees should receive adequate training. For instance, in some project companies, new joiners are required to receive 3-level safety training and pass relevant tests to obtain safety certificate before employment
- Employees in specialised operations are required to obtain special operation certificates
- Safety alert signs are placed at working stations
- Medical examination and occupational health check are arranged for employees at least every two years
- Safety drills are conducted regularly
- Safety checks are conducted weekly to solve problems in a timely manner
- A comprehensive contingency plan is developed that addresses all types of emergencies, such as chemical spills, electric shocks, gas accidents, equipment operating accidents, natural disasters, major casualties, suspension of power supply, fires, and serious accidents involving employees
- Potential employees will be designated to attain external professional trainings at fire departments, hospitals, etc., so that employees can escape in an orderly manner and receive immediate treatment in case of emergencies
- Food test for canteens and large-scale cleaning for canteens and staff quarters are conducted regularly to ensure that the chefs are in good health condition and the ingredients are fresh and safe
- Infectious diseases, insects and mice control and prevention measures are taken to ensure employees' health and safety

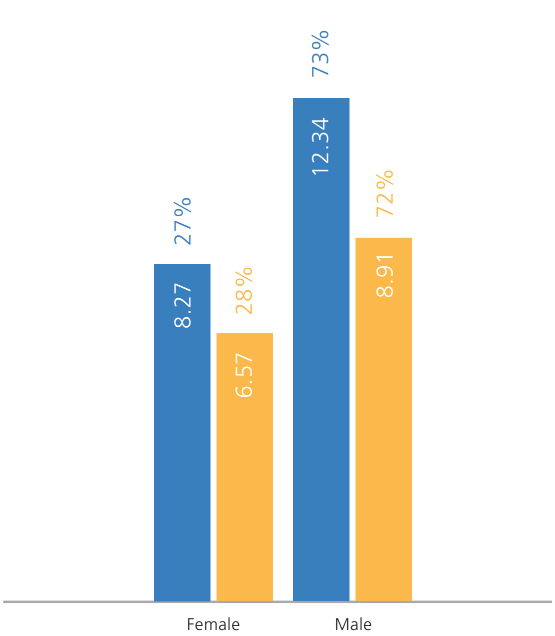
Work safety inspection before Spring Festival

On the eve of the Spring Festival, the general manager of Yichun Water Industry Group Co. Ltd.* and the heads of related departments went to the water plant, warehouse, pressurization station and other departments to conduct safety inspection, and extended condolences to the employees who had been on the front line. Adhering to the strict implementation of safety production work, all frontline staffs stayed alert and got prepared at all times during holidays. All departments put safety in production first, strengthen daily inspections and daily supervision during the Spring Festival, find problems in time and make rectifications in place. The on-duty system and the leadership-led system were implemented firmly. Emergency on-duty was also strengthened during the Spring Festival to prevent and curb the occurrence of various safety accidents effectively, and thus ensure that citizens can enjoy a peaceful and happy Spring Festival.

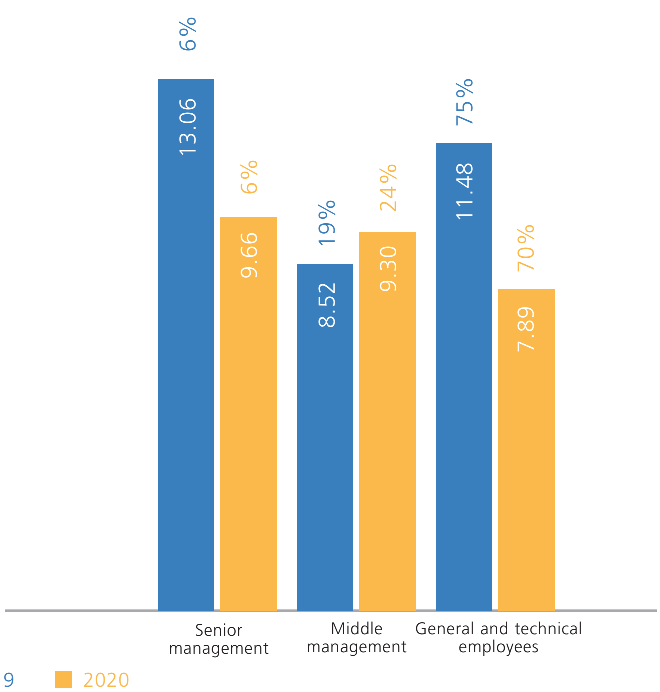
Employee Trainings

Human capital is one of the mainstays of the Group. We strive to build a high-level talent pool, and devote resources to continuously improve employee growth and training mechanisms, in order to balance business development and cater the needs of employees' personal development. We provide diverse training courses every year to enhance the professional knowledge and skills of employees. Some project companies also established online schools and uploaded training videos, so that employees can watch and review the videos at their convenience. In addition to regular internal trainings, outstanding employees will be assigned to various vocational training institutions to receive professional trainings. We will also invite external professional training personnel to train our employees. Besides, individual project companies will subsidise employee-led learning as long as it meets the business needs of the Company, to make the trainings more autonomous and appropriate.

Average training hours and percentage of employees trained by gender



Average training hours and percentage of employees trained by employee category



Employee Training^	2020	2019
Total training hours	**11,746**	15,448
Average training hours per employee	**8.21**	10.99
Percentage of employees trained	**77%**	70%

^ Our reporting on social KPIs mainly make reference to the calculation methodologies stated in "How to prepare an ESG report" published by HKEx. KPIs for development and trainings in 2019 have also been restated.

The 3rd Electrician Skill Competition

In order to promote the creation of talent pipeline framework and further improve the quality and skills of the employees, Yichun Water Industry Group Co. Ltd.* organized the 3rd electrician technology competition. A total of 21 technical experts participated in the competition. This skill competition is divided into two parts: theory and practical examination, which assessed on their level and knowledge of fundamental theory of electrical engineering, schematic comprehension and fault diagnosis. The practical skill competition tested practical skills on production. Participants were asked to come across a troubleshooting scenario on low-voltage motor control loop. It mainly assesses their abilities to use the instrument and meters, to read schematics, and to analyze and identify faults, so as to promote their maintenance skills of the electrical circuits of common equipment. The judges strictly scored in terms of safety, efficiency, function and process quality. The written test scores accounted for 20%, and the practical section accounted for 80%. This skills competition not only built a platform for technicians to broaden their horizons and showcase their talents, but also to encourage talents to learn and practice skills, to work hard, to enhance independent innovation capabilities, and to promote the development of the corporate.

Mutual Communication

Maintaining an unimpeded communication channel and promoting unity are necessary for us to show our care for the employees and enhance their sense of belonging. We value our sincere communication with employees and conduct interviews and periodically give out questionnaires to our employees in order to evaluate their feedbacks and thoughts. We also update the employees with our latest management policies and operating strategies through e-mails, meetings and announcements. Our internal magazine "Sound of Water" not only includes updates of the Group's and project companies' news, policies and industry news, but it also serves as a medium for employees to share poetries, proses or other forms of compositions. In order to ensure that each project company is in line with the internal culture of the Group, we hold a discussion of "Sound of Water" on an annual basis to facilitate the interaction and exchange among different project companies.

Employee Benefits

Employees are the foundation of stable corporate development and the key to business success. In order to retain talents, we strive to create a harmonious and satisfying working environment. In additional to basic paid annual leaves and statutory holidays, we provide full-time employees with employee benefits (including social security plan, paternity leave, bereavement leave and sick leave) according to the requirements of relevant laws. Depending on the operating performance, certain project companies also provide other benefits such as employee housing quarters, holiday allowances, travel allowances, communication allowances and meals. In terms of remuneration, we adopt the principle of fairness to determine or adjust employees' salary based on their respective education level, work experience, capability, qualification, position and actual performance.

To further strengthen the protection for our employees, we maintain commercial insurance for our employees and their family members. We also arrange regular health check-up for all employees and medical examination for special jobs and continuously improve the working environment to safeguard the first line of defense for their health.

To protect the rights, interests and health of employees, we do no encourage employees to work overtime. If the department requires employees to work overtime due to production needs, we have formulated written policies which require that employees shall not work for more than 60 hours a week and shall not work overtime for more than 36 hours a month, and ensure that for every 6 consecutive work days, they will be granted a rest day for 24 consecutive hours and receive appropriate overtime compensation according to the labour laws.

We recognise that our employees are important stakeholders of the Group who thoroughly understand our policy implementation and employee ethics. As such, we have a complaint or suggestion procedure in place which bridges the gap of communication between employees and management and helps to resolve problems and conflicts in a friendly approach. Employees may file compliant with the labour union through suggestion box, phone or personal interview. In order to protect the privacy, rights and interests of employees, all information related to the complaints will be kept in strict confidence and will not be disclosed without consent from complainants.

Sincere care for employees with the warmest service by our canteen

Yingtan Water Supply Group Co. Ltd. has further reinforced construction and management of its staff canteen in various detailed aspects to ensure employees can enjoy their meals in a reliable, comfortable and heart-warming way.

Reinforce canteen management to provide satisfactory working meals

– The company has formulated the Canteen Management Rules taking into account its actual conditions to strengthen the daily management of the canteen. In particular, it sets strict purchasing standards for cooking materials, conducts safety and hygiene reviews from time to time, ensures regular cleaning of canteen on a daily basis and disinfects tableware promptly, so as to keep the canteen clean and tidy at all times, thereby providing a safe and hygiene dining environment for all the employees where they feel relieved to the largest extent.

Scientific meal combination to comfort employees

– We regularly collect suggestions and opinions from our staff and try our best to meet the dietary needs of most of our staff by providing them a reasonable mix of meals based on their common preferences. We provide four dishes, one soup plus one fruit for every meal, and arrange three times of cold dishes in a week. Moreover, special recipes are updated from time to time to cater for specific seasons. For example, in summer, the canteen offers staff with green bean soup and sweet soup produced with red dates, wolfberry and white fungus, and serves porridge for supper to enable them to enjoy cool and satisfying meals.

Meals served directly to the front line to warm the staff

– The company has specially arranged the canteen to pack the meals, and sent the same in person for those front line employees who are on duty in water plants and service halls, to ensure that they feel warmed both physically and mentally with delicious, fresh and hot meals.

Caring for employees shall be made in heart. It is not only important to manage employees, but also essential on how to operate the relationship therewith. We believe that our staff will devote themselves into various working assignments with stronger working momentum through our reinforced canteen management, since a nutrition named “love” has been provided to employees at all times.

Work Life Balance

Too much pressure may lead to loss of balance between work and personal life. The Group is committed to resolving the conflict between work and personal life of employees in order to alleviate work pressure and ensure physical and mental health of employees. We hold annual meeting and organise a variety of recreational activities regularly such as sports competitions, ball games and outdoor activities to help employees to relax from work.

Hiking to celebrate new year

To welcome the arrival of 2020, Yichun Water Industry Group Co. Ltd.* organized a hiking activity in Yuanshan Park under the subject of "celebrate the new year with strong and healthy body", aiming to enrich the cultural life of the staff, improve their physical quality and create a healthy and upward cultural atmosphere. This hiking was obviously a competition in physical strength and stamina. Excitement of participants prevailed despite that sweat had climbed their faces. They headed together to the top of the mountain with close cooperation and encouragement, fully demonstrated the spirit of strong team work and alliance in front of challenges. Through the hiking experience and sense of accomplishment, the company developed a high quality team with unified target under strong hard working. The awareness of cooperation has been also promoted, which effectively enhances the employees' cohesion and loyalty.

COMMUNITY CONTRIBUTION

As a responsible corporate citizen, the Group spares no effort in promoting economic and social harmony, leverages on its expertise to serve the community and promotes the spirit and importance of caring for the community. We are committed to giving back to the community by performing and actively participating in social welfare activities, and encouraging our employees to participate as well and make a positive impact on the community to create a caring and inclusive society. Our major community contributions for the year are set out below:

Voluntary Events

- The general branch of the Communist Party of **Yichun Water Industry Group Co. Ltd.*** and the fourth branch of the Communist Party of the municipal administrative functions (waste sorting management center) organized a warming voluntary team which visited the Nanmiao Elderly House to carry out the voluntary activity of "Care for Elderly, Advance for Culture* (樹敬老之風、促社會文明)". In particular, the activity gave the elderly warm clothes, helped them with cleaning, prepared dumplings for them and presented a wonderful art performance.

- **Yichun Water Industry Group Co. Ltd.*** organized blood donation activity, which attracted enrollment of 23 employees and 14 successful donation with a total blood donation of 4,900 ml. Everyone in the donation site carefully completed the relevant forms, and cooperated with the medical staff in blood verification and blood taking. Happy smile on their faces proved that they truly feel the warm and happiness arising from the caring donation.

- The Communist Youth League Branch of **Yichun Water Industry Group Co. Ltd.***, led by the Communist Youth League Working Committee of the Municipal Comprehensive Administrative Law Enforcement Bureau, visited Louqian village, Luowan, Jing'an county to carry out the activity of "care for poor students, assist in poverty alleviation* (關注貧困學生，助力脱貧攻堅)" with lots of epidemic prevention and control materials and school supplies. Moreover, they visited the particular targeted households pending for assistance to know more about their families, economic and health conditions, especially the actual difficulties in learning and life of children,, and encouraged them to study hard with strong confidence.

Promoting Environment Protection

- In order to have a scientific knowledge on tap water and strengthen the public's awareness of water conservation and protection, **Yingtan Water Supply Group Co. Ltd** has held a propaganda at the entry of the Kaixiang Water Supply Service Hall to promote the awareness of "water management by laws, scientific utilization of water and conscious water conservation". Special exhibition boards and manuals were made for this activity to propaganda the knowledge in water quality safety, conserving water and saving water, and questions of citizens concerning water quality and pressure were addressed in details in this activity.

- To strengthen promotion of environment protection, increase the public awareness of environment protection and enable the public to experience, understand and participate environment protection without any distance, **Yichun Fangke Sewage Treatment Company Limited*** organised the public open day for its environmental protection facilities available for visit by the staff of the municipal Bureau of Ecology and Environment and students from the No.9 Middle School of Yichun, Yichun Middle School and Jiangxi Light Industry Technical School coordinated by the Home of Hope Voluntary Association of Yuanzhou District. The lecturer showed the group sewage treatment facilities, making them aware of the importance of protecting the environment.

Community Service

- Yingtan Riyuexing Care and Rehabilitation Center* (鷹潭市日月星頤養中心) has frequently experienced insufficient water pressure or even outages during the peak water consumption, which is mainly due to its position at the north end of the water supply grid with relatively high terrain, and also due to the improper and ageing internal water pipework. To ensure steady water supply for the over 100 elderly living in the care and rehabilitation center, **Yingtan Water Supply Group Co. Ltd.** has updated, for free, the internal water pipework of the center by adding two stainless steel water tanks with capacity of two tons each to increase the standby water capacity satisfying the normal water demands of the center, so as to solve the water issues thoroughly.

- Targeting to actively propel the meter transformation of old communities and benefit all the households through this transformation, **Yichun Water Industry Group Co. Ltd.*** conducted the households meter transformation for the old community of Suguatang Branch of the Agriculture Bank of China, only charging for the relevant cost. Besides, Yichun Water Industry Group Co. Ltd.* has included the water supply facilities of the updated old communities for unified management after giving full consideration to the opinions and suggestions from the residents, to adequately secure water safety and improve people's feeling of happiness.

Caring for elderly, serving with heart

In order to promote the traditional Chinese virtues of respecting, honoring, loving and helping the elderly, and to let the elderly who are also widows and orphans experience the warmth and care from the society in the cold winter, the general branch of the Communist Party of Yichun Water Industry Group Co. Ltd.* and the fourth branch of the Communist Party of the municipal administrative functions (waste sorting management center), together with the Yichun Wei Ai Public Welfare* (宜春微愛公益), organized a warmth-delivering voluntary team visiting the Nanmiao Elderly House to carry out the voluntary activity of "Care for Elderly, Advance for Culture* (樹敬老之風、促社會文明)". The volunteers worked together to prepare warm clothes for the elderly, helped them cleaning up, cooked delicious dumplings and presented a wonderful art performance, making the whole house full of happiness and laughter. Moreover, volunteers fed those elderly who were unable to eat on their own, and assisted those who were in mobility problems. Happy smile climbed the faces of the elderly attributable to the sincere care, hot dumplings and new clothes. This activity has not only made the elderly feel the care from the society and competent authorities which increases their feeling of happiness, but also a moral education for the volunteers to respect and love the elderly. The volunteers expressed that they would adhere to the inner heart for continuous care for the elderly.

Public open day for sewage treatment facilities

To strengthen promotion of environment protection, increase the public awareness of environment protection and enable the public to experience, understand and participate environment protection without any distance, the municipal Bureau of Ecology and Environment arranged its staff and the Home of Hope Voluntary Association of Yuanzhou District organized students from the No.9 Middle School of Yichun, Yichun Middle School and Jiangxi Light Industry Technical School to carry out the public open day activities in batches, namely visiting the environment protection facilities of Yichun Fangke Sewage Treatment Company Limited.

The lecturer on the site led the group to visit a series of sewage treatment facilities, including lift pump house, coarse grating workshop, fine grating workshop, biochemical tank, as well as the process facilities involved in upgrading and expansion projects, and gave detailed explanation on distribution of the sewage collection network in urban area, process flow of sewage and sludge treatment, and process of collection, treatment and criteria-satisfying discharge of sewage.

During the visit, the visitors were showed the relevant sewage treatment facilities together with detailed explanation on the process flow by the lecturer, which arouse their strong interest. They witnessed the magic transformation of sewage, from dirty and black to clear and clean. At the end of the visit, everyone expressed that domestic water was not readily to get, and it was so important to protect the environment, and in particular, to conserve water from right now.

KEY ENVIRONMENTAL DATA

In view of the major sources of carbon emissions, the Group will continue to assess, record and disclose annual greenhouse gas emissions and other environmental data, and use the 2019 annual data as a benchmark to make an appropriate annual comparison with the current year's data to review the effectiveness of the current measures. It will help us further develop emission reduction targets in the future.

Indicator [1,2,4]	Unit	2020	2019
Total Greenhouse Gas (GHG) Emissions	Tonnes of CO_2 equivalent	**31,640.20**	35,779.10
Direct Emissions (Scope 1)	Tonnes of CO_2 equivalent	**421.71**	441.75
Indirect Emissions (Scope 2)	Tonnes of CO_2 equivalent	**31,242.34**	35,361.20
GHG Removal (Tree Plantation) (Scope 1)	Tonnes of CO_2 equivalent	**23.85**	23.85
GHG Emissions (Biogenic)[3,7]	Tonnes of CO_2 equivalent	**221,515.56**	282,037.19
Total GHG Emissions Intensity (Scope 1 & 2)[5]	Kg of CO_2 equivalent/ thousand HKD	**28.00**	30.09
Nitrogen Oxides (NO_x)[7]	Kg	**304,168.99**	387,057.11
Sulphur Oxides (SO_x)[7]	Kg	**107,391.20**	136,732.78
Particulate Matter (PM)[7]	Kg	**25,718.30**	33,199.40
Total energy consumption[6]	MWh	**458,581.29**	482,307.08
Purchased Electricity	MWh	**34,631.99**	39,419.01
Petrol	MWh	**851.06**	1,025.84
Diesel	MWh	**579.30**	482.79
Liquefied Petroleum Gas	MWh	**57.08**	48.42
Natural Gas	MWh	**22.10**	22.10
Landfill Gas[7]	MWh	**422,439.76**	441,308.92
Total Energy Consumption Intensity	KWh/thousand HKD	**0.41**	0.41
Total Water Consumption[8]	m^3	**27,576.00**	39,182.00
Total Water Consumption Intensity	m^3/thousand HKD	**0.02**	0.03
Total Hazardous Waste	Tonnes	**118.87**	231.86
Waste Oil and Waste Containing Oil	Tonnes	**111.87**	220.26
Waste Drum	Tonnes	**3.04**	0.80
Waste Activated Carbon	Tonnes	**–**	10.80
Waste Catalyst	Tonnes	**3.96**	–
Total Hazardous Waste Intensity	Tonnes/thousand HKD	**0.11**	0.20
Total Non-Hazardous Waste	Tonnes	**80.10**	55.42
Recycled			
Metal	Tonnes	**10.39**	14.85
Food Waste	Tonnes	**32.16**	5.40
Paper	Tonnes	**0.50**	0.31
Other General Refuse	Tonnes	**5.00**	0.50
Plastic	Tonnes	**8.00**	–
Disposed			
Food Waste	Tonnes	**2.30**	7.75
Paper	Tonnes	**0.20**	0.21
Other General Refuse	Tonnes	**21.55**	26.40
Total Non-Hazardous Waste Intensity	Kg/thousand HKD	**0.07**	0.05

1. Reporting scope of environmental data in this Report includes 11 project companies.
2. Due to our business nature, no packaging materials have been used.
3. Biogenic emission represents GHG emission from landfill gas electricity generation.
4. Our reporting on air and greenhouse gases (GHG) emissions mainly base on the requirements in "How to prepare an ESG report" published by HKEX and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute. Operational control approach is adopted when defining organisational boundary for the purpose of GHG accounting and reporting.

   GHG emissions is presented in carbon dioxide equivalent (CO_2 equivalent). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased or acquired) and refrigeration internally consumed by the Group. With reference to the emission factors for Mainland China based operations newly supplemented in "How to prepare an ESG report", the scope 2 indirect emission in 2019 has also been restated.
5. Total GHG emission intensity (Scope 1 and 2) excludes biogenic emission. In accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition), published by World Business Council for Sustainable Development and World Resources Institute, emissions data for direct GHG emissions from combustion of biomass or biofuels should be reported separately.
6. Our total energy consumption includes purchased electricity and fuels (non-renewable and renewable) consumed and the relevant conversion factors reference from "Technical Note: Conversion of fuel data to MWh" published by CDP.
7. Included landfill gas consumption for the generation of sold electricity.
8. Water consumption of 2019 and 2020 represent 8 project companies.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Indicator		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Green business; Our environment	94-104; 105-109
KPI A1.1	The types of emissions and respective emissions data.	Key environmental data	122-123
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and intensity	Key environmental data	122-123
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Key environmental data	122-123
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity	Key environmental data	122-123
KPI A1.5	Description of measures to mitigate emissions and results achieved	Green business; Our environment	94-104; 105-109
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Solid waste management	108-109
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		Green business; Our environment	94-104; 105-109
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in ’000s) and intensity	Key environmental data	122-123
KPI A2.2	Water consumption in total and intensity	Key environmental data	122-123
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Green business; Our environment	94-104; 105-109

Indicator		Chapter/Disclosure	Page
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Water management	107
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	Not applicable to our business.	N/A
Aspect A3: The Environment and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources		Green business; Our environment	94-104; 105-109
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green business; Our environment	94-104; 105-109
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Caring for employees	110-119
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	People management	111-112
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	People management	112-113

Indicator		Chapter/Disclosure	Page
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Occupational health and safety	113-115
KPI B2.1	Number and rate of work-related fatalities.	There is no reported case of work-related fatalities during the Reporting Period.	N/A
KPI B2.2	Lost days due to work injury.	There is 92 days lost due to work injury during the Reporting Period.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Occupational health and safely	113-115
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Employee trainings	115-116
KPI B3.1	The percentage of employees trained by gender and employee category	Employee trainings	115-116
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee trainings	115-116

<table>
<tr><th colspan="2">Indicator</th><th>Chapter/Disclosure</th><th>Page</th></tr>
<tr><td colspan="4">Aspect B4: Labour Standards</td></tr>
<tr><td colspan="2">General Disclosure

Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</td><td>People management;
There is no reported case of the use of child labour in 2020.</td><td>110</td></tr>
<tr><td>KPI B4.1</td><td>Description of measures to review employment practices to avoid child and forced labour.</td><td>We review the "Recruitment Management Policy" annually to avoid the use of child labour and forced labour.</td><td>N/A</td></tr>
<tr><td>KPI B4.2</td><td>Description of steps taken to eliminate such practices when discovered.</td><td>People management</td><td>110</td></tr>
<tr><td colspan="4"><u>Operating Practices</u></td></tr>
<tr><td colspan="4">Aspect B5: Supply Chain Management</td></tr>
<tr><td colspan="2">General Disclosure

Policies on managing environmental and social risks of the supply chain.</td><td>Supplier management</td><td>93</td></tr>
<tr><td>KPI B5.1</td><td>Number of suppliers by geographical region</td><td>As of 31 December 2020, we have a total of 1,370 suppliers, which are all located in Mainland China.</td><td>N/A</td></tr>
<tr><td>KPI B5.2</td><td>Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.</td><td>Supplier management;
During the Reporting Period, we visited a number of 1,295 suppliers.</td><td>93</td></tr>
</table>

Indicator		Chapter/Disclosure	Page
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Health and Safety of products and services Green business Advertising, labelling and privacy We comply with relevant laws to keep users' privacy confidential. There is no reported complaint concerning advertising, labelling and privacy in 2020.	94-104; N/A
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to our business.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not applicable to our business.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not disclosed during the Reporting Period.	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	Quality assurance process Green business Recall Procedures Not applicable to our business.	94-104; N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information protection	93
Aspect B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering		Business integrity	92
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	We are not aware of any legal cases which are on-going or brought against us or our employees in 2020 involving corruption, bribery, extortion or money laundering	N/A

Indicator		Chapter/Disclosure	Page
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business integrity; Supplier management	92-93
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community contribution	119-121
KPI B8.1	Focus areas of contribution.	Community contribution	119-121
KPI B8.2	Resources contributed to the focus area.	Community contribution	119-121

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Water Industry Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 135 to 272, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition For water customers with water meters, the amount recognised depends upon the volume supplied, including an estimate of the sales value of units supplied between the date of the last meter reading and the year end. This is a key judgment because the estimated usage is based upon historical data and assumptions around consumption patterns.	We have reviewed the design and implementation of management's controls around this risk. We have challenged the key assumptions and estimates made by management in recognising revenue. We performed detailed analytical procedures by comparing revenue balance for the year against the total sales value of units supplied at the year ended. We also assessed the adequacy of the Group's disclosures of its revenue recognition and other related disclosures.
Impairment assessment The Group has approximately HK\$824,286,000, HK\$477,504,000, HK\$791,129,000 and HK\$207,509,000 of property, plant and equipment, right-of-use assets, operating concession intangible assets and other intangible assets respectively. Their recoverable amount is based on an assessment of the greater of its fair value less costs of disposal and its value-in-use. Value-in-use is calculated as the net present value of estimated future cash flows. The Group's assessment of impairment is a judgmental process which requires estimates concerning the estimated future cash flows and associated discount and growth rate based on management's view of future business prospects.	We assessed and challenged the impairment analysis prepared by the board of directors as outlined below: With regard to the overall impairment assessment performed by the board of directors, we evaluated the design of internal controls in place to check that the Group's assets are valued appropriately including those controls in place to determine any asset impairments or impairment reversals. We also reviewed the assets not assessed by management for impairment indicators and no indicators were identified. We assessed the qualification independence and reputation of the independent external valuation expert. We evaluated the reasonableness of the management cash flow forecasts by comparing the assumptions made to internal and external data. We tested these assumptions by reference to third party documentation where available.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
	We challenged the key assumptions used in each impairment model and performed sensitivity analysis around key drivers of cash flow forecasts, including growth rates, operating costs, and expected life of assets. We challenged the discount rate used to determine the present value by assessing the cost of capital for the Group and comparable organisations and considered them to be reasonable. Furthermore, we obtained evidence to assess adequate historical accuracy in management's forecasting process. Based on our analysis and the analysis performed by the valuation experts, we did not identify any material issues with the valuation of the assets and goodwill, the accuracy of the impairment and the disclosures in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2021

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	7	**1,129,548**	1,189,201
Cost of sales		**(649,248)**	(692,049)
Gross profit		**480,300**	497,152
Other operating income and expenses	9	**133,088**	87,779
Gain on disposal of associates		**–**	110,847
Gain on disposal of subsidiaries		**–**	692
Selling and distribution expenses		**(55,529)**	(51,372)
Administrative expenses		**(241,449)**	(270,260)
Finance costs	10	**(79,746)**	(68,757)
Change in fair value of investment properties	19	**2,778**	5,216
Net loss on financial assets at fair value through profit or loss		**(13,441)**	(39,573)
Impairment loss recognised on:			
property, plant and equipment	16	**(19,024)**	(4,035)
goodwill	20	**(76)**	(1,351)
other intangible assets	20	**(3,582)**	(4,861)
trade and other receivables, net	27	**(18,526)**	(11,339)
right-of-use assets	16	**(49)**	(1,588)
Share of (loss)/profit of associates	23	**(1,803)**	2,181
Share of loss of joint ventures	24	**(2,155)**	(2,717)
Profit before taxation		**180,786**	248,014
Income tax	11	**(60,320)**	(69,288)
Profit for the year	12	**120,466**	178,726
Attributable to:			
Owners of the Company		**11,094**	115,617
Non-controlling interests		**109,372**	63,109
		120,466	178,726
Earnings per share (HK cents):	15		
Basic		**0.69**	7.24
Diluted		**0.69**	7.24

The notes on pages 145 to 272 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Profit for the year		**120,466**	178,726
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations			
Exchange difference arising during the year		**146,461**	(30,866)
		146,461	(30,866)
Financial assets at fair value through other comprehensive income:			
Net loss arising on revaluation of financial assets at fair value through other comprehensive income during the year		**(3,826)**	(21,761)
Share of other comprehensive income/(loss) of associates	*23*	**1,059**	(704)
Share of other comprehensive income/(loss) of joint ventures	*24*	**1,561**	(375)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of investment properties upon transfer from property, plant and equipment		**–**	13,531
Deferred tax liability arising on gain on revaluation of investment properties		**–**	(3,383)
		–	10,148
Other comprehensive income/(loss) for the year, net of income tax		**145,255**	(43,558)
Total comprehensive income for the year		**265,721**	135,168
Attributable to:			
Owners of the Company		**122,695**	65,501
Non-controlling interests		**143,026**	69,667
		265,721	135,168

The notes on pages 145 to 272 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**824,286**	632,020
Deposits paid for acquisition of property, plant and equipment		**7,659**	6,506
Deposits paid for acquisition of subsidiary		**290**	–
Deposits paid for acquisition of right-of-use assets		**87,927**	82,606
Right-of-use assets	16	**477,504**	516,226
Operating concessions	17	**791,129**	763,285
Receivables under service concession arrangements	17	**17,056**	19,218
Investment properties	19	**94,331**	89,114
Other non-current assets	18	**–**	–
Other intangible assets	20	**207,509**	224,280
Financial assets at fair value through other comprehensive income	21	**3,370**	9,193
Interests in associates	23	**17,376**	7,116
Interests in joint ventures	24	**22,521**	14,588
Deferred tax assets	37	**8,730**	8,574
Deposit and prepayments	27	**59,000**	59,000
		2,618,688	2,431,726
Current assets			
Inventories	25	**900,818**	636,239
Receivables under service concession arrangements	17	**3,401**	3,616
Financial assets at fair value through profit or loss	21	**23,946**	51,435
Trade and other receivables	27	**1,444,674**	1,130,014
Contract assets	26	**62,650**	52,240
Cash held by financial institutions	28	**135**	6,792
Bank balances and cash	28	**437,125**	404,593
Amounts due from associates	34	**104,659**	–
Amounts due from joint ventures	34	**–**	15,896
		2,977,408	2,300,825
Assets held for sale	29	**32,700**	27,178
		3,010,108	2,328,003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Current liabilities			
Overdraft held at financial institutions	*28*	**4,606**	20,479
Trade and other payables	*30*	**638,529**	571,950
Contract liabilities	*26*	**1,427,114**	951,731
Bank borrowings	*31*	**53,998**	45,242
Other loans	*32*	**340,151**	167,029
Lease liabilities	*33*	**108,961**	122,624
Amounts due to non-controlling shareholders of subsidiaries	*34*	**320**	17,433
Deposit received from disposal of equity interest in subsidiary		**28,517**	–
Amounts due to joint ventures	*34*	**7,647**	–
Tax payables		**51,286**	33,061
		2,661,129	1,929,549
Liabilities directly associated with the assets held for sale	*29*	**5,644**	–
		2,666,773	1,929,549
Net current assets		**343,335**	398,454
Total assets less current liabilities		**2,962,023**	2,830,180
Capital and reserves			
Share capital	*35(b)*	**798,270**	798,270
Share premium and reserves		**609,322**	486,627
Equity attributable to owners of the Company		**1,407,592**	1,284,897
Non-controlling interests		**793,357**	611,500
TOTAL EQUITY		**2,200,949**	1,896,397

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Other payables	*30*	–	13,097
Bank borrowings	*31*	**97,813**	79,040
Other loans	*32*	**388,827**	572,529
Lease liabilities	*33*	**158,990**	149,719
Government grants	*36*	**28,092**	28,243
Deferred tax liabilities	*37*	**87,352**	91,155
		761,074	933,783
		2,962,023	2,830,180

Approved and authorised for issue by the board of directors on 30 March 2021:

Lin Yue Hui
Director

Zhu Yongjun
Director

The notes on pages 145 to 272 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company									
	Share capital *HK$'000* *(note 35(b))*	Share premium *HK$'000* *(note 35(c))*	Revaluation reserve *HK$'000* *(note 35(c))*	Translation reserve *HK$'000* *(note 35(c))*	Reserve fund *HK$'000* *(note 35(c))*	Fair value reserve (non-recycling) *HK$'000* *(note 35(c))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2019	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 2019:										
Profit for the year	–	–	–	–	–	–	115,617	115,617	63,109	178,726
Other comprehensive income for the year:										
Gain on revaluation of investment property upon transfer from property, plant and equipment	–	–	6,899	–	–	–	–	6,899	6,632	13,531
Deferred tax arising from revaluation on investment property	–	–	(1,725)	–	–	–	–	(1,725)	(1,658)	(3,383)
Exchange difference arising on translation	–	–	–	(32,450)	–	–	–	(32,450)	1,584	(30,866)
Share of other comprehensive loss of associates	–	–	–	(704)	–	–	–	(704)	–	(704)
Share of other comprehensive loss of joint ventures	–	–	–	(375)	–	–	–	(375)	–	(375)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(21,761)	–	(21,761)	–	(21,761)
Total comprehensive income for the year	–	–	5,174	(33,529)	–	(21,761)	115,617	65,501	69,667	135,168
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	2,048	2,048
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,229)	(3,229)
Transfers to reserve funds	–	–	–	–	19,113	–	(19,113)	–	–	–
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	–	–	–	–	–	23,818	(23,818)	–	–	–
At 31 December 2019	798,270	954,318	11,846	(96,954)	94,825	(8,953)	(468,455)	1,284,897	611,500	1,896,397

	Attributable to owners of the Company									
	Share capital *HK$'000* *(note 35(b))*	Share premium *HK$'000* *(note 35(c))*	Revaluation reserve *HK$'000* *(note 35(c))*	Translation reserve *HK$'000* *(note 35(c))*	Reserve fund *HK$'000* *(note 35(c))*	Fair value reserve (non-recycling) *HK$'000* *(note 35(c))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2020	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 2020:										
Profit for the year	–	–	–	–	–	–	11,094	11,094	109,372	120,466
Other comprehensive income for the year:										
Gain on revaluation of investment property upon transfer from property, plant and equipment	–	–	–	–	–	–	–	–	–	–
Deferred tax arising from revaluation on investment property	–	–	–	–	–	–	–	–	–	–
Exchange difference arising on translation	–	–	–	112,807	–	–	–	112,807	33,654	146,461
Share of other comprehensive income of associates	–	–	–	1,059	–	–	–	1,059	–	1,059
Share of other comprehensive income of joint ventures	–	–	–	1,561	–	–	–	1,561	–	1,561
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(3,826)	–	(3,826)	–	(3,826)
Total comprehensive income for the year	–	–	–	115,427	–	(3,826)	11,094	122,695	143,026	265,721
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	67,755	67,755
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(28,924)	(28,924)
Transfers to reserve funds	–	–	–	–	42,085	–	(42,085)	–	–	–
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	–	–	–	–	–	8,888	(8,888)	–	–	–
At 31 December 2020	798,270	954,318	11,846	18,473	136,910	(3,891)	(508,334)	1,407,592	793,357	2,200,949

The notes on pages 145 to 272 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Profit before taxation	**180,786**	248,014
Adjustments for:		
Depreciation of property, plant and equipment	**56,893**	53,895
Depreciation of right-of-use assets	**42,802**	41,993
Amortisation of concession intangible assets	**53,575**	44,844
Amortisation of other intangible assets	**25,905**	27,324
Impairment loss recognised on:		
– property, plant and equipment	**19,024**	4,035
– goodwill	**76**	1,351
– other intangible assets	**3,582**	4,861
– trade and other receivables, net	**18,526**	11,339
– right-of-use assets	**49**	1,588
Change in fair value of investment properties	**(2,778)**	(5,216)
Finance costs	**79,746**	68,757
Interest income	**(5,759)**	(15,031)
Government grant income	**(5,784)**	(10,040)
(Gain)/loss on disposal of property, plant and equipment, net	**(624)**	1,578
Net loss on financial assets at fair value through profit or loss	**13,441**	39,573
Loss on disposal of concession intangible assets	**219**	2,350
Write off of accounts payable	**(57)**	(113)
Share of loss/(profit) of associates	**1,803**	(2,181)
Share of loss of joint ventures	**2,155**	2,717
Net gain on disposal of subsidiaries	**–**	(692)
Net gain on disposal of associates	**–**	(110,847)
Loss on loan set off	**2,694**	–
Changes in working capital:		
Increase in inventories	**(153,893)**	(388,130)
Increase in trade and other receivables	**(272,997)**	(463,012)
Decrease in receivables under service concession arrangements	**2,377**	4,614
Increase in contract assets	**(10,410)**	(36,750)
Increase in trade and other payables	**53,539**	282,102
Increase in contract liabilities	**475,383**	642,360
Cash generated from operations	**580,273**	451,283
Income taxes paid	**(64,109)**	(50,459)
Net cash generated from operating activities	**516,164**	400,824

	2020 HK$'000	2019 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(215,842)**	(19,148)
Purchase of right-of-use assets	**(9,735)**	(35,844)
Deposits paid for acquisition of right-of-use assets	**(87,927)**	(82,606)
Deposits paid for acquisition of property, plant and equipment	**(3,038)**	(1,538)
Proceeds from disposal of property, plant and equipment	**2,171**	2,593
Acquisition of operating concessions	**(38,473)**	(171,409)
Acquisition of other intangible assets	**(19)**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income	**1,997**	23,629
Proceeds from disposal of financial assets at fair value through profit or loss	**14,767**	15,044
Purchase of financial assets at fair value through profit or loss	**–**	(22,037)
Proceeds from disposal of subsidiaries	**–**	1,992
Proceeds from disposal of associates	**–**	75,592
Acquisition of subsidiaries, net of cash acquired	**–**	(7,437)
Deposits paid for acquisition of subsidiary	**(275)**	–
Interest received	**5,759**	15,031
Loans to third parties	**(116,998)**	(164,963)
Repayment of loans from third parties	**53,020**	53,467
Deposit received from disposal of equity interest in subsidiary	**28,517**	–
Advances to associates	**(104,659)**	–
Government grants received	**3,920**	8,126
Capital contribution to associates	**(11,004)**	(2,218)
Capital contribution to a joint venture	**(8,527)**	(3,683)
Net cash used in investing activities	**(486,346)**	(315,409)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK$'000	2019 HK$'000
Financing activities		
Proceeds from new bank borrowings and other loans	**85,210**	406,373
Repayment of bank borrowings and other loans	**(107,309)**	(332,443)
Repayment of loans from third parties	**(53,487)**	(13,670)
(Decrease)/increase in amounts due to non-controlling shareholders	**(17,113)**	16,738
Capital contribution from non-controlling shareholders	**67,755**	2,048
Increase in lease liabilities	**114,474**	–
Repayment to associates	**–**	(2,070)
Increase/(decrease) in amounts due to joint ventures	**23,543**	(15,668)
Capital element of lease rentals paid	**(123,570)**	(138,242)
Interest element of lease rentals paid	**(20,625)**	(21,413)
Loans from third parties	**123,832**	91,842
Interest paid	**(31,440)**	(52,110)
Dividend paid to non-controlling shareholders	**(28,924)**	(3,229)
Net cash generated from/(used in) financing activities	**32,346**	(61,844)
Net increase in cash and cash equivalents	**62,164**	23,571
Cash and cash equivalents at 1 January	**390,906**	349,866
Effect of foreign exchange rates changes	**(20,416)**	17,469
Cash and cash equivalents at 31 December	**432,654**	390,906
Analysis of the balance of cash and cash equivalents		
Cash held by financial institutions	**135**	6,792
Bank balances and cash	**437,125**	404,593
Overdraft held at financial institutions	**(4,606)**	(20,479)
Cash and cash equivalents at 31 December	**432,654**	390,906

The notes on pages 145 to 272 form part of these consolidated financial statements.

1. GENERAL

China Water Industry Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group"), the Group's interests in associates and joint ventures. These consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") and Indonesia, whose functional currency is Renminbi ("RMB") and Rupiah respectively, the functional currency of the Company and its subsidiaries is HK$.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 22.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

The consolidated financial statements have been prepared on the historical cost basis, except for the following assets that are measured at fair value, as explained in the accounting policies set out below:

– investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 3(i));

– equity securities.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 3(af)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction- by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combinations or asset acquisition *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses (note 3(o)(ii)), if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than on operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(e) Investments in subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investments in subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses (note 3(o)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Investments in associates and joint ventures

The Group is a party of joint arrangement when it exercises joint control over arrangement by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control. The joint arrangement is either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investments in associates and joint ventures *(Continued)*

In relation to interest in joint operations, the Group recognises: (i) its assets, including its share of any assets held jointly, (ii) liabilities, including its share of any liabilities incurred jointly, (iii) revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operations, and (v) its expenses, including its share of any expenses incurred jointly.

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 3(af)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable of the acquisition of the investment and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 3(o)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 3(o)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investments in associates and joint ventures *(Continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 3(n)).

(g) Property, plant and equipment

The following items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 3(o)(ii)):

– interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 3(l));

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 3(ac)).

Depreciation is calculated to write off the cost of items of property, plant and equipment (other than construction in progress) less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	Over the shorter of the term of the lease, or 30 years
Plant and machinery	3 to 10 years
Leasehold improvements	Over the shorter of the term of the lease, or 5 to 10 years
Motor vehicles	5 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

(h) Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the depreciation of right-of-use assets provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment loss (note 3(o)(ii)). Depreciation of buildings commences when they are available for use (that is, when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 3(ac)) to earn rental income and/or for capital appreciation. These includes land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at its fair value. Gains or losses arising from changes in the fair value of an investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its carrying amount at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use.

(j) Concession intangible assets

When the Group has a right to charge for usage of concession infrastructure, it recognises concession intangible assets at fair value upon initial recognition. The concession intangible assets representing water supply and sewage treatment operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses (note 3(o)(ii)). At the end of the concession period, the Group either needs to dispose of the water supply and sewage treatment infrastructure or transfer these assets to the local government.

The concession intangible assets are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, using an amortisation method which reflects the pattern in which their future economic benefits are expected to be consumed. Concession intangible assets is amortised on a straight-line basis.

Costs in relation to the day-to-day servicing, repair and maintenance of the water supply and sewage treatment infrastructures are recognised as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Concession intangible assets *(Continued)*

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out in note 3(n) below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

(k) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Intangible assets (other than goodwill) *(Continued)*

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Operating concessions

Operating concessions representing the rights to operate sewage and reclaimed water treatment and water distribution plants are stated at cost less accumulated amortization and any accumulated impairment losses (note 3(o)(ii)). Amortisation is provided on the straight-line basis over the respective periods of the operating concessions grants to the Group of 25 to 30 years.

Exclusive rights

The Company and its subsidiaries acquired the exclusive rights of collection and utilisation of landfill gas and rights of sewage emission in connection with the acquisition of the companies.

The exclusive rights were initially recognised at fair value at the acquisition date. The rights have an original period ranging from 10 to 25 years, respectively. These rights, together with exclusive rights acquired separately with finite period (note 20), are carried at cost less accumulated amortisation and any accumulated impairment losses (note 3(o)(ii)).

The exclusive rights of collection and utilisation of landfill gas are amortised to write off their cost, over the above terms of the operating rights on a straight-line basis.

(l) Leasehold land and buildings for own use

When the Group makes payments for a property interest which includes both land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on construction or upgrade services of infrastructure under a service concession arrangement under the control of the customer and therefore the group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 3(ae).

(n) Classification and subsequent measurement of financial assets

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 6(d). These investments are subsequently accounted for as follows, depending on their classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Classification and subsequent measurement of financial assets *(Continued)*

Financial assets that meet the following conditions are subsequently measured at FVOCI:

– the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVPL.

Amortised cost and interest income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (that is, assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Classification and subsequent measurement of financial assets *(Continued)*

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Equity investments

An investment in equity securities is classified as fair value at profit or loss (FVPL) unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income (FVOCI) (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 3(aa).

(o) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, receivables under service concession arrangements, amounts due from associates and joint ventures and loans to third parties, which are held for the collection of contractual cash flows which represented solely payment of principal and interest); and

– contract assets as defined in HKFRS 15 (see note 3(q)).

Other financial assets measured at fair value, including equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (that is, the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs *(Continued)*

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 3(aa) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (that is, the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– goodwill;

– concession intangible assets;

– other intangible assets;

– deposits paid and prepayments;

– other non-current assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of non-financial assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value-in-use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (that is, the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Credit losses and impairment of assets *(Continued)*

(iii) Credit losses from financial guarantees issued (Continued)

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (that is, the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 3(o)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(o)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(i) Properties held for/under development for sale

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(ii) Trading goods

Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 3(aa)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 3(o)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 3(r)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 3(aa)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3(r)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Contract assets and contract liabilities *(Continued)*

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 3(aa)).

(r) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 3(q)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 3(o)(i)).

(s) Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and financial institutions and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 3(o)(i).

(t) Borrowings

Borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 3(ad)).

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(o)(iii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Equity-settled share-based payment transactions

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity (share options reserve). The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(ii) Share options granted to eligible persons

Share options issued in exchange for services are measured at fair values of services received. The fair values of services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(x) Other employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

The subsidiaries in the PRC participate in the Central Pension Scheme (the "CPS") operated by the PRC government for all of their staff. The subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Payments to the CPS are recognised as expenses as they fall due in accordance with the rules of the CPS.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Other employee benefits *(Continued)*

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(y) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are included in non-current liabilities as deferred government grants in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(z) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant accounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting year, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary difference, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same year as the expected reversal of the deductible temporary difference or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a year, or years, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Income tax *(Continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(aa) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Revenue and other income *(Continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Revenue arising from water supply is recognised based on water supplied as recorded by meter readings during the year.

Revenue from sewage treatment is recognised based on actual sewage treated from meter readings during the year.

Water supply related installation and construction income is recognised when services are rendered and income can be measured reliably.

Revenue from long-term construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (note 3(m)).

Revenue from the construction of water supply and sewage treatment plants under service concession agreements is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Sales of electricity from the biogas power plant are recognised when electricity is generated and transmitted.

Tariff adjustment represents subsidy received and receivable from the local government authorities in respect of the Group's power generation business. Tariff adjustment is recognised at its fair value where there is reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

Sales and distribution of natural gas are recognised when goods are delivered to the customers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Revenue and other income *(Continued)*

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 3(q)).

Service income, consultancy fee, handling charges and cleaning income are recognised when services are provided.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the gross carrying amount of the financial assets. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(o)(i)).

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(ab) Foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ab) Foreign currencies *(Continued)*

The results of foreign operations are translated into Hong Kong dollars ("HK$") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into the presentation currency of the Group (that is, HK$) at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(ac) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ac) Leased assets *(Continued)*

(i) As a lessee (Continued)

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3(g) and 3(o)(ii)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 3(i); and

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost in accordance with note 3(l).

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ac) Leased assets *(Continued)*

(i) As a lessee (Continued)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the statement of financial position.

(ad) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ae) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ae) Provisions, contingent liabilities and onerous contracts *(Continued)*

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(af) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ag) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ah) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(ai) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical accounting judgements

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

In accordance with HKAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with notes 3(g) and (ac).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical accounting judgements *(Continued)*

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

In making this judgment, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Useful lives and impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment and right-of-use assets are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss.

(ii) Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iii) Estimated impairment loss recognised in respect of other receivables and loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) Estimated impairment loss of operating concession and exclusive rights

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision.

(v) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(vi) Revenue from construction contracts

Revenue from construction contracts of certain water supply and sewage treatment of the Group are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. In recognition of profit and loss on the construction contracts, the management makes their best estimation of the future expected revenue from the contracts and future expected cost to complete the job. The estimates are determined by the management based on the current market conditions and expected time cost, material cost, other overhead expense to be incurred, expectations of future changes in the market and experience of similar transactions. Any change in these estimates will have an impact on the amount of contract revenue or contract loss.

(vii) Deferred tax assets

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

(viii) Estimation of water consumption

Determination of the revenue from the distribution and sale of water may include an estimation of the water supplied to customers for whom actual meter reading is not available. The estimation is done mainly based on the past consumption records and the recent consumption pattern of individual customers.

The actual consumption could deviate from those estimates.

(ix) Classification between operating concessions and receivables under service concession arrangements

As explained in note 3(j) to the consolidated financial statements, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at their fair values.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ix) Classification between operating concessions and receivables under service concession arrangements (Continued)

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, future guaranteed receipts and non-guaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of which are set out in note 17 to the consolidated financial statements.

(x) Determining the lease term

As explained in policy note 3(ac), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes various types of borrowings, such as bank borrowings, other loans, amounts due to non-controlling shareholders of subsidiaries, amounts due to joint ventures and overdraft held at financial institutions, less cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the raise of various types of borrowings, issuance of convertible bonds and new shares.

5. CAPITAL MANAGEMENT *(Continued)*

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by equity attributable to owners of the Company. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios as at 31 December 2020 and 2019 are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Overdraft held at financial institutions	**4,606**	20,479
Bank borrowings	**151,811**	124,282
Other loans	**728,978**	739,558
Amounts due to non-controlling shareholders of subsidiaries	**320**	17,433
Amounts due to joint ventures	**7,647**	–
Lease liabilities	**267,951**	272,343
Total debt	**1,161,313**	1,174,095
Less: Cash held by financial institutions	**(135)**	(6,792)
Bank balances and cash	**(437,125)**	(404,593)
Cash and cash equivalents	**(437,260)**	(411,385)
Net debt	**724,053**	762,710
Equity attributable to owners of the Company	**1,407,592**	1,284,897
Gearing ratio	**51.44%**	59.36%

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The main risks arising from Group's financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's exposure of these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade receivables, contract assets, loan receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit rating assigned by international credit rating agencies, for which the Group considers to have low credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-180 days (2019: 0-180 days) from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

The Group used average loss rates ranging from 0.1% to 5% (2019: 0.2% to 3.1%). Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's of economic conditions over the expected lives of the receivables and were adjusted for any forward-looking information that was available without undue cost or effort.

The movements in the loss allowances on trade receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**4,764**	3,651
Allowance/expected credit loss recognised, net	**44**	1,206
Exchange realignment	**233**	(93)
At 31 December	**5,041**	4,764

Included in the impairment loss are individually impaired trade receivables with an aggregate balance of HK$5,041,000 (2019: HK$4,764,000) which are long outstanding.

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2020:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance;

– increase in days past due over 180 days resulted in an increase in loss allowance.

At 31 December 2020, included in trade receivables were the government on-grid tariff subsidies of approximately HK$432,480,000 (2019: HK$248,390,000) and electricity sales receivables of HK$34,630,000 (2019: HK$33,590,000) from local grid companies. 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. 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.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

The movement in the loss allowances on other receivables are as follows:

	2020	2019
	HK\$'000	*HK\$'000*
At 1 January	**10,862**	7,886
Allowance/expected credit loss recognised	**629**	3,190
Exchange realignment	**1,116**	(214)
At 31 December	**12,607**	10,862

Included in the impairment loss are individually impaired other receivables with an aggregate balance of HK$12,607,000 (2019: HK$10,862,000) which are long outstanding.

Loan receivables

Loss allowance in respect of loan receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loan receivables (Continued)

The movements in the loss allowances on loan receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**63,262**	56,279
Allowance/expected credit loss recognised	**14,111**	6,943
Exchange realignment	**–**	40
At 31 December	**77,373**	63,262

Included in the impairment loss are individually impaired loan receivables with an aggregate balance of HK$77,373,000 (2019: HK$63,262,000) which are long outstanding. The Group does not hold any collateral over these balances.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate current at the end of the reporting period.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

2020

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	638,529	–	–	–	638,529	638,529
Lease liabilities	123,933	132,756	33,867	8,810	299,366	267,951
Bank borrowings and other loans	441,475	359,454	77,226	103,372	981,527	880,789
Amounts due to non-controlling shareholders	320	–	–	–	320	320
Amounts due to joint ventures	7,647	–	–	–	7,647	7,647
	1,211,904	492,210	111,093	112,182	1,927,389	1,795,236

2019

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	571,950	13,097	–	–	585,047	585,047
Lease liabilities	138,195	94,617	69,653	737	303,202	272,343
Bank borrowings and other loans	255,217	257,944	294,701	149,694	957,556	863,840
Amounts due to non-controlling shareholders	17,433	–	–	–	17,433	17,433
	982,795	365,658	364,354	150,431	1,863,238	1,738,663

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk

(i) Currency risk

Exposure to currency risk

Other than the subsidiaries established in the PRC and Indonesia whose functional currency is RMB and Rupiah, the Company and its subsidiaries' functional currency is HK$. However, certain bank balances and other receivables are denominated in currencies other than HK$ held by the Company and its subsidiaries established in Hong Kong. Foreign currencies are also used to settle expenses for overseas operations.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollar, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currencies (expressed in HK$'000)			
	2020		2019	
	USD	***RMB***	*USD*	*RMB*
Assets	**29**	**49**	28	29

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the needs arise.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and decrease/ (increase) in accumulated losses**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and decrease/ (increase) in accumulated losses
		HK$'000		*HK$'000*
Renminbi	**5%**	**2**	5%	1
	(5%)	**2**	(5%)	(1)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk in relation to bank borrowings, other loans and lease liabilities for the years ended 31 December 2020 and 2019. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's interest-bearing financial liabilities at the end of the reporting period:

	2020		2019	
	Effective interest rate		Effective interest rate	
	%	***HK$'000***	*%*	*HK$'000*
Fixed rate borrowings:				
Bank borrowings	**5.65%-8.70%**	**20,158**	4.32%-7.50%	41,564
Other loans	**0%-30%**	**518,719**	0%-24%	535,801
Lease liabilities	**4.35%-7.80%**	**267,951**	4.75%-7.80%	272,343
		806,828		849,708
Variable rate borrowings:				
Bank borrowings	**1.15%-8.70%**	**131,653**	4.75%-7.84%	82,718
Other loans	**4.90%-7.43%**	**210,259**	4.90%-7.43%	203,757
		341,912		286,475
Total borrowings		**1,148,740**		1,136,183
Fixed rate borrowings as a percentage of total borrowings		**70%**		75%

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

As 31 December 2020, it is estimated that a general increase/decrease of 50 basis points in interest rates, (2019: 50 basis points) with all other variables held constant, would have decreased/increased the Group's profit for the year (2019: decreased/increased the Group's profit for the year) and increased/decreased the accumulated losses by approximately HK$1,238,000 (2019: HK$1,157,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis as 2019.

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities and unlisted fund investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the needs arise.

The Group's unlisted fund investments comprised mainly investments in private equity funds. The Group managed the equity price risk through diversification of investment portfolio. The underlying investments held by these funds include unlisted equity instruments, structured financing products and venture capital deals in various regions in the PRC. The fair values of these investments are affected by the market conditions in the abovementioned sectors, the overall capital market conditions, as well as the performance of individual investees of each of these funds. The investments held in the portfolio may be realised only after several years and their fair values may change significantly.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(iii) Equity price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points (2019: 100 basis points) in the fair value of the Group's listed and unlisted equity securities, with all other variables held constant, would have increase/decrease the Group's profit after tax (and decrease/increase accumulated losses) and other components of equity by approximately HK$218,000 (2019: HK$5,214,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that all other variables remain constant. The analysis is performed on the same basis for 2019.

(d) Fair value measurements recognised in the consolidated statement of financial position

(i) 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.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(i) 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.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group takes reference to the fair value of the financial assets based on the net asset value of the financial assets calculated on the last day of each calendar month and reported by the fund manager or engaged third party qualified valuers to perform the valuation. The Company's directors work closely with third party qualified valuers to establish the appropriate valuation techniques and inputs to the model.

	Fair value at 31 December 2020	2020			
		Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
– listed equity securities	**12,066**	**12,066**	**–**	**–**	**12,066**
– unlisted fund investments	**11,880**	**–**	**–**	**11,880**	**11,880**
	23,946	**12,066**	**–**	**11,880**	**23,946**
Equity investments at FVOCI	**3,370**	**3,370**	**–**	**–**	**3,370**

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements recognised in the statement of financial position *(Continued)*

(i) Financial instruments carried at fair value (Continued)

Fair value hierarchy *(Continued)*

	Fair value at 31 December 2019	2019 Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
Held-for-trading					
– listed equity securities	40,272	40,272	–	–	40,272
– unlisted fund investments	11,163	–	–	11,163	11,163
	51,435	40,272	–	11,163	51,435
Equity investments at FVOCI	9,193	9,193	–	–	9,193

During the years ended 31 December 2020 and 2019, there were no significant transfers between instruments levels.

Valuation techniques and inputs used in Level 3 fair value measurements

The Group's unlisted financial assets measured at FVPL categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input.

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

7. REVENUE

Disaggregation of revenue

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated by major products or service lines:		
Water supply services	**175,993**	174,157
Sewage treatment services	**64,876**	49,731
Water supply related installation and construction income	**352,176**	285,474
Water supply and sewage treatment infrastructure construction income	**38,605**	171,525
Sale of electricity	**459,699**	443,087
Sale of compressed natural gas	**6,958**	28,327
Service income from collection of landfill gas	**27,596**	31,501
Sales of property investment and development	**3,645**	5,399
	1,129,548	1,189,201

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 8.

8. SEGMENT REPORTING

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

The Group has identified the following reportable segments:

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

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

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

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

8. SEGMENT REPORTING *(Continued)*

Segment revenue and results

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

For the year ended 31 December 2020

	Provision of water supply, sewage treatment and construction services *HK$'000*	Exploitation and sale of renewable energy *HK$'000*	Property investment and development *HK$'000*	Total *HK$'000*
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	240,869	494,253	3,645	738,767
Over time	390,781	–	–	390,781
Reportable segment revenue	631,650	494,253	3,645	1,129,548
Reportable segment profit	211,928	126,600	(23,882)	314,646
Unallocated corporate expenses				(75,091)
Interest income				1,023
Interest on overdraft held at financial institutions				(827)
Interest on fixed coupon bonds				(45,524)
Net loss on financial assets at fair value through profit or loss				(13,441)
Profit before taxation				180,786

8. SEGMENT REPORTING *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2019

	Provision of water supply, sewage treatment and construction services *HK$'000*	Exploitation and sale of renewable energy *HK$'000*	Property investment and development *HK$'000*	Total *HK$'000*
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	223,889	502,915	5,399	732,203
Over time	456,998	–	–	456,998
Reportable segment revenue	680,887	502,915	5,399	1,189,201
Reportable segment profit	187,512	164,592	(25,700)	326,404
Unallocated corporate expenses				(126,836)
Interest income				10,805
Interest on overdraft held at financial institutions				(3,148)
Interest on fixed coupon bonds				(31,177)
Net loss on financial assets at fair value through profit or loss				(39,573)
Gain on disposal of associates				110,847
Gain on disposal of subsidiaries				692
Profit before taxation				248,014

8. SEGMENT REPORTING *(Continued)*

Other segment information

For the year ended 31 December 2020

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Corporate HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	3,976	59	701	1,023	–	5,759
Interest expenses	(3,010)	(16,186)	(4)	(60,546)	–	(79,746)
Share of profit/(loss) of associates	980	335	(2,993)	(125)	–	(1,803)
Share of loss of joint ventures	(608)	–	(1,343)	(204)	–	(2,155)
Depreciation of:						
– Property, plant and equipment	(3,981)	(47,542)	(243)	(5,127)	–	(56,893)
– Right-of-use assets	(1,237)	(34,148)	(1,643)	(5,774)	–	(42,802)
Amortisation of:						
– Concession intangible assets	(40,332)	(13,243)	–	–	–	(53,575)
– Other intangible assets	–	(25,905)	–	–	–	(25,905)
Gain/(loss) on disposal of property, plant and equipment	1,073	(445)	–	(4)	–	624
Loss on disposal of concession intangible assets	(219)	–	–	–	–	(219)
Impairment loss recognised on:						
– Property, plant and equipment	–	(19,024)	–	–	–	(19,024)
– Goodwill	–	(76)	–	–	–	(76)
– Other intangible assets	–	(3,582)	–	–	–	(3,582)
– Trade and other receivables, net	(415)	(1,040)	(149)	(16,922)	–	(18,526)
– Right-of-use assets	–	(49)	–	–	–	(49)
Reportable segment assets	1,966,628	1,732,588	1,559,872	357,608	12,100	5,628,796
Additions to non-current assets	53,246	64,030	162,257	5,311	–	284,844
Reportable segment liabilities	(712,273)	(547,688)	(1,280,299)	(834,436)	(53,151)	(3,427,847)

8. SEGMENT REPORTING *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2019

	Provision of water supply, sewage treatment and construction services	Exploitation and sale of renewable energy	Property investment and development	Corporate	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest income	3,805	100	321	10,805	–	15,031
Interest expenses	(3,453)	(17,850)	(38)	(47,416)	–	(68,757)
Share of profit/(loss) of associates	3,078	(630)	–	(267)	–	2,181
Share of loss of joint ventures	(473)	–	(1,871)	(373)	–	(2,717)
Depreciation of:						
– Property, plant and equipment	(4,385)	(44,212)	(539)	(4,759)	–	(53,895)
– Right-of-use assets	(1,215)	(30,584)	(2,899)	(7,295)	–	(41,993)
Amortisation of:						
– Concession intangible assets	(30,409)	(14,435)	–	–	–	(44,844)
– Other intangible assets	–	(27,324)	–	–	–	(27,324)
Gain/(loss) on disposal of property, plant and equipment	858	(2,632)	–	196	–	(1,578)
Gain on disposal of:						
– Associates	–	–	–	110,847	–	110,847
– Subsidiaries	–	–	–	692	–	692
Loss on disposal of concession intangible assets	(2,350)	–	–	–	–	(2,350)
Impairment loss recognised on:						
– Property, plant and equipment	–	(4,035)	–	–	–	(4,035)
– Goodwill	–	(1,351)	–	–	–	(1,351)
– Other intangible assets	–	(4,861)	–	–	–	(4,861)
– Trade and other receivables, net	(2,063)	(1,453)	(124)	(7,699)	–	(11,339)
– Right-of-use assets	(1,588)	–	–	–	–	(1,588)
Reportable segment assets	1,753,892	1,497,042	1,106,719	393,502	8,574	4,759,729
Additions to non-current assets	213,540	129,554	78,471	794	–	422,359
Reportable segment liabilities	(761,657)	(526,110)	(871,576)	(654,300)	(49,689)	(2,863,332)

8. SEGMENT REPORTING *(Continued)*

Other segment information *(Continued)*

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

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2019: Nil).

The measure used for reporting segment profit is "adjusted profit before tax". To arrive at adjusted profit before tax, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as interest on overdraft held at financial institutions, change in fair value of financial assets at fair value through profit or loss, net loss on disposal of investments, directors' and auditors' remuneration and other head office or corporate administration costs.

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

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A – revenue from exploitation and sale of renewable energy	**115,842**	126,899

9. OTHER OPERATING INCOME AND EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Interest income on:		
– bank deposits	**3,545**	2,503
– loans *(note (a))*	**2,214**	12,528
Total interest income on financial assets not at fair value through profit or loss	**5,759**	15,031
Government grants *(note 36)*	**5,784**	10,040
Handling charges	**3,040**	2,276
Cleaning income	**137**	686
Repair services income	**3,394**	2,116
Gross rentals from investment properties	**4,604**	4,596
Gain/(loss) on disposal of property, plant and equipment, net	**624**	(1,578)
Loss on disposal of concession intangible assets	**(219)**	(2,350)
VAT refund	**31,595**	17,259
Write off of accounts payable	**57**	113
Revenue from management services	**52,633**	28,159
Proceeds from steel trade	**18,570**	–
Others	**7,110**	11,431
	133,088	87,779

Note:

(a) During 2020, the Group earned interest income of approximately HK$2,200,000 (2019: HK$12,500,000) on loans to fourteen (2019: fourteen) unrelated parties (note 27), which bears fixed interest ranging from 4% to 24% (2019: from 4% to 24%) per annum.

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
– bank borrowings	**3,481**	7,508
– other loans	**72,692**	61,489
– overdraft held at financial institutions	**827**	4,347
– lease liabilities	**20,625**	21,412
Total borrowing costs	**97,625**	94,756
Less: interest capitalised included in construction in progress	**(17,879)**	(25,999)
	79,746	68,757

Included in construction-in-progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of approximately HK$17,879,000 (2019: HK$25,999,000) at the capitalisation rate of 8.51% (2019: 9.21%) per annum.

11. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax – Hong Kong Profits Tax		
– Provision for the year	**–**	–
Current tax – PRC Enterprise Income Tax ("EIT")		
– Provision for the year	**68,918**	65,513
– Over provision in respect of prior years	**(2,904)**	(1,902)
Deferred tax *(note 37)*	**(5,694)**	5,677
	60,320	69,288

No provision for Hong Kong profit tax has been made for the years ended 31 December 2019 and 2020 as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profit tax for these years.

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 years, except disclosed as follows.

11. INCOME TAX EXPENSE *(Continued)*

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.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2020	2019
	HK$'000	*HK$'000*
Profit before taxation	**180,786**	248,014
Notional tax on profit before taxation, calculated at the rate applicable to profits in the countries concerned	**47,499**	64,720
Tax effect of share of results of associates	**349**	1,918
Tax effect of share of results of joint ventures	**488**	586
Tax effect of expenses not deductible for tax purposes	**36,712**	139,108
Tax effect of income not taxable for tax purposes	**(20,706)**	(108,750)
Effect on tax exemption granted to PRC subsidiaries	**(10,812)**	(48,133)
Tax effect of tax losses and deductible temporary differences not recognised	**9,694**	21,741
Over provision in respect of prior years	**(2,904)**	(1,902)
	60,320	69,288

12. PROFIT FOR THE YEAR

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

	2020 *HK$'000*	2019 *HK$'000*
Staff costs excluding directors' and chief executive's emoluments		
– Salaries, wages and other benefits	**203,895**	198,006
– Retirement benefits scheme contributions	**10,462**	19,228
Total staff costs	**214,357**	217,234
Amortisation of:		
– concession intangible assets	**53,575**	44,844
– other intangible assets	**25,905**	27,324
Depreciation charge *(note 16)*		
– owned property, plant and equipment	**56,893**	53,895
– right-of-use assets	**42,802**	41,993
Lease payments not included in the measurement of lease liabilities	**7,795**	1,804
(Gain)/loss on disposal of property, plant and equipment, net	**(624)**	1,578
Loss on disposal of concession intangible assets	**219**	2,350
Auditors' remuneration		
– audit services	**2,390**	2,800
– other services	**823**	120
Cost of inventories	**384,669**	191,741
Gross rental income from investment properties less direct outgoings of approximately HK$822,000 (2019: HK$1,013,000)	**3,782**	3,583

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, all (2019: all) were directors and chief executive whose emoluments are set out in note 44.

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

15. EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company, used in the basic and diluted earnings per share	**11,094**	115,617
	No. of shares	No. of shares
	'000	*'000*
Weighted average number of ordinary shares – basic and diluted	**1,596,540**	1,596,540
Earnings per share (HK cents):		
Basic	**0.69**	7.24
Diluted	**0.69**	7.24

For the year ended 31 December 2020 and 2019, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use	Other properties leased for own use	Plant and machinery leased for own use	Buildings	Plant and machinery	Leasehold improvements	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
At 1 January 2019	–	18,487	–	106,591	719,095	19,492	40,844	186,830	1,091,339
Additions	37,549	3,066	–	21,567	89,779	5,081	702	109,924	267,668
Additions – interest capitalised	–	–	–	–	–	–	–	10,119	10,119
Transfer from prepaid lease payment	174,052	–	–	–	–	–	–	–	174,052
Transfer from investment properties	–	–	–	619	–	–	–	–	619
Transfer to assets held for sale	(16,445)	–	–	–	–	–	–	(11,857)	(28,302)
Transfer	–	–	429,957	3,781	(415,716)	25	–	(18,047)	–
Transfer to inventories	(33,207)	–	–	–	–	–	–	(39,623)	(72,830)
Disposals	–	–	–	(5,122)	(183)	(130)	(2,141)	(47)	(7,623)
Reclassification	–	–	–	–	(47)	–	–	–	(47)
Exchange realignment	(5,226)	–	–	(2,546)	(16,591)	(899)	(531)	(3,738)	(29,531)
At 31 December 2019 and 1 January 2020	**156,723**	**21,553**	**429,957**	**124,890**	**376,337**	**23,569**	**38,874**	**233,561**	**1,405,464**
Additions	**2,138**	**9,735**	**13,627**	**1,176**	**8,179**	**1,363**	**1,454**	**205,833**	**243,505**
Additions – interest capitalised	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,517**	**17,517**
Transfer from investment properties	**–**	**–**	**–**	**3,272**	**–**	**–**	**–**	**–**	**3,272**
Transfer to assets held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,389)**	**(3,389)**
Transfer	**–**	**–**	**(34,182)**	**1,123**	**58,287**	**11**	**–**	**(25,239)**	**–**
Transfer to inventories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57,719)**	**(57,719)**
Disposals	**–**	**–**	**–**	**(936)**	**(8,319)**	**(184)**	**(1,680)**	**–**	**(11,119)**
Reclassification	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange realignment	**10,307**	**(5,597)**	**26,529**	**8,594**	**31,397**	**1,586**	**1,662**	**20,733**	**95,211**
At 31 December 2020	**169,168**	**25,691**	**435,931**	**138,119**	**465,881**	**26,345**	**40,310**	**391,297**	**1,692,742**

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Ownership interests in land and buildings held for own use HK$'000	Other properties leased for own use HK$'000	Plant and machinery leased for own use HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment:									
At 1 January 2019	–	–	–	17,527	112,481	10,352	17,906	6,974	165,240
Provided for the year	4,335	7,804	29,854	5,079	36,491	3,326	5,037	3,962	95,888
Transfer from investment properties	1,088	–	–	(41)	–	–	–	–	1,047
Transfer to assets held for sale	(1,124)	–	–	–	–	–	–	–	(1,124)
Eliminated on disposal	–	–	–	(1,023)	(171)	(621)	(1,637)	–	(3,452)
Transfer	–	–	49,342	–	(49,342)	–	–	–	–
Impairment	1,588	–	–	–	4,035	–	–	–	5,623
Exchange realignment	(518)	–	(362)	(508)	(3,613)	(670)	(333)	–	(6,004)
At 31 December 2019 and 1 January 2020	**5,369**	**7,804**	**78,834**	**21,034**	**99,881**	**12,387**	**20,973**	**10,936**	**257,218**
Provided for the year	**3,204**	**7,372**	**32,226**	**5,620**	**39,861**	**1,163**	**5,019**	**5,230**	**99,695**
Transfer from investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to assets held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Eliminated on disposal	**–**	**–**	**–**	**(260)**	**(7,711)**	**(167)**	**(1,434)**	**–**	**(9,572)**
Transfer	**–**	**–**	**11,462**	**–**	**(11,462)**	**–**	**–**	**–**	**–**
Impairment	**49**	**–**	**–**	**–**	**19,024**	**–**	**–**	**–**	**19,073**
Exchange realignment	**869**	**(1,456)**	**7,553**	**1,960**	**13,584**	**881**	**1,147**	**–**	**24,538**
At 31 December 2020	**9,491**	**13,720**	**130,075**	**28,354**	**153,177**	**14,264**	**25,705**	**16,166**	**390,952**
Carrying values									
At 31 December 2020	**159,677**	**11,971**	**305,856**	**109,765**	**312,704**	**12,081**	**14,605**	**375,131**	**1,301,790**
At 31 December 2019	151,354	13,749	351,123	103,856	276,456	11,182	17,901	222,625	1,148,246

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

a) Right-of-use assets

The analysis of the net carrying value of right-of-use assets by class of underlying asset is as follows:

	Notes	At 31 December 2020 HK$'000	At 1 January 2020 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in China, with remaining lease term of:	*(i)*		
– between 10 and 50 years		**159,677**	151,354
		159,677	151,354
Other properties leased for own use, carried at depreciated cost	*(ii)*	**11,971**	13,749
Plant and machinery carried out depreciated cost	*(iii)*	**305,856**	351,123
		317,827	364,872

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**3,204**	4,335
Other properties leased for own use	**7,372**	7,804
Plant and machinery	**32,226**	29,854
	42,802	41,993
Interest on lease liabilities *(note 10)*	**20,625**	21,412
Lease payments not included in the measurement of lease liabilities	**7,795**	1,804

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

a) Right-of-use assets *(Continued)*

During the year, additions to right-of-use assets were approximately HK$25,500,000 (2019: HK$57,397,000). This amount included the purchase of a leasehold property of approximately HK$2,138,000 (2019: HK$35,844,000), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for lease and the maturity analysis of lease liabilities are set out in note 28(b) and 33 respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds land and buildings for its ordinary course of business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

(iii) Other leases

The Group leases production plant, machinery and office equipment under leases expiring from 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

b) The analysis of the classification of property, plant and equipment as follows:

	2020	2019
	HK$'000	*HK$'000*
Property, plant and equipment	**824,286**	632,020
Right-of-use assets	**477,504**	516,226
	1,301,790	1,148,246

c) Impairment loss

During the year ended 31 December 2020, certain subsidiaries and its production equipment suspended operation as the landfill gas was insufficient. For the purpose of impairment testing, the recoverable amount of these property, plant and equipment and right-of-use assets of these subsidiaries were determined using value-in-use or fair value less costs of disposal.

During the year ended 31 December 2019, the garbage delivered to the landfill site dropped significantly in Shandong Qiyao New Energy Company Limited ("Shandong Qiyao") and Nanjing Feng Shang New Technology Limited Liability Company ("Nanjing Feng Shang"), the landfill gas was insufficient for use in certain production equipment. Both subsidiaries has experienced significant drop in revenue and gross loss during the year. The management of the Group therefore performed an impairment review of the recoverable amount related to Shandong Qiyao and Nanjing Feng Shang. For the purposes of impairment testing of property, plant and equipment and right-of-use assets of these two subsidiaries were allocated to their respective cash-generating unit ("CGU") of collection and utilisation of landfill gas.

In performing the impairment testing, the directors of the Company had also made reference to valuation performed by independent professional valuers.

The recoverable amount of the relevant cash-generating units of approximately HK$543,592,000 (equivalent to RMB483,408,000) (2019: HK$781,821,000 (equivalent to RMB687,254,000)) was determined on the basis of value-in-use calculations. Value-in-use calculations was based on the discount rate of 13.5%-17.4% (2019: 13.4%-15.1%) and cash flow projections prepared from financial forecasts approved by the management for the next five years. The cash-generating unit cash flows beyond the 5-year period were extrapolated using a growth rate of 0.5%-3% (2019: 2%-3%). Other key assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows which included budgeted sales and expected gross margins during the budget period which had been determined based on past performance and management's expectations for the market development.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

c) Impairment loss *(Continued)*

The directors of the Company engaged AVISTA Valuation Advisory Limited ("AVISTA") and Shenzhen Guoliang Assets Appraisal Group Co., Ltd.* ("Shenzhen Guoliang"), to perform a valuation of these property, plant and equipment in order to provide them with the impairment assessment. Having regard to the future plan of the Group and the valuation performed by AVISTA and Shenzhen Guoliang, impairment losses of approximately HK$19,073,000 (equivalent to RMB16,962,000) (2019: HK$5,623,000 (equivalent to RMB4,943,000)) was recognised during the years.

Impairment losses of approximately HK$19,024,000 (equivalent to RMB16,918,000) (2019: HK$4,035,000 (equivalent to RMB3,547,000)) and approximately HK$49,000 (equivalent to RMB44,000) (2019: HK$1,588,000 (equivalent to RMB1,396,000)) have been recognised in property, plant and equipment and right-of-use assets respectively.

* The English name is for identification purpose only.

17. CONCESSION INTANGIBLE ASSETS

As further explained in the accounting policy for "service concession arrangements" set out in note 3(j) to the consolidated financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under a service concession arrangement) or a combination of both, as appropriate. The following is the summarised information of the intangible asset component (operating concessions) and the financial asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

Operating concessions

	2020	2019
	HK$'000	*HK$'000*
Cost		
At 1 January	**1,006,535**	843,017
Additions	**38,473**	171,409
Additions – interest capitalised	**362**	15,880
Disposal	**(980)**	(4,278)
Exchange realignment	**63,267**	(19,493)
At 31 December	**1,107,657**	1,006,535
Accumulated amortisation and Impairment		
At 1 January	**243,250**	206,705
Provided for the year	**53,575**	44,844
Eliminated on disposal	**(698)**	(1,928)
Exchange realignment	**20,401**	(6,371)
At 31 December	**316,528**	243,250
Carrying values		
At 31 December	**791,129**	763,285

17. CONCESSION INTANGIBLE ASSETS *(Continued)*

Receivables under service concession arrangements

	2020 HK$'000	2019 HK$'000
Receivables under service concession arrangements	**20,457**	22,834
Impairment	**–**	–
	20,457	22,834
Portion classified as current assets	**(3,401)**	(3,616)
Non-current portion	**17,056**	19,218

The subsidiaries of the Group, Yichun Water Industry Co., Limited ("Yichun Water"), Linyi Fenghuang Water Industry Co., Ltd ("Linyi Fenghuang") and Yingtan Water Supply Co., Ltd ("Yingtan Water Supply") entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of water supply plant and were granted with an exclusive operating right for provision of water supply services to the public users for a period of 30 years commencing from the operation of the respective water supply plant.

The subsidiaries of the Group, Yichun Fangke Sewage Treatment Company Limited ("Yichun Fangke"), Jining City Haiyuan Water Treatment Company Limited ("Jining Haiyuan") and Foshan City Gaoming Huaxin Sewage Treatment Company Limited ("Gaoming Huaxin") entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of sewage treatment plant and were granted with an exclusive operating right for provision of sewage treatment services to the public users for a period ranging from 25 years to 29 years, commencing from the operation of the respective waste treatment plant.

The subsidiaries of the Group, Chengdu City Green State Renewable Energy Co., Limited ("Chengdu City Green State") and Chongqing Camda New Energy Equipment Company Limited ("Chongqing Camda") entered into the service concession arrangement with the respective local government whereby the above subsidiaries are required to build the infrastructure of electricity plant and were granted with an exclusive operating right for provision of electricity services to the respective local government for a period of 10.5 years and 19.5 years respectively commencing from the operation of respective electricity plant.

Amortisation for the above concession intangible assets has been provided on a straight-line basis over the remaining terms of the operating rights since commencement of operations. The receipt from these service concession arrangements, are contingent on the extent that public uses the services.

For the year ended 31 December 2020, the Group has recognised service concession construction revenue of approximately HK$39,767,000 (2019: HK$171,525,000) and profit of approximately HK$4,249,000 (2019: HK$19,714,000) during the construction periods of the service concession periods.

17. CONCESSION INTANGIBLE ASSETS *(Continued)*

Receivables under service concession arrangements *(Continued)*

The recoverable amounts of the CGUs under water supply and sewage treatment which contain concession intangible assets is determined by using value-in-use calculation with reference to the valuation performed by Shenzhen Guoliang. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 9.5% (2019: 11.0% – 12.0%). Cash flows beyond the five-year period have been extrapolated using a steady 3% (2019: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry.

* The English name is for identification purpose only.

18. OTHER NON-CURRENT ASSETS

	2020 HK$'000	2019 HK$'000
At fair value		
At 1 January	–	19,753
Transfer to property, plant and equipment	–	(19,748)
Exchange realignment	–	(5)
At 31 December	–	–

During 2015, Yingtan Water Supply entered into agreements with a local government office to transfer all units of the investment property (the "Resumption Properties") to the local government for the development of a composite project, which Yingtan Water Supply will receive compensation including transfer of certain construction floor areas of the new premises (the "New Premises").

The fair value of the New Premises at the date of transfer has been arrived at on the basis of a valuation carried out as at that date by AVISTA, by adopting the income method by taking into account the net rental income of the property achievable in the existing market with due allowance for the reversionary income potential of the leases. Rental income achievable are analysed in order to arrive at fair capital values. The fair value of the New Premises, estimated at HK$21,563,000, was recognised as deemed consideration during the year ended 2015.

The carrying amount of the New Premises, classified as other non-current assets, at 31 December 2018 was HK$19,753,000.

During the year ended 31 December 2019, upon completion of all the construction of New Premises, the New Premises were therefore transferred to "Property, plant and equipment".

19. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At fair value		
At 1 January	**89,114**	73,348
Reclassified as property, plant and equipment during the year	**(3,272)**	(660)
Fair value recognised in revaluation reserve	**–**	13,531
Fair value gain recognised for the year	**2,778**	5,216
Exchange realignment	**5,711**	(2,321)
At 31 December	**94,331**	89,114

The Group leases out investments properties under operating leases. The leases typically run for an initial period of 3 to 15 years. None of the leases include variable lease payments.

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties 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

	Fair value at 31 December	Fair value measurements 31 December categorised into		
		Level 1	Level 2	Level 3
2020	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	**94,331**	–	–	**94,331**

19. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of properties *(Continued)*

(i) Fair value hierarchy (Continued)

2019	Fair value at 31 December *HK$'000*	Fair value measurements 31 December categorised into Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	89,114	–	–	89,114

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2020. The valuations were carried out by AVISTA who has recent experience in the location and category of property being valued. The Company's directors have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

The fair value of the investment properties has been arrived by adopting the income method by taking into account the net rental income of the property achievable in the existing market with due allowance for the reversionary income potential of the leases. Rental income achievable are analysed in order to arrive at fair capital values.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
2020			
Investment properties			
Commercial – PRC	Income approach (term and reversionary method)	Term and reversionary yield	5% to 8%
2019			
Investment Properties			
Commercial – PRC	Income approach (term and reversionary method)	Term and reversionary yield	5% to 8.25%
	Income approach (capitalisation method)	Estimated rental value (per square meter and per month)	HK$68
		Capitalisation rate	6.5%
		Rental growth rate	3%

19. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of properties *(Continued)*

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of investment properties located in the PRC as at 31 December 2020 is determined by using income approach (term and reversionary method) which largely used observable inputs (e.g. market rent, yield, etc) and taking into account on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease. The higher the vacancy rate and term and reversionary yield, the lower the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020	2019
	HK$'000	*HK$'000*
Investment properties – Commercial – PRC		
At 1 January	**89,114**	73,348
Reclassified as property, plant and equipment during the year	**(3,272)**	(660)
Fair value recognised in revaluation reserve	**–**	13,531
Net gain from a fair value adjustment recognised in change in fair value of investment property in profit or loss	**2,778**	5,216
Exchange realignment	**5,711**	(2,321)
At 31 December	**94,331**	89,114

Exchange adjustment of investment property are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

20. OTHER INTANGIBLE ASSETS

	Goodwill *HK$'000*	Exclusive rights of collection and utilisation of landfill gas *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2019	282,731	307,462	590,193
Acquisition of exclusive rights	–	164	164
Acquisition of subsidiaries *(note 38)*	718	13,616	14,334
Exchange realignment	(5,532)	(6,369)	(11,901)
At 31 December 2019 and 1 January 2020	**277,917**	**314,873**	**592,790**
Acquisition of exclusive rights	**–**	**19**	**19**
Exchange realignment	**17,900**	**20,286**	**38,186**
At 31 December 2020	**295,817**	**335,178**	**630,995**
Accumulated amortisation and impairment			
At 1 January 2019	239,703	102,570	342,273
Amortisation	–	27,324	27,324
Impairment loss recognised for the year	1,351	4,861	6,212
Exchange realignment	(4,699)	(2,600)	(7,299)
At 31 December 2019 and 1 January 2020	**236,355**	**132,155**	**368,510**
Amortisation	**–**	**25,905**	**25,905**
Impairment loss recognised for the year	**76**	**3,582**	**3,658**
Exchange realignment	**15,228**	**10,185**	**25,413**
At 31 December 2020	**251,659**	**171,827**	**423,486**
Carrying values			
At 31 December 2020	**44,158**	**163,351**	**207,509**
At 31 December 2019	41,562	182,718	224,280

(i) The exclusive rights acquired upon acquisition of subsidiaries were initially recognised at fair value at the acquisition date. The exclusive rights acquired separately were initially recognised at cost. Amortisation expense for the year ended 31 December 2020 was approximately HK$25,905,000 (2019: HK$27,324,000), of which approximately HK$25,803,000 (2019: HK$27,150,000) and approximately HK$102,000 (2019: HK$174,000) were recorded into cost of sales and administrative expenses, respectively.

20. OTHER INTANGIBLE ASSETS *(Continued)*

Impairment test on goodwill

For the purposes of impairment testing, goodwill have been allocated to fourteen (2019: fourteen) individual cash-generating units ("CGUs"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2020 and 2019 allocated to these units are as follows:

	2020	2019
	HK$'000	*HK$'000*
Collection and utilisation of landfill gas		
Shenzhen City Li Sai Industrial Development Limited ("Shenzhen Li Sai")	**12,319**	11,574
Datang Huayin Chenzhou Environmental Power Company Limited ("Chenzhou Environmental")	**2,792**	2,623
Datang Huayin Heng Yang Environmental Power Company Limited ("Heng Yang Environmental")	**4,953**	4,653
Baoji City Electric Power Development Co., Limited ("Baoji")	**1,436**	1,349
Chongqing Camda New Energy Equipment Company Limited ("Chongqing Camda")	**2,530**	2,377
Ningbo Qiyao New Energy Company Limited ("Ningbo Qiyao")	**–**	75
Datang Huayin Xiangtan Environmental Electricity Generation Company Limited ("Datang Huayin Xiangtan")	**1,185**	1,113
Shandong Qiyao New Energy Company Limited ("Shandong Qiyao")	**–**	–
Chengdu City Green State Renewable Energy Co., Limited ("Chengdu City Green State")	**12,500**	11,745
Dongyang Grand Energy Co., Ltd. ("Dongyang Grand")	**5,699**	5,354
Guangxi Ruirong Energy Technology Co., Limited ("Guangxi Ruirong")	**744**	699
Water supply and sewage treatment		
Blue Mountain Hong Kong Group Limited ("Blue Mountain")*	**–**	–
Onfar International Limited ("Onfar")	**–**	–
Jining City Haiyuan Water Treatment Company Limited ("Jining Haiyuan")	**–**	–
	44,158	41,562

* The disposal of Blue Mountain was completed on 24 January 2019 (see note 23(ii)).

The Group tests goodwill annually for impairment, or more frequently when there is indication that the unit may be impaired. In assessing the need for impairment of goodwill, the Group estimates the recoverable amount of individual CGU to which goodwill has been allocated by reference to, amongst other things, the existing operations, and future prospects of the CGUs. Accordingly, the Group recognised impairment losses with an aggregate amount of approximately HK$251,659,000 (2019: HK$236,355,000) as at 31 December 2020 in relation to goodwill arising on acquisition of the subsidiaries.

20. OTHER INTANGIBLE ASSETS *(Continued)*

Impairment test on goodwill *(Continued)*

The basis of the recoverable amount of the CGUs and the major underlying assumptions are summarised below:

Collection and utilisation of landfill gas

The recoverable amount of the CGUs under the collection and utilisation of landfill gas is determined based on value-in-use calculations with reference to valuation performed by AVISTA and Shenzhen Guoliang. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0.5% – 3% (2019: 2% – 3%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 13.5% – 17.4% (2019: 13.4% – 15.1%). The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

The recoverable amount of the CGUs at 31 December 2020 was approximately HK$543,952,000 (RMB483,408,000) (2019: HK$781,821,000 (RMB687,254,000)).

During the year ended 31 December 2020, in light of the suspended operation of Ningbo Qiyao New Energy Limited ("Ningbo Qiyao"), an impairment loss was made on goodwill of HK$76,000 (equivalent to RMB67,000). The recoverable amount of this CGU at 31 December 2020 was approximately HK$16,403,000 (equivalent to RMB13,805,000).

During the year ended 31 December 2019, in light of the operating loss of Shandong Qiyao, an impairment loss was made on goodwill of HK$1,351,000 (equivalent to RMB1,188,000). The recoverable amount of this CGU at 31 December 2019 was approximately HK$11,332,000 (equivalent to RMB10,151,000).

Water supply and sewage treatment

No further impairment charge arose during the course of year 2020 as impairment on the goodwill had been fully provided in the previous years.

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

	2020 *HK$'000*	2019 *HK$'000*
Listed equity securities, at fair value	**15,436**	49,465
Unlisted fund investments, at fair value	**11,880**	11,163
	27,316	60,628
Classified as:		
Financial assets at fair value through profit or loss		
– Current	**23,946**	51,435
Financial assets at fair value through other comprehensive income		
– Non-current	**3,370**	9,193
	27,316	60,628

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

The unlisted fund investments represented investments in funds in the PRC. Details of fair value measurement are set out in note 6(d).

22. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2020. The class of shares held is ordinary, unless otherwise stated.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Billion City Investments Limited	British Virgin Islands ("BVI")/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Onfar International Limited ("Onfar")	BVI/Hong Kong	US$100	–	100%	Investment holding	Private limited liability company
Yichun Water Industry Group Co. Ltd.* ("Yichun Water")	PRC	RMB45,500,000	–	51%	Provision of water supply and installation of water supply facilities	Chinese foreign equity joint venture
Yichun Fangke Sewage Treatment Company Limited* ("Yichun Fangke")	PRC	RMB115,000,000	–	54.33%	Sewage treatment	Domestic enterprise
Yichun City Water Supply Engineering Limited*	PRC	RMB5,000,000	–	100%	Installation of water supply facilities	Domestic enterprise
Yichun Kun Lun Information Technology Company Limited* ("Yichun Kun Lun")	PRC	RMB2,000,000	–	100%	Information services	Domestic enterprise
Jiangxi Dekang Purified Water Company Limited*	PRC	RMB4,540,000	–	100%	Exploitation, production and sale of purified and drinking system	Domestic enterprise
Jiangxi Dekang Environmental Testing and Development Limited*	PRC	RMB2,700,000	–	100%	Environmental testing and product testing	Domestic enterprise
Nourish Gain Investments Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
China Ace Investment Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Jining City Haiyuan Water Treatment Company Limited* ("Jining Haiyuan")	PRC	RMB40,000,000	–	70%	Sewage treatment	Chinese foreign equity joint venture

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities	Legal form
Swan (Huizhou) Investment Company Limited*	PRC	US$33,568,000	–	100%	Investment holding	Wholly-owned foreign enterprise
Swan (Huizhou) Creative Technology Company Limited*	PRC	RMB175,000,000	–	100%	Renewable energy technology development	Domestic enterprise
Huizhou Swan Heng Chang Property Development Company Limited*	PRC	RMB50,000,000	–	100%	Property development	Domestic enterprise
Huizhou Swan Dadi Property Development Company Limited*	PRC	RMB50,000,000	–	100%	Property development	Domestic enterprise
China Water Industry (HK) Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Linyi Fenghuang Water Industry Co., Ltd* ("Linyi Fenghuang")	PRC	RMB30,000,000	–	60%	Provision of water supply	Chinese foreign equity joint venture
Shenzhen Haisheng Environmental Sci-Tech Company Limited*	PRC	RMB15,802,400	–	100%	Installation of water suppliers facilities	Wholly-owned foreign enterprise
Shenzhen Shi Guang Company Limited*	PRC	RMB1,000,000	–	100%	Trading company	Domestic enterprise
Shi Guang Limited	Hong Kong	HK$10,000	–	100%	Trading company	Private limited liability company
Yingtan Water Supply Group Co., Ltd* (Yingtan Water Supply)	PRC	RMB66,008,000	–	51%	Provision of water supply	Chinese foreign equity joint venture
Jiangxi Shunda Construction Engineering Limited*	PRC	RMB20,500,000	–	100%	Installation of water supply facilities	Domestic enterprise
Yingtan Xinjiang Water Treatment Engineering Limited*	PRC	RMB500,000	–	100%	Installation of water supply facilities	Domestic enterprise
Zhongkuang Construction Group Co. Ltd.* (Formerly known as Jiangxi Hualei Construction Co., Limited)	PRC	RMB100,000,000	–	100%	Installation of water supply facilities	Domestic enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Yingtan Xiang Rui Property Limited* ("Yingtan Xiang Rui")	PRC	RMB20,000,000	–	100%	Property development	Domestic enterprise
Yingtan City Plumbing and Drainage Investigation and Design Company Limited*	PRC	RMB500,000	–	100%	Design of water pipeline network	Domestic enterprise
Nanjing Feng Shang New Technology Limited Liability Company* ("Nanjing Feng Shang") (note ii)	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
New China Water (Nanjing) Renewable Resources Investment Company Limited* ("New China Water (Nanjing)")	PRC	US$82,880,000	–	96.13%	Exploitation, generation and sale of renewable energy	Non-wholly-owned foreign enterprise
Changsha New China Water Environmental Technology Limited* (Formerly known as Changsha Huiming Recycling Resources Technology Limited)	PRC	RMB50,000,000	–	94.6%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City Li Sai Industrial Development Limited* ("Shenzhen Li Sai")	PRC	RMB50,000,000	–	88%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City New China Water Environmental Technology Limited* ("Shenzhen New China Water")	PRC	RMB80,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Qingyuan City Greenspring Environmental Technology Limited*	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hunan Huiming Environmental Technology Limited* ("Hunan Technology")	PRC	RMB18,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Hunan Liuyang New China Water Environmental Technology Limited* (Formerly known as Hunan Feng Ming Energy Technology Limited)	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Wuzhou City China Water New Renewable Resources Company Limited *("Wuzhou New China Water") (note i)	PRC	RMB15,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Chenzhou Environmental Power Company Limited* ("Chenzhou Environmental")	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Heng Yang Environmental Power Company Limited* ("Heng Yang Environmental")	PRC	RMB4,100,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Baoji City Electric Power Development Co., Ltd* (Baoji")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chongqing Camda New Energy Equipment Company Limited* ("Chongqing Camda")	PRC	RMB20,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Camda New Energy Equipment Company Limited* ("Hainan Camda")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
New China Water (Nanjing) Carbon Company Limited*	PRC	RMB45,800,000	–	100%	Property development	Domestic enterprise
New China Water (Nanjing) Energy Company Limited*	PRC	RMB53,000,000	–	100%	Property development	Domestic enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
New China Water (Hexian) Recycling Resources Technology Limited*	PRC	HK$14,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Yichun City New China Water Energy Technology Limited*	PRC	RMB14,700,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City New China Water Electric Power Limited*	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Ningbo Qiyao New Energy Company Limited* (Ningbo Qiyao")	PRC	RMB8,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* ("Datang Huayin Xiangtan")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xinhua New China Water Environmental Technology Limited*	PRC	RMB4,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shandong Qiyao New Energy Company Limited* ("Shandong Qiyao")	PRC	RMB7,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anqiu City New China Water Environmental Technology Limited*	PRC	RMB12,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Jining City Haisheng Water Treatment Company Limited*	PRC	RMB19,000,000	–	100%	Sewage treatment	Domestic enterprise
Fengcheng City New China Water Energy Technology Limited*	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Chengdu City Green State Renewable Energy Co., Limited* ("Chengdu City Green State")	PRC	RMB47,000,000	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhangjiakou New China Water Energy Technology Limited*	PRC	RMB16,000,000	–	70%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Danzhou New China Water Environmental Technology Limited*	PRC	RMB3,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hong Kong New China Water Renewable Resources Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Conquer Asia Development Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Happy Hour Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Mascot Industries Limited	Hong Kong	HK$2	–	100%	Investment holding	Private limited liability company
Smart Giant Group Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Blue Mountain Hong Kong Group Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Swift Surplus Holdings Limited	BVI/Hong Kong	US$100	100%	–	Investment holding	Private limited liability company
Mark Profit Group Holdings Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Guangzhou Hyde Environmental Protection Technology Co., Ltd*	PRC	HK$12,000,000	–	100%	Investment holding	Wholly-owned foreign enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Foshan City Gaoming Huaxin Sewage Treatment Company Limited* ("Gaoming Huaxin")	PRC	RMB10,000,000	–	70%	Sewage treatment	Domestic enterprise
Bonus Raider Investments Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Bloom Profit Investment Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Hong Kong Glass Resources Limited	Hong Kong	HK$100	–	100%	Glass Recycling	Private limited liability company
Hong Kong Glass Reborn Limited	Hong Kong	HK$5,000,000	–	70%	Glass Recycling	Private limited liability company
South Top Investment Ltd.	Hong Kong	HK$1	100%	–	Provision of administrative services	Private limited liability company
Neutral Crown Holdings Limited	BVI/Hong Kong	US$100	100%	–	Investment holding	Private limited liability company
Victory Strategy Investment Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
PT. CWI Energy Indonesia	Indonesia	IDR55,000,000,000	–	94%	Exploitation generation and sale of renewable energy	Private limited liability company
Hainan Sanya New China Water Environmental Technology Limited*	PRC	RMB6,500,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Chenzhou New China Water Environmental Technology Limited*	PRC	RMB1,500,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Swan (Huizhou) Environmental Technology Company Limited*	PRC	RMB42,978,000	–	100%	Dormant	Domestic enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities	Legal form
Dongyang Grand Energy Co., Ltd.*	PRC	RMB10,000,000	–	90%	Exploitation generation and sale of renewable energy	Domestic enterprise
Haicheng City New China Water Environmental Technology Limited*	PRC	RMB3,500,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Anlu City New China Water Environmental Technology Limited*	PRC	RMB5,300,000	–	90%	Exploitation generation and sale of renewable energy	Domestic enterprise
Laizhou City New China Water Environmental Technology Limited*	PRC	RMB26,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Shenzhen City Haide Medical Technology Co. Limited*	PRC	RMB2,000,000	–	100%	Dormant	Domestic enterprise
Jiangxi Deyin Industries Limited*	PRC	RMB5,000,000	–	100%	Property development	Domestic enterprise
Yingtan City Hongzhu Trading Co. Limited*	PRC	RMB2,000,000	–	100%	Trading development	Domestic enterprise
Linyi Water Pipe Construction Co. Limited*	PRC	RMB30,000,000	–	100%	Dormant	Domestic enterprise
Zhijiang Xinzhongshui Chufeng Environmental Protection Technology Co., Ltd.*	PRC	RMB546,000	–	51%	Dormant	Domestic enterprise
Jiangxi Hanhe Enterprise Development Co., Ltd.*	PRC	RMB8,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Guangxi Ruirong Energy Technology Co., Ltd.*	PRC	RMB2,950,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Hainan Lingao Greenspring Environmental Technology Limited*	PRC	RMB10,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Gaizhou City New China Water Environmental Technology Limited*	PRC	RMB300,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Shenzhen Hainengda Technology Development Co., Ltd.*	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise
Shenzhen City China Water Zeyuan Technology & Environment Co Limited*	PRC	RMB5,100,000	–	51%	Dormant	Domestic enterprise
Guangzhou China Water Renewable Environmental Technology Limited*	PRC	RMB10,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Zhuzhou New China Water Environmental Protection Technology Limited*	PRC	RMB2,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Ankang New China Water Environmental Protection Technology Limited*	PRC	RMB2,000,000	–	100%	Dormant	Domestic enterprise
Lianyuan City New China Water Environmental Protection Technology Limited*	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise
Shanghang Greenspring Environmental Technology Limited*	PRC	RMB2,000,000	–	100%	Dormant	Domestic enterprise

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Jiangxi Dekang Water Supply Company Limited*	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise
Jiangxi Dekang Property Management Limited*	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise
Dingnan Greenspring Environmental Technology Limited*	PRC	RMB2,000,000	–	100%	Dormant	Domestic enterprise

* The English names are for identification purpose only.

Notes:

None of the subsidiaries has issued any debt securities subsisting at the end of 2020 and 2019 or at any time during the years ended 31 December 2020 and 2019.

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Yingtan Water Group		Yichun Water Group	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
NCI percentage	**49%**	49%	**49%**	49%
Current assets	**1,425,591**	1,154,474	**236,211**	146,103
Non-current assets	**509,609**	465,212	**356,209**	317,670
Current liabilities	**(1,202,678)**	(990,142)	**(183,918)**	(116,519)
Non-current liabilities	**(101,709)**	(92,504)	**(23,088)**	(22,437)
Net assets	**630,813**	537,040	**385,414**	324,817
Carrying amount of NCI	**309,098**	263,150	**188,852**	159,160
Revenue	**244,445**	209,130	**267,751**	232,918
Profit for the year	**103,387**	61,172	**39,866**	42,564
Total comprehensive income	**67,858**	70,766	**33,627**	44,091
Profit allocated to NCI	**50,660**	29,974	**19,534**	20,856
Dividend paid by the subsidiaries	**44,890**	–	**3,373**	1,365
Dividend paid to NCI	**22,040**	–	**1,541**	669
Cash flows generated from operating activities	**168,076**	149,252	**66,303**	67,754
Cash flows used in investing activities	**(104,468)**	(118,093)	**(33,884)**	(76,942)
Cash flows (used in)/generated from financing activities	**(155,607)**	19,705	**7,695**	12,157

23. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
Share of net assets	**17,376**	7,116

All the Company's associates are unlisted corporate entities whose quoted market price is not available. All of these associates are accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Yu Jiang Hui Min Small-Sum Loan Company Limited* ("Yu Jiang Hui Min") 余江惠民小額貸款股份有限公司	PRC	Contributed capital	–	10%	Money lending business *(note i)*	Domestic enterprise
Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* 資陽市綠州新中水環保科技有限公司	PRC	Contributed capital	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Yingtan Hongji Construction Materials Technology Limited* 鷹潭市宏基建材科技有限公司	PRC	Contributed capital	–	37%	Construction business	Domestic enterprise
Yugan San Hai Property Limited* 余干三海置業有限公司	PRC	Contributed capital	–	30%	Property development	Domestic enterprise

* The English names are for identification purpose only.

Notes:

(i) On 21 December 2011, the Group acquired 10% equity interest in Yu Jiang Hui Min at a consideration of approximately HK$12,206,000. During the years ended 31 December 2020 and 2019, the Group has the right to nominate two out of five of the directors of Yu Jiang Hui Min. The directors of the Company consider that the Group does exercise significant influence over Yu Jiang Hui Min and it is therefore classified as an associate of the Group. Yu Jiang Hui Man enables the Group to have exposure in the money lending business through local expertise.

(ii) Jinan Hongquan enables the Group to have exposure in provision of water supply in Jinan, the PRC. On 6 December 2018, Blue Mountain Hong Kong Limited ("Blue Mountain"), a wholly-owned subsidiary of the Group, and Jinan Water Group Co. Ltd. (the "Purchaser"), entered into a sale and purchase agreement whereby Blue Mountain agreed to sell its shareholding in Jinan Hongquan. The disposal was completed on 24 January 2019.

23. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**17,376**	7,116
Aggregate amounts of the Group's share of those associates		
(Loss)/profit for the year	**(1,803)**	2,181
Other comprehensive income/(loss)	**1,059**	(704)
Total comprehensive (loss)/income	**(744)**	1,477

24. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	**22,521**	14,588

All the Company's joint ventures are unlisted corporate entities whose quoted market price is not available. All of these joint ventures are accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities	Legal form
Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd* 宜春市明月山方科污水處理有限公司	PRC	Contributed capital	–	65%	Sewage treatment services	Domestic enterprise
Jiangxi Yuehe Property Co., Ltd.* 江西越和置業有限公司	PRC	Contributed capital	–	40%	Property development	Domestic enterprise

* The English names are for identification purpose only.

24. INTERESTS IN JOINT VENTURES *(Continued)*

Aggregate information of joint ventures that are not individually material:

	2020 *HK$'000*	2019 *HK$'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**22,521**	14,588
Aggregate amounts of the Group's share of the joint ventures:		
Loss for the year	**(2,155)**	(2,717)
Other comprehensive income/(loss)	**1,561**	(375)
Total comprehensive loss	**(594)**	(3,092)

25. INVENTORIES

	2020 *HK$'000*	2019 *HK$'000*
Properties held for sale	**106,245**	101,393
Properties under development	**732,054**	485,268
Raw materials	**62,519**	49,578
	900,818	636,239

The analysis of the amount of inventories recognised as an expense is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Carrying amount of inventories	**384,669**	191,741

26. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 HK$'000	2019 HK$'000
Contract assets		
Arising from performance under construction contracts	**62,650**	52,240

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits as part of its credit risk management policies. The Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

(b) Contract liabilities

	2020 HK$'000	2019 HK$'000
Contract liabilities		
Construction contracts		
Billings in advance of performance	**299,088**	283,428
Property developments		
Forward sales deposits and instalments received	**1,128,026**	668,303
	1,427,114	951,731

The revenue recognised during the year that was included in the contract liabilities balance of the beginning of the period amounted to approximately HK$78,568,000 (2019: HK$128,535,000).

26. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– *Construction contracts*

When the Group receives a deposit before the construction work commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

– *Sales of properties*

The Group typically receives deposits from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

– *Water supply services*

The Group typically receives deposits from clients in respect of the Group's water supply operation. This deposit is recognised as a contract liability until it is utilised.

27. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**565,601**	474,394
Less: Loss allowances	**(5,041)**	(4,764)
	560,560	469,630
Other receivables	**225,102**	122,557
Less: Loss allowances	**(12,607)**	(10,862)
	212,495	111,695
Loan receivables *(note a)*	**221,717**	243,395
Less: Loss allowances	**(77,373)**	(63,262)
	144,344	180,133
Deposits and prepayments *(note b)*	**586,275**	427,556
	1,503,674	1,189,014
Amounts due within one year included under current assets	**1,444,674**	1,130,014
Amounts due after one year included under non-current assets	**59,000**	59,000
	1,503,674	1,189,014

a) Apart from the loans to Top Vision of HK$43,600,000 and other borrowers of HK$11,200,000 which were fully impaired, included in loan receivables as at 31 December 2020 were loan to fourteen (2019: fourteen) unrelated parties of HK$144,340,000 (2019: HK$180,130,000), which bear fixed interest rate ranging from 4% to 24% (2019: 4% to 24%) per annum. These parties have no recent history of default.

b) Deposits and prepayments were mainly prepayments and tender deposits paid to independent third parties for construction projects.

The management of the Company expected that the recoverability of prepayment of approximately HK$3,742,000 is uncertain. Accordingly, full impairment against the balances of prepayment was recognised as at 31 December 2020.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables

The Group allows an average credit period of 0 day to 180 days (2019: 0 day to 180 days) to its customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 6.

The aging 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:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**184,191**	132,932
91 to 180 days	**45,367**	195,387
181 to 365 days	**79,448**	51,238
Over 1 year	**251,554**	90,073
	560,560	469,630

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2020	2019
	HK$'000	*HK$'000*
Neither past due nor impaired	**521,800**	229,660
Past due but not impaired		
Within 90 days	**13,925**	45,898
91 to 180 days	**5,299**	36,527
181 to 365 days	**7,920**	143,424
Over 1 year	**11,616**	14,121
	560,560	469,630

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables *(Continued)*

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (note 3(o)(i)).

28. CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

a) Cash held by financial institutions by the Group represents amounts deposited in financial institutions in Hong Kong carry interest rate ranging from 0% to 0.001% (2019: 0% to 0.001%) per annum.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates.

	2020	2019
	HK$'000	*HK$'000*
Cash held by financial institutions	**135**	6,792
Cash at bank and on hand	**437,125**	404,593
Overdraft held at financial institutions	**(4,606)**	(20,479)
Cash and cash equivalents in the consolidated cash flow statement	**432,654**	390,906

The overdrafts are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the financial institutions should be entitled, without notice to the Group, to close the account and/or dispose of any or all securities held for or on behalf of the Group to settle all outstanding amounts owing to financial institutions (note 21). Total amount of approximately HK$14,705,000 (2019: HK$49,465,000) was held by the financial institutions.

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be classified in the Group's consolidated cash flow statement as cash flows from financing activities.

28. CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

b) Reconciliation of liabilities arising from financing activities

	Bank borrowings	Other loans	Lease liabilities	Amounts due (from)/ to NCI	Loan from associate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	113,277	585,044	227,154	695	2,070	928,240
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	325,809	80,564	–	–	–	406,373
Repayment of bank borrowings and other loans	(312,343)	(20,100)	–	–	–	(332,443)
Loans from third parties	–	91,842	–	–	–	91,842
Repayment of loans from third parties	–	(13,670)	–	–	–	(13,670)
Increase in amounts due to non-controlling shareholders	–	–	–	16,738	–	16,738
Capital element of lease rentals paid	–	–	(138,242)	–	–	(138,242)
Interest element of lease rentals paid	–	–	(21,413)	–	–	(21,413)
Repayment to associates	–	–	–	–	(2,070)	(2,070)
Interest paid	(7,508)	(40,255)	–	–	–	(47,763)
Total changes from financing cash flows	5,958	98,381	(159,655)	16,738	(2,070)	(40,648)
Exchange adjustments	(2,461)	(5,356)	4,574	–	–	(3,243)
Other changes:						
Increase in lease liabilities	–	–	178,857	–	–	178,857
Finance charges on leases liabilities	–	–	21,413	–	–	21,413
Interest expenses	7,508	61,489	–	–	–	68,997
Total other changes	7,508	61,489	200,270	–	–	269,267
At 31 December 2019	**124,282**	**739,558**	**272,343**	**17,433**	**–**	**1,153,616**

28. CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank borrowings	Other loans	Lease liabilities	Amounts due (from)/ to NCI	Amounts due (from)/ to joint ventures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	**124,282**	**739,558**	**272,343**	**17,433**	**–**	**1,153,616**
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	73,220	11,990	–	–	–	85,210
Increase in lease liabilities	–	–	114,474	–	–	114,474
Repayment of bank borrowings and other loans	(57,709)	(49,600)	–	–	–	(107,309)
Loans from third parties	–	123,832	–	–	–	123,832
Repayment of loans from third parties	–	(53,487)	–	–	–	(53,487)
Decrease in amounts due to non-controlling shareholders	–	–	–	(17,113)	–	(17,113)
Capital element of lease rentals paid	–	–	(123,570)	–	–	(123,570)
Interest element of lease rentals paid	–	–	(20,625)	–	–	(20,625)
Increase in amounts due to joint ventures	–	–	–	–	7,647	7,647
Interest paid	(3,481)	(27,132)	–	–	–	(30,613)
Total changes from financing cash flows	12,030	5,603	(29,721)	(17,113)	7,647	(21,554)
Exchange adjustments	12,018	4,133	(11,061)	–	–	5,090
Other changes:						
Increase in lease liabilities	–	–	15,765	–	–	15,765
Finance charges on leases liabilities	–	–	20,625	–	–	20,625
Interest expenses	3,481	72,692	–	–	–	76,173
Loan set off	–	(93,008)	–	–	–	(93,008)
Total other changes	3,481	(20,316)	36,390	–	–	19,555
At 31 December 2020	**151,811**	**728,978**	**267,951**	**320**	**7,647**	**1,156,707**

29. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

(a) On 29 June 2018, New China Water (Nanjing), Renewable Resources Investment Company Limited ("New China Water (Nanjing), a wholly-owned subsidiary of the Group and 南京屹信航天科技有限公司 (the "Purchaser"), entered into a sale and purchase agreement whereby New China Water (Nanjing) agreed to sell its 100% equity interest in New China Water (Nanjing) Carbon Company Limited at a consideration of HK$81,300,000 (equivalent to RMB72,860,000). At 31 December 2019, the Group had received HK$31,300,000 (equivalent to RMB28,000,000) as a deposit, representing 38% of total consideration. During the year ended 31 December 2020, with the COVID-19 pandemic, the construction work to be carried out by the Group had been affected and delayed, resulting in a delay in the completion of disposal. The construction work is expected to be completed and delivered in 2021.

(b) On 8 June 2018, Billion City Investments Limited ("Billion City"), a wholly-owned subsidiary of the Group, and Guangdong Water Group (H.K.) Limited ("Guangdong Water") (the "Purchaser"), entered into a sale and purchase agreement, whereby Billion City agreed to sell its 30% shareholding in Super Sino Investment Limited.

Completion of the transaction could not take place during the year ended 31 December 2018 as certain conditions precedent have not been fulfilled and the Purchaser has requested for an extension of time for completion. Since the Group remains committed to dispose of the assets, the assets continue to be classified as held for sale as at 31 December 2018.

At 31 December 2018, the Group had received HK$46,110,000 (equivalent to RMB40,500,000 as a deposit, representing 50% of the total consideration and the remaining balance as fully settled in 2019. The disposal was completed on 30 August 2019. Net gain on disposal of approximately HK$69,094,000 has been recognised in the consolidated statement of profit or loss.

(c) On 6 December 2018, Blue Mountain Hong Kong Group Limited ("Blue Mountain"), a wholly-owned subsidiary of the Group, and Jinan Water Group Co., Ltd. (the "Purchaser"), entered into a sale and purchase agreement whereby Blue Mountain agreed to sell its 35% equity interest in Jinan Hongquan at a consideration of HK$80,000,000 (equivalent to RMB70,770,000). At 31 December 2018, the Group had received HK$40,240,000 (equivalent to RMB35,380,000) as a deposit, representing 50% of total consideration and the remaining balance was fully settled in 2019. The disposal was completed on 24 January 2019. net gain on disposal of approximately HK$41,753,000 has been recognised in the consolidated statement of profit or loss.

The assets attributable to a subsidiary expected to be sold within twelve months from the end of the reporting period were classified as assets held to sale as at 31 December 2020 and 2019. The carrying amount of the assets as at 31 December 2020 and 2019, which has been presented separately in the consolidated statement of financial position, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Assets held for sale	**32,700**	27,178
Liabilities held for sale	**(5,644)**	–
	27,056	27,178

30. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**254,877**	186,109
Property sales received in advance	**1,285**	1,207
Construction payables	**129,034**	129,112
Interest payables	**45,094**	14,312
Accrued expenses	**46,370**	62,484
Guarantee deposits from a subcontractor	**2,943**	19,006
Sewage treatment fees received on behalf of certain government authorities	**7,205**	4,936
Other payables	**151,721**	167,881
	638,529	585,047
Amounts due within one year included under current liabilities	**638,529**	571,950
Amounts due after one year included under non-current liabilities	**–**	13,097
	638,529	585,047

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

	2020 HK$'000	2019 HK$'000
Within 30 days	**32,911**	32,780
31 to 90 days	**96,526**	72,565
91 to 180 days	**20,585**	21,570
181 to 365 days	**70,363**	24,014
Over 1 year	**34,492**	35,180
	254,877	186,109

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

31. BANK BORROWINGS

At 31 December 2020, the bank borrowings were repayable as follows:

	2020 HK$'000	2019 HK$'000
Within one year or on demand	**53,998**	45,242
More than one year but within two years	**46,554**	16,059
More than two years but within five years	**39,852**	44,362
Over than five years	**11,407**	18,619
	151,811	124,282
Less: Amount due within one year shown under current liabilities	**(53,998)**	(45,242)
Amount due from one year shown under non-current liabilities	**97,813**	79,040
Secured	**148,246**	118,430
Unsecured	**3,565**	5,852
	151,811	124,282

The exposure of the Group's loans is as follows:

	2020 HK$'000	2019 HK$'000
Fixed-rate loans	**20,158**	41,564
Variable-rate loans	**131,653**	82,718
	151,811	124,282

The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

All of the bank loans, including amounts repayable on demand, are carried at amortised cost.

Of the total bank borrowings as at 31 December 2020 and 2019, approximately HK$133,869,000 (equivalent to RMB112,665,000) (2019: HK$118,700,000 (equivalent to RMB106,334,000)) was secured by the Group's property, plant and equipment and right-of-use assets with total carrying amount of approximately HK$189,588,000 (2019: HK$115,075,000) and HK$63,176,000 (2019: HK$24,814,000) respectively.

31. BANK BORROWINGS *(Continued)*

Notes:

(i) At 31 December 2020, bank borrowings of approximately RMB10,000,000 (equivalent to HK$11,882,000) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company and a personal guarantee from management of a subsidiary. It carries fixed interest rate at 6.5% per annum.

(ii) At 31 December 2020, bank borrowings of approximately RMB33,500,000 (equivalent to HK$39,805,000) is secured by corporate guarantees from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company, and New China Water (Nanjing) Carbon Company Limited, a non-wholly owned subsidiary of the Company, and right-of-use assets with total carrying amount of approximately HK$34,325,000. It carries variable interest rate ranging from 1.15% to 6.55% per annum.

(iii) At 31 December 2020, bank borrowings of approximately RMB5,000,000 (equivalent to HK$5,941,000) is secured by corporate guarantees from, Hainan Camda, a non-wholly owned subsidiary of the Company, and Hainan Sanya, a wholly owned subsidiary of the Company, Shenzhen Li Sai, a non-wholly owned subsidiary of the Company, and property, plant and equipment with total carrying amount of approximately HK$4,139,000. It carries variable interest rate ranging from 2.8% to 4.9% per annum.

(iv) At 31 December 2020, bank borrowings of approximately RMB2,100,000 (equivalent to HK$2,495,000) is secured by a corporate guarantee Jining Haiyuen, a non-wholly owned subsidiary of the Company and a personal guarantee from management of a subsidiary. It carries fixed interest rate at 8.7% per annum.

(v) Bank borrowings of approximately RMB3,220,000 (equivalent to HK$3,826,000) (2019: RMB2,400,000 (equivalent to HK$2,679,000)) is secured by a contractual right to receive the revenue generated by Jining Haiyuen, a non-wholly owned subsidiary of the Company, and carries fixed interest rate at 5.65% (2019: 5.65%) per annum.

(vi) Bank borrowings of approximately RMB18,000,000 (equivalent to HK$21,388,000) (2019: RMB21,000,000 (equivalent to HK$23,442,000)) is secured by corporate guarantees from the New China Water (Shenzhen), a non-wholly owned subsidiary of the Company and non-controlling shareholders of a subsidiary, personal guarantees from management of a subsidiary, property, plant and equipment with total carrying amount of approximately HK$20,825,000 (2019: HK$23,072,000). It carries variable interest rate at 6.37% (2019: 6.37%) per annum.

(vii) On 12 December 2017, Gaoming Huaxin, a non-wholly owned subsidiary of the Company entered into an agreement with the bank to extend the bank borrowings of RMB9,900,000 (equivalent to HK$11,887,000) for three years was secured by a contractual right to receive the revenue generated by Gaoming Huaxin. It carried at an interest rate 7.13% per annum and was fully repaid during the year.

(viii) Bank borrowings of approximately RMB1,645,000 (equivalent to HK$1,955,000) (2019: RMB2,885,000 (equivalent to HK$3,220,000)) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company, a personal guarantee from management of a subsidiary and property, plant and equipment with total carrying amount of approximately HK$7,352,000 (2019: HK$7,714,000). It carries fixed interest rate at 7.5% (2019: 7.5%) per annum.

31. BANK BORROWINGS *(Continued)*

Notes: (Continued)

(ix) Bank borrowings of approximately RMB6,300,000 (equivalent to HK$7,486,000) (2019: RMB8,100,000 (equivalent to HK$9,042,000)) is secured by a corporate guarantee from the Hainan Sanya New China Water Environmental Technology Limited, a non-wholly owned subsidiary of the Company, of the property, plant and equipment with total carrying amount of approximately HK$7,466,000 (2019: HK$7,813,000). It carries variable interest rate at 4.75% (2019: 4.75%) per annum.

(x) Bank borrowings of approximately RMB45,000,000 (equivalent to HK$53,469,000 (2019: RMB45,000,000 (equivalent to HK$50,234,000)) is secured by a corporate guarantee from the Huizhou Swan Heng Chang Property Development Company Limited, a wholly owned subsidiary of the Company, of the property, plant and equipment and right-of-use assets with total carrying amount of approximately HK$140,315,000 and HK$28,851,000 (2019: HK$76,476,000 and HK$24,814,000) respectively and wholly owned subsidiary of the Company equity interest in Swan (Huizhou) Investment Company Limited. It carries variable interest rate at 7.84% (2019: 7.84%) per annum.

(xi) At 31 December 2019, bank borrowings of approximately RMB23,049,000 (equivalent to HK$25,730,000) was secured by a wholly owned subsidiary of the Company's equity interest in Hainan Camda and Chongqing Camda. It carried fixed interest rate at 4.75% per annum and was fully repaid during the year.

(xii) At 31 December 2018, bank borrowings of approximately RMB2,000,000 (equivalent to HK$2,277,000) and RMB28,820,000 (equivalent to HK$32,812,000) carried fixed interest rate at 5.7% and 4.32% per annum respectively were fully repaid during the year ended 31 December 2019.

These borrowings were secured by an wholly owned subsidiary of the Company's equity interest in Chenzhou Environmental, Heng Yang Environmental, Chengdu City Green State and Baoji.

32. OTHER LOANS

	2020	2019
	HK$'000	*HK$'000*
Other loans comprise of:		
Government loans *(note i)*	**97,041**	88,673
Loans from unrelated parties *(note ii)*	**272,047**	274,033
Fixed coupon bonds *(note iii)*	**359,890**	376,852
	728,978	739,558
Analysed as:		
Secured	**5,941**	–
Unsecured	**723,037**	739,558
	728,978	739,558

32. OTHER LOANS *(Continued)*

At 31 December 2020, the other loans were repayable as follows:

	2020 HK$'000	2019 HK$'000
Overdue	**98,731**	42,527
On demand or within one year	**241,420**	124,502
More than one year but within two years	**274,964**	217,539
More than two years but within five years	**22,941**	227,653
More than five years	**90,922**	127,337
	728,978	739,558
Less: Amount due within one year shown under current liabilities	**(340,151)**	(167,029)
Amount due from one year shown under non-current liabilities	**388,827**	572,529

Notes:

i) At 31 December 2020, government loans of approximately HK$8,210,000 (2019: HK$7,713,000), HK$10,694,000 (2019: HK$10,047,000) and HK$78,137,000 (2019: HK$70,913,000) are fixed-rate borrowings, floating-rate borrowings and interest-free borrowings, respectively. The fixed-rate borrowings carried interest ranging from 5% to 5.2% (2019: 5% to 5.2%) per annum and the floating-rate borrowings carried interest at fixed deposit rate as stipulated by the People's Bank of China plus 0.3% per annum (2019: 0.3% per annum).

At 31 December 2020, government loans of approximately HK$8,317,000 was due for repayment on or before 31 December 2020 (2019: HK$7,814,000 which was due for repayment on or before 31 December 2019), approximately HK$23,321,000 (2019: HK$2,181,000) are repayable on demand or within one year to five years (2019: one year to five years), and the remaining balances are repayable within ten years (2019: eleven years) after completion of the relevant assets.

ii) (a) Loan from unrelated individuals of approximately HK$8,249,000 (2019: HK$8,995,000) are fixed-rate borrowings carrying interest at 2% (2019: 12%) per annum and due for repayment on or before 23 June 2021 (2019: on or before 17 December 2020).

(b) At 31 December 2019, the subsidiary of the Group, Jining City Haisheng Water Treatment Company Limited and 揚州上善建設有限公司 entered into a loan agreement approximately HK$33,900,000 (equivalent to RMB29,800,000) was fixed rate borrowing carrying interest at 24% per annum regard to the construction project in Jining City. This loan will mature in three year from the date of the completion of construction project.

32. OTHER LOANS *(Continued)*

Notes: (Continued)

iii) (a) Bond I

On 25 October 2017, the Company entered into the placing agreement with the placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount of up to HK$100,000,000 within the placing period. The Company had completed the issuance of the bonds on 13 December 2017. The bonds will mature in 3 years from the date of issuance. The interest rate is 6% per annum, and payable semi-annually in arrears.

(b) Bond II

On 4 December 2017, the Company entered into the placing agreement with the placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount of not less than HK$100,000,000 within the placing period, which ended on 31 May 2019. After signed several extension agreements with the recreant parties on 31 May 2018 and 30 November 2018, the expiry date of the placing was further extended to 30 May 2019. The bonds will mature in 3 years from the date of issuance. The interest rate is 6% per annum, and payable semi-annually in arrears.

The placing of Bonds II has been completed on 30 May 2019 in an aggregate principal amount of HK$208,100,000.

(c) Bond III

On 11 January 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount up to HK$100,000,000 within the placing period. Subsequent to the year ended 31 December 2018, the Company entered into the supplemental agreement with the placing agent to extend the placing period from 365 days to 730 days. Bond III with the aggregate principal amount of HK$6,000,000 were issued during the year ended 31 December 2019. The bonds will mature in 3 years from the date of issuance. The interest rate is 6% per annum, and payable annually in arrears.

The placing of Bond III has been completed on 17 January 2020 in an aggregate principal amount of HK$20,000,000.

(d) Bond IV

On 18 January 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent placees to subscribe for the bonds up to aggregate principal amount of HK$100,000,000 within the placing period. Subsequent to the year ended 31 December 2018, the Company entered into the supplemental agreement with the placing agent to extend the placing period from 365 days to 730 days. Bond III with the aggregate principal amount of HK$20,000,000 were issued during the year ended 31 December 2018. The bonds will mature in 7.5 years from the date of issuance. The interest rate is 6% per annum, and payable annually in arrears.

The placing of Bond IV has been completed on 17 January 2020 in an aggregate principal amount of HK$20,000,000.

32. OTHER LOANS *(Continued)*

Notes: (Continued)

(e) Bond V

On 24 August 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount of not less than HK$100,000,000 within the placing period. Bond V with the aggregate principal amount of HK$13,100,000 were issued during the year ended 31 December 2019. The bonds will mature in 1 year from the date of issuance. The interest rate is 5% per annum, and payable semi-annually in arrears.

The placing of Bond V has been completed on 30 August 2019.

(f) Bond VI

On 15 January 2019, the Company entered into the placing agreement with the placing agent, for the purpose of arranging independent placees. to subscribe for 5% per annum for Bonds (A) and 5.5% per annum for Bonds (B) with a term of one year and two years respectively, up to an aggregate principal amount of HK$200,000,000.

The placing of Bond VI has been completed on 14 January 2020.

(g) 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$57,000,000 (2019: HK$45,000,000) at a fixed coupon rate in range of 5% to 6% with a term ranging from 1 to 3 years. At 31 December 2020, the outstanding other bonds amounted to HK$50,060,000 and was classified as an other loan (31 December 2019: HK$35,980,000).

33. LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 year	**108,961**	122,624
After 1 year but within 2 years	**121,610**	84,149
After 2 years but within 5 years	**29,468**	64,885
After 5 years	**7,912**	685
	158,990	149,719
	267,951	272,343

At 31 December 2020 and 2019, the Group entered into financing arrangements for purchase machineries with independent third party leasing companies, in the form of sale and leaseback transactions which result in finance leases and the Group bears repurchase options. As the repurchase prices are set at RMB100 which is minimal compared to the expected fair values of the underlying assets at the end of the lease periods and the Group is certain that it will exercise the repurchase options, and considering the amounts of the lease payments to be paid on the selling prices, the above financing arrangements are accounted for as collateralised borrowings at amortised cost using effective interest method.

The finance lease of approximately HK$253,267,000 (equivalent to RMB213,152,000) (2019: HK$258,019,000 (equivalent to RMB231,138,000)) is secured by contractual rights to receive the revenue generated by certain subsidiaries of the Company.

34. AMOUNTS DUE (FROM)/TO ASSOCIATES, JOINT VENTURES AND NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts were unsecured, interest-free and repayable on demand.

35. CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share Capital	Share premium	Fair value reserve (non-recycling)	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	798,270	954,318	(11,010)	(799,026)	942,552
Changes in equity for 2019:					
Loss for the year	–	–	–	(133,671)	(133,671)
Fair value loss on financial asset through other comprehensive income	–	–	(21,761)	–	(21,761)
Total comprehensive loss for the year	–	–	(21,761)	(133,671)	(155,432)
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	–	–	23,818	(23,818)	–
At 31 December 2019	798,270	954,318	(8,953)	(956,515)	787,120
At 1 January 2020	**798,270**	**954,318**	**(8,953)**	**(956,515)**	**787,120**
Changes in equity for 2020:					
Profit for the year	**–**	**–**	**–**	**(109,060)**	**(109,060)**
Fair value loss on financial asset through other comprehensive income	**–**	**–**	**(3,826)**	**–**	**(3,826)**
Total comprehensive income for the year	**–**	**–**	**(3,826)**	**(109,060)**	**(112,886)**
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	**–**	**–**	**8,888**	**(8,888)**	**–**
At 31 December 2020	**798,270**	**954,318**	**(3,891)**	**(1,074,463)**	**674,234**

35. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2020		2019	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.50 each				
At 1 January and 31 December *(note i)*	**4,000,000**	**2,000,000**	4,000,000	2,000,000
Convertible preference shares of HK$0.10 each				
At 1 January and 31 December *(note ii)*	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each				
At 1 January and 31 December	**1,596,540**	**798,270**	1,596,540	798,270

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Convertible preference shares do not carry the right to vote and not be entitled to any dividend payment or any distribution of the Company. No right for return of capital in liquidation is available for distribution among the holders of Convertible Preference Shares.

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(ab).

35. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(iii) Reserve fund

Reserve fund arises from (i) Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital; and (ii) premium paid for capital injection in relation to the additional of equity interest of a subsidiary.

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in (note 3(i)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 3(n)).

36. GOVERNMENT GRANTS

	2020 ***HK$'000***	2019 *HK$'000*
At 1 January	**28,243**	30,721
Additions	**3,920**	8,126
Recognised as other income for the year	**(5,784)**	(10,040)
Exchange realignment	**1,713**	(564)
At 31 December, classified as non-current liabilities	**28,092**	28,243

Certain subsidiaries of the Group received government grants subsidising construction of water supply facilities. There are no unfulfilled conditions and other contingencies attaching to the government grants. The government grants were accounted for as non-current liabilities and amortised over the useful lives of the relevant water pipeline network and water plant assets. During the year, certain projects related to the construction of water pipeline network has been completed and being used in the year. Deferred government grants of approximately HK$5,784,000 (2019: HK$10,040,000) was amortised and recognised in the consolidated statement of profit or loss.

37. DEFERRED TAX (ASSETS)/LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profits	Service concession arrangements	Exclusive rights	Revaluation on investment properties/ resumption property	Property, plant and equipment transfer to Investment properties	Government grants	Depreciation change of right-of-use assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	13,214	10,205	37,772	5,797	4,143	(300)	–	70,831
Charged/(credited) to profit or loss for the year	–	(248)	4,969	956	–	–	–	5,677
Arising from acquisition of a subsidiaries *(note 38)*	–	–	3,404	–	–	–	–	3,404
Arising from revaluation on investment properties	–	–	–	–	3,383	–	–	3,383
Exchange realignment	–	100	(543)	(67)	(204)	–	–	(714)
At 31 December 2019 and 1 January 2020	**13,214**	**10,057**	**45,602**	**6,686**	**7,322**	**(300)**	**–**	**82,581**
Charged/(credited) to profit or loss for the year	**–**	**(245)**	**(6,132)**	**683**	**–**	**–**	**–**	**(5,694)**
Exchange realignment	**–**	**(338)**	**1,145**	**258**	**670**	**–**	**–**	**1,735**
At 31 December 2020	**13,214**	**9,474**	**40,615**	**7,627**	**7,992**	**(300)**	**–**	**78,622**

37. DEFERRED TAX (ASSETS)/LIABILITIES *(Continued)*

Reconciliation to the consolidated statements of financial position

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**(8,730)**	(8,574)
Deferred tax liabilities	**87,352**	91,155
	78,622	82,581

At 31 December 2020, the Group had unused tax losses of approximately HK$245,584,000 (2019: HK$178,752,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. At 31 December 2020, no tax losses can be carried forward indefinitely and tax losses of approximately HK$245,584,000 (2019: HK$178,752,000) will expire in five years' time.

At 31 December 2020, the Group also has other deductible temporary differences of approximately HK$15,132,000 (2019: HK$17,336,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be recognised.

Under the EIT law of PRC, withholding tax is imposed on dividend declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Deferred tax has been provided for in respect of the temporary difference attributable to such profits amounting to approximately HK$398,878,000 (2019: HK$388,588,000). The Group has applied the preferential rate of 5% as all the Group's subsidiaries are directly held by an investment holding company incorporated in Hong Kong.

38. ACQUISITION OF SUBSIDIARIES

Business combination

On 12 September 2018, Shenzhen City New China Water Environmental Technology Limited entered into the share transfer agreement with Zhejiang Zhongrui Low Carbon Technology Co., Ltd ("Zhejiang Zhongrui") (浙江中會低碳科技有限公司) to acquire 100% equity interests of the Guangxi Ruirong Energy Technology Co., Ltd. ("Guangxi Ruirong") (廣西睿榮能源科技有限公司) at a consideration of RMB9,500,000 (equivalent to approximately HK$10,870,000). The acquisition was completed on 10 January 2019, on the date the control in Guangxi Ruirong was passed to the Group. Guangxi Ruirong is principally engages in the business of environmental protection in the PRC, for an operation period of 10 years until 2028.

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

The goodwill is attributable to Guangxi Ruirong's strong position in the biogas power generation business in the PRC. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for the tax purpose.

From the date of acquisition to 31 December 2019, Guangxi Ruirong contributed loss of approximately HK$447,000 to the loss of the Group for the year ended 31 December 2019. No revenue was generated by Guangxi Ruirong.

Had the business combination been effected on 1 January 2019, the profit of the Group for the year ended 31 December 2019 would have been approximately HK$178,238,000. The directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Business combination *(Continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	HK$'000
Intangible assets	**13,616**
Trade and other payables	**(60)**
Deferred tax liabilities	**(3,404)**
Total identified net assets at fair value	**10,152**
Goodwill arising on acquisition of subsidiaries *(note 20)*	**718**
Total consideration	**10,870**
Consideration paid in cash for the year ended 31 December 2019	**10,870**
Cash and cash equivalent balances acquired	–
Net cash outflow in the year ended 31 December 2019	**10,870**

Net cash outflow arising on acquisition

	HK$'000
Consideration paid	**(10,870)**
Less: bank balances and cash acquired	–
	(10,870)

39. CAPITAL COMMITMENTS

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

	2020 *HK$'000*	2019 *HK$'000*
Contracted but not provided for:		
– Acquisition of concession intangible assets, property, plant and equipment	**7,566**	14,125
– Acquisition of right-of-use assets	**21,898**	–
	29,464	14,125

40. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was approximately HK$4,604,000 (2019: HK$4,596,000) (note 9).

At 31 December 2020, the properties were expected to generate rental yields of 8.28% per annum (2019: 7% per annum) on an ongoing basis. The properties had committed tenants for seventeen (2019: eighteen) years and none of the leases includes contingent rentals.

Undiscounted lease payments receivable on leases are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Within one year	**7,809**	6,101
After one year but within five years	**19,302**	18,074
After five years	**12,617**	9,857
	39,728	34,032

41. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The 2011 Scheme

On 3 June 2011, the Company has adopted new share option scheme (the "2011 Scheme") to replace the 2002 Scheme.

Further details are set out in the announcement of the Company dated 29 April 2011. The 2011 Scheme is valid and effective for a period of 10 years after the date of adoption.

Under the terms of the 2011 Scheme, the Directors of the Company may, at their discretion, grant options to the employees, executive or non-executive Directors, business associate, person or entity that provides research, development or other technological support to any shareholder of any member of the Group or any invested entity, any adviser or consultant to any owner of business or business development of any member of the Group or any invested entity (the "Eligible Participants").

A nominal consideration of HK$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 10 years commencing on the date of acceptance of the option at a price at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option.

Share options granted to connected person and its associates is subject to the approval of the Independent Non-Executive Directors ("INEDs"). In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the 2011 Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any Eligible Participants may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

At 31 December 2020 and 2019, no options had been granted and remained outstanding under the 2011 Scheme of the Company.

42. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and its employees each contribute 5% of relevant payroll costs to the scheme. Effective from 1 June 2014, the cap of monthly relevant income was $30,000.

The employees of the Group's subsidiaries in the PRC are required to participate in the Central Pension Scheme ("CPS") CPS operated by the local municipal governments. These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the CPS. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the CPS.

The total cost charged to the consolidated statement of profit or loss of approximately HK$10,462,000 (2019: HK$19,228,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Financial assets at fair value through other comprehensive income		**3,370**	9,193
Investment in subsidiaries		**2**	2
Deposit and prepayment		**59,000**	59,000
		62,372	68,195
Current assets			
Financial assets at fair value through profit or loss		**12,064**	40,272
Other receivables		**7,621**	5,352
Deposits and prepayment		**22,917**	52,574
Amounts due from subsidiaries		**1,163,900**	1,250,424
Cash held by financial institutions		**104**	63
Bank balances and cash		**2,619**	3,164
		1,209,225	1,351,849
Current liabilities			
Other payables		**13,044**	9,848
Other loans		**288,932**	142,011
Overdraft held at financial institutions		**4,606**	20,479
		306,582	172,338
Net current assets		**902,643**	1,179,511
Total assets less current liabilities		**965,015**	1,247,706
Capital and reserves	*35*		
Share capital		**798,270**	798,270
Reserves		**(124,036)**	(11,150)
Total equity		**674,234**	787,120
Non-current liabilities			
Other loans		**290,781**	460,586
		965,015	1,247,706

Approved and authorised for issue by the board of directors on 30 March 2021:

Lin Yue Hui
Director

Zhu Yongjun
Director

44. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The emoluments paid or payable to each of the 11 (2019: 11) directors and chief executive were as follows:

			2020		
Name	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	2020 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Liu Feng *(Note i)*	–	1,116	113	18	1,247
Lin Yue Hui *(Note ii)*	–	1,236	138	18	1,392
Chu Yin Yin, Georgiana	–	1,080	113	18	1,211
Deng Xiao Ting	–	1,080	113	18	1,211
Zhong Wei Guang	–	1,080	113	18	1,211
Ho Chi Ho	–	360	20	14	394
Zhu Yongjun	–	360	13	18	391
	–	6,312	623	122	7,057
Independent Non-Executive Directors					
Guo Chao Tian *(Note iii)*	180	15	–	–	195
Wong Siu Keung, Joe	180	15	–	–	195
Qiu Na	180	15	–	–	195
Lam Cheung Shing Richard	180	6	–	–	186
	720	51	–	–	771
	720	6,363	623	122	7,828

Notes:

(i) With effect from 8 February 2021, Liu Feng resigned as the Executive Director of the Company.

(ii) With effect from 8 February 2021, Lin Yue Hui resigned as the Chairman and Chief Executive Officer of the Company.

(iii) With effect from 8 February 2021, Guo Chao Tian resigned as the Independent Non-Executive Director.

44. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

			2019		
Name	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	2019 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Liu Feng	–	1,422	1,330	18	2,770
Lin Yue Hui	–	1,732	1,488	18	3,238
Chu Yin Yin, Georgiana	–	1,422	2,250	18	3,690
Deng Xiao Ting	–	1,422	1,246	18	2,686
Zhong Wei Guang	–	1,382	826	18	2,226
Ho Chi Ho (Appointed on 1 May 2019)	–	290	–	11	301
Zhu YongJun (Appointed on 5 August 2019)	–	141	–	4	145
	–	7,811	7,140	105	15,056
Independent Non-Executive Directors					
Guo Chao Tian	189	–	–	–	189
Wong Siu Keung, Joe	189	–	–	–	189
Qiu Na	189	–	–	–	189
Lam Cheung Shing Richard (Appointed on 5 August 2019)	73	–	–	–	73
	640	–	–	–	640
	640	7,811	7,140	105	15,696

There was no arrangement under which directors and chief executive have waived or agreed to waive any emoluments during the two years ended 31 December 2020 and 2019.

There was no amount paid to the Directors and chief executive as an inducement to join or upon joining the Group, or as compensation for the loss of office.

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

45. LITIGATIONS AND ARBITRATION

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

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("Swift Surplus") (collectively as the "Lenders") entered into repayment agreements (the "Repayment Agreements") with the Sihui Sewage Treatment Co. Ltd.* (四會市城市污水處理有限公司) and Top Vision Management Limited ("Top Vision") (collectively as the "Borrowers") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58.43 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.

45. LITIGATIONS AND ARBITRATION *(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 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 judgement interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the "Judgement Debts"). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue statutory demand against Tai Heng. If Tai Heng fail to reply, the Liquidators may further pursue winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as "Evidence") to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company applied to the Tribunal to arrange the arbitral hearing. On 16 March 2020, the arbitrator of HKIAC made an arbitration award that each guarantor shall jointly and severally liable to repay the principals together with the interest accrued thereon to the Lenders. Up to the date of this report, the legal processing in PRC is still in progress. As at 31 December 2019 and 31 December 2020, the loan receivables from Top Vision of HK$43.60 million were fully impaired.

45. LITIGATIONS AND ARBITRATION *(Continued)*

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

Guangzhou Hyde Environmental Protection Technology Co. Ltd.* (廣州市海德環保科技有限公司) ("Guangzhou Hyde") (an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited* (雲南超越燃氣有限公司) ("Yunnan Chaoyue Gas") entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK$10 million ("Deposit") to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project ("Project").

Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessfully to obtain the Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Deposit to Guangzhou Hyde when it fell due despite Guangzhou Hyde's repeated requests and demands.

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission ("Commission") for arbitration on 24 February 2012. The Commission accepted the case and started a trail on 5 June 2012. After the trail, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and the relevant arbitration fees.

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

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

45. LITIGATIONS AND ARBITRATION *(Continued)*

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

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the "Guarantors") entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the "Settlement Agreement"). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde within 10 days. On 8 January 2021, the Kunming Court failed to locate any assets from Yunnan Chaoyue Gas and Guarantors even taken exhaustive enforcement measures, and ruled to terminate this execution. The Kunming Court will resume the execution of this case in accordance with the law once any assets available for execution being found. Up to the date of this report, the Guarantors had not performed court judgement and no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011. 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 Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the Loan Receivables has been provided.

*   The English names are for identification purpose only.

46. MATERIAL RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties have been disclosed in note 34.

(b) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 44, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Short-term employee benefits	**8,813**	21,815
Post-employment benefits	**132**	174
	8,945	21,989

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

47. EVENTS AFTER THE REPORTING PERIOD

On 15 December 2020, China Water Industry (HK) Limited (the "Vendor"), being an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement ("Agreement") with 江西三川集團有限公司 (the "Purchaser"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 20% equity interest in 鷹潭市供水集團有限公司 (the "Target Company") for a total consideration of RMB120,000,000 (equivalent to approximately HK$142,416,000). The Agreement and the transactions is subject to the approval by shareholders at the extraordinary general meeting. The Agreement and the transactions is subject to the fulfillment of conditions precedents, including: (a) the passing of the necessary resolutions by the shareholders at the extraordinary meeting; (b) all necessary consents and approvals required to be obtained on the part of the Vendor and Purchaser respectively; and written undertaking obtained from the Purchaser and Target Company or relevant shareholders' approval have been passed to waive its preemptive rights to acquire the equity interest. At the end of the reporting period the conditions precedent have not been completed, and the Agreement and the transactions were subsequently approved at the extraordinary general meeting held on 10 February 2021. As the conditions precedent have not been met and the Agreement is subject to the approval by the shareholders at EGM, no classification of the assets and liabilities under assets/liabilities held for sale.

With the outbreak of Coronavirus Pandemic continued in 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contracts[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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