



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



2021 INTERIM REPORT

* For identification purpose only



CHINA WATER INDUSTRY GROUP LIMITED
INTERIM REPORT 2021

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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 (Resigned on 14 July 2021)
Mr. Lin Yue Hui (Resigned as the Chairman
and Chief Executive Officer on 8 February 2021
and executive Director on 18 June 2021)
Ms. Chu Yin Yin, Georgiana
Ms. Deng Xiao Ting
Mr. Liu Feng (Resigned on 8 February 2021)
Mr. Hu Siyun (Appointed on 14 July 2021)

Non-Executive Director

Mr. Ho Chi Ho (Resigned on 29 June 2021)

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 (Appointed as a member on
16 September 2021)
Mr. Li Han (Resigned as a member on 8 February 2021)
Mr. Tang Po Shing
Mr. Liu Feng (Resigned as a member on
16 September 2021)
Ms. Deng Xiao Ting (Resigned as a member on
16 September 2021)
Mr. Hu Siyun (Appointed as a member on
16 September 2021)
Ms. Chu Yin Yin, Georgiana (Appointed as a member on
16 September 2021)
Mr. Pan Yimin (Appointed as a member on
16 September 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
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338 King's Road
North Point Hong Kong

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Sheung Wan, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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STOCK

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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	Change
	HK\$'000	HK\$'000	%

Financial Results

Revenue	559,351	532,714	5.00%
Gross profit	210,009	223,453	(6.02%)
Profit for the period	111,722	42,616	162.16%
Profit attributable to owners of the Company	69,505	2,226	3,022.42%
Profit per share (HK cents)			
– Basic and diluted	4.35	0.14	3,007.14%
EBITDA (Note 1)	286,638	210,623	36.09%

	As at	As at	Change
	30 June	31 December	
	2021	2020	
	HK\$'000	HK\$'000	%

Financial Position

Total assets	3,860,685	5,628,796	(31.41%)
Total liabilities	1,879,613	3,427,847	(45.17%)
Current assets	1,576,487	3,010,108	(47.63%)
Current liabilities	1,514,964	2,666,773	(43.19%)
Current ratio	1.04 times	1.13 times	(7.96%)
Cash and cash equivalents	227,139	432,654	(47.50%)
Gearing ratio (Note 2)	48.69%	60.90%	(20.05%)
Net asset value	1,981,072	2,200,949	(9.99%)
Equity attributable to owners of the Company	1,466,158	1,407,592	4.16%
Equity attributable to owners of the Company per share (HK\$)	0.92	0.88	4.55%

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	559,351	532,714
Cost of sales		(349,342)	(309,261)
Gross profit		210,009	223,453
Other income, net		45,098	50,435
Selling and distribution expenses		(22,102)	(29,802)
Administrative expenses		(107,165)	(113,403)
Finance costs	6	(47,183)	(39,091)
Net gain/(loss) on financial assets at fair value through profit or loss		15,579	(7,789)
Gain on disposal of subsidiaries		45,877	–
Impairment loss recognised on trade and other receivables		(5,103)	(3,675)
Share of profit of associates		8,301	53
Share of loss of joint ventures		(877)	(2,439)
Profit before tax		142,434	77,742
Income tax expenses	7	(30,712)	(35,126)
Profit for the period	8	111,722	42,616
Attributable to:			
Owners of the Company		69,505	2,226
Non-controlling interests		42,217	40,390
		111,722	42,616
Profit per share (HK Cents)			
Basic and diluted	9	4.35	0.14

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Profit for the period	111,722	42,616
Other comprehensive income/(loss) for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of overseas subsidiaries:		
Exchange difference arising during the period	28,249	(42,858)
	28,249	(42,858)
Financial assets at fair value through other comprehensive income:		
Net loss arising on revaluation of financial assets at fair value through other comprehensive income during the period	–	(2,672)
Share of other comprehensive profit/(loss) of associates	5,292	(131)
Share of other comprehensive (loss)/profit of joint ventures	(1,051)	2,211
Other comprehensive profit/(loss) for the period, net of income tax	32,490	(43,450)
Total comprehensive profit/(loss) income for the period	144,212	(834)
Attributable to:		
Owners of the Company	98,299	(31,035)
Non-controlling interests	45,913	30,201
	144,212	(834)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	742,686	824,286
Deposits paid for acquisition of property, plant and equipment		6,072	7,659
Deposits paid for acquisition of subsidiary		–	290
Deposits paid for acquisition of right-of-use assets		–	87,927
Right-of-use assets		411,890	477,504
Operating concessions		586,596	791,129
Receivables under service concession arrangements		15,740	17,056
Investment properties		9,671	94,331
Other intangible assets		199,894	207,509
Financial assets at fair value through other comprehensive income	12	2,362	3,370
Interests in associates		246,831	17,376
Interests in joint ventures		21,746	22,521
Deferred tax assets		710	8,730
Deposit and prepayments	13	40,000	59,000
		2,284,198	2,618,688
Current assets			
Inventories		195,473	900,818
Receivables under service concession arrangements		3,231	3,401
Financial assets at fair value through profit or loss	12	24,468	23,946
Trade and other receivables	13	1,047,187	1,444,674
Contract assets		29,479	62,650
Cash held by financial institutions		6,012	135
Bank balances and cash		221,127	437,125
Amounts due from associates		–	104,659
Amounts due from a joint venture		470	–
		1,527,447	2,977,408
Assets held for sale		49,040	32,700
		1,576,487	3,010,108

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2021

	<i>Notes</i>	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Current liabilities			
Overdraft held at financial institutions		–	4,606
Trade and other payables	14	402,290	638,529
Contract liabilities		361,467	1,427,114
Bank borrowings		70,805	53,998
Other loans		448,047	340,151
Lease liabilities		102,488	108,961
Amounts due to non-controlling shareholders of subsidiaries		323	320
Deposit received from disposal of equity interest in subsidiary		12,018	28,517
Amount due to an associate		104,072	–
Amounts due to joint ventures		–	7,647
Tax payables		13,454	51,286
		1,514,964	2,661,129
Liabilities directly associated with the assets held for sale		–	5,644
		1,514,964	2,666,773
Net current assets		61,523	343,335
Total assets less current liabilities		2,345,721	2,962,023
Capital and reserves			
Share capital	15	798,270	798,270
Share premium and reserves		667,888	609,322
Equity attributable to owners of the Company		1,466,158	1,407,592
Non-controlling interests		514,914	793,357
TOTAL EQUITY		1,981,072	2,200,949
Non-current liabilities			
Bank borrowings		76,618	97,813
Other loans		62,332	388,827
Lease liabilities		134,381	158,990
Government grants		27,591	28,092
Deferred tax liabilities		63,727	87,352
		364,649	761,074
		2,345,721	2,962,023

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Reserve fund <i>HK\$'000</i>	Fair value reserve (non- recycling) <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling Interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2021 (audited)	798,270	954,318	11,846	18,473	136,910	(3,891)	(508,334)	1,407,592	793,357	2,200,949
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	-	-	-	-	-	-	69,505	69,505	42,217	111,722
Other comprehensive income for the period	-	-	(11,846)	17,374	-	-	23,266	28,794	3,696	32,490
Total comprehensive income for the period	-	-	(11,846)	17,374	-	-	92,771	98,299	45,913	144,212
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,650	1,650
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(588)	(588)
Transfers of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(1,012)	-	(1,012)	-	(1,012)
Disposal of subsidiaries	-	-	-	-	(38,721)	-	-	(38,721)	(325,418)	(364,139)
At 30 June 2021 (unaudited)	798,270	954,318	-	35,847	98,189	(4,903)	(415,563)	1,466,158	514,914	1,981,072

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	132,184	202,677
NET CASH USED IN INVESTING ACTIVITIES	(117,706)	(80,670)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(216,970)	17,239
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(202,492)	139,246
CASH AND CASH EQUIVALENTS AT 1 JANUARY	432,654	390,906
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,023)	(27,974)
CASH AND CASH EQUIVALENTS AT 30 JUNE	227,139	502,178
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
CASH HELD BY FINANCIAL INSTITUTIONS	6,012	94
BANK BALANCES AND CASH	221,127	506,451
OVERDRAFT HELD AT FINANCIAL INSTITUTIONS	–	(4,367)
CASH AND CASH EQUIVALENTS AT 30 JUNE	227,139	502,178

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. COMPANY INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, except for the accounting policy changes set out in note 3.

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

3. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. REVENUE

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Water supply services	75,710	75,174
Sewage treatment services	40,572	29,709
Water supply related installation and construction income	128,742	146,585
Water supply and sewage treatment infrastructure construction income	25,236	31,113
Sale of electricity	256,703	227,964
Sale of compressed natural gas	11,232	6,749
Service income from collection of landfill gas	16,410	13,643
Sale of properties	4,746	1,777
	559,351	532,714

5. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. SEGMENT INFORMATION *(Continued)*

Segment turnover and results

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

For the six months ended 30 June 2021

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	116,282	284,345	4,746	405,373
Over time	153,978	–	–	153,978
Reportable segment revenue	270,260	284,345	4,746	559,351
Reportable segment profit/(loss)	54,903	76,322	(4,688)	126,537
Unallocated corporate expenses				(21,791)
Interest income				(577)
Interest on overdraft held at financial institutions				(256)
Interest on fixed coupon bonds and other loan				(22,935)
Net gain on financial assets at fair value through profit or loss				15,579
Gain on disposal of subsidiaries				45,877
Profit before taxation				142,434

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. SEGMENT INFORMATION *(Continued)*

Segment turnover and results *(Continued)*

For the six months ended 30 June 2020

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. SEGMENT INFORMATION *(Continued)*

Other segment information

For the six months ended 30 June 2021

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	1,045	30	7	(577)	505
Interest expenses	(11,291)	(12,431)	(270)	(23,191)	(47,183)
Share of profit/(loss) of associates	9,572	609	(1,830)	(50)	8,301
Share of loss of Joint ventures	(519)	–	(235)	(123)	(877)
Depreciation of:					
– Property plant and equipment	(2,245)	(25,909)	(1,272)	(2,033)	(31,459)
– Right-of-use assets	(634)	(18,659)	(751)	(1,113)	(21,157)
Amortisation of:					
– Concession intangible assets	(23,028)	(7,673)	–	–	(30,701)
– Other intangible assets		(13,704)	–	–	(13,704)
(Loss)/gain on disposal of property, plant and equipment	(4)	(451)	–	182	(273)
Loss on disposal of concession intangible assets	(44)	–	–	–	(44)
Impairment loss recognised on trade and other receivables	(155)	(7)	(230)	(4,711)	(5,103)
Additions to non-current assets	32,625	24,442	358	(1,055)	56,370

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the six months ended 30 June 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	Total HK\$'000
Interest income	1,604	28	225	1,774	3,631
Interest expenses	(1,349)	(9,694)	(1)	(28,047)	(39,091)
Share of profit/(loss) of associates	–	236	–	(183)	53
Share of loss of Joint ventures	(348)	–	(1,919)	(172)	(2,439)
Depreciation of:					
– Property plant and equipment	(3,820)	(25,636)	(120)	(1,944)	(31,520)
– Right-of-use assets	(534)	(16,625)	(1,174)	(2,959)	(21,292)
Amortisation of:					
– Concession intangible assets	(20,712)	(7,504)	–	–	(28,216)
– Other intangible assets	–	(12,762)	–	–	(12,762)
Gain/(loss) on disposal of property, plant and equipment	888	(422)	–	(4)	462
Loss on disposal of concession intangible assets	(249)	–	–	–	(249)
Impairment loss recognised on trade and other receivables	(219)	(1,049)	–	(2,407)	(3,675)
Additions to non-current assets	53,796	31,206	80,743	142	165,887

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 30 June 2021 (unaudited)						
Reportable segment assets	1,229,618	1,774,688	569,338	283,969	3,072	3,860,685
Reportable segment liabilities	(384,483)	(536,695)	(325,898)	(587,010)	(45,527)	(1,879,613)
As at 31 December 2020 (audited)						
Reportable segment assets	1,966,628	1,732,588	1,559,872	357,608	12,100	5,628,796
Reportable segment liabilities	(712,273)	(547,688)	(1,280,299)	(834,436)	(53,151)	(3,427,847)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. FINANCE COSTS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on:		
– bank borrowings	1,849	2,002
– other loans	36,892	33,332
– overdraft held at financial institutions	256	573
– lease liabilities	10,220	9,465
Total borrowing costs	49,217	45,372
Less: interest capitalised included in construction in progress	(2,034)	(6,281)
	47,183	39,091

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax (“EIT”)	31,502	36,228
Deferred tax	(790)	(1,102)
	30,712	35,126

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil) as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profits tax for the period.

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

8. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments		
– salaries, wages and other benefits	102,988	98,492
– retirement benefits scheme contributions	9,455	3,793
Total staff costs	112,443	102,285
Amortisation of:		
– Concession intangible assets (included in cost of sales)	30,701	28,216
– Other intangible assets	13,704	12,762
Depreciation		
– property, plant and equipment	31,459	31,520
– right-of-use assets	21,157	21,292
Loss/(Gain) on disposal of property, plant and equipment	273	(462)
Loss on disposal of concession intangible assets	44	249
Lease payments not included in the measurement of lease liabilities	503	520
Bank interest income	(551)	(1,368)
Net exchange loss	(821)	(443)
Gross rental income from investment properties less direct outgoing of approximately HK\$104,000 (six months ended 30 June 2020: HK\$261,000)	(454)	(1,318)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

9. PROFIT PER SHARE

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit attributable to the owners of the Company, used in the basic and diluted profit per share	69,505	2,226
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares issue Basic and diluted	1,596,540	1,596,540
Profit per share (HK Cents): Basic and diluted	4.35	0.14

For the six months ended 30 June 2021 and 30 June 2020, diluted profit per share equals basic profit per share as there was no dilutive potential share.

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment amounted to approximately HK\$21,094,000 (including right-of-use assets of HK\$0) (six months ended 30 June 2020: approximately HK\$124,864,000 (including right-of-use assets of HK\$0)).

During the six months ended 30 June 2021, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$4,349,000 (six months ended 30 June 2020: approximately HK\$351,000).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Listed equity securities, at fair value	14,812	15,436
Unlisted fund investments, at fair value	12,018	11,880
	26,830	27,316
Classified as:		
Financial assets at fair value through profit or loss		
– Current	24,468	23,946
Financial assets at fair value through other comprehensive income		
– Non-current	2,362	3,370
	26,830	27,316

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

Financial instruments carried at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Financial instruments carried at fair value *(Continued)*

Fair value hierarchy *(Continued)*

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

	As at 30 June 2021 (Unaudited)				As at 31 December 2020 (Audited)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements								
Assets								
Financial asset at fair value through other comprehensive income								
– Listed	2,362	–	–	2,362	3,370	–	–	3,370
Financial assets at fair value through profit or loss								
– Listed	12,450	–	–	12,450	12,066	–	–	12,066
– Unlisted fund investments	–	–	12,018	12,018	–	–	11,880	11,880

During the six months ended 30 June 2021, there were no significant transfer between instruments levels.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	627,197	565,601
Less: Loss allowance	(5,082)	(5,041)
	622,115	560,560
Other receivables	115,387	225,102
Less: Loss allowance	(14,664)	(12,607)
	100,723	212,495
Loan receivables	246,715	221,717
Less: Loss allowance	(81,746)	(77,373)
	164,969	144,344
Deposits and prepayments	199,380	586,275
	1,087,187	1,503,674
Amount due within one year included under current assets	1,047,187	1,444,674
Amount due after one year included under non-current assets	40,000	59,000
	1,087,187	1,503,674

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

The ageing analysis of the trade receivables, net 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:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within 90 days	138,673	184,191
91 to 180 days	53,950	45,367
181 to 365 days	105,212	79,448
Over 1 year	324,280	251,554
	622,115	560,560

14. TRADE AND OTHER PAYABLES

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within 90 days	91,331	129,437
91 to 180 days	25,639	20,585
181 to 365 days	19,604	70,363
Over 1 year	52,547	34,492
Trade payables	189,121	254,877
Other payables	210,509	338,558
Interest payables	2,660	45,094
	402,290	638,529
Amount due within one year included under current liabilities	402,290	638,529
Amount due after one year included under non-current liabilities	-	-
	402,290	638,529

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. SHARE CAPITAL

	As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000

Authorised capital:

Ordinary shares of HK\$0.50 each

At the beginning and the end of the period/year	4,000,000	2,000,000	4,000,000	2,000,000
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Convertible preference shares of HK\$0.10 each

At the beginning and the end of the period/year	2,000,000	200,000	2,000,000	200,000
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Issued and fully paid:

Ordinary shares of HK\$0.50 each

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
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Contracted but not provided for:

– Acquisition of concession intangible assets, property, plant and equipment	5,072	7,566
– Acquisition of right-of-use assets	–	21,898

	5,072	29,464
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. LITIGATIONS

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

On 21 August 2012, the Company and its subsidiary, 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, being 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 liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the “**Appointment**”) pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco (“**Creditors**”). On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators (“**Liquidators**”). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. LITIGATIONS *(Continued)*

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

On 16 July 2015, the Zhaoqing Intermediate People's Court adjudged that the Final Judgment recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("**PRC Judgment**"). On 27 January 2016, the PRC Judgment was announced on the website of The People's Court Announcement for 60 days ("**Announcement Period**"). If Top Vision has not appealed for the PRC Judgment within 30 days after the Announcement Period, the PRC Judgment will be automatically effective thereafter, the Company can enforce the PRC Judgment. On 10 August 2016, Sihui City People's Court* (四會市人民法院) accepted to execute the PRC Judgment in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. On 28 June 2019, Sihui City People's Court accepted the "resumption implementation application" which was submitted by Swift Surplus to resume the execution of the final judgement and continued to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2022.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to 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. The loan receivables from Top Vision of HK\$43.60 million were fully impaired.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. LITIGATIONS *(Continued)*

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

Guangzhou Hyde Environmental Protection Technology Co. Ltd.* (廣州市海德環保科技有限公司) (“**Guangzhou Hyde**”) (an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited* (雲南超越燃氣有限公司) (“**Yunnan Chaoyue Gas**”) entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK\$10 million (“**Deposit**”) to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project (“**Project**”).

Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessfully to obtain the Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Deposit to Guangzhou Hyde when it fell due despite Guangzhou Hyde’s repeated requests and demands.

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission (“**Commission**”) for arbitration on 24 February 2012. The Commission accepted the case and started a trail on 5 June 2012. After the trail, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and the relevant arbitration fees.

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

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

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the “**Guarantors**”) entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the “**Settlement Agreement**”). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. LITIGATIONS *(Continued)*

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

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.

18. RELATED PARTY TRANSACTIONS

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

- (ii) **Compensation of key management personnel**

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	5,752	6,361
Post-employment benefits	234	162
	5,986	6,523

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Related party transactions

Save as disclosed in elsewhere to the consolidated financial statements, the Group have the following related party transactions.

Name of related party	Relationship	Nature of transaction	For the six months ended 30 June	
			2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Kingston Finance Limited	an associate of substantial shareholder of the Company	Interest expenses <i>(Note 1)</i>	4,271	–
Mitsubishi HC Capital (Hong Kong) Limited	an associate of substantial shareholder of a non-wholly owned subsidiary of the Company	Interest expenses <i>(Note 2)</i>	7,032	–
Mitsubishi HC Capital Leasing (Beijing) Co., Ltd.	an associate of substantial shareholder of a non-wholly owned subsidiary of the Company	Interest on lease liabilities <i>(Note 3)</i>	1,619	–

(iv) Related party balances

In addition to those related party balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following balances with its related parties as at the six months ended:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Loans payable to the Group by an associate of substantial shareholder of the Company <i>(Note 1)</i>	110,000	–
Loan payable to the Group by an associate of substantial shareholder of a non-wholly owned subsidiary of the Company <i>(Note 2)</i>	190,907	–
Lease arrangements provided to the Group by an associate of substantial shareholder of a non-wholly owned subsidiary of the Company <i>(Note 3)</i>	42,800	–

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. RELATED PARTY TRANSACTIONS *(Continued)*

(iv) Related party balances *(Continued)*

Note 1: On 29 June 2021, Mrs. Chu Yuet Wah ("**Mrs. Chu**") acquired entire equity interests in Step Wide Investment Limited (the "**Step Wide**"). Step Wide is a substantial shareholder of the Company which Mrs. Chu is the beneficial owner. Mrs. Chu is deemed to be interested in the shares held by Step Wide by virtue of the SFO. Kingston Finance Limited is wholly-owned by Mrs. Chu. Accordingly, Kingston Finance Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company on 29 June 2021.

Prior to Mrs. Chu becoming the substantial shareholder of the Company, on 19 March 2021 and on 10 May 2021, China Water Industry (HK) Limited (the "**China Water Industry (HK)**"), a wholly-owned subsidiary of the Company entered into two loan agreements with Kingston Finance Limited for the purpose of borrowing loans of HK\$80 million and HK\$30 million at an interest rate of 15% per annum and repayable within one year. The drawdown date for the HK\$80 million secured loan and HK\$30 million unsecured loan were on 19 March 2021 and on 10 May 2021 respectively. Both loan transactions were one-off, non-revolving in nature and were entered into before Kingston Finance Limited becoming a connected person of the Company. The Company considered that as of the date of execution of the two loan agreements in March and May 2021, the loan transactions did not constitute connected party transactions of the Company.

The interest expenses were paid to Kingston Finance Limited pursuant to the terms stipulated in the two loan agreements entered into with Kingston Finance Limited in March and May 2021 respectively, prior to Mrs. Chu and Kingston Finance Limited becoming connected persons of the Company.

Note 2: On 19 December 2018, the Company entered into the loan agreement with Mitsubishi HC Capital (Hong Kong) Limited (the "**Mitsubishi HC (HK)**") (formerly known as Hitachi Capital (Hong Kong) Limited for the purpose of borrowing unsecured loan of HK\$200 million at an interest rate of 3.2% per annum plus HIBOR for a term of 42 months. The drawdown date was on 21 December 2018. This loan transaction was one-off and non-revolving in nature.

Note 3: On 12 November 2018 and 13 January 2020, the Group entered into the finance lease agreements with Mitsubishi HC Capital Leasing (Beijing) Co., Ltd. (the "**Mitsubishi HC (Beijing)**") (formerly known as Hitachi Capital Leasing China Co., Ltd.) for a term of five years at an interest rate in range of 7.25% to 7.5% per annum.

Following the aforesaid loan transaction (Note 2) and finance lease arrangements (Note 3), Mitsubishi HC Capital Management (China) Limited (the "**Mitsubishi HC (China)**") (formerly known as Hitachi Capital Management (China) Ltd. being a holding company of Mitsubishi HC (Hong Kong) and Mitsubishi HC (Beijing) entered into an acquisition transaction with the Group and became a substantial shareholder of a non-wholly owned subsidiary (the "**Subsidiary A**") of the Company since 22 February 2021. Such Subsidiary A is an insignificant subsidiary under the Listing Rules. Accordingly, Mitsubishi HC (Hong Kong), Mitsubishi HC (Beijing) and Mitsubishi HC (China) are not connected persons of the Company (as defined in the Listing Rules). Subsequent to the period ended, Mitsubishi HC (China) ceased to be a substantial shareholder of Subsidiary A after the disposal of equity interest in Subsidiary A.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

19. EVENTS AFTER THE END OF THE INTERIM PERIOD

(I) Disposal of 31% equity interests in Yingtan Water

On 28 June 2021, China Water Industry (HK), Yingtan Water Supply Group Co. Ltd* (the “**Yingtan Water**”) (鷹潭市供水集團有限公司) and Jiangxi Sanchuan Group Company Limited* (the “**Jiangxi Sanchuan**”) (江西三川集團有限公司) entered into the Second Equity Transfer Agreement, pursuant to which the China Water Industry (HK) has conditionally agreed to sell, and the Jiangxi Sanchuan has conditionally agreed to purchase 31% registered capital of the Yingtan Water, for a total consideration of RMB186,000,000 (equivalent to approximately HK\$226,734,000). This Second Disposal of Yingtan Water was approved by the shareholders by way of poll at the EGM on 14 September 2021. Completion of the Second Disposal of Yingtan Water is subject to the completion of the registration of equity transfer.

(II) Finance Lease Arrangements

- a. (i) the finance lease agreement dated 2 July 2021 and entered into between Ping An International Financial Leasing (Tianjin) Company Limited* (平安國際融資租賃(天津)有限公司) (the “**Ping An Tianjin**”) (as lessor) and Baoji City Electric Power Development Co., Limited* (寶雞市易飛明達電力發展有限公司), being a subsidiary of the Company (as lessee) in relation to the transfer of ownership and leaseback of leased assets at the consideration of RMB12,220,000 for a term of three years; and
- a. (ii) the finance lease agreement dated 2 July 2021 and entered into between Ping An Tianjin (as lessor) and Anqiu City New China Water Environmental Technology Limited* (安丘市新中水環保科技有限公司), being a subsidiary of the Company, (as lessee) in relation to the transfer of ownership and leaseback of the leased assets at the consideration of RMB9,500,000 for a term of three years;
- b. (i) the finance lease arrangement dated 20 August 2021 and entered into between Lianyuan City New Water Environmental Protection Technology Co., Ltd* (漣源市新中水環保科技有限公司) (the “**Lessee I**”) and Hunan Huiming Environmental Technology Limited* (湖南惠明環境科技有限公司) (the “**Lessee II**”), all being a subsidiary of the Company, as joint lessees, and CPI Ronghe Financial Leasing Co., Ltd. (中電投融和融資租賃有限公司) (the “**Lessor**”) as lessor in relation to the transfer of ownership and leaseback of the leased assets, which mainly comprised of fuel gas power generating facilities and silent type standard containers at the consideration of RMB5,300,000 for a term of 4 years;
- b. (ii) the finance Lease arrangement dated 20 August 2021 and entered into between Gaizhou City New China Water Environmental Technology Limited* (蓋州市新中水環保科技有限公司) (the “**Lessee III**”) and Fengcheng City New China Water Energy Technology Limited* (豐城市新中水能源科技有限公司), (the “**Lessee IV**”), all being a subsidiary of the Company as joint lessees, and the Lessor in relation to the transfer of ownership and leaseback of the leased assets which mainly comprised of fuel gas power generating facilities and silent type standard containers at the consideration of RMB10,600,000 for a term of 4 years.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

20. ACQUISITION OF BUSINESSES

(a) Huangshi City Hangwei Intelligence Energy Co., Ltd*

On 1 December 2020, Shenzhen City New China Water Environmental Technology Limited entered into a sale and purchase agreement with Qian Jiang (錢江) to acquire 100% equity interests of the Huangshi City Hangwei Intelligence Energy Co., Ltd.* (黃石市航為智慧能源有限公司) for a consideration of RMB2.15 million (equivalent to approximately HK\$2.58 million). The acquisition was completed on 13 January 2021, on the date the control in Huangshi City Hangwei Intelligence was passed to the Group, since then, the Group is interested in 100% equity interests of Huangshi City Project. Huangshi City Project is principally engaged in operation of landfill gas power generation plant in Huangshi city, Hubei Province, the PRC, for an operation period of 6 years until September 2026.

	<i>HK\$'000</i>
Total consideration paid	417
Consideration payable	2,163
	<u>2,580</u>

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

	<i>HK\$'000</i>
Other intangible assets	3,440
Deferred tax liabilities	(860)
	<u>2,580</u>

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

Net cash outflow arising on acquisition

	<i>HK\$'000</i>
Total consideration paid	(417)
Bank balances and cash acquired	0
	<u>(417)</u>

Impact of acquisition on the result of the Group

Included in the Group's loss for the six months ended 30 June 2021 is a loss of HK\$66,000 attributable to the additional business generated by Huangshi City Project. Revenue included in the Group's revenue for the six months ended 30 June 2021 amount to HK\$0.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Interim Results

Net profit for the six months ended 30 June 2021 (the “**First Half 2021**”) was HK\$111.72 million, representing an increase of 162.13% from HK\$42.62 million for the six months ended 30 June 2020 (the “**First Half 2020**”). Profit attributable to owners of the Company for the First Half 2021 was HK\$69.51 million (First Half 2020: HK\$2.23 million), a substantial increase of HK\$67.28 million was mainly attributable to: (i) a gain on disposal of subsidiary, 20% equity interests in Yingtan Water (the “**First Disposal of Yingtan Water**”); (ii) an increase in net realized and unrealized gain of financial assets at fair value through profit or loss; and (iii) an increase in share of profit of associates. Basic profit per share from operations for the First Half 2021 was at HK4.35 cents when compared with basic profit per share of HK0.14 cents recorded for the First Half 2020.

Revenue and gross profit

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

The Group’s total revenue generated from operations slightly grew by 5.00% from HK\$532.71 million for the First Half 2020 to HK\$559.35 million for First Half 2021. The steady growth was mainly due to (i) the ongoing increase in the volumes of on-grid electricity of projects in operation; (ii) the increase of waste water processing contributed by new sewage treatment plant; and (iii) the appreciation of exchange rate of RMB against HK\$, which was partially offset by the decrease in the water supply service and construction service income from water supply projects following the First Disposal of Yingtan Water.

During the period under review, the renewable energy business segment become the principal source of the Group’s revenue which contributed HK\$284.34 million (First Half 2020: HK\$248.36 million). Construction services business segment became the second largest revenue generator of the Group which achieved a revenue of HK\$153.98 million (First Half 2020: HK\$177.70 million).

The Group’s gross profit in 2021 was HK\$210.01 million, fell by 6.01% compared to HK\$223.45 million in 2020. The overall gross profit margin for the First Half 2021 slightly dropped by 4.40% to 37.55% (First Half 2020: 41.95%).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Revenue and gross profit (Continued)

Following completion of the First Disposal of Yingtan Water in February 2021, the Yingtan Water ceased as a subsidiary and became an associate of the Company. Accordingly, the financial performance of the Yingtan Water and its subsidiaries and associate companies (the “**Yingtan Water Group**”) has not been consolidated into the Group thereafter. For the First Half 2021, Yingtan Water Group had contributed two months of revenue and net profit to the Group in amount of HK\$43.62 million and HK\$21.63 million respectively, representing 7.80% and 19.36% to the total revenue and net profit respectively. Furthermore, the Group shared the profit of associate in amount of HK\$9.57 million from the Yingtan Water Group, representing 8.57% to the net profit. As at 30 June 2021, the Group recorded interest in associate of HK\$243.61 million which was arising from Yingtan Water Group, representing 12.30% of net assets value. During the period, the Group had entered into the second equity transfer agreement for the purpose of disposal remaining 31% equity interests in the Yingtan Water (the “**Second Disposal of Yingtan Water**”). This Second Disposal of Yingtan Water was approved by the shareholders by way of poll at the EGM on 14 September 2021. Completion of the Second Disposal of Yingtan Water is subject to the completion of the registration of equity transfer. Upon completion, the Company no longer holds any equity interest in the Yingtan Water Group and the Yingtan Water will be ceased to be an associated of the Company. The operating results and/or the net assets of the Group will be further affected.

The analysis of financial performance by segments is as follows:

	Revenue				Gross Profit						First half 2021 vs First Half 2020		
	For the six months ended 30 June				For the six months ended 30 June						Revenue	Gross Profit	Gross Profit Margin
	2021		2020		2021		2020		2020				
HK\$ M	% to the total	HK\$ M	% to the total	HK\$ M	% to the total	Gross Profit Margin (%)	HK\$ M	% to the total	Gross Profit Margin (%)	HK\$ M	HK\$ M	%	
Water supply business	75.71	13.54	75.17	14.11	19.92	9.49	26.31	18.26	8.17	24.29	0.54	1.66	2.02
Sewage treatment business	40.57	7.25	29.71	5.58	13.45	6.40	33.15	10.23	4.58	34.43	10.86	3.22	(1.28)
Construction service business	153.98	27.53	177.70	33.36	59.53	28.35	38.66	83.11	37.19	46.77	(23.72)	(23.58)	(8.11)
Sub-total	270.26	48.32	282.58	53.05	92.90	44.24	34.37	111.60	49.94	39.49	(12.32)	(18.70)	(5.12)
Exploitation and sale of renewable energy business	284.34	50.83	248.36	46.62	113.93	54.25	40.07	111.76	50.02	45.00	35.98	2.17	(4.93)
Property Development	4.75	0.85	1.78	0.33	3.18	1.51	66.95	0.09	0.04	5.06	2.97	3.09	61.89
Total	559.35	100.00	532.72	100.00	210.01	100.00	37.55	223.45	100.00	41.95	26.63	(13.44)	(4.40)

FINANCIAL REVIEW *(Continued)*

Other income, net

For the First Half 2021, other income, net amounted to HK\$45.10 million, (First Half 2020: HK\$50.44 million) fell by HK\$5.34 million. Included in the other income, net was primarily of interest income of HK\$0.51 million, project management income of HK\$7.76 million relating to building construction, net gain of HK\$3.78 million in trading of steels, government grants of HK\$9.00 million to subsidise certain renewable energy and waste treatment projects in the PRC, VAT refund of HK\$12.67 million and gross rental income after deducting the related outgoings of HK\$0.45 million from investment properties. The decrease was mainly due to the First Disposal of Yingtan Water which led to a decrease in the income from the provision of management service to building construction projects and net gain from trading of steels.

Selling and distribution expenses and administrative expenses

For the First Half 2021, selling and distribution expenses together with administrative expenses (“**Total Expenses**”) collectively dropped by HK\$13.94 million to HK\$129.27 million (First Half 2020: HK\$143.21 million). The decrease was mainly due to Total Expenses incurred by the Yingtan Water Group not consolidated into the Group after completion of the First Disposal of Yingtan Water. Total Expenses mainly consisted of staff costs of HK\$76.53 million, legal and professional fee of HK\$4.86 million, repair and maintenance of HK\$4.99 million and depreciation of HK\$10.64 million. The ratio of Total Expenses for the First Half 2021 represented 23.11% of revenue, dropped by approximately 3.77% from 26.88% for the First Half 2020.

Gain on disposal of subsidiary

During the period, the Group recorded a gain before taxation on the First Disposal of Yingtan Water of HK\$45.88 million. The tax payable for this disposal amounted to HK\$12.90 million which included in the income tax.

Net impairment loss recognised on trade and other receivable

For the First Half 2021, the net impairment loss on trade and other receivable recorded HK\$5.10 million (First Half 2020: HK\$3.68 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.

Finance costs

Finance costs are mainly interests on fixed coupon bonds and other loans. For the First Half 2021, the finance costs were HK\$47.18 million (First Half 2020: HK\$39.09 million), an increase of HK\$8.09 million as compared to that of the corresponding period of 2020. The increase was mainly due to the addition of other loan borrowings and less interest capitalised included in construction in progress in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

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

For the First Half 2021, net gain on financial assets at fair value through profit or loss (“**FVPL**”) recorded HK\$15.58 million, rose by HK\$23.37 million from the loss of HK\$7.79 million for the First Half 2020. Included in FVPL comprised (i) HK\$10.61 million for the fair value gain on listed equity securities; and (ii) HK\$4.97 million for the gain on disposal of listed equity securities. The change in fair value on securities trading is determined based on the quoted market bid prices available on The Stock Exchange.

Share of results from associates

For the First Half 2021, the Group shared the profit of HK\$8.30 million (First Half 2020: HK\$53,000) which was mainly arising from Yingtan Water and Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (the “**Ziyang Oasis**”) (資陽市綠州新中水環保科技有限公司). As at 30 June 2021, the Group has five associated companies, including 31% equity interest of Yingtan Water, 10% equity interests in Yu Jiang Hui Min Small-Sum Loan Company Limited* (the “**Yu Jiang Hui Min**”) (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* (the “**Yingtan Hongji**”) (鷹潭市宏基建材科技有限公司), 49% equity interests of Ziyang Oasis and 30% equity interests in Yugan San Hai Property Limited* (“**Yugan San Hai**”) (余干三海置業有限公司).

Share of results from joint venture companies

For the First Half 2021, the Group shared the loss of HK\$0.88 million (the First Half 2020: loss of HK\$2.44 million) which was mainly arising from 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**”). As at 30 June 2021, the Group has three joint venture companies, including 40% equity interests in Jiangxi Yuehe Property Co., Ltd.* (江西越和置業有限公司), 65% equity interest in 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 First Half 2021, the income tax decreased by HK\$4.42 million to HK\$30.71 million (the First Half 2020: HK\$35.13 million). The decrease was resulted of (i) new renewable energy companies in PRC are entitled to have tax concessions benefit; and (ii) Yingtan Water Group’s taxation not consolidated into the Group since March 2021, which was partially offset by the tax imposed on the First Disposal of Yingtan Water. No provision for Hong Kong Profits Tax has been made as the Group’s operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the period, certain renewable energy companies in PRC are still 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

During the period under review, 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. To support medium to long term funding requirements, the Group also considers via accessing to funding from capital markets, subject to market conditions. On the other hands, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The Group's financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining substantial long term funding sources, with diversifying term structures and funding instruments. In anticipating new investments or maturity of bank and other borrowings, the Group will consider new financing while maintaining an appropriate level of gearing.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

As at 30 June 2021, the Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Group recorded cash and cash equivalents of HK\$227.14 million (As at 31 December 2020: HK\$432.65 million) including cash held at financial institutions of HK\$6.01 million (As at 31 December 2020: HK\$0.14 million) and no overdraft held at financial institutions (As at 31 December 2020: HK\$4.61 million). The decrease in cash and bank balance of the Group was mainly due to the Yingtan Water Group' assets not consolidated into the Group after the First Disposal of Yingtan Water. 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 at 30 June 2021 were HK\$61.52 million (As at 31 December 2020: HK\$343.33 million). The current ratio (current assets over current liabilities) was 1.04 times as at 30 June 2021 (As at 31 December 2020: 1.13 times).

As as 30 June 2021, net asset value amounted to HK\$1,981.07 million (As at 31 December 2020: HK\$2,200.95 million). Net asset value per share was HK\$1.24 as at 30 June 2021 (As at 31 December 2020: HK\$1.38).

As at 30 June 2021, the Group's consolidated non-current assets decreased by HK\$334.49 million to HK\$2,284.20 million (As at 31 December 2020: HK\$2,618.69 million) was primarily due to the First Disposal of Yingtan Water Group which was completed in February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

INVESTMENT PROPERTIES

As at 30 June 2021, 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 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%
2 Yichun Properties No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	100%	51%
3. New Yichun Property Huancheng South Road, Yuanzhou District, Yichun City, Jiangxi Province, China	Commercial	170	Long	100%	51%
		881.43			

As at 30 June 2021, the carrying value of investment properties recorded HK\$9.67 million (As at 31 December 2020: HK\$94.33 million) including HK\$1.96 million of Yihai International Building, HK\$7.55 million of Yichun Properties and HK\$0.16 million of New Yichun Property. The substantial decrease in investment property and net rental income by HK\$84.66 million by HK\$0.87 million respectively were due to the First Disposal of Yingtan Water. As at 30 June 2021, the Group had a total gross floor area of 881.43 square meters. (As at 31 December 2020: total gross floor area of 16,969.60 square meters). For the First Half 2021, the gross rental income after deducting the related outgoings amounted to HK\$0.45 million which decreased by 65.91% compared with the corresponding period of 2020 (First Half 2020: HK\$1.32 million).

INVENTORIES

As at 30 June 2021, the inventories recorded HK\$195.47 million (As at 31 December 2020: HK\$900.82 million), substantially decreased by HK\$705.35 million due to the First Disposal of Yingtan Water which made its properties held for sale and properties under development not consolidated into the Group. The inventory comprised of raw material of HK\$56.48 million (As at 31 December 2020: HK\$62.52 million) and work-in-progress of HK\$7.75 million (As at 31 December 2020: HK\$96.26 million) and properties under development of HK\$131.24 million (As at 31 December 2020: HK\$742.04 million).

Properties under development represented the construction of premises for New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司). The expected completion date for this property is in September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 30 June 2021, the fair value of securities investments of the Group including held-for-trading investment and held-for-long term investment recorded HK\$26.83 million (As at 31 December 2020: HK\$27.32 million) representing 0.69% of the total assets value of HK\$3,860.69 million as at 30 June 2021. 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 30 June 2021:

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2021	Effective interest held as at 30 June 2021	Initial investment cost <i>HK\$'000</i>	Market value as at 30 June 2021 <i>HK\$'000</i>	Realised gain/(loss) for the period ended 30 June 2021 <i>HK\$'000</i>	Accumulated unrealised holding gain/(loss) on revaluation <i>HK\$'000</i>	Percentage to total assets value of the Group as at 30 June 2021	Classification	Dividend received/receivable during the period <i>HK\$'000</i>
1. Aidigong Maternal & Child Health Limited	286	Postpartum care services primarily include provision of postpartum care services that provide healthcare services for postnatal mothers and babies, and the health industry business primarily includes medical anti-aging and healthcare industry investments.	10,274,000	0.24%	7,652	12,432	4,880	4,780	0.32%	FVPL	-
2. China Best Group Holding Ltd	370	Included (i) finance leasing business; (ii) money lending business; (iii) securities and futures brokerage business; (iv) trading business; (v) securities investment business; (vi) freight forwarding business; (vii) property investment business; (viii) property brokerage business; (ix) building architecture and interior design business; (x) property development and project management business; (xi) geothermal energy business; (xii) building construction contracting business; and (xiii) centralised heating business	6,442,000	0.63%	5,351	1,443	90	(3,908)	0.04%	FVOCI	-

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT *(Continued)*

List of stocks in terms of market value as at 30 June 2021: *(Continued)*

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2021	Effective interest held as at 30 June 2021	Initial investment cost <i>HK\$'000</i>	Market value as at 30 June 2021 <i>HK\$'000</i>	Realised gain/(loss) for the period ended 30 June 2021 <i>HK\$'000</i>	Accumulated unrealised holding gain/(loss) on revaluation <i>HK\$'000</i>	Percentage to total assets value of the Group as at 30 June 2021	Classification	Dividend received/receivable during the period <i>HK\$'000</i>
3. Hong Kong Finance Investment Holding Group Ltd*	7	Property development and investment, trading of electronic products, oil and gas exploration and production, mineral mining, and provision of financial services	2,800,000	0.07%	2,660	-	-	(2,660)	0.00%	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	515	-	(473)	0.01%	FVOCI	-
5. Ming Lam Holdings Limited*	1106	Manufacturing and sale of packaging products; Securities trading and other investing activities; Tourism and travel business; Money lending business and Storage and logistic service business	44,500,000	0.30%	5,294	-	-	(5,294)	0.00%	FVPL	-
6. China Tangshang Holdings Limited	674	Exhibition related business, money lending business, property sub-leasing, development and investment business	3,580,000	0.16%	908	405	-	(503)	0.01%	FVOCI	-
7. Future Bright Mining Holdings Ltd	2212	Production and sale of marble and marble related products; and trading of mineral commodities	780,000	0.02%	147	17	-	(130)	0.00%	FVPL	-

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT (Continued)

List of stocks in terms of market value as at 30 June 2021: (Continued)

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2021	Effective interest held as at 30 June 2021	Initial investment cost HK\$'000	Market value as at 30 June 2021 HK\$'000	Realised gain/(loss) for the period ended 30 June 2021 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Percentage to total assets value of the Group as at 30 June 2021	Classification	Dividend received/receivable during the period HK\$'000
8. Chinese Energy Holdings Limited	8009	General trading (including market sourcing of technical and electronic products); trading of LNG products; money lending and investment in financial assets	250	0.00%	2	-	-	(2)	0.00%	FVPL	-
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	12,018	-	855	0.31%	FVPL	-
Total					34,165	26,830	4,970	(7,335)	0.69%	-	-

* Ming Lam Holdings Limited and Hong Kong Finance Investment Holding Group Ltd. have been suspended its trading in shares since 1 April 2020 and 1 April 2021 respectively.

** 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

For the First Half 2021, the Group recorded net gain of HK\$15.58 million on FVPL (First Half 2020: loss of HK\$7.79 million). 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 declined. In light of this, 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

TRADE AND OTHER RECEIVABLES

As at 30 June 2021, the Group's trade and other receivables were approximately HK\$1,087.19 million (As at 31 December 2020: HK\$1,503.67 million). The decrease by HK\$416.48 million was mainly due to the Yingtan Water Group's assets not consolidated into the Group following the completion of First Disposal of Yingtan Water. These comprised of: (i) trade receivables of HK\$622.12 million, (ii) other receivables of HK\$100.72 million, (iii) loan receivables of HK\$164.97 million and (iv) deposits and prepayments of HK\$199.38 million.

(A) Trade Receivable:

As at 30 June 2021, trade receivables increased by HK\$61.56 million to HK\$622.12 million (As at 31 December 2020: HK\$560.56 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\$526.02 million (As at 31 December 2020: HK\$432.48 million) and electricity sales receivables of HK\$34.73 million (As at 31 December 2020: HK\$34.63 million) from local grid companies, representing 90.14% 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 of HK\$52.43 million due from the water supply and the sewage treatment, 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 period under review, the net impairment loss recognized on trade receivable recorded HK\$0 (As at 30 June 2020: Nil).

(B) Other receivable

As at 30 June 2021, other receivables decreased by HK\$111.78 million to HK\$100.72 million (As at 31 December 2020: HK\$212.50 million) which represented mainly tax recoverable, income for sludge treatment project and return of equipment facilities. During the period of under review, 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 period under review, the net impairment loss recognised on other receivable was HK\$0.73 million (As 30 June 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

TRADE AND OTHER RECEIVABLES *(Continued)*

(C) Loan receivable

As at 30 June 2021, loans receivables increased by HK\$20.63 million to HK\$164.97 million (As at 31 December 2020: HK\$144.34 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 personal, 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 period under review, the net impairment loss recognised on loans receivable amounted to HK\$4.37 million (As at 30 June 2020: Nil).

(D) Deposits and prepayments

As at 30 June 2021, deposits and prepayments decreased by HK\$386.89 million to HK\$199.38 million (As at 31 December 2020: HK\$586.27 million) which mainly represented prepayment relating to the acquisition of projects, material procurement for construction projects, payment in advance for construction works and amortisation of repairing and drilling cost, deposits paid including equipment facilities, glass management contract and the finance lease. During the period under review, the net impairment loss recognised on deposits and prepayments was HK\$0 (As at 30 June 2020: HK\$3.67 million).

LIABILITIES AND GEARING

As at 30 June 2021, the Group's total liabilities (including both current and non-current) recorded HK\$1,879.61 million (As at 31 December 2020: HK\$3,427.85 million). The decrease of HK\$1,548.24 million was mainly due to the First Disposal of Yingtan Water so the total liabilities of Yingtan Group not consolidated into the Group. Except for the issuance of bonds and non-financial institution loan denominated in HK\$, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 30 June 2021 was 48.69% (As at 31 December 2020: 60.90%). The ratio was calculated by dividing total liabilities of HK\$1,879.61 million (As at 31 December 2020: HK\$3,427.85 million) over total assets of the Group of HK\$3,860.69 million (As at 31 December 2020: HK\$5,628.80 million).

As at 30 June 2021, the Group's total bank and other borrowings were HK\$657.80 million (As at 31 December 2020: HK\$880.79 million). For the maturity profile, refer to the table below:

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIABILITIES AND GEARING *(Continued)*

Debt Analysis

	As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)	
	HK\$'000	%	HK\$'000	%
Classified by maturity				
– repayable within one year				
Bank borrowings	70,805	10.76	53,998	6.13
Other loans <i>(Note)</i>	448,047	68.11	340,151	38.62
	518,852	78.87	394,149	44.75
Classified by maturity				
– repayable more than one year				
Bank borrowings	76,618	11.65	97,813	11.10
Other loans <i>(Note)</i>	62,332	9.48	388,827	44.15
	138,950	21.13	486,640	55.25
Total bank and other borrowings	657,802	100	880,789	100
Classified by type of loans				
Secured	254,250	38.65	154,187	17.51
Unsecured	403,552	61.35	726,602	82.49
	657,802	100	880,789	100
Classified by type of interest				
Fixed rate	349,763	53.17	460,740	52.31
Variable-rate	306,784	46.64	341,912	38.82
Interest free rate	1,255	0.19	78,137	8.87
	657,802	100	880,789	100

Note: Included in the other loans were mainly bonds and loans from related companies. Details for loans from related companies are set out in note 18 to the financial statements.

BONDS AND NON-EQUITY FINANCING

Bond I

On 25 October 2017, the Company entered into the placing agreement (the “**Placing Agreement I**”) with Well Link Securities Limited (the “**Placing Agent I**”), pursuant to which the Placing Agent I on a best effort basis arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK\$100 million (“**Bond I**”), within 70 days from the date of the Placing Agreement I. On 13 December 2017, the Company has completed the issuance of the Bond I to the placee(s) in an aggregate principal amount of HK\$100 million. As at 30 June 2021, Bond I was fully settled (As at 31 December 2020: HK\$87.65 million).

Bond II

On 4 December 2017, the Company entered into the placing agreement (the “**Placing Agreement II**”) with Ayers Alliance Securities (HK) Limited, Mayfair & Ayers Financial Group Limited (formerly known as “**Mayfair Pacific Financial Group Limited**”) and Sincere Securities Limited (the “**Placing Agents II**”), to use its reasonable endeavors to procure independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount not less than HK\$100 million (the “**Bond II**”). As at 30 June 2021, the outstanding Bond II amounted to HK\$88.54 million and was classified as an other loan (As at 31 December 2020: HK\$185.11 million). On 30 May 2019, the Company has completed to issue the Bond II to the placees in an aggregate principal amount of HK\$208.10 million.

Bond III

On 11 January 2018, the Company entered into a placing agreement (the “**Placing Agreement III**”) with Prior Securities Limited (the “**Placing Agent III**”) pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK\$100 million (“**Bond III**”). As at 30 June 2021, the outstanding Bond III amounted to HK\$11.83 million and was classified as an other loan (As at 31 December 2020: HK\$19.18 million). On 10 January 2020, the Company has completed to issue the Bond III to the placees in an aggregate principal amount of HK\$20 million.

Bond IV

On 18 January 2018, the Company entered into a placing agreement (the “**Placing Agreement IV**”) with Placing Agent III pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK\$100 million (“**Bond IV**”). As at 30 June 2021, the outstanding Bond IV amounted to HK\$14.18 million and was classified as an other loan (As at 31 December 2020: HK\$15.82 million). On 17 January 2020, the Company has completed to issue the Bond IV to the placees in an aggregate principal amount of HK\$20 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BONDS AND NON-EQUITY FINANCING *(Continued)*

Bond V

On 24 August 2018, the Company entered into the Placing Agreement (the “**Placing Agreement V**”) with Mayfair & Ayers Financial Group Limited (the “**Placing Agent V**”), to use its reasonable endeavors to procure independent placees to subscribe for 5% coupon unlisted bonds with a term of one year in aggregate principal amount not less than HK\$100 million (the “**Bond V**”). Bond V was fully settled in 2020 (As at 31 December 2020: Nil). The placing of Bond V has been completed on 30 August 2019.

Bond VI

On 15 January 2019, the Company entered into the Placing Agreement (the “**Placing Agreement VI**”) with the Placing Agent III pursuant to which the Placing Agent III on a best effort basis, to arrange independent Placees to subscribe for 5% per annum for Bonds (A) and 5.5% per annum for Bonds (B) (the “**Bond VI**”) with a term of one year and two year respectively, up to an aggregate principal amount of HK\$200 million. As at 30 June 2021, the Bond VI was fully settled (As at 31 December 2020: HK\$2.07 million). The placing of Bond VI has been completed on 14 January 2020.

Other bonds

Except for the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers in an aggregate principal amount of HK\$57.00 million at a fixed coupon rate in range of 5% to 6% per annum with a term ranging from 1 to 3 years. As at 30 June 2021, the outstanding other bonds amounted to HK\$42.25 million and was classified as an other loan (As at 31 December 2020: HK\$50.06 million).

As at 30 June 2021, the aggregate bonds including Bond I, Bond II, Bond III, Bond IV and Other bonds recorded in aggregate of HK\$156.80 million which were utilized as general working capital, repayment of debts and/or acquisition activities (As at 31 December 2020: HK\$359.89 million).

TRADE AND OTHER PAYABLES

As at 30 June 2021, the Group’s trade and other payables were approximately HK\$402.29 million (As at 31 December 2020: HK\$638.53 million). Decrease of HK\$236.24 million in trade and other payable was mainly due to the First Disposal of Yingtan Water Group so the trade and other payables of Yingtan Group not consolidated into the Group. 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 period under review, the Group incurred capital expenditures amounting to HK\$27.43 million (As at 31 December 2020: HK\$38.47 million) for acquisition of concession intangible assets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

1.1 Water supply business

There are three city water supply projects of the Group (including one water supply project of associate) which are well spread in Jiangxi and Shandong provinces, the PRC. The daily aggregate water supply capacity was approximately 0.39 million tonne (First Half 2020: 0.39 million tonne). Total water supply to the Jiangxi and Shandong during the period recorded 32.64 million tonne (First Half 2020: 40.94 million tonne), decreased by 20.27% over the last corresponding period. For the First Half 2021, the revenue and gross profit from water supply business amounted to HK\$75.71 million and HK\$19.92 million respectively, representing 13.54% and 9.49% of the Group's total revenue and total gross profit respectively. Although the financial performance of Yingtian Water Group in water supply not consolidated into the Group since March 2021, the revenue and gross profit still recorded an increase by HK\$0.54 million and HK\$1.66 million respectively as compared with the corresponding period of 2020. The increase was the result of (i) the local government of Yichun City temporary adjusted an average water tariff down by 3% during the First Half 2020. Following the effective containment of the epidemic in China, such temporary policies were lifted; (ii) the increase of water supply by Yichun Water project following the economy recovery from the negative impact of COVID-19 pandemic; (iii) appreciation of exchange rate of RMB against HK\$; and (iv) the absence of water source cost and repairing cost which incurred in First Half 2020. The average rates for the water supply ranged from HK\$1.90 to HK\$2.61 per tonne (First Half 2020: from HK\$1.66 to HK\$2.45 per tonne).

The analysis of financial performance by segment is as follows:

		For the six months ended 30 June		
		2021	2020	Variance
Water Supply Business				
Revenue	<i>HK\$'million</i>	75.71	75.17	0.54
Gross profit	<i>HK\$'million</i>	19.92	18.26	1.66
Gross profit %	%	26.31	24.29	2.02
Designed daily capacity of water supply	<i>Tonne</i>	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 (expiring in)
1 Yichun Water	51	240,000	Jiangxi	2034
2 Yingtian Water	31	100,000	Jiangxi	2038
3 Linyi Fenghuang	60	50,000	Shandong	2037
Total		<u>390,000</u>		

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

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 increased to five projects which are located in Jiangxi, Guangdong and Shandong provinces (First Half 2020: three projects) and the daily aggregate sewage disposal capacity increased by 50,000 tonne to 240,000 tonne (First Half 2020: 190,000 tonne). For the First Half 2021, the revenue and gross profit recorded HK\$40.57 million and HK\$13.45 million respectively, representing 7.25% and 6.40% of the Group's total revenue and total gross profit respectively. During the period under review, the Group processed in aggregate of 34.95 million tonne of waste water (First Half 2020: 30.80 million tonne), increasing by 13.47% over the corresponding period of 2020 due to Jining Haisheng Project commenced its operation in August 2020. Compared with the First Half 2020, the revenue and gross profit slightly increased by HK\$10.86 million and HK\$3.22 million respectively due to (i) the increase of waste water processing; (ii) slightly increase of sewage treatment rate in Yichun Fangke project; and (iii) appreciation of exchange rate of RMB against HK\$. The average rates for sewage treatment ranged from HK\$1.02 to HK\$1.48 per tonne (First Half 2020: HK\$0.85 to HK\$1.29 per tonne).

The analysis of financial performance by segment is as follows:

		For the six months ended 30 June		
		2021	2020	Variance
Sewage Treatment Business				
Revenue	<i>HK\$'million</i>	40.57	29.71	10.86
Gross profit	<i>HK\$'million</i>	13.45	10.23	3.22
Gross profit %	%	33.15	34.43	(1.28)
Designed daily sewage disposal capacity	<i>Tonne</i>	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 (expiring 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		

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Group's second major sources of revenue and gross profit contributing HK\$153.98 million and HK\$59.53 million respectively, representing 27.53% and 28.35% of the Group's total revenue and total gross profit respectively. Compared with the First Half 2020, the revenue and gross profit decreased by HK\$23.72 million and HK\$23.58 million. Following the effective epidemic preventive measures to cope with COVID-19, all Group's construction projects have resumed construction since April 2020, and went smoothly in accordance with the planned schedule. The decrease was due to the First Disposal of Yingtan Water so the financial performance of construction service for water supply not consolidated into the Group.

The analysis of financial performance by segment is as follows:

		For the six months ended 30 June		
		2021	2020	Variance
Water supply related installation and construction income				
Revenue	<i>HK\$'million</i>	128.74	146.59	(17.85)
Gross profit	<i>HK\$'million</i>	61.45	83.28	(21.83)
Gross profit %	%	47.73	56.81	(9.08)
Water supply and sewage treatment infrastructure construction income				
Revenue	<i>HK\$'million</i>	25.24	31.11	(5.87)
Gross profit/(loss)	<i>HK\$'million</i>	(1.92)	(0.17)	(1.75)
Gross profit/(loss) %	%	(7.61)	(0.55)	(7.06)
Total				
Revenue	<i>HK\$'million</i>	153.98	177.70	(23.72)
Gross profit	<i>HK\$'million</i>	59.53	83.11	(23.58)
Gross profit %	%	38.66	46.77	(8.11)

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

1.4 Exploitation and sale of renewable energy business

Up to the date of this report, the Group has 47 solid waste treatment projects, of which 34 have commenced operation with a total installed capacity of 154 MW, the remaining 10 are under construction, with an estimated total installed capacity of 14 MW. During the period under review, the Group secured 2 new projects in Wafangdian and Shaowu, with an estimated total installed capacity is 4 MW.

For the First Half 2021, the revenue and gross profit recorded HK\$284.34 million and HK\$113.93 million respectively representing 50.83% and 54.25% to the total revenue and total gross profit respectively. Compared with the First Half 2020, the revenue and gross profit increased by HK\$35.98 million and HK\$2.17 million respectively. The increase was due to (i) new projects started in operation in 2021; (ii) the production of natural gas products resumed its operation in December 2020; and (iii) the appreciation of exchange rate of RMB against HK\$. During the period under review, the Group had 31 projects in operation (First Half 2020: 32 projects), generating approximately 378,109.5 MWh of on-grid electricity which represented an increase of 5.9% over the same period of 2020 (First Half 2020: 357,112.4 MWh). As at 30 June 2021, the Group accumulated a total installed capacity of 168 MW, representing a decrease of 3.17% compared to First Half 2020 (First Half 2020: 173.5 MW). The average electricity rate was HK\$0.65 per kilowatt-hour and the average CNG rate was HK\$1.65 per m³ (First Half 2020: average electricity rate HK\$0.594 per kilowatt-hour and the average CNG rate was HK\$1.84 per m³).

The analysis of financial performance by segment is as follows:

		For the six months ended 30 June		
		2021	2020	Variance
Exploitation and sale of renewable energy business				
– Sale of electricity				
Revenue	<i>HK\$'million</i>	256.70	227.97	28.73
Gross profit	<i>HK\$'million</i>	112.91	110.37	2.54
Gross profit %	%	43.99	48.41	(4.42)
– Sale of compressed natural gas				
Revenue	<i>HK\$'million</i>	11.23	6.75	4.48
Gross profit	<i>HK\$'million</i>	4.39	0.03	4.36
Gross profit %	%	39.09	0.44	38.65
– Service income from collection of landfill gas				
Revenue	<i>HK\$'million</i>	16.41	13.64	2.77
Gross profit/(loss)	<i>HK\$'million</i>	(3.37)	1.36	(4.73)
Gross profit/(loss) %	%	(20.54)	9.97	(30.51)
Total				
Revenue	<i>HK\$'million</i>	284.34	248.36	35.98
Gross profit	<i>HK\$'million</i>	113.93	111.76	2.17
Gross profit %	%	40.07	45.00	(4.93)

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

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

Included in revenue was HK\$168.89 million (First Half 2020: HK\$148.25 million) and HK\$81.40 million (First Half 2020: HK\$70.57 million) derived from the sale of electricity to local grid companies and the government tariff subsidies respectively, representing 59.39% and 28.63% of the total renewable energy revenue respectively.

Summary of revenue		For the six months ended 30 June			
		2021	% to total	2020	% to total
The sale of electricity to local grid companies	<i>HK\$'million</i>	168.89	59.39	148.25	59.69
Government tariff subsidies	<i>HK\$'million</i>	81.40	28.63	70.57	28.41
Other	<i>HK\$'million</i>	6.41	2.26	9.15	3.68
		256.70	90.28	227.97	91.79
Compressed natural gas & landfill gas	<i>HK\$'million</i>	27.64	9.72	20.39	8.21
		284.34	100	248.36	100

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

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

Analysis of renewable energy projects on hand is as follows:

Project name	Provincial cities in PRC/Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiring in	
1	Nanjing Jiaozishan <i>(Note 2)</i>	Jiangsu	Power generation	100	October 2013	June 2025
2	ZhuZhou Biogas <i>(Note 3)</i>	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	<i>Note 1</i>
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	-	May 2014	
11	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	CNG: December 2015 Power generation: October 2017	} October 2039
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 <i>(Note 2)</i>	Zhejiang	Power generation	100	February 2017	June 2028
18	Shandong Qiyao <i>(Note 2)</i>	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	<i>Note 1</i>
23	Fengcheng <i>(Note 3)</i>	Jiangxi	Power generation	100	January 2018	March 2032
24	Anqiu City	Shandong	Power generation	100	March 2018	<i>Note 1</i>

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

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

Project name	Provincial cities in PRC/Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiring in
25 Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
26 Haicheng	Liaoning	Power generation	100	August 2019	<i>Note 1</i>
27 Anlu	Hubei	Power generation	90	January 2019	February 2030
28 Laizhou	Shandong	Power generation	100	May 2019	February 2028
29 Jakarta TPST	Jakarta	Power generation	94	February 2018	December 2023
30 Guangzhou Huadu	Guangdong	Power generation	100	January 2020	June 2023
31 Zhijiang	Hubei	Power generation	51	January 2021	<i>Note 1</i>
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 <i>(Note 3)</i>	Hainan	Power generation	100	September 2021	<i>Note 1</i>
36 Gaizhou	Liaoning	Power generation	100	January 2021	<i>Note 1</i>
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	December 2021	September 2030
41 Dingnan	Jiangxi	Power generation	100	December 2021	<i>Note 1</i>
42 Shanghang	Fujian	Power generation	100	December 2021	September 2025
43 Yangxin	Hubei	Power generation	100	January 2022	September 2026
44 Changting	Fujian	Power generation	100	December 2021	December 2025
45 Wuping	Fujian	Power generation	100	December 2021	December 2030
46 Wafangdian	Liaoning	Power generation	100	January 2022	<i>Note 1</i>
47 Shaowu	Fujian	Power generation	100	January 2022	May 2026

* 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

1.5 Property Investment and development

For the First Half 2021, property development recorded the revenue and gross profit of HK\$4.75 million and HK\$3.18 million respectively (First Half 2020: the revenue and gross profit of HK\$1.78 million and HK\$0.09 million) which was the sale of properties in Yu Jing No. 1* (御景壹號). For the period from January to February 2021, there were 4 retail shop being sold (First Half 2020: 6 residential units being sold). Upon completion of First Disposal of Yingtan Water, the financial performance of property development not consolidated into the Group.

		For the six months ended 30 June		
		2021	2020	Variance
Property Investment and development				
Revenue	HK\$'million	4.75	1.78	2.97
Gross profit	HK\$'million	3.18	0.09	3.09
Gross profit %	%	66.95	5.06	61.89

As at 30 June 2021, the Group has a total of 9 property projects of which 5 projects under construction and 4 projects yet to develop, with an estimated total gross floor area ("GFA") after completion of approximately 660,843 square meter. During the period under review, 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 (98% sold) and 158 shops (35% sold), Sanshui California Sunshine Real Estate* (三水加州陽光房地產) which has 299 residential units (99% sold) and 62 shops (23% sold), Sanshui Jinlin House* (三水金麟府) which has 1,546 residential units for phase one (54% 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 associates and/or these joint venture projects once the property handed over to the customers with the completion of legal assignment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

1.5 Property Investment and development (Continued)

Land acquisition for the development of property projects

As at 30 June 2021, the Group has 9 property projects under development (including 5 property projects from Yingtan Water Group) in the PRC with total site area of approximately 330,406 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	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 (98%)	September 2021	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	46,363	50 years	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 (85%)	October 2021	Residential and commercial/for sale	30,742	128,370	70 years for Residential and 40 years for commercial	31
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 (99%)	October 2021	Residential and commercial/for sale	10,076	40,854	70 years for Residential and 40 years for commercial	12.40
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	Under construction (65%)	December 2022	Residential and commercial/for sale	68,449	194,752	70 years for Residential and 40 years for commercial	9.30
5. Yugan Sanhe Property* (余干三和)(Note)	Both sides of Yuting South Avenue, south of Tanxiang Bay Community, East Street Shanty Town Reconstruction Project, north of Xianghe Jiayuan, Ganyue Avenue, southeastern part of Yugan County, Shangrao City, Jiangxi Province, the PRC,	Yet to develop	June 2024	Residential and commercial/for sale	61,506	163,177	70 years for Residential and 40 years for commercial	3.44

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

1.5 Property Investment and development *(Continued)*

Land acquisition for the development of property projects

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	Group's interest (%)
6. Honghu Blue Valley Wisdom Square* (鴻鶴藍谷智慧廣場)	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 (85%)	December 2021	Research and development Centre/Commercial (for sale and/or for lease)	30,544	43,738	50 years	100
7. 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	31
8. 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	40,413	Nil	51
9. Wenbifeng Office Building* (文筆峰辦公樓)	East Zhongshan Road, Yuanzhou District, Yichun City, South of Wenbifeng Waterworks Plot	Yet to develop	April 2022	Other	764	3,176	Nil	51
					330,406	660,843		

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FORMATION OF RENEWABLE ENERGY PROJECTS DURING THE PERIOD UNDER REVIEW

The Group had entered into 2 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 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	5 March 2021	Wafangdian City Greenspring Environmental Protection Technology Co., Ltd.* (瓦房店市青泓環保科技有限公司)	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
2	20 May 2021	Shaowu City New China Water Environmental Technology Limited* (邵武市新中水環保科技有限公司)	Shaowu City Environment Health Services Centre* (邵武市環境衛生服務中心)	Shaowu City Landfill Gas Power Generation Project ("Shaowu Project")	Fujian	230	4,500,000.00	January 2022	5 years	0.629

EVENTS DURING THE PERIOD UNDER REVIEW

A. Finance Lease Arrangement

The finance lease arrangement dated 7 February 2021 and entered into amongst Wuzhou City China Water New Renewable Resources Company Limited* (梧州市中水新能源科技有限公司), Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (大唐華銀湘潭環保發電有限責任公司) and Hunan Liuyang New China Water Environmental Technology Limited* (湖南瀏陽新中水環保科技有限公司), all being a subsidiary of the Company, (as lessees), Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司) (as lessor) and 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 Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司), both a subsidiary of the Company (as Guarantors) in relation to the transfer of ownership and leaseback of the leased assets, which comprised of biogas power generating facilities situated at Wuzhou City, Xiangtan City and Liuyang City, the PRC, at a total consideration of RMB27,000,000 for a term of three years.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EVENTS DURING THE PERIOD UNDER REVIEW *(Continued)*

B. Disposal of 20% equity interests in Yingtan Water

On 15 December 2020, China Water Industry (HK), Jiangxi Sanchuan and Yingtan Water entered into the First Equity Transfer Agreement, pursuant to which the China Water Industry (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). Completion of the First Disposal of Yingtan Water took place on 23 February 2021. Accordingly, the Yingtan Water ceased to be a subsidiary of the Company, and the financial information of the Yingtan Water Group ceased to be consolidated into the consolidated financial statements of the Group.

C. Disposal of 31% equity interests in Yingtan Water

On 28 June 2021, China Water Industry (HK), Yingtan Water and Jiangxi Sanchuan entered into the Second Equity Transfer Agreement, pursuant to which the China Water Industry (HK) has conditionally agreed to sell, and the Jiangxi Sanchuan has conditionally agreed to purchase 31% registered capital of the Yingtan Water, for a total consideration of RMB186,000,000 (equivalent to approximately HK\$226,734,000). The Second Disposal of Yingtan Water was approved at the EGM on 14 September 2021. Completion of the Second Disposal of Yingtan Water is subject to the completion of the registration of equity transfer. Upon completion, the Company shall cease to have any equity interest in the Yingtan Water Group and the Yingtan Water shall cease to be accounted for as an associate of the Company.

D. Change of single largest shareholder

On 30 June 2021, Step Wide, a substantial shareholder of the Company (as defined in the Listing Rules), had acquired of an aggregate of 116,112,000 shares of the Company (the "**Shares**"), representing approximately 7.27% of the Shares in issue, at a price of HK\$0.30 per Share for a consideration of HK\$34,833,600 from Honghu Capital Co. Ltd. ("**Honghu Capital**"), a substantial shareholder and the single largest shareholder of the Company (as defined in the Listing Rules) (the "**Acquisition**"). Before the Acquisition, Step Wide was interested in 160,000,000 Shares, representing approximately 10.02% of the issued share capital of the Company and Honghu Capital was interested in 277,788,000 Shares, representing approximately 17.40% of the issued share capital of the Company. Immediately completion of the Acquisition, Step Wide is interested in 276,112,000 Shares, representing approximately 17.29% of the issued share capital of the Company and Honghu Capital is interested in 161,676,000 Shares, representing approximately 10.13% of the issued share capital of the Company. Step Wide remains a substantial shareholder and becomes the single largest shareholder of the Company and Honghu Capital remains to be a substantial shareholder of the Company.

E. Enhancement of internal control measures in relation to connected transaction at subsidiary level

During the period, the Company implemented a number of measures and procedures to enhance the Group's internal control in respect of connected transactions. For details, please refer to the announcement of the Company dated 21 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

EVENTS AFTER THE PERIOD UNDER REVIEW

I. Finance Lease Arrangements

- a. (i) the finance lease agreement dated 2 July 2021 and entered into between Ping An Tianjin (as lessor) and Baoji City Electric Power Development Co., Limited* (寶雞市易飛明達電力發展有限公司), being a subsidiary of the Company, (as lessee) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of landfill gas power generating facilities and biogas pretreatment equipment situated in Baoji City, the PRC, at the consideration of RMB12,220,000 for a term of three years; and
- a. (ii) the finance lease agreement dated 2 July 2021 and entered into between Ping An Tianjin (as lessor) and Anqiu City New China Water Environmental Technology Limited* (安丘市新中水環保科技有限公司), being a subsidiary of the Company, (as lessee) in relation to the transfer of ownership and leaseback of the leased assets, which comprised of fuel gas power generating facilities and silent type standard containers situated in Anqiu City, the PRC, at the consideration of RMB9,500,000 for a term of three years;
- b. (i) the finance lease arrangement dated 20 August 2021 and entered into between Lianyuan City New Water Environmental Protection Technology Co., Ltd* (漣源市新中水環保科技有限公司) (the “**Lessee I**”) and Hunan Huiming Environmental Technology Limited* (湖南惠明環境科技有限公司) (the “**Lessee II**”), all being a subsidiary of the Company, as joint lessees, New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司) (the “**Guarantor**”), a subsidiary of the Company and CPI Ronghe Financial Leasing Co., Ltd. (中電投融和融資租賃有限公司) (the “**Lessor**”) in relation to the transfer of ownership and leaseback of the leased assets, which mainly comprised of fuel gas power generating facilities and silent type standard containers situated in Lian Yuan City and ZhuZhou City, Hunan Province, the PRC at the consideration of RMB5,300,000 for a term of 4 years. In addition, Guarantor has executed share pledge agreement in favour of Lessor, pledging all the shareholding interests in Lessee I; and
- b. (ii) the finance Lease arrangement dated 20 August 2021 and entered into between Gaizhou City New China Water Environmental Technology Limited* (蓋州市新中水環保科技有限公司) (the “**Lessee III**”) and Fengcheng City New China Water Energy Technology Limited* (豐城市新中水能源科技有限公司) (the “**Lessee IV**”), all being a subsidiary of the Company as joint lessees, the Guarantor and the Lessor in relation to the transfer of ownership and leaseback of the leased assets which mainly comprised of fuel gas power generating facilities and silent type standard containers situated in Gaizhou City and Feng Cheng City, the PRC at the consideration of RMB10,600,000 for a term of 4 years.

The Guarantor had executed a guarantee in favor of Lessor for the payment obligations of the Lessee under these finance lease arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EVENTS AFTER THE PERIOD UNDER REVIEW *(Continued)*

II. On-market Disposal of Listed Securities

During the period from 21 June 2021 to 23 August 2021, the Company disposed of an aggregate of 24,000,000 Aidigong Shares, on the open market at the consideration of approximately HK\$27.09 million (before transaction costs) (the “Disposals”). The average selling price is approximately HK\$1.1287 per Sale Share. The prices at which the disposals were made were based on the prevailing market prices of Aidigong Shares as quoted on the Stock Exchange at the relevant times of the Disposals. Upon completion of the Disposals, the Company no longer holds any Aidigong Shares.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group has no material contingent liabilities (As at 31 December 2020: Nil).

PLEDGE OF ASSETS

The Group’s obligations under finance leases, bank loans and other loans of HK\$338.80 million in total as at 30 June 2021 (As at 31 December 2020: HK\$381.57 million) were secured by charges over:

- (i) property, plant and equipment in which their carrying amount was HK\$54.42 million (As at 31 December 2020: HK\$167.57 million);
- (ii) right-of-use assets in which their carrying amount was HK\$201.82 million (As at 31 December 2020: HK\$340.18 million); and
- (iii) contractual rights to receive revenue generated by certain of our subsidiaries.

NO MATERIAL CHANGE

Save as disclosed in this report, during the First Half 2021, there has been no material change in the Group’s financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2020.

EMPLOYEES

As at 30 June 2021, excluding jointly controlled entities and associates, the Group had 1,022 (As at 30 June 2020: 1,426) employees, of which 12 (As at 30 June 2020: 21) are Hong Kong employees. During the period under review, total employee benefit expenses, including directors’ emoluments and provident funds, was HK\$112.44 million (For the six months ended 30 June 2020: HK\$102.29 million). The increase was due to addition staff employed for further expansion business in renewable energy projects and the absence of the relief of social insurance promulgated by the Chinese government which incurred in 2020. 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 period under review, 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.

MARKET REVIEW:

In 2021, with the acceleration of global vaccination and the gradual lifting of lockdown measures by various countries, the recovery of the world economy is on a significant rise. This year is the first year of China's "14th Five-Year Plan". Although China has achieved positive economic growth, which was rare in the world in 2020, the recovery of some domestic industries is still relatively slow.

In the post-epidemic era, with the increasing awareness of national health and environmental protection, the PRC has successively promulgated a series of environmental protection policies, which undoubtedly promoted the rapid development of a number of environmental protection industries. President Xi Jinping announced that "China will aim to have CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060", and proposed a series of measures required to achieve this major strategy. As a member of the environmental protection industry, China Water Industry Group actively responded to national policies, relied on its own business layout and leveraged on its platform advantages to adjust the direction of strategic development. In the first half of the year, the Group achieved remarkable results. The Group's business segments grew steadily, and some companies exceeded their interim performance targets.

BUSINESS REVIEW:

I. Reasonable optimization of asset allocation of water and city-industry integration segments

At present, the domestic large-scale water projects have become saturated, and the competition pattern among water companies has taken shape, which have significantly restricted the future development of the water industry. The real estate industry is affected by national policies, which will also pose greater challenges to the industry in the future. Therefore, the Group will scale down the related business and carry out asset integration and optimization for its own existing water and city-industry integration projects, and the funds after disposal will be substantially invested in environmental protection new energy and the future business development direction of the Group, with a view to further promoting the business expansion in the environmental protection and new energy sector.

The Group seized the opportunity of the gradual trial state-owned operation of domestic water companies, and reached an agreement with Jiangxi Sanchuan to optimize and dispose the assets of Yingtian Supply Group in the first half of the year, and has completed the relevant equity transfer and other works.

For the Huizhou Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) Project under the city-industry integration segment, through multi-channel communication, the Group has re-commenced the construction of the project, solved the obstacles in sales segmentation for the project over the years, and fundamentally revitalized the project; the Nanjing Space Big Data Industry Base Project of the segment has fully completed the project completion acceptance and completion filing, and currently the sales work is carried out in an orderly manner.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW: *(Continued)*

II. Continuous expansion of environmental protection and new energy business, and the profit point of carbon emission reduction has achieved remarkable results

In the first half of the year, 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 its subsidiaries (the “**New China Water**”) under the Group have achieved satisfactory results. In terms of efficiency, the power generation, net profit and other indicators of the companies increased as compared with the corresponding period of last year. In terms of project construction and new project signing, the companies smoothly promoted the construction of 6 new projects (10MW in total), and completed the signing of Dalian Wafangdian Project and Fujian Shaowu Project (4MW in total).

In terms of carbon emission reduction, New China Water has gained substantial economic revenue. The Sanya Project and Zhangjiakou Project of the company have sold VCS of 0.3 million tonne in total with total revenue of RMB0.75 million. Subsequently, the VCS price will be adjusted from RMB2.5 per tonne to RMB3.3 per tonne, and the revenue may further increase.

From 2016 to May 2021, the accumulated carbon emission reduction of New China Water amounted to 12.78 million tonne. Although the current CCER carbon emission trading in China has not yet been launched, as the dual carbon target is approaching, the launch of the national carbon trading market has to be promoted as soon as possible, and the price of carbon quota is expected to maintain an upward trend in the future.

PROSPECTS:

In 2021, substantial progress has been made in epidemic prevention and control, and the domestic economic development has gradually enhanced its ability to adapt to the epidemic. In addition to the frequent promulgation of favorable environmental protection guidance policies this year, in March this year, the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of 2035 Vision were passed at the fourth meeting of the 13th National People’s Congress, which outlined the governance ideas and implementation path during the “14th Five-Year Plan” period from three aspects, namely “improving the quality and stability of the ecosystem”, “continuously improving the environmental quality” and “accelerating the green transformation of the development mode”.

This is a broad and profound systematic reform of the economy and society, which is both an opportunity and a challenge. China Water Industry Group is well-positioned to steadily develop its environmental protection business in accordance with the three-year development strategic future plan, and is committed to building an all-round, multi-dimensional and comprehensive environmental protection business to become a leading environmental protection enterprise providing environmental ecological ancillary services.

PROSPECTS: *(Continued)*

I. Deepen the development of the biomass and biogas reuse project and expand into new areas

With the increase in population, the process of urban-rural integration has accelerated, and the amount of waste has increased accordingly. Although the PRC has strongly supported the construction of waste incineration facilities, taking into account the current situation in the PRC and considering the financial pressure of small cities in various regions, the annual and monthly maintenance of waste incineration, and the increasingly stringent environmental protection policies on waste incineration, waste incineration and landfill will remain in balance for a long time in the future.

As of the end of 2020, China's installed capacity of renewable energy reached 934 million kW, of which biomass energy accounted for only 3.2%; it is expected that the proportion of biomass energy consumption in renewable energy will increase to about 8% by 2030, and the total installed capacity of renewable energy will be not less than 1.6 billion kW by 2030. In the future, the scale of biomass energy industry is expected to reach RMB500 billion. Therefore, the development prospect of biomass energy industry is promising.

In the future, the Group will focus on domestic landfill gas power generation and actively pursue the development in county-level cities in China. The Group will strive to expand its landfill gas projects mainly in Southeast Asian countries when the epidemic situation improves. By utilizing existing project resources and focusing on projects that have been put into operation, the Group will develop the reuse of leachate biogas and kitchen gas in the surrounding areas of the projects and extend the operating life of attenuated projects. At the same time, the Group will seek to diversify its cooperation model and develop new leachate biogas and kitchen biogas reuse projects.

In addition, the Group will undertake landfill closure management, ecological restoration, landfill gas collection and operation management, fly ash landfill and other engineering projects. Meanwhile, the Group will enter into the kitchen waste and leachate industry through acquisition. It will build and cultivate professional teams for kitchen waste recycling and leachate treatment, and also establish technology-based and professional investment, construction and operation companies with group characteristics.

II. Comprehensive and orderly development of carbon neutral business

The Group will give full play to the favorable policies of carbon neutralization on the market of biomass energy comprehensive utilization industry. The accumulated carbon emission reduction of New China Water from 2016 to 2021 is 12.78 million tonne, and if 70% of the amount can be used for carbon emission trading, the net profit calculated based on RMB15 per tonne will be very substantial. The Company will remain sensitive to the national policy of "carbon neutrality" and the policy of carbon trading market, sort out the Company's projects that can be currently used for carbon trading and the current carbon storage of the Company, and continue to complete the VCS transactions of the existing projects. If the CCER market establishes a sound trading mechanism, the Group will comprehensively carry out CCER carbon trading.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECTS: *(Continued)*

III. Actively expanding financing channels to ensure the development of the Group

In order to ensure the sustainable development of the Group's core businesses and meet the capital needs for future business expansion, the Group will actively expand its financing channels and accelerate the introduction of strategic investors; the Group will also enter into cooperation with financial institutions to realize the integration and utilization of resources of various platforms in the next three years, so as to maximize resources utilization and ensure the long-term and stable development of the Group.

IV. COVID-19 outbreak and effects on our businesses

In the first half of the year, as the COVID-19 pandemic in Mainland China gradually subsided and economic activities resumed, the Group's overall operation and sales had returned to normal. 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 First Half 2021 proved that the Group was not suffering any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

The Group will always be committed to achieving its 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"). It will always adhere to national policies while seeking the Group's "High Technology + Environmental Protection" path in the face of opportunities and challenges. The Group will cultivate its core competitiveness to further expand and strengthen itself to become a leading environmental ecological ancillary service provider in China and even the world.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2021, 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
Ms. Deng Xiao Ting	Beneficial owner	3,000,000 (L)	0.19%
Ms. Chu Yin Yin, Georgiana	Beneficial owner	743,200 (L)	0.05%
Mr. Hu Siyun	Beneficial owner	27,936,000 (L)	1.75%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,596,539,766 shares in issue as at 30 June 2021.

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

Save as disclosed above, as at 30 June 2021, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of part xv of the SFO (including interests and short positions which directors have taken or deemed to have under such provisions of SFO) or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

SUPPLEMENTARY INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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	161,676,000 (L) <i>(Note 1)</i>	10.13%
Step Wide Investment Limited	Beneficial owner	276,112,000 (L) <i>(Note 2)</i>	17.29%

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

Note 2: These shares are held by Step Wide Investment Limited (“**Step Wide**”) which Mrs. Chu Yuet Wah (“**Mrs. Chu**”) is the beneficial owner. Mrs. Chu is deemed to be interested in shares held by Step Wide by virtues of the SFO.

Note 3: The shareholding percentage in the company is calculated on the basis of 1,596,539,766 shares in issue as at 30 June 2021.

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

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other corporation which/person (other than a Director or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE CAPITAL

The Company’s issued and fully paid share capital as at 30 June 2021 amounted to HK\$798,270,000 divided into 1,596,539,766 ordinary shares of HK\$0.50 each.

DIRECTORS’ RIGHTS TO ACQUIRES OR DEBENTURES

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

SHARE OPTION SCHEME

At the annual general meeting (the “**2021 AGM**”) of the Company held on 2 June 2021, the shareholders of the Company approved the adoption of the Company’s New Share Option Scheme (the “**New Option Scheme**”) and the termination of the Company’s then existing Share Option Scheme. From the date of the New Option Scheme being adopted up to 30 June 2021, no share options have been granted. The purpose of the New Option Scheme is to enable the Company to grant options to selected participants as incentive and/or rewards for their contribution and support to the Group and any invested entity and/or to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity. The New Option Scheme will remain in force for 10 years and expire on 1 June 2031.

PRE-EMPTIVE RIGHTS

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

SUFFICIENT OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders’ expectation and comply with relevant standards. The Board believed that the Company has complied with the code provisions of Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021 except for the following deviation.

- Pursuant to the code provision of A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all Directors should be subject to retirement by rotation at least once every three years. All independent non-executive Directors (the “**INEDs**”) of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Company’s Article of Association.

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

SUPPLEMENTARY INFORMATION *(Continued)*

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

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 annual report of the Company for the year ended 31 December 2020 required to be disclosed were as follows:

I The following changes were with effect from 8 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. However, Mr. Lin Yue Hui remain serves as an executive Director of the Company;
- Mr. Zhu Yongjun, 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 Feng has resigned as an executive Director, an Authorised Representative and a member of the Remuneration Committee. Mr. Liu Feng 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 (the “INED”) and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee;
- Ms. Chu Yin Yin Georgiana, 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. Lam Cheung Shing, Richard, an INED, has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee; and
 - Ms. Deng Xiao Ting, an executive Director, has been appointed as a member of the Investment Committee.
- II Mr. Lin Yue Hui has resigned as an executive Director of the Company and other directorships of certain subsidiaries of the Group with effect from 18 June 2021. Further, Mr. Lin Yue Hui ceased to be a member of the Investment Committee.
- III Mr. Ho Chi Ho has resigned as a non-executive Director of the Company with effect from 29 June 2021.
- IV Mr. Zhong Wei Guang has resigned as an executive Director of the Company with effect from 14 July 2021.
- V Mr. Hu Siyun has been appointed as an executive Director of the Company with effect from 14 July 2021.
- VI The following changes were with effect from 16 September 2021:
- Each of Mr. Hu Siyun and Ms. Chu Yin Yin Georgiana has been appointed as a member of Investment Committee; and
 - Ms. Deng Xiao Ting resigned as a member of the Investment Committee.

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

AUDITOR REVIEW OF THE INTERIM FINANCIAL RESULTS

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

AUDIT COMMITTEE

The Audit Committee comprises three INEDs of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, has reviewed with the management of the Company, (i) the accounting principles and practices adopted by the Group and discussed auditing; (ii) internal controls including relevant internal control measures to govern connected party transactions; and (iii) financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2021. The term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Zhu Yongjun and Mr. Lam Cheung Shing, Richard. It is mainly responsible for reviewing and evaluating the remuneration policies of executive Directors and senior management and making recommendations to the Board from time to time. The term of reference of the Remuneration Committee is available on the Company's website and on the Stock Exchange's website.

SUPPLEMENTARY INFORMATION *(Continued)*

NOMINATION COMMITTEE

The Nomination Committee comprises two INEDs and one executive Director of the Company including Mr. Zhu Yongjun (Committee Chairman), Mr. Wong Siu Keung, Joe and Mr. Lam Cheung Shing, Richard. The Nomination Committee is mainly responsible for reviewing the Board composition, board diversity policy, advising the Board on the appointment and succession planning of Directors and assessing the independence of INEDs. The term of reference of the Nomination Committee is available on the Company's website and on the Stock Exchange's website.

INVESTMENT COMMITTEE

The Investment Committee consists of three executive Directors including Mr. Zhu Yongjun (Committee Chairman), Mr. Hu Siyun and Ms. Chu Yin Yin, Georgiana, four senior management including Mr. Tang Po Shing, Mr. Zhong Wei Guang, Mr. Liu Wei Qing and Mr. Pan Yimin. The role of Investment Committee is to oversee the Company's strategic and investment policy on a regular basis and to advise the Board on the investment of the Company including asset allocation and new investment proposal. The term of reference of the Investment Committee is available on the Company's website.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

The interim results announcement is published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report of the Company for 2021 containing all information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

APPRECIATION:

I would like to take this opportunity to express my heartfelt gratitude, on behalf of the Board, to general investors and financial institutions for always offering their tremendous support to the Group, as well as to the pioneers and all the staff for achieving success for the Group. In the second half of 2021, the Group will continue to explore and seek development, and look forward to sharing the Group's achievements and advancements with you.

By order of the Board
China Water Industry Group Limited
Mr. Zhu Yongjun
Chairman and Executive Director

Hong Kong, 30 August 2021

* *The English name is for identification purpose only.*