中國水業集團有限公司*

CHINA WATER INDUSTRY GROUP LIMITED

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

Build a Dream and share Future Success

Annual Report 2021

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yongjun
(Appointed as the Chairman on 8 February 2021)
Mr. Hu Siyun (Appointed on 14 July 2021)
Ms. Chu Yin Yin, Georgiana
Ms. Deng Xiao Ting
Mr. Liu Feng (Resigned 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)

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. 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)
Mr. Liu Wei Qing
Mr. Tang Po Shing
Mr. Lin Yue Hui
(Resigned as the Chairman on 8 February 2021)
Mr. Li Han (Resigned as a member on 8 February 2021)
Mr. Liu Feng
(Resigned as a member on 16 September 2021)
Ms. Deng Xiao Ting
(Resigned 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
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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STOCK

1129

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	Change
	HK$'000	HK$'000	%
Financial Result			
Revenue	**1,101,791**	1,129,548	(2.46%)
Gross Profit	**420,530**	480,300	(12.44%)
Profit for the year	**25,547**	120,466	(78.79%)
(Loss)/profit attributable to owners of the Company	**(44,020)**	11,094	(496.79%)
(Loss)/earnings per share (HK cents)			
— Basic and diluted	**(2.76)**	0.69	(500.00%)
EBITDA (Note)	**333,467**	439,706	(24.16%)

	2021	2020
	HK$'000	HK$'000
Financial Position		
Gearing ratio	**50.13%**	60.90%
Current ratio	**1.13 times**	1.13 times
Cash and cash equivalents	**291,358**	432,654
Net asset value	**1,925,866**	2,200,949
Equity attributable to owners of the Company	**1,370,239**	1,407,592
Equity attributable to owners of the Company per share (HK$)	**0.86**	0.88

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

FIVE YEARS FINANCIAL SUMMARY

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Results					
Revenue	701,524	1,008,002	1,189,201	1,129,548	**1,101,791**
Finance costs	(33,780)	(47,559)	(68,757)	(79,746)	**(66,431)**
Profit before taxation	45,105	107,233	248,014	180,786	**89,511**
Income tax expense	(34,203)	(41,651)	(69,288)	(60,320)	**(63,964)**
Profit for the year	10,902	65,582	178,726	120,466	**25,547**
Assets and liabilities					
Non-current assets	1,907,825	2,182,205	2,431,726	2,618,688	**2,123,019**
Current assets	1,219,728	1,378,507	2,328,003	3,010,108	**1,738,848**
Total assets	3,127,553	3,560,712	4,759,729	5,628,796	**3,861,867**
Non-current liabilities	456,431	842,523	933,783	761,074	**393,904**
Current liabilities	851,486	955,779	1,929,549	2,666,773	**1,542,097**
Total liabilities	1,307,917	1,798,302	2,863,332	3,427,847	**1,936,001**
Net assets	1,819,636	1,762,410	1,896,397	2,200,949	**1,925,866**
Equity attributable to owners of the Company	1,305,399	1,219,396	1,284,897	1,407,592	**1,370,239**
Non-controlling interests	514,237	543,014	611,500	793,357	**555,627**
(Loss)/earnings per share					
Basic	(3.08) cents	0.42 cents	7.24 cents	0.69 cents	**(2.76) cents**
Diluted	(3.08) cents	0.42 cents	7.24 cents	0.69 cents	**(2.76) cents**

CHAIRMAN'S STATEMENT FOR 2021

The year 2021 marked the inaugurated year of significant adjustment for the Group. As the PRC government vigorously propels renewable energy and with the progressive implementation of "carbon peak and carbon neutrality" and relevant policies on environmental protection, the Group fully leveraged its shareholders' advantages as well as its experienced management team and adjusted future strategic planning in a timely manner. We clearly established the development objective of being a biomass and fuel gas operator in China and actively sought expansion in the recycling of biogas, the recycling and integrated disposal of wastes from agriculture, forestry, livestock, poultry and other sectors.

In 2021, the Group adhered to the strategic target of "using environmental protection and new energy as the core, optimising the Group's assets as the orientation and steadily adjusting the Group as the premise", and forged ahead with concerted efforts and solidarity. The Group reviewed and adjusted the existing business segments and greatly mitigated its historical debts issue. All business segments have achieved steady development with the operating income from the water services segment and the environmental protection and new energy segment recording stable growth.

In December 2021, the Group announced the intended capital contribution of RMB50 million as joint contributions with its partners to establish an investment fund on carbon emission reduction industries, which strives to invest in the equity investment of organic waste recycling projects with carbon emission reduction effects as well as participating in Chinese Certified Emission Reduction ("**CCER**") (國家核證自願減排量) trading. In February 2022, the Group completed the placement of 319,200,000 shares in total to six investors, representing approximately 16.66% of the issued share capital of the Group as enlarged by the allotment and issuance of the placing shares after the completion of the placement. The net proceeds raised were over HK$77 million in which the liquidity of the Group is further improved.

BUSINESS REVIEW:

I. Continuous Increase in Environmental Protection and New Energy Business with Multi-faceted Prosperity

As of the end of 2021, New China Water (Nanjing) Renewable Resources Investment Company Limited (the "**New China Water**") and its subsidiaries (the "**New China Water Group**") had a total of over 40 solid waste treatment projects with an annual on-grid electricity capacity of 835 million kWh, representing a year-on-year increase of 10.82%. The total installed capacity reached 141MW, maintaining its position as a leading enterprise in the sub-segment.

In 2021, the business continued to maintain a steady development with seven new projects put into operation providing a new power generation scale of 8.7 MW. New China Water Group also signed contracts on seven new projects, upon completion and put into operation will provide additional power generation capacity of 25MW, representing an increase of 10MW of contracted scale as compared with the new contracted scale of last year of 15MW.

As of the end of 2021, the total carbon emission reduction of New China Water Group was approximately 17.71 million tonne, including 14 Verified Carbon Standard ("**VCS**") (核證碳減排標準) projects with an accumulated carbon emission reduction of 2,788,000 tonne. In 2021, the actual carbon emission reduction transaction volume was 1.71 million tonne and achieved a revenue of RMB7.45 million. In addition, 17 CCER projects with an accumulated carbon emission reduction of 15.10 million tonne are well prepared for development and pending the re-initiation of CCER policies.

New China Water Group raised a total of RMB190 million through financial leasing, bank loans and other channels throughout the year. At the same time, New China Water expanded the development with its financing partners. New China Water has established the cooperation intention on green loans with International Finance Corporation (IFC) and is likely to achieve substantive progress in the second quarter of 2022 to further reduce financing and financial costs and improve efficiency. In addition, New China Water also attempted to discuss with certain investment institutions on equity financing, actively introduced strategic investors and optimised internal financial structure to safeguard enterprise development.

It also achieved important progresses in the collection of tariff subsidies. In 2021, New China Water Group collected tariff subsidies of RMB41.51 million, representing an increase of 391% over last year.

II. Strategic Optimisation of Water Sector with Booming "Construction of Three Industries"

Despite the pandemic keep on reoccurring, all companies in the water services segment had successfully achieved the operation targets pre-determined at the beginning of the year and recorded steady growth. They continued to provide residents with premier services and ensure safe water supply, safe operation and qualified water throughout the year.

With the strategic thinking adjustment in mind, the Group gradually optimised and disposed of the assets of certain projects.

1. It completed the transfer of the remaining 51% equity of Yingtan Water Group in 2021.

2. Yichun Water Industry Group Co., Ltd. initiated the "three-orientation construction" to regulate the enterprise standard management and facilitated the construction of three industries. It released the Reply on the Review of the Price of Secondary Water Supply in Urban Areas of Yichun City (for Trial Implementation) and proposed a trial price of RMB1/tonne. Meanwhile, the direct drinking water business achieved significant breakthroughs and has successfully established presence in three governments and two schools.

3. Linyi Fenghuang Water Industry Co. Ltd. comprehensively optimised the business environment and developed smart water services. It responded to national policies on renovating old communities. While pushing for certain financial funds on renovation, it actively undertook the renovation works of the first batch of old communities in Hedong District, guaranteeing the quality and subsequent management of projects. The project is of demonstrative significance in renovation and greatly improved its enterprise business image. While saving costs for the company, it also guaranteed project quality and ensured providing high-quality services.

4. The construction and operation of the project with a capacity of 140,000 tonne/day of Yichun Fangke Sewage Treatment Company Limited* progressed in a stable manner. The Mingyue Mountain Wentang Sewage Treatment Plant completed its environmental inspection and acceptance in April. With a sewage disposal capacity of 20,000 tonne/day, the operation is stable and has achieved profitability. The project of Mingyue Mountain Hongjiang Sewage Treatment Plant with a sewage disposal capacity of 10,000 tonne/day has completed the feasibility research and the assessment on social stability risk as well as the pre-approval of project lands. It is expected to conduct design and project bidding in the first half of 2022 and commence construction in the second half year. For the construction of the 1MW photovoltaic project on the rooftop of its factories, which is invested by a third party, it has completed the filing, bidding and preliminary civil works on brackets and is expected to complete construction and commence on-grid power generation in April 2022.

III. City-Industry Integration Segment Braving Difficulties and Embracing a Turnaround

Owing to the impact of the overall domestic economic situation and policy adjustments in 2021, the Group's two city-industry integration projects in Huizhou and Nanjing experienced various problems and difficulties such as postponement and suspension in construction, changes in policies on project acceptance, slow progress in investment solicitation and collection of sales proceeds as well as shortage of construction funds.

Facing such difficulties, the Group and Swan (Huizhou) Investment Company Limited worked closely together and forged ahead. It has completed the completion filing for the Nanjing Space Big Data Industry Base Project. The project has officially started investment solicitation and operation. The hand over of the relevant sold units of the project was also completed during 2021. The construction of the Huizhou Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) Project has successfully resumed and investment solicitation and sales activities have initiated comprehensively. It has reached preliminary transfer intention with potential buyers, embracing its turnaround stealthily.

IV. Improved Situation on Glass Recycling Business in Hong Kong

Hong Kong witnessed social instability and the reoccurrence of the pandemic in 2021, which had significantly bombarded the business operation of the Glass Company in Hong Kong. In the first half of 2021, the Glass Company hardly conducted any normal recycling of glass bottles operation due to a serious loss of internal staff. Thanks to the improved social stability in the second half of 2021, the Glass Company achieved substantive progress in business operation and internal management through replacing management personnel and shifting of decision-making direction of the Group. With all the efforts of the Glass Company in the second half of 2021, it has maintained a stable operation, established a positive corporate image and was highly recognised by the Environmental Protection Department and relevant government authorities.

OUTLOOK AND FUTURE PLANS:

Under the leadership of the new session of the Board, the Group surmounted various difficulties and challenges in 2021 and successfully got over the year of adjustment. In 2021, the Group had laid a solid foundation and is well prepared to officially commence the inaugurated year for taking off the Group under new strategic development deployment. In the future, the Group will further emphasise streamlining and developing core business segments, targeting specifically on the current development conditions of all segments.

For the traditional water services segment, after the overall strategic adjustments of the Group in 2021, it is the intention of the Group to continue to develop the water services segment as the core assets in 2022. Considering the feasibility on the continuous development of existing water services projects, the Group will gradually complete the reasonable optimisation of the Group's water services assets. Moreover, the Group proposes to cultivate the Group's technical capability in the water treatment sector through measures such as cooperation, joint ventures and acquisition to seize opportunities in non-traditional municipal water supply and drainage projects. It will focus on benchmarking the industrial sewage treatment business and relevant market opportunities.

For the sewage segment, the Group will continue to improve the operation of sewage treatment plants and improve efficiency. In considering the changes in the core strategic development of the Company, we do not rule out the possibility of selling such sewage-related assets with fair and reasonable prices.

For the city-industry integration segment, the Group plans to integrate domestic and overseas economic situation and internal resources of the Group to further improve various conditions of the projects based on the results achieved in 2021. It will conduct further communication exchange with potential clients to complete the transfer and sale of the Huizhou Honghu Blue Valley Wisdom Square* Project. For the Nanjing Space Big Data Industry Base Project, it will complete the delivery of the contracted parts and collect sales proceeds as soon as possible. At the same time, it will fully carry out investment solicitation and operation to bring long-term and stable revenue growth points to the Group.

For the glass recycling business in Hong Kong, the Group will further optimise the production factory zone and improve production equipment by referencing to the basis in 2021 to increase the total volume capacity of glass recycling, actively expand new recycling sites and expand the recycling category from food and beverage to accommodation living. At the same time, the Group will conduct in-depth research on the market potential in Kowloon, Hong Kong and the recycling potential in other areas to boost business volume and turn losses into profits.

In the future, the Group will after evaluating the resources of the Group, give priority to the business development of the environmental protection and new energy segment, continuously deepen the business of the landfill gas sub-segment, actively seek new gas sources and tap into opportunities in biomass and fuel gas projects in industrial, agricultural planting and breeding wastes, kitchen wastes and other sectors to further consolidate its positioning as a leading operator in the biomass and fuel gas industry in China. On the other hand, it will focus on overseas markets, reinitiate the project in Jakarta and leverage the project in Jakarta to seek development opportunities in the landfill gas business in Indonesia and other Southeast Asian countries. Meanwhile, the Group will actively respond to national carbon neutrality policies and improve the carbon emission reduction team. It will propose optimised resolutions to the carbon emission reduction reserve of the Group and significantly increase the Group's revenue after the re-initiation of CCER policies. In addition, the Group will continue to work diligently in seeking strategic partners and introduce partners through equity financing aspect of New China Water. Under the national strategic targets, the Group will boost efforts in innovation and vigorously seek multi-dimension breakthroughs to achieve win-win results through strong alliance.

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.

The Group will always adhere to the business philosophy of "The government is assured and the public is satisfied. Shareholders' recognition and staff contentment are achieved" ("政府放心，市民滿意，股東認可，員工樂業")." Despite COVID-19 pandemic is still lingering and international economic situation will yet to be optimistic in 2022, nevertheless, the Group has been fully prepared after the exploration and refinement in 2021. In the future, the Group will focus on the visionary strategic deployment of the new session of the Board, tackle challenges and adopt targeted measures to write a new chapter for the Group.

Mr. Zhu Yongjun
Chairman and executive Director
Hong Kong, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net profit for the year

Net profit for the year ended 31 December 2021(the "**FY2021**") was approximately HK$25.55 million, representing a decrease of 78.79% from HK$120.47 million for the year ended 31 December 2020 (the "**FY2020**"). Loss attributable to owners of the Company for the FY2021 was HK$44.02 million (FY2020: profit of HK$11.09 million).

Comparing with the FY2020, the decrease in profit in FY2021 was mainly attributable to, among others: (i) increase in provision of impairment loss on assets of several renewable energy projects; (ii) increase in expected credit losses on certain trade and other receivables; (iii) substantial decrease in profit contributed by the Yingtan Water Supply Group Co., Ltd. together with its subsidiaries (the "**Yingtan Water Group**"). Following completion of the disposal of 20% equity interests in Yingtan Water Group in February 2021. Yingtan Water Group ceased to be subsidiaries of the Company and only two months of Yingtan Water Group's profit was accounted for the Group's consolidated profit in FY2021 while FY2020 recorded full year of Yingtan Water Group's profit; and (iv) increase in administrative expenses during FY2021 attributable to the increase in staff cost and as the Group was no longer entitled to the preferential policy for the payment of social insurance during the COVID-19 pandemic. The effects of the aforesaid facts were partially offset by the increase in revenue and hence gross profit derived from the water supply and related construction service and renewable energy businesses as well as the continued growth of the Group's other businesses, the decrease in finance cost due to the partial repayment of other loans including fixed coupon bonds, the appreciation of Renminbi and an increase in net realised and unrealised gain on financial assets.

Revenue and gross profit

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

On 15 December 2020, the Group had entered into the first equity transfer agreement for the purpose of disposal 20% equity interests in the Yingtan Water Group (the "**First Disposal of Yingtan Water Group**"). Following the completion of First Disposal of Yingtan Water Group in February 2021, the Yingtan Water Group ceased to be subsidiaries of the Company and accounted for as associates of the Company. On 28 June 2021, the Group had entered into the second equity transfer agreement for the purpose of disposal 31% equity interests in the Yingtan Water Group (the "**Second Disposal of Yingtan Water Group**"). Following the completion of Second Disposal of Yingtan Water Group in September 2021, the Group was no longer to hold any equity interest in Yingtan Water Group. The Yingtan Water Group ceased to be associates of the Company thereafter.

The principal activities of Yingtan Water Group are mainly engaged in the provision of water supply, construction services for water supply and property development. As a result of the First and Second Disposal of Yingtan Water Group (collectively known as the "**Disposal of Yingtan Water Group**") in 2021, the Group has scaled-down the businesses in these segments but there is no change to the principal business of the remaining group (the "**Remaining Group**"). The Remaining Group have continued to carry out its existing businesses.

Financial performance analysis:

	FY2021			FY2020			FY2021 vs FY2020		
	The Group HK$ M	Yingtan Water Group 2 months HK$ M	The Remaining Group HK$ M	The Group HK$ M	Yingtan Water Group 12 months HK$ M	The Remaining Group HK$ M	The Group HK$ M	Yingtan Water Group HK$ M	The Remaining Group HK$ M
Revenue	1,101.79	43.62	1,058.17	1,129.55	264.90	864.65	(27.76)	(221.28)	193.52
Gross profit	420.53	22.82	397.71	480.30	132.20	348.10	(59.77)	(109.38)	49.61
Profit after taxation	25.55	23.24	2.31	120.47	103.52	16.95	(94.92)	(80.28)	(14.64)
Attributable to:									
— owners of the Company	(44.02)	11.85	(55.87)	11.09	52.86	(41.77)	(55.11)	(41.01)	(14.10)
— non-controlling interests	69.57	11.39	58.18	109.38	50.66	58.72	(39.81)	(39.27)	(0.54)
	25.55	23.24	2.31	120.47	103.52	16.95	(94.92)	(80.28)	(14.64)

Overall the Group's revenue decreased by HK$27.76 million from HK$1,129.55 million for the FY2020 to HK$1,101.79 million for FY2021. Because there was only two months of Yingtan Water Group's revenue consolidated into the Group while FY2020 recorded full year of Yingtan Water Group's revenue. The Remaining Group's revenue grew by HK$193.52 million from HK$864.65 million for the FY2020 to HK$1,058.17 million for FY2021. The steady growth was mainly due to (i) the ongoing increase in the volumes of on-grid electricity of projects in operation; (ii) the increase of waste water processing contributed by new sewage treatment plant; and (iii) continued appreciation of exchange rate of RMB against HK$; (iv) the increase in the water supply and related construction service income; and (v) the sale of commercial units in Nanjing Space Big Data project.

During the year under review, the renewable energy business segment become the principal source of the Remaining Group's revenue which contributed HK$569.20 million (FY2020: HK$494.25 million). Construction services business segment became the second largest revenue generator of the Remaining Group which achieved a revenue of HK$250.31 million (FY2020: HK$187.96 million).

Overall gross profit in FY2021 was HK$420.53 million, fell by 12.44% compared to HK$480.30 million in FY2020. The decrease in gross profit was in-line with the decrease in overall revenue. The Remaining Group of gross profit improved by HK$49.61 million from HK$348.10 million for the FY2020 to HK$397.71 million for the FY2021 due to the continued growth in the existing businesses.

The other operating income and expenses, total expenses, share of profit/(loss) from associates and joint venture, finance costs and taxation are analysis as follows:

	FY2021			FY2020			FY2021 VS FY2020		
	The Group HK$ Million	Yingtan Water Group 2 months HK$ Million	The Remaining Group HK$ Million	The Group HK$ Million	Yingtan Water Group 12 months HK$ Million	The Remaining Group HK$ Million	The Group HK$ Million	Yingtan Water Group HK$ Million	The Remaining Group HK$ Million
Other operating income and expenses	79.06	20.96	58.10	133.09	86.04	47.05	(54.03)	(65.08)	11.05
Selling and distribution expenses	46.72	1.75	44.97	55.53	17.04	38.49	(8.81)	(15.29)	6.48
Administrative expenses	227.28	8.64	218.64	241.45	57.95	183.50	(14.17)	(49.31)	35.14
Total Expenses	274.00	10.39	263.61	296.98	74.99	221.99	(22.98)	(64.60)	41.62
Share of profit/(loss)									
— Associates	32.41	(0.08)	32.49	(1.80)	(2.14)	0.34	34.21	2.06	32.15
— Joint venture	0.64	(0.39)	1.03	(2.15)	(1.34)	(0.81)	2.79	0.95	1.84
Finance costs	66.43	0.44	65.99	79.75	0.79	78.96	(13.32)	(0.35)	(12.97)
Taxation	63.96	9.21	54.75	60.32	37.69	22.63	3.64	(28.48)	32.12

Other operating income and expenses

For the FY2021, other operating income, net amounted to HK$79.06 million, (FY2020: HK$133.09 million) fell by HK$54.03 million due to the Disposal of Yingtan Water Group. The Remaining Group's other-operating income, net mainly consisted of income generated from selling of carbon emission amounted to HK$8.97 million, VAT refund of HK$23.71 million, consultancy fee of HK$6.82 million, government grants of HK$5.97 million in relation to subsidising certain renewable energy projects, net service income of HK$5.60 million from the operation of landfill gas project and interest income HK$5.69 million. Compared with FY2020, the Remaining Group of other-operating income and expenses rose by HK$11.05 million to HK$58.10 million due to the sale of carbon emissions and consultancy fee income (FY2020: HK$47.05 million).

Selling and distribution expenses and administrative expenses

For the FY2021, selling and distribution expenses together with administrative expenses ("**Total Expenses**") collectively dropped by HK$22.98 million to HK$274.00 million (FY2020: HK$296.98 million) due to the Disposal of Yingtan Water Group. Total Expenses of Remaining Group increased by HK$41.62 million to HK$263.61 million (FY2020: HK$221.99 million) which was mainly due to (i) the preferential policy for the social insurance exemption during the COVID-19 pandemic in FY2020, while no such exemption granted was for in FY2021, (ii) the appreciation of exchange rate of RMB against HK$, (iii) the increase in staff costs and associated operating expenses which were in line with the increase in revenue and the expansion strategy in the Remaining Group's renewable energy business; (iv) salaries increment in Yichun Water Project; (v) additional professional fee incurred for the Disposal of Yingtan Water Group. Total Expenses of the Remaining Group mainly consisted of staff costs including social insurance of HK$138.62 million, legal and professional fee including audit fee of HK$36.52 million, repair and maintenance of HK$11.59 million and depreciation including amortization of HK$20.33 million. Total Expenses of the Remaining Group accounted for 24.91% of the total revenue of the Remaining Group, which was comparable to FY2020 of 25.67%.

Finance costs

For the FY2021, the finance costs of the Remaining Group were HK$65.99 million, a decrease of HK$12.97 million as compared to that of last year (FY2020: HK$78.96 million). The decrease was mainly due to the repayment partial of fixed coupon bonds. Finance costs of the Remaining Group of finance costs were mainly interests on fixed coupon bonds and other loans borrowing.

Contribution from Yingtan Water Group

The Disposal of Yingtan Water Group recorded a net gain after taxation of HK$6.03 million. For the First Disposal of Yingtan Water Group, the Company recorded a gain on disposal of subsidiary of HK$45.04 million. For the Second Disposal of Yingtan Water Group, the Company recorded a loss of HK$38.40 million on disposal of associate. Between the completion of the First Disposal and Second Disposal, Yingstan Water Group as associates to the Company had contributed a profit of HK$32.30 million to the Group which included into the share of profit of associates. Taking into account the above mentioned gain and loss, share of profit of associate together with tax payable for the aforesaid Disposal amounted to HK$32.90 million which included in the income tax, the Disposal of Yingtan Water Group resulted in a net gain after taxation.

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

For the FY2021, net gain on financial assets at fair value through profit or loss ("**FVPL**") were amounted to HK$15.89 million, rose by HK$29.33 million from the loss of HK$13.44 million for the FY2020. Included in net gain on FVPL mainly comprised of (i) HK$6.17 million for the fair value gain on listed equity securities; and (ii) HK$9.30 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.

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

For the FY2021, the impairment loss on other intangible assets, goodwill, right of use assets and PPE recorded HK$4.91 million (FY2020: HK$3.58 million), HK$7.72 million (FY2020: HK$76,000), HK$13.10 million (FY2020: HK$49,000) and HK$30.80 million (FY2020: HK$19.02 million) respectively, mainly provided for the renewable energy projects located in provinces of Hunan, Guangdong, Shangdong and Hainan, the PRC. The reasons of impairment loss provided on these projects are (i) as no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators resulting in the cessation of power generation; (ii) an expected decrease in new garbage delivered to the landfill sites, which caused the volume of landfill gas collected and the electricity generated less than expected; and (iii) the commencement of biomass pyrolysis power generation project is deferred due to the approval from local PRC government yet to be obtained, it caused the operating cost to increase and additional expected capital investment to be incurred for the aforesaid change of operational mode. Since recoverable amounts of those assets for the aforesaid projects are less than their carrying amount, this resulted in a further impairment loss in FY2021. In this regard, independent professional valuers were engaged by the Company to perform the impairment assessment.

Net impairment loss recognised on trade and other receivable

During the year under review, the prolonged adverse effect on economy brought by constant spread of COVID-19 pandemic, has caused the debtors of the Remaining Group slowed down their repayment. The delay of repayment and prolonged overdue balance led to an increase in expected credit loss rates in 2021, therefore the Group had increased the impairment loss on trade and other receivable for the FY2021. Based on the evaluation of collectability and ageing analysis of trade and other receivable as well as certain of forward-looking factors, the net impairment loss on trade and other receivable was amounted to HK$69.40 million (FY2020: HK$18.53 million). In this regard, the Company engaged an independent qualified valuer to determine the expected credit loss (the "**ECL**") on certain trade and other receivable. In assessing the ECL of the Remaining Group's trade and other receivable, a credit rating analysis of the underlying debtors was adopted by reviewing 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. The Remaining Group applied different expected credit loss rates to different classes of receivables according to their respective risk characteristics and business nature.

Share of results from associates

For the FY2021, the Remaining Group shared of profit from associated amounted to HK$32.49 million (FY2020: profit of HK$0.34 million). The increase was mainly arising recognizing 31% equity interest of Yingtan Water Group which contributed HK$32.30 million between the completion of the First Disposal and Second Disposal (as defined below). As at 31 December 2021, the Remaining Group has held 49% equity interests in Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.*（資陽市綠州新中水環保科技有限公司）.

Share of results from joint venture companies

For the FY2021, the Remaining Group shared the profit from joint venture companies of HK$1.03 million (FY2020: loss of HK$0.81 million) which was mainly arising from Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd.* ("**Yichun Mingyue Mountain**")（宜春市明月山方科污水處理有限公司）. As at 31 December 2021, the Remaining Group has two joint venture companies, including 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 FY2021, the income tax increased by HK$3.64 million to HK$63.96 million (FY2020: HK$60.32 million) due to the Disposal of Yingtan Water Group. The Remaining Group of tax recorded HK$54.75 million (FY2020: HK$22.63 million). The increase of HK$32.12 million was mainly due to the tax of HK$32.90 million imposed on the Disposal of Yingtan Water Group. 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 Remaining 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$, which is also the functional currency of the Company. The Remaining Group has not adopted any hedging policies. Due to recent fluctuation of RMB exchange rate against HK$, the Remaining 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 year, there had been no material change in the Remaining Group's funding and treasury policies. The Remaining Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Remaining Group's liquidity position to ensure that the Remaining Group can meet its funding requirements for business development and the repayment of financial liabilities when due. The Remaining 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 Remaining Group also considers via accessing to funding from capital markets, subject to market conditions. On the other hands, the management of the Remaining Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The Remaining 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 Remaining Group will consider new financing while maintaining an appropriate level of gearing.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

Financial Position Analysis:

As at 31 December

	As at 31 December 2021	As at 31 December 2020			2021 VS 2020 31 December
	The Remaining Group HK$' Million	The Group HK$' Million	Yingtan Water Group HK$' Million	The Remaining Group HK$' Million	The Remaining Group HK$' Million
Non-current assets	**2,123.02**	2,618.69	541.60	2,077.09	45.93
Current assets	**1,738.85**	3,010.11	1,623.93	1,720.19	18.66
	3,861.87	5,628.80	2,165.53	3,797.28	64.59
Current Liabilities	**1,542.10**	2,666.78	1,393.71	1,273.14	268.96
Non-current Liabilities	**393.90**	761.07	109.22	651.85	(257.95)
	1,936.00	3,427.85	1,502.93	1,924.99	11.01
Net current assets	**196.75**	343.33	230.22	447.05	(250.30)
Net assets value	**1,925.87**	2,200.95	662.60	1,872.29	53.58
Cash and cash equivalents	**291.36**	432.65	167.98	264.67	26.69
Inventories	**278.73**	900.82	704.27	196.55	82.18
Trade and other receivables	**1,069.07**	1,503.67	607.49	982.63	86.44
Investment properties	**12.28**	94.33	84.93	9.40	2.88
Trade and other payables	**577.07**	638.53	251.34	387.19	189.88
Total bank and other borrowings	**561.30**	880.79	94.72	786.07	(224.77)
Current assets ratio	**1.13**	1.13		1.35	
Net asset value per share	**1.21**	1.38		1.17	
Gearing ratio	**50.13%**	60.90%		50.69%	

As at 31 December 2021, the Remaining Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Remaining Group recorded cash and cash equivalents of HK$291.36 million (As at 31 December 2020: HK$264.67 million) including cash held at financial institutions of HK$0.15 million (As at 31 December 2020: HK$0.14 million) and no overdraft held at financial institutions (As at 31 December 2020: HK$4.61 million). With the steady operating cash flows, the Remaining Group should have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HK$ and RMB.

The net current assets for the Remaining Group at 31 December 2021 were HK$196.75 million (As at 31 December 2020: HK$447.05 million), substantial decrease by HK$250.30 million was due to the increase in construction payable upon the completion of construction work in Nanjing Space Big Data Industry Base and sale deposits received arising from the property units sold. The current ratio of the Remaining Group (current assets over current liabilities) was 1.13 times as at 31 December 2021 (As at 31 December 2020: 1.35 times).

As at 31 December 2021, net asset value of the Remaining Group amounted to HK$1,925.87 million (As at 31 December 2020: HK$1,872.29 million). Net asset value of the Remaining Group per share was HK$1.21 as at 31 December 2021 (As at 31 December 2020: HK$1.17).

As at 31 December 2021, the Remaining Group's consolidated non-current assets increased by HK$45.93 million to HK$2,123.02 million (As at 31 December 2020: HK$2,077.09 million) was primarily due to completion of reconstruction work for Yichun Water Project and Yichun Fangke Project.

INVESTMENT PROPERTIES

As at 31 December 2021, the Remaining 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 (%)
Yichun Properties						
1	No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	100%	51%
2	13–15 Zhongshan West Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Shop	96	Long	100%	51%
3	Gas station on South Huancheng Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Factory	170	Long	100%	51%
Yihai International Building						
	Room C-103, Yihai International Building, 200 meters south of Phoenix Street and Lanting Road, Hedong District Linyi City, Shandong Province, the PRC	Commercial	155.28	Long	100%	60%
			977.43			

As at 31 December 2021, the carrying value of investment properties of the Remaining Group recorded HK$12.28 million (As at 31 December 2020: HK$9.40 million) including HK$2.03 million of Yihai International Building and HK$10.25 million of Yichun Properties. The increase in investment property by HK$2.88 million was HK$0.36 million from the change in fair value and all shops in Yichun Properties being leased out led the value of related property to increase of HK$2.57 million, and appreciation of exchange rate of RMB against HK$. As at 31 December 2021, the Remaining Group had a total gross floor area of 977.43 square meters. (As at 31 December 2020: total gross floor area of 711.43 square meters). For the FY2021, the gross rental income of the Remaining Group after deducting the related outgoings amounted to HK$0.49 million which increased by 53.13% compared with FY2020 (FY2020: HK$0.32 million).

INVENTORIES

As at 31 December 2021, the inventories of the Remaining Group recorded HK$278.73 million (As at 31 December 2020: HK$196.55 million), increased by HK$82.18 million due to completion of the construction of premises in 2021. The inventory of the Remaining Group comprised of raw material and work-in-progress of HK$64.14 million (As at 31 December 2020: HK$63.07 million) and properties under development for sale of HK$214.59 million (As at 31 December 2020: HK$133.48 million).

Properties under development for sale represented the construction of premises owned by New China Water (Nanjing) Energy Company Limited*（新中水（南京）能源有限公司）. Such properties namely Nanjing Space Big Data Industry Base（南京空間大數據產業基地）comprised of 512 commercial units and 532 carparking space. As at 31 December 2021, there were 266 commercial units being sold. The completion date for these properties are expected in March 2022.

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 31 December 2021, the fair value of securities investments of the Remaining Group including held-for-trading investment and held-for-long term investment recorded HK$20.76 million (As at 31 December 2020: HK$27.32 million) representing 0.54% of the total assets value of HK$3,861.87 million as at 31 December 2021. The securities investments of the Remaining Group comprised listed securities in Hong Kong, investment fund and fixed income product in the PRC. The following analysis was the Remaining Group's investments at the end of reporting period:

List of stocks in terms of market value as at 31 December 2021

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2021	No. of issued ordinary share as at 31 December 2021	Effective interest held as at 31 December 2021	Initial investment cost	Market value as at 31 December 2021	Realised gain/(loss) for the year ended 31 December 2021	Accumulated unrealised holding gain/(loss) on revaluation	Percentage to total assets value of the Group as at 31 December 2021	Classification	Dividend received/ receivable during the year
						HK$'000	HK$'000	HK$'000	HK$'000			HK$'000
Aidigong Maternal & Child Health Limited	286	Healthcare investment management businesses, natural health food businesses and advantage growth businesses for children; provision of life healthcare services; investment and financing.	–	3,830,915,008	0.00%	–	–	9,213	–	0.00%	FVPL	–
China Best Group Holding Ltd	370	Manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities	6,442,000	1,525,284,939	0.42%	5,351	3,060	–	(2,291)	0.08%	FVOCI	–
Hong Kong Finance Investment Holding Group Ltd	7	Trading of electronic products, financial business and property investment	2,800,000	4,000,000,000	0.07%	2,660	330	–	(2,330)	0.01%	FVPL	–
FY Financial (Shenzhen) Co., Ltd.	8452	Financial leasing, provision of factoring and advisory services and the trading of medical equipment in the PRC	844,000	89,840,000	0.94%	988	414	–	(575)	0.01%	FVOCI	3
China Tangshang Holdings Limited	674	Exhibition related business, money lending business, food and beverages, property sub-leasing, development and investment business.	3,580,000	2,308,866,570	0.16%	908	598	–	(310)	0.02%	FVOCI	–
Future Bright Mining Holdings Ltd	2212	Production and sale of marble and marble related products; and trading of commodities	780,000	4,388,580,000	0.02%	147	28	–	(119)	0.00%	FVPL	–
							4,430	9,213	(5,625)	0.11%		3
Name of unlisted investment		**Brief description of the business**										
Guangdong Finance Industry Strategic Fund *		Investment in unlisted equity	N/A		N/A	11,163	12,659	–	1,496	0.33%	FVPL	–
CITIC China Securities Co., Ltd.		Investment in fixed income product	N/A		N/A	3,669	3,669	–	–	0.10%	FVPL	–
Total							20,758	9,213	(4,129)	0.54%	–	3

* 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 FY2021, the Remaining Group recorded a net gain of HK$15.89 million on FVPL (FY2020: loss of HK$13.44 million). Given the fluctuation in the worldwide financial markets and the impact of COVID-19 pandemic, 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 Remaining Group.

TRADE AND OTHER RECEIVABLES

As at 31 December 2021, the Remaining Group's trade and other receivables were approximately HK$1,069.07 million (As at 31 December 2020: HK$982.56 million). These comprised of: (i) trade receivables of HK$671.63 million, (ii) other receivables of HK$110.39 million, (iii) loan receivables of HK$132.84 million and (iv) deposits and prepayments of HK$154.21 million.

(A) Trade Receivable:

As at 31 December 2021, trade receivables of the Remaining Group increased by HK$163.70 million to HK$671.63 million (As at 31 December 2020: HK$507.93 million) which was primarily attributable to the increase in revenue generated from renewable energy projects including the government on-grid tariff subsidies of HK$578.24 million (As at 31 December 2020: HK$432.48 million) and electricity sales receivables from local grid companies of HK$32.48 million (As at 31 December 2020: HK$34.63 million), which in aggregate accounted for 90.93% of trade receivables of the Remaining Group. The above-mentioned tariff subsidies receivables will be settled in accordance with the prevailing government payment policies including (i) Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy（可再生能源電價附加補助資金管理暫行辦法）published in March 2012; and (ii) Caijian [2020] No. 4 Guidelines on the Stable Development of Non-Water Renewable Energy Generation（關於促進非水可再生能源發電健康發展的若干意見）and Caijian [2020] No. 5 Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy（可再生能源電價附加資金管理辦法）updated in February 2020 which jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration and the prevalent payment trends of Ministry of Finance of the PRC. There is no pre-determined due date for settlement of the tariff subsidies. 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 provided by the relevant PRC government authorities. During the year, the management has reassessed the credit risk based on the historical settlement records, the aging of the tariff subsidies receivables and taking into account prevailing economic conditions as at 31 December 2021, the Group considered the default risk for such balances to be insignificant and, the expected credit loss to be minimal. During the year, the impairment loss on trade receivable was HK$2.21 million mainly provided for the tariff subsidies of HK$1.62 million (FY2020: Nil).

The debtor balances from the water supply and the sewage treatment was amounted to HK$49.48 million (As at 31 December 2020: HK$36.40 million), representing 7.37% of trade receivables of the Remaining Group. The increase of HK$13.08 million was mainly due to the slowdown of payment of sewage treatment fees by related local PRC government as a result of the COVID-19 pandemic. These trade receivables have been grouped based on shared credit risk characteristics and the ageing portfolio to measure the ECL. Generally, trade receivables are written off if the Group is of the view that the recovery of the amount is remote. During the year, no impairment loss was recognized on these trade receivable (FY2020: HK$0.05 million).

(B) Other receivable

As at 31 December 2021, other receivables of the Remaining Group recorded HK$110.39 million. (As at 31 December 2020: HK$113.51 million) which represented mainly tax recoverable, income receivable from sludge treatment project, receivable from the disposal of subsidiary, advance to property sales agent, advances to suppliers including the material procurement for the construction of property project and the equipment facilities ordered for renewable energy projects. During the year, these receivables have been reviewed by the management to assess impairment allowances which are based on the evaluation of current creditworthiness, the credit risk characteristics of debtor, the likelihood of recovery and also taking into consideration the prevailing economic conditions. For other receivables relating to long overdue, known insolvencies or non-response to collection activities, such balances were assessed individually for impairment allowance. During the year, net impairment allowance of HK$4.52 million was recognized (FY2020: HK$0.63 million).

(C) Loan receivable

As at 31 December 2021, loans receivables of the Remaining Group decreased by HK$11.50 million to HK$132.84 million (As at 31 December 2020: HK$144.34 million) which mainly comprised of loans to independent third parties which are interest-bearing at rates ranging from 4% to 24% per annum and with maturity ranging from 1 month to 36 months. The Group has obtained the personal guarantee provided by the guarantors as a security for some of the loans receivables. 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 forecasting on the occurrence of event of default and global economic outlook in general as well as the specific economic condition in the PRC. During the year, the Remaining Group has instructed legal advisers to issue demand letters demanding repayment of all outstanding loans principal and accrued interests and taken legal proceedings against certain borrowers in the event of repayment delay or default. The impairment loss recognised on loans receivable was amounted to HK$39.99 million in FY2021 (FY2020: HK$14.11 million).

(D) Deposits and prepayments

As at 31 December 2021, deposits and prepayments of the Remaining Group decreased by HK$62.57 million to HK$154.21 million (As at 31 December 2020: HK$216.78 million) which mainly represented amortisation of repairing and drilling cost, prepayment relating to the payment in advance for material procurement and construction works, and consultancy fee for the provision of finance lease arrangement, security deposits paid including glass management contract, construction service contracts and the finance lease and advances made to various potential business partners to secure potential projects in the future. For the long overdue with significant balances, the Company had instructed its legal adviser to issue demand letters so to recover the amounts from these related parties. During the year, the impairment loss recognised on deposits and prepayments was amounted to HK$22.68 million (FY2020: HK$3.67 million).

LIABILITIES AND GEARING

As at 31 December 2021, the Remaining Group's total liabilities (including both current and non-current) recorded HK$1,936.00 million (As at 31 December 2020: HK$1,924.99 million). Except for the issuance of bonds and non-financial institution loan denominated in HK$, borrowings were mainly denominated in RMB.

The Remaining Group's gearing ratio as at 31 December 2021 was 50.13% (As at 31 December 2020: 50.69%). The ratio was calculated by dividing total liabilities of the Remaining Group of HK$1,936.00 million (As at 31 December 2020: HK$1,924.99 million) over total assets of the Remaining Group of HK$3,861.87 million (As at 31 December 2020: HK$3,797.28 million).

As at 31 December 2021, the Remaining Group's total bank and other borrowings were HK$561.30 million (As at 31 December 2020: HK$786.07 million). For the maturity profile, refer to the table below:

	Remaining Group			
	31 December 2021		31 December 2020	
Debt Analysis	**HK$ Million**	**%**	HK$ Million	%
Classified by maturity				
— repayable within one year				
Bank borrowings	**73.83**	**13.15**	54.00	6.87
Other loans	**365.73**	**65.16**	331.83	42.21
	439.56	**78.31**	385.83	49.08
Classified by maturity				
— repayable more than one year				
Bank borrowings	**105.90**	**18.87**	97.81	12.44
Other loans	**15.84**	**2.82**	302.43	38.48
	121.74	**21.69**	400.24	50.92
Total bank and other borrowings	**561.30**	**100.00**	786.07	100.00
Classified by type of loans				
Secured	**447.69**	**79.76**	154.19	19.61
Unsecured	**113.61**	**20.24**	631.88	80.39
	561.30	**100.00**	786.07	100.00
Classified by type of interest				
Fixed rate	**395.82**	**70.52**	459.47	58.45
Variable-rate	**164.20**	**29.25**	325.36	41.39
Interest free rate	**1.28**	**0.23**	1.24	0.16
	561.30	**100.00**	786.07	100.00

OTHER LOANS

Bond I

On 25 October 2017, the Company entered into the placing agreement (the "**Placing Agreement I**") with Well Link Securities Limited (the "**Placing Agent I**"), pursuant to which the Placing Agent I on a best effort basis arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100 million ("**Bond I**"), within 70 days from the date of the Placing Agreement I. On 13 December 2017, the Company has completed the issuance of the Bond I to the placee(s) in an aggregate principal amount of HK$100 million. As at 31 December 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 31 December 2021, the outstanding Bond II amounted to HK$35.02 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 31 December 2021, the outstanding Bond III amounted to HK$5.64 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 31 December 2021, the outstanding Bond IV amounted to HK$15.84 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.

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 31 December 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 and loans from related company

For the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers and obtained loans from related company in an aggregate amounted to HK$297.00 million at a fixed rate in range of 5% to 15% per annum with a term ranging from within 1 year to 3 years. As at 31 December 2021, the outstanding other bonds and loans from related company amounted to HK$277.91 million and was classified as an other loan (As at 31 December 2020: HK$50.06 million).

As at 31 December 2021, the aggregate bonds including Bond II, Bond III, Bond IV, other bonds and loans from related company recorded in aggregate of HK$334.41 million, representing of 87.64% of the other loans, 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 31 December 2021, the Remaining Group's trade and other payables were approximately HK$577.07 million (As at 31 December 2020: HK$387.19 million). The increase in trade and other payables of HK$189.88 million was mainly due to the payment of construction work according to the stages of completion, as the construction in Nanjing Space Big Data Industry Base being completed in October 2021, all outstanding liabilities relating to this project had been finalized with the relevant contractors. 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 year under review.

During the year under review, the Remaining Group incurred capital expenditures amounting to HK$53.03 million (As at 31 December 2020: HK$38.47 million) for acquisition of concession intangible assets.

BUSINESS REVIEW

The financial performance analysis of the Remaining Group by segments is as follows:

The Remaining Group	Revenue				Gross Profit (GP)						FY2021 vs FY2020		
	FY2021 HK$' M	% to the total	FY2020 HK$' M	% to the total	FY2021 HK$' M	% to the total	GP margin %	FY2020 HK$' M	% to the total	GP margin %	Revenue HK$ M	Gross Profit HK$ M	GP Margin %
Water supply business	145.42	13.74	117.56	13.60	41.58	10.46	28.59	25.42	7.30	21.62	27.86	16.16	6.97
Sewage treatment business	83.09	7.85	64.88	7.50	27.22	6.84	32.76	22.26	6.39	34.31	18.21	4.96	(1.55)
Construction service business	251.31	23.75	187.96	21.74	96.75	24.33	38.50	85.26	24.50	45.36	63.35	11.49	(6.86)
Sub-total	479.82	45.34	370.40	42.84	165.55	41.63	34.50	132.94	38.19	35.89	109.42	32.61	(1.39)
Exploitation and sale of renewable energy business	569.20	53.79	494.25	57.16	230.80	58.03	40.55	215.16	61.81	43.53	74.95	15.64	(2.98)
Property Development	9.15	0.86	–	–	1.36	0.34	14.86	–	–	–	9.15	1.36	14.86
Total	1,058.17	100.00	864.65	100.00	397.71	100.00	37.58	348.10	100	40.26	193.52	49.61	(2.68)

1.1 Water supply business

Upon completion of the Disposal of Yingtan Water Group, the Remaining Group has two city water supply projects of the Group which are well spread across Jiangxi and Shandong provinces, the PRC. The daily aggregate water supply capacity of the Remaining Group was approximately 0.29 million tonne (FY2020: 0.29 million tonne). Total water supply to the Jiangxi and Shandong during the year recorded 71.31 million tonne (FY2020: 63.47 million tonne), increased by 12.35% over the same period of last year. For the FY2021, the revenue and gross profit of the Remaining Group from water supply business amounted to HK$145.42 million and HK$41.58 million respectively, representing 13.74% and 10.46% of the Remaining Group's total revenue and total gross profit respectively. Compared with FY2020, the revenue and gross profit recorded an increase by HK$27.86 million and HK$16.16 million respectively. The increase was the result of (i) the increase of water supply by Yichun Water project following the economy recovery from the negative impact of COVID-19 pandemic and (ii) appreciation of exchange rate of RMB against HK$. The average rates for the water supply ranged from HK$1.96 to HK$2.61 per tonne (FY2020: from HK$1.84 to HK$2.57 per tonne).

The analysis of financial performance of the water supply business is as follows:

		For the year ended 31 December		
		2021	2020	Variance
Water Supply Business				
Revenue	HK$'million	**145.42**	117.56	27.86
Gross profit	HK$'million	**41.58**	25.42	16.16
Gross profit %	%	**28.59**	21.62	6.97
Designed daily capacity of water supply	Tonne	**290,000**	290,000	–

Analysis of water supply projects on hand is as follows:

	Project name	Equity interest held by the Company (%)	Designed daily capacity of water supply (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Yichun Water	51	240,000	Jiangxi	2034
2	Linyi Fenghuang	60	50,000	Shandong	2037
	Total		**290,000**		

1.2 Sewage treatment business

Following the completion of construction of Mingyue Mountain plant and Jining Haisheng plant in 2020, the number of sewage treatment projects increased to five projects which are located in Jiangxi, Guangdong and Shandong provinces (FY2020: five projects) and the daily aggregate sewage disposal capacity was approximately 240,000 tonne (FY2020: 240,000 tonne). For FY2021, the revenue and gross profit of the Remaining Group were amounted to HK$83.09 million and HK$27.22 million respectively, representing 7.85% and 6.84% of the Remaining Group's total revenue and total gross profit respectively. During the year, the Remaining Group processed in aggregate of 71.00 million tonne of waste water (FY2020: 61.67 million tonne), represented an increase of 15.13% over the same period of last year due to Jining Haisheng Project commenced its operation in August 2020. Mingyue Mountain plant is still in the testing stage and has yet to commence its operation in 2021. Compared with the FY2020, the revenue and gross profit increased by HK$18.21 million and HK$4.96 million respectively due to (i) the increase of waste water processing volume; and (ii) appreciation of exchange rate of RMB against HK$. The average rates for sewage treatment ranged from HK$1.09 to HK$1.50 per tonne (FY2020: HK$0.99 to HK$1.43 per tonne).

The analysis of financial performance of sewage treatment is as follows:

		For the year ended 31 December		
		2021	2020	Variance
Sewage Treatment Business				
Revenue	HK$'million	**83.09**	64.88	18.21
Gross profit	HK$'million	**27.22**	22.26	4.96
Gross profit %	%	**32.76**	34.31	(1.55)
Designed daily sewage disposal capacity	Tonne	**240,000**	240,000	–

Analysis of sewage treatment projects on hand is as follows:

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

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Remaining Group's second major sources of revenue and gross profit contributing HK$251.31 million and HK$96.75 million respectively, representing 23.75% and 24.33% of the Remaining Group's total revenue and total gross profit respectively. Compared with the FY2020, the revenue and gross profit increased by HK$63.35 million and HK$11.49 million due to the appreciation of exchange rate of RMB against HKD and following the effective containment of the epidemic in China, thus temporary social distancing policies were lifted and all the Group's construction projects have resumed construction and went smoothly in accordance with the planned schedule.

The analysis of financial performance of the construction services is as follows

		For the year ended 31 December		
		2021	2020	Variance
Water supply related installation and construction business				
Revenue	HK$'million	**204.01**	169.81	34.20
Gross profit	HK$'million	**96.04**	90.14	5.90
Gross profit %	%	**47.08**	53.08	(6.00)
Water supply and sewage treatment infrastructure construction business				
Revenue	HK$'million	**47.30**	18.15	29.15
Gross profit	HK$'million	**0.71**	(4.88)	5.59
Gross profit/(loss) %	%	**1.50**	(26.89)	28.39
Total				
Revenue	HK$'million	**251.31**	187.96	63.35
Gross profit	HK$'million	**96.75**	85.26	11.49
Gross profit %	%	**38.50**	45.36	(6.86)

1.4 Exploitation and sale of renewable energy business

Up to the date of this report, the Remaining Group has 47 solid waste treatment projects, of which 38 have commenced operation with a total installed capacity of 135.64 MW, the remaining 3 are under construction, with an estimated total installed capacity of 7 MW. During the year, the Group secured 3 new projects in Wafangdian, Shaowu and Xiuyan, with an estimated total installed capacity is 5 MW.

For the FY2021, the revenue and gross profit of the Remaining Group recorded HK$569.20 million and HK$230.80 million respectively representing 53.79% and 58.03% to the total revenue and total gross profit respectively. Compared with the FY2020, the revenue and gross profit increased by HK$74.95 million and HK$15.64 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 HKD. During the year, the Group had 37 projects in operation (FY2020: 34 projects), generating approximately 754,505.73 MWh of on-grid electricity which represented an increase of 2.77% over the same period of 2020 (FY2020: 734,141.40 MWh). As at 31 December 2021, the Group accumulated a total installed capacity of 142.64 MW, representing a decrease of 19.41% compared to the last year (As at 31 December 2020: 177 MW).The average electricity rate was HK$0.65 per kilowatt-hour and the average CNG rate was HK$1.68 per m^3 (FY2020: average electricity rate HK$0.66 per kilowatt-hour and the average CNG rate was HK$1.93 per m^3).

Included in revenue was HK$338.91 million (FY2020: HK$310.65 million) and HK$161.53 million (FY2020: HK$147.88 million) derived from the sale of electricity to local grid companies and the government tariff subsidies respectively, representing 59.54% and 28.38% of the total renewable energy revenue respectively.

The analysis of financial performance of the renewable energy business is as follows:

		For the year ended 31 December		
		2021	2020	Variance
Exploitation and sale of renewable energy business				
— Sale of electricity				
Revenue	HK$'million	**514.10**	459.69	54.41
Gross profit	HK$'million	**225.19**	216.49	8.70
Gross profit %	%	**43.80**	47.09	(3.29)
— Sale of compressed natural gas				
Revenue	HK$'million	**21.27**	6.96	14.31
Gross profit/(loss)	HK$'million	**3.43**	(2.47)	5.90
Gross profit/(loss) %	%	**16.13**	(35.49)	51.62
— Service income from collection of landfill gas				
Revenue	HK$'million	**33.83**	27.60	6.23
Gross profit	HK$'million	**2.18**	1.14	1.04
Gross profit %	%	**6.44**	4.13	2.31
Total				
Revenue	HK$'million	**569.20**	494.25	74.95
Gross profit	HK$'million	**230.80**	215.16	15.64
Gross profit %	%	**40.55**	43.53	(2.98)

		2021	% to total	2020	% to total
Summary of revenue					
Government tariff subsidies	HK$'million	**161.53**	**28.38**	147.88	29.92
The sale of electricity to local grid companies	HK$'million	**338.91**	**59.54**	310.65	62.85
Other	HK$'million	**13.66**	**2.40**	1.16	0.24
		514.10	**90.32**	459.69	93.01
Compressed natural gas & landfill gas	HK$'million	**55.10**	**9.68**	34.56	6.99
		569.20	**100.00**	494.25	100.00

Analysis of renewable energy projects on hand is as follows:

	Project name	Provincial cities in PRC/ Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
1	Nanjing Jiaozishan (Note 2)	Jiangsu	Power generation	100	October 2013	June 2025
2	ZhuZhou Biogas (Note 3)	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	Note 1
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	–	May 2014	
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	Yichun South Suburban	Jiangxi	Power generation	100	July 2017	September 2026
16	Ningbo Qiyao (Note 2)	Zhejiang	Power generation	100	February 2017	June 2028
17	Shandong Qiyao (Note 2)	Shandong	Power generation	100	May 2017	November 2029
18	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
19	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
20	Xinhua	Hunan	Power generation	100	November 2017	December 2026
21	Zhangjiakou	Hebei	Power generation	70	October 2018	Note 1
22	Fengcheng (Note 3)	Jiangxi	Power generation	100	January 2018	March 2032
23	Anqiu City	Shandong	Power generation	100	March 2018	Note 1
24	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
25	Haicheng	Liaoning	Power generation	100	August 2019	Note 1
26	Anlu	Hubei	Power generation	90	January 2019	February 2030
27	Laizhou	Shandong	Power generation	100	May 2019	February 2028
28	Jakarta TPST	Jakarta	Power generation	94	February 2018	December 2023
29	Guangzhou Huadu	Guangdong	Power generation	100	January 2020	June 2023
30	Zhijiang	Hubei	Power generation	51	January 2021	Note 1
31	Nanning	Guangxi	Power generation	100	April 2020	April 2028
32	Ziyang	Sichun	Power generation	49	March 2020	November 2026
33	Hainan Sanya	Hainan	Power generation	100	March 2019	January 2029
34	Lingao (Note 3)	Hainan	Power generation	100	September 2020	Note 1

	Project name	Provincial cities in PRC/ Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
35	Gaizhou	Liaoning	Power generation	100	January 2021	Note 1
36	Lianyuan	Hubei	Power generation	100	January 2021	May 2024
37	Liling	Hunan	Power generation	100	October 2020	January 2027
38	Chongqing Heishizi Operation Contract	Chongqing	Power generation	–	November 2020	February 2039
39	Ankang	Shaanxi	Power generation	100	April 2022	September 2030
40	Dingnan	Jiangxi	Power generation	100	December 2021	Note 1
41	Shanghang	Fujian	Power generation	100	October 2021	September 2025
42	Yangxin	Hebei	Power generation	100	December 2021	September 2026
43	Changting	Fujian	Power generation	100	September 2021	December 2025
44	Wuping	Fujian	Power generation	100	October 2021	December 2030
45	Wafangdian	Liaoning	Power generation	100	May 2022	Note 1
46	Shaowu	Fujian	Power generation	100	January 2022	May 2026
47	Xiuyan	Liaoning	Power generation	100	October 2022	Note 4

* 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 had suspended their operation in 2021

Note 4: The collection period of landfill gas is until 3 years after landfill site close

1.5 Property Investment and development

As at 31 December 2020, the Group had a total of 7 property projects in the PRC with total site area of approximately 337,371 square meters (including 4 property projects owned by Yingtan Water Group). Following the Disposal of Yingstan Water Group, the business of property investment and development has been scale-down. As at 31 December 2021, the Remaining Group has 4 property projects on hand with total site area of approximately 160,180 square meters. For the FY2021, property development of the Remaining Group recorded the revenue and gross profit of HK$9.15 million and HK$1.36 million respectively. As at 31 December 2021, there were 266 out of 512 commercial units being sold in Nanjing Space Big Data, nearly all sold units had been handed over to buyers smoothly, with corresponding revenue of HK$9.15 million recognised in the year.

The financial performance analysis of the property development is as follows:

		For the year ended 31 December		
		2021	2020	Variance
Property Investment and development				
Revenue	HK$'million	**9.15**	0.00	9.15
Gross profit	HK$'million	**1.36**	0.00	1.36
Gross profit %	%	**14.86**	0.00	14.86

The development status of the property projects of the Remaining Group is as follows:

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Approximate site area (square meters)	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
1.	Nanjing Space Big Data Industry Base (南京空間大數據產業基地)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Under construction (98%)	March 2022	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	72,853	50 years	100
2.	Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction (90%)	April 2022	Research and development Centre/Commercial (for sale and/or for lease)	30,544	43,738	50 years	100
3.	Wenbifeng Office Building* (文筆峰辦公樓)	East Zhongshan Road, Yuanzhou District, Yichun City, South of Wenbifeng Waterworks Plot	Under construction (40%)	August 2022	Other	764	3,176	Nil	51
4.	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 Qin Yuan Primary School	Yet to develop	December 2024	Other	13,337	40,413	50 years	51
						70,985	160,180		

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

1. Disposal of Yingtan Water Group

(i) First Disposal of Yingtan Water Group

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$144,012,000). 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; and

(ii) Second Disposal of the Yingtan Water Group

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). Completion of the Second Disposal of Yingtan Water took place on 24 September 2021. 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.

For details, please refer to the announcements dated 15 December 2020 and 28 June 2021 and the circular dated 25 January 2021 and 25 August 2021.

2. 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. For details, please refer to the announcements of Company dated 18 August 2021 and 23 August 2021.

3. Formation of the Fund

On 2 December 2021, the Tibet Yuze Investment Management Company Limited* (the "**General Partner**"), BECE Legend Group Company Limited (the "**BECE Legend Group**") and the Company entered into the partnership agreement in respect of the formation of the Fuzhou Qingyu New Energy Equity Investment Partnership (Limited Partnership) (the "**Fund**") in the PRC. The total capital contribution of the Fund is RMB100.10 million. The capital contribution by the General Partner, BECE Legend Group and the Company will be RMB100,000 (equivalent to approximately HK$122,000), RMB50 million (equivalent to approximately HK$61.19 million) and RMB50 million (equivalent to approximately HK$61.19 million), respectively. On 24 December 2021, the General Partner, BECE Legend Group, the Company and Jiangsu Jiangnan Water Affairs Company Limited entered into a new partnership agreement (the "**New Partnership Agreement**"). Under the New Partnership Agreement, the total capital contribution by all Partners to the Fund has increased to RMB220.10 million (equivalent to approximately HK$270.77 million), of which the capital contribution payable by the Company remains unchanged. The Fund was established in December 2021 and the procedure of increased of registered capital was completed in January 2022. Up to the date of this report, an aggregate of capital amount approximately RMB160 million was contributed to the Fund by the Partners. For details, please refer to the announcements of the Company dated 2 December 2021 and 24 December 2021.

4. Formation of renewable energy projects during the year under review

The Remaining Group had entered into 3 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:

Formation of Renewable Energy Projects

	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	May 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
3	10 November 2021	Xiuyan China Water Biomass Electricity Limited* (岫岩中水生物質發電有限公司)	Xiuyan Manchu Autonomous County Environmental Sanitation Management Department* (岫岩滿族自治縣環境衛生管理處)	Xiuyan China Water Biomass Electricity Project ("**Xiuyan Project**")	Liaoning	200	4,500,000.00	October 2022	3 years after landfill site close	0.5513

5. Acquisitions of Fushun Project, Zhengzhou Project and Xiamen Project in the PRC

On 2 December 2021, Shenzhen City New China Water Environmental Technology Limited* ("**Shenzhen New China Water**"), (as purchaser), being an indirect non-wholly owned subsidiary of the Company, entered into the following equity transfer agreements:

The principal terms of the Equity Transfer Agreements are set out as follows:

	Fushun Project The Fushun Equity Transfer Agreement	Zhengzhou Project The Zhengzhou Equity Transfer Agreement	Xiamen Project The Xiamen Equity Transfer Agreement
Date:	2 December 2021	2 December 2021	2 December 2021
Parties:	(i) Beikong Shifang (Shandong) Environmental Energy Group Limited* (the "**Beikong Shifang**") (as vendor); (ii) Shenzhen New China Water (as purchaser); and (iii) Fushun Shifang Bioenergy Limited (the "**Fushun Shifang**") (as target company)	(i) Beikong Shifang (as vendor); (ii) Shenzhen New China Water (as purchaser); and (iii) Zhengzhou Xinguan Energy Development Limited* (the "**Zhengzhou Xinguan**") (as target company)	(i) Beikong Shifang (as vendor); (ii) Xiamen Tongjie Environmental Protection Technology Limited* (the "**Xiamen Tongjie**") (as vendor); (iii) Shenzhen New China Water (as purchaser); and (iv) Xiamen Shifang Yuantong Bioenergy Limited* (the "**Xiamen Shifang**") (as target company)
Consideration:	RMB3,110,000 (equivalent to approximately HK$3,806,000)	RMB22,340,000 (equivalent to approximately HK$27,342,000)	RMB15,000,000 (equivalent to approximately HK$18,359,000)
Deposit paid	The deposit of RMB1,244,000 (equivalent to approximately HK$1,523,000), representing 40% of the Total Fushun Consideration paid to Beikong Shifang	The deposit of RMB8,936,000 (equivalent to approximately HK$10,937,000), representing 40% of the Total Zhengzhou Consideration paid to Beikong Shifang	The deposit of RMB6,000,000 (equivalent to approximately HK$7,343,000), representing 40% of the Total Xiamen Consideration, paid to Beikong Shifang and Xiamen Tongjie
Assets to be acquired	100% registered capital of Fushun Shifang	100% registered capital of Zhengzhou Xinguan	100% registered capital of Xiamen Shifang
Current status of acquisition/termination	Up to the date of this report, Shenzhen New China Water paid the Deposit. The acquisition has not been completed.	Up to the date of this report, Shenzhen New China Water paid the Deposit. The acquisition has not been completed.	On 16 February 2022, Shenzhen New China Water, Beikong Shifang, Xiamen Tongjie and Xiamen Shifang entered into a termination agreement, pursuant to which the parties have agreed to terminate the Xiamen Equity Transfer Agreement. Up to the date of this report, Beikong Shifang and Xiamen Tongjie had refunded the deposit in full to Shenzhen New China Water.

For details, please refer to the announcements of the Company dated 2 December 2021 and 16 February 2022.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries by the Remaining Group for the FY2021.

MATERIAL EVENTS DURING/AFTER THE YEAR UNDER REVIEW

Saved as disclosed in the section headed "SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES" above, the Group also had the following material events during/after the year under review:

A. Finance Lease Arrangement

1. 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.* (廣東綠金融資租賃有限公司) (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. For details, please refer to the announcement of the Company dated 11 February 2021.

2. 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;

   For details, please refer to the announcement of the Company dated 2 July 2021.

3. (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

   (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.

4. (i) On 8 December 2021, New China Water (Nanjing) Renewable Resources Investment Company Limited*, Shenzhen City New China Water Environmental Technology Limited*, Shandong Qiyao New Energy Company Limited* and Ningbo Qiyao New Energy Company Limited* (collective known as "Lessees"), all being subsidiaries of the Company, entered into the transfer agreement in relation to the sale and purchase of the landfill gas power generating facilities (the "**Leased Assets**") with Canton Greengold Financial Leasing Ltd.* (the "**Greengold Leasing**"), pursuant to which Greengold Leasing shall purchase the Leased Assets from the Lessees for the purchase price of RMB60,000,000 (equivalent to approximately HK$74,220,000). On the same date, the Lessees and Greengold Leasing entered into the Finance Lease Agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessees for a lease consideration comprising of a principal amount equivalent to the said purchase price and the interest accrued thereon at a rate of 6.35% per annum for a lease period of 48 months commencing from the payment date of the said purchase price. For details, please refer to the announcement of the Company dated 8 December 2021.

   (ii) On 22 February 2022, New China Water (Nanjing) Renewable Resources Investment Company Limited* (the "**Lessee 1**") entered into the Transfer Agreement with Greengold Leasing, pursuant to which Greengold Leasing shall purchase the power generation equipment (the "**Leased Assets**") from Lessee 1 for the purchase price of RMB20,000,000 (equivalent to approximately HK$24,740,000). On the same date, the Lessees and Greengold Leasing entered into the Finance Lease Agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessee 1, Shenzhen City New China Water Environmental Technology Limited*, Shandong Qiyao New Energy Company Limited* and Ningbo Qiyao New Energy Company Limited* (collectively known as "**Lessees**") for a lease consideration comprising of a principal amount equivalent to the purchase price and the interest accrued thereon at a rate of 6.35% per annum for a lease period of 48 months commencing from the payment date of the Purchase Price. For details, please refer to the announcement of the Company dated 22 February 2022.

B. 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. For details, please refer to the announcement of the Company dated 5 July 2021.

C. 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.

D. Effective Date of the Capital Reduction and the Subdivision

The reduction of the issued share capital of the Company from HK$0.50 per each issued ordinary share to HK$0.01 per each issued ordinary share of the Company effected by special resolution passed at an extraordinary general meeting of the Company held on 25 October 2021 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 19 January 2022 (the "**Capital Reduction**"). Each authorised but unissued ordinary share of HK$0.50 each shall be subdivided into fifty unissued ordinary shares of HK$0.01 each in the share capital of the Company (the "**Sub-division**"). The effective date of Capital Reduction and Sub-division was on 26 January 2022 (before 9:00, HK time). For details, please refer to (i) the announcements dated 14 September 2021 and 7 December 2021 and (ii) the circular dated 29 September 2021.

E. Placing of New Shares under General Mandate

On 27 January 2022, the Company entered into the placing agreement with Kingston Securities Limited (the "**Placing Agent**"). Pursuant to the placing agreement, the Company has conditionally agreed to place through the Placing Agent, on a best efforts basis, up to 319,200,000 placing shares (the "**Placing Shares**"), to currently expected to be not fewer than six placees who and whose ultimate beneficial owners are Independent Third Parties and not acting in concert with the connected persons of the Company at a price of HK$0.25 (the "**Placing Price**") per Placing Share. The placing shares will be allotted and issued pursuant to the General Mandate. All conditions to the Placing Agreement have been fulfilled and completion of the Placing took place on 23 February 2022. A total of 319,200,000 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at Placing Price of HK$0.25 per Placing Share pursuant to the terms and conditions of the placing agreement, representing approximately 16.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing. The net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$77.60 million. The Company has utilized HK$12.60 million for general working capital of the Group and HK$65.00 million for the repayment of the Group's loan and accrued interests. The net proceeds had been fully utilized as intended. For details, please refer to the announcements dated 27 January 2022 and 23 February 2022.

F. Cooperation Framework Agreement

On 28 December 2021, the Company entered into a cooperation framework agreement (the "**Cooperation Framework Agreement**") with 廣州首聯環境集團有限公司 ("**Shoulian Environmental Group**"), Guangzhou Shoulian Environmental Group Company Limited*) and 廣州首聯環保服務有限公司 ("**Shoulian Environmental Service**"), Guangzhou Shoulian Environmental Service Company Limited*), pursuant to which the Company, Shoulian Environmental Group and Shoulian Environmental Service shall cooperate in respect of the collection, transportation and recycling of hazardous waste business in the PRC. The Cooperation Framework Agreement shall be valid for a term of 12 months from the date of the Cooperation Framework Agreement, or such longer term as the parties may agree. For details, please refer to the announcements dated 28 December 2021.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

The Remaining Group's obligations under finance leases, bank loans and other loans of HK$384.54 million in total as at 31 December 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$176.26 million (As at 31 December 2020: HK$167.57 million);

(ii) right-of-use assets in which their carrying amount was HK$445.05 million (As at 31 December 2020: HK$340.18 million); and

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

KEY RISKS AND UNCERTAINTIES

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

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

Risk	Description	Key Risk Mitigations	Changes
Liquidity risk	Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets.	— Actively monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows — Decrease the level of investments to release the funds for operation — Perform regular cashflow forecast for the Management to manage the liquidity of each business unit	Unchanged
Operational and pricing risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Also, as the Company has only limited ability to change/re-negotiate wastewater treatment or water supply fees. If relevant local government authority rejects the Company's applications to increase the tariffs to compensate the increase in actual costs, the Company might suffer from loss or decrease in profitability.	— Responsibility for managing operational risks basically rests with every function at divisional and departmental levels — Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework — Our management will identify and assess key operational exposures regularly so that appropriate risk response could be taken	Unchanged
Investment risk	Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments and thus risk assessment is a core aspect of the investment decision process.	— Site visit and detailed analysis will be performed to ensure invest only to high quality projects — Regular updates on the progress of the investments of our Group would be submitted to the Board	Decreased
Manpower and retention risk	Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group.	— Provide attractive remuneration package (including performance bonus) to suitable candidates and personnel — Create positive and work-life balance working environment to avoid staff dissatisfaction — Regularly review staff benefit package and compare to market — Establish clear career path, backup staff plan and rotate staff regularly, if possible, to reduce impact from staff departure	Slightly decreased

Risk	Description	Key Risk Mitigations	Changes
Legal and regulatory compliance risk	Our business success and operations could be impacted by the change of respective government laws and regulation in PRC. Any failure to anticipate the trend of regulatory changes or cope with relevant requirement may result in non-compliance of local laws or regulations, leading to not only financial loss but also reputational damage to the Group.	— Actively monitors and pays close attention to the relevant regulatory and legislative developments of the markets it operates — Consults with regulators of the markets on changes which could impact on our businesses — Training provided to staff in new staff orientation training — On-going training to staff to alert them latest regulatory requirements	Unchanged

NO MATERIAL CHANGE

Save as disclosed in this report, during the FY2021, there has been no material change in the Remaining Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2020.

BUSINESS PROSPECTS

The outlook and future plans of the Group are set out in the Chairman's Statement on pages 6 to 9.

EMPLOYEES

As at 31 December 2021, excluding jointly controlled entities and associates, the Remaining Group had 1,057 employees (As at 31 December 2020: 1,048), of which 13 (As at 31 December 2020: 18) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$215.18 million (As at 31 December 2020: HK$170.73 million). The increase was due to addition staff employed for further expansion of business in renewable energy projects, the absence of the relief of social insurance promulgated by the Chinese government in FY2021 and staff salaries increment in Yichun Water Project. 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 Remaining Group's operating results, market conditions and individual performance. Remuneration packages are normally reviewed as on annual basis by the Remuneration Committee. During the year 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 Remaining 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Yongjun ("Mr. Zhu"), aged 54, was appointed as an executive Director of the Company in August 2019. Mr. Zhu has been appointed as the Chairman, an Authorised Representative, a member of the Remuneration Committee, the chairman of the Nomination Committee and the chairman of the Investment Committee in 8 February 2021.He obtained his undergraduate from Hunan University in 1989 and a master degree of business administration in Peking University in the People's Republic of China in 2005. Currently, Mr. Zhu is the chairman of the board and an executive director of the New Concepts Holdings Limited (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. From February 2015 to 6 March 2020, Mr. Zhu was the chairman of the board of Josab Water Solutions AB, a company incorporated under the laws of Sweden, whose shares are listed on the Spotlight Stock Market, a stock exchange in Sweden. Mr. Zhu started his environmental protection career in 2001. From July 2007 to February 2009, Mr. Zhu was an executive director of Softpower International Limited (Stock code: 380) which is listed on the Main Board of the Stock Exchange. From May 2008 to March 2013, Mr. Zhu was an executive Director of EverChina Int'l Holdings Company Limited (Stock Code: 202) which is listed on the Main Board of the Stock Exchange. From January 2009 to May 2015, he was also the chairman of the board of Heilongjiang Interchina Water Treatment Company Limited (Stock Code: 600187) which is listed on the Shanghai Stock Exchange.

Mr. Hu Siyun ("Mr. Hu"), aged 44, has been appointed as an executive Director and a member of Investment Committee in July 2021 and September 2021 respectively. Mr. Hu holds a master degree in Urban Design from University of Melbourne in Australia and a bachelor degree in Architecture from Guangzhou University in the People's Republic of China. Currently, Mr. Hu is the chairman of the board of LiZen Asset Management Limited, being a corporation licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). From July 2018 to January 2019, Mr. Hu was a vice president of Co-Prosperity Management Limited, being a subsidiary of Asia Television Holdings Limited (stock code: 707), the issued shares of which are listed on the Main Board of the Stock Exchange. From September 2011 to June 2018, Mr. Hu served as the general manager of Huizhou City Honghu Real Estate Development Co., Ltd.*（惠州市鴻鵠房地產開發有限公司）. From June 2006 to August 2011, Mr. Hu was an executive associate director of the Architecture Design and Research Institute of Guangdong University of Technology (Huizhou Design Institute). Mr. Hu has over 10 years of experience in financial investment, capital operation as well as the real estate markets and capital markets both domestically and globally. Furthermore, he has participated in several mergers, acquisitions and restructuring projects, both domestically and globally. As at the date of this report, Mr. Hu was interested in 27,936,000 shares of the Company, representing approximately 1.75% of the issued share capital of the Company.

Ms. Chu Yin Yin, Georgiana ("Ms. Chu"), aged 51, was appointed as an executive Director and Company Secretary of the Company as well as Financial Controller of the Group in October 2006, November 2006 and November 2019 respectively. Ms. Chu has been appointed as a member of Investment Committee in September 2021. Ms. Chu holds a Bachelor's Degree of Accounting and a Master's Degree of Corporate Governance. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of the Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Chu is a fellow member of both of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Chu has over 20 years' extensive experience by working in an international audit firm and other listed companies. On 28 November 2018, Ms. Chu has resigned as an independent non-executive Director (the "**INED**") and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of Bisu Technology Group International Limited (stock code:1372). On 4 April 2019, Ms. Chu has resigned as an INED, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of Sino Golf Holdings Limited (stock code: 361). Both of the aforesaid companies are listed on the Main Board of the Stock Exchange. As at the date of this report, Ms. Chu was interested in 743,200 shares of the Company, representing approximately 0.05% of the issued share capital of the Company.

Ms. Deng Xiao Ting ("Ms. Deng"), aged 47, was appointed as an executive Director of the Company in July 2012. She is the director of various subsidiaries of the Group. Ms. Deng has once served as a national civil servant at Huizhou Public Security Bureau. Ms. Deng graduated from Jinan University, majoring in Accounting and subsequently graduated from the Party School of the Central Committee of C.P.C. with a major in law. Ms. Deng is the sister of Mr. Deng Jun Jie ("Mr. Deng"), a substantial shareholder of the Company. As at the date of this report, Ms. Deng was interested in 3,000,000 shares of the Company, representing approximately 0.19% of the issued share capital of the Company.

Independent non-executive Directors

Mr. Wong Siu Keung, Joe ("Mr. Wong"), aged 57, was appointed as an INED of the Company in October 2012. Mr. Wong is a Chairman of both of the Audit Committee and Remuneration Committee and a member of the Nomination Committee. Mr. Wong is currently an INED of Affluent Partners Holdings Ltd. (stock code: 1466), which is listed on the Main Board of the Stock Exchange. Mr. Wong is currently an INED of Interactive Entertainment China Cultural Technology Investments Limited (stock code: 8081) and Worldgate Global Logistics Ltd (stock code: 8292), both companies are listed on the GEM of The Stock Exchange. Mr. Wong holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master's Degree of Corporate Governance from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years.

Ms. Qiu Na ("Ms. Qiu"), aged 43, was appointed as an INED of the Company in September 2016. Ms. Qiu is a member of the Audit Committee. Graduated from the Information Institute of Defense Studies, NDU, PLA*（中國人民解放軍國防信息學院）in 2012, majoring in accountancy. Ms. Qiu is currently a general manager of Huizhou City Huixinfu Property Company Limited. She has extensive experience in human resources management, accounting, corporate administration and property development.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Cheung Shing, Richard ("Mr. Lam"), aged 63, was appointed as an executive Director of the Company in August 2019. Mr. Lam has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee in February 2021. He was admitted to the master degree of business administration in the Chinese University of Hong Kong in 2006. He is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Currently, Mr. Lam is an executive Director, the deputy chairman and chief executive officer of the EverChina. In August 2001, Mr. Lam was appointed as an executive Director and deputy chief executive officer of the EverChina and was designated as the chairman of the EverChina during the period from May 2009 to June 2009. Mr. Lam spent over ten years in PricewaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the EverChina, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited. Other than the directorship in the EverChina, currently, Mr. Lam is also an independent non-executive Director of Lajin Entertainment Network Group Limited (Stock code: 8172) which is listed on the GEM Board of the Stock Exchange. Besides, Mr. Lam was appointed as an independent non-executive Director of Eagle Legend Asia Limited (Stock code: 936) during the period from May 2013 to December 2014 and an executive Director of Kai Yuan Holdings Limited (Stock code: 1215) during the period from December 2001 to July 2008 and re-designated as a non-executive Director during the period from July 2008 to November 2008, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam was appointed as an executive Director of China Pipe Group Limited (Stock code: 380), which is listed on the Main Board of the Stock Exchange, during the period from June 2007 to February 2009.

SENIOR MANAGEMENT OF THE GROUP

Mr. Pan Yimin ("Mr. Pan"), aged 45, graduated from Jiangxi University of Finance and Economics with a bachelor's degree in Economics. He was appointed as the Vice President of the Company in March 2021 and is in charge of the financial department, general department and risk control department of the Company. In September 2021, he was appointed as a member of the Investment Committee of the Company. Mr. Pan currently is an executive Director of the New Concept Holdings Limited (the "**New Concept**") (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. He was the president of Tianjin Dongfang Mingrui Investment Management Co., Ltd* since 2013 prior to joining New Concept. Mr. Pan was the Vice President of Interchina (Tianjin) Water Treatment Co., Ltd.* from April 2011 to March 2013, and a deputy manager of Heilongjiang Interchina Water Treatment from April 2009 to March 2011. Before joining the Company, Mr. Pan worked at a number of reputable domestic investment companies and water companies. For over a decade in the industry, Mr. Pan possesses rich experience in corporate management, financial management, and project and financial investments.

Mr. Liu Hui Quan ("Mr. Liu"), aged 59, was appointed as a Vice President of the Company in January 2012. Mr. Liu is a vice chairman of FoShan City Gaoming Huaxin Sewage Treatment Company Limited*（佛山市高明區華信污水處理有限公司）, a director of Yichun Water Industry Group Co., Ltd. (formerly known as Yichun Water Industry Co., Ltd.), a director of Jining City Haiyuan Water Treatment Company Limited*（濟寧市海源水務有限公司）and a director of Guangzhou Hyde Environmental Protection Technology Co. Ltd*（廣州市海德環保科技有限公司）, all these companies are the subsidiaries of the Group. Mr. Liu holds a Master's Degree in Business Administration from Honolulu University, United States of America. Before joining the Company, Mr. Liu has over 10 years extensive experience in the human resource management in the PRC.

Mr. Liu Wei Qing ("Mr. Liu"), aged 59, graduated from Jiangxi University of Science and Technology (formerly known as Jiangxi Institute of Metallurgy) and holds a bachelor's degree in Engineering and a university lecturer certificate. He joined the Company in April 2012 and was appointed as a Vice President of the Company in May 2017. Currently, Mr. Liu is a vice chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited*（新中水（南京）再生資源投資有限公司）, a vice chairman and director of Shenzhen City New China Water Environmental Technology Limited*（深圳市新中水環保科技有限公司）and a director of Shenzhen City Li Sai Industrial Development Limited*（深圳市利賽實業發展有限公司）, all these companies are the subsidiaries of the Group. Mr. Liu is a member of Investment Committee. He has extensive management work experience in information technology and domestic urban water supply industry, daily waste treatment, and the comprehensive utilization of landfill gas of the landfill site.

Ms. Shou Li Rong ("Ms. Shou"), aged 51, was appointed as the Vice President of the Company in May 2017. Ms. Shou is a chairman of Yingtan Water Supply Group Co. Ltd, a subsidiary of the Group. Ms. Shou holds a bachelor's degree from Jiangxi Normal University and has certified qualification as a registered supervision engineer and a registered real estate appraiser and professional titles as an accountant and economist. Ms. Shou has worked for the government for nearly twenty years and served as the deputy mayor of the People's Government of Guixi City（貴溪市人民政府）with many years of work experience.

Mr. Tang Po Shing ("Mr. Tang"), aged 29, graduated from School of Economics and Management of Wuhan University in July 2015 with a bachelor's degree in marketing. He obtained a master's degree in entrepreneurship and innovation management from Loughborough University in October 2017. Mr. Tang joined the Group in November 2017. He previously served as an assistant to the general manager of Shenzhen City Li Sai Industrial Development Limited*（深圳市利賽實業發展有限公司）, the deputy general manager of the Investment and Financing Department of the Company, the vice chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited*（新中水（南京）再生資源投資有限公司）. Mr. Tang was appointed as the Vice President of Company in January 2019 and currently act as the chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited（新中水（南京）再生資源投資有限公司）and a member of Investment Committee. Mr. Tang is the son of Mr. Deng, a substantial shareholder of the Company and the nephew of Ms. Deng, an executive Director of the Company.

Mr. Liu Feng ("Mr. Liu"), aged 59, was appointed as the Vice President of the Company in 8 February 2021. He is the director of certain subsidiaries of the Group. Mr. Liu graduated from Guangdong Provincial Party School majoring in Economics and subsequently attained postgraduate qualification. Before joining the Company, he had accumulated over 30 years of experience in the banking, finance and property sectors, including the posts of section chief and deputy governor of Foshan Commercial Bank and held directors and senior posts in various investment companies.

CORPORATE GOVERNANCE REPORT

OVERVIEW

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

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

For the year ended 31 December 2021, the Company has complied with the code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviation of Code C.2.1.

A. Directors

A.1 The Board

- The overall management of the Company's business is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have to take decisions objectively in the interests of the Company. The Company has held 38 Board meetings in the year of 2021. Directors have been consulted to advice the agenda of the Board meeting. For the board regular meeting, at least 14 days notice has been given to the Directors.

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

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

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

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

- The Board holds meetings on a regular basis and will meet on other occasions when a board level decision on a particular matter is required. The individual attendance records of each Director including INEDs at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, Investment Committee, annual general meeting ("**AGM**") and extraordinary general meeting ("**EGM**") during the year ended 31 December 2021 are set out below:

Attendance Records

	Number of meetings attended/held						
Name of Directors	Board	Remuneration Committee	Audit Committee	Nomination Committee	Investment Committee	AGM	EGM
Executives Directors:							
Mr. Zhu Yongjun ("**Mr. Zhu**") *(Chairman)*	37/38	2/3	N/A	3/3	3/3	1/1	3/3
Mr. Hu Siyun ("**Mr. Hu**")	13/38	N/A	N/A	N/A	–	N/A	2/3
Ms. Deng Xiao Ting ("**Ms. Deng**")	38/38	N/A	N/A	N/A	3/3	1/1	3/3
Ms. Chu Yin Yin, Georgiana ("**Ms. Chu**")	35/38	N/A	N/A	N/A	–	1/1	3/3
Mr. Lin Yue Hui *(Chairman and CEO)*	18/38	N/A	N/A	N/A	–	1/1	1/3
Mr. Zhong Wei Guang ("**Mr. Zhong**") *(COO)*	23/38	N/A	N/A	N/A	3/3	1/1	1/3
Mr. Liu Feng ("**Mr. Liu**")	3/38	1/3	N/A	N/A	N/A	N/A	N/A
Non-executive Director:							
Mr. Ho Chi Ho	2/38	N/A	N/A	N/A	N/A	1/1	1/3
Independent Non-executive Directors:							
Mr. Wong Siu Keung, Joe ("**Mr. Wong**")	37/38	3/3	4/4	3/3	N/A	1/1	3/3
Ms. Qiu Na ("**Ms. Qiu**")	31/38	N/A	4/4	N/A	N/A	1/1	3/3
Mr. Lam Cheung Shing, Richard ("**Mr. Richard Lam**")	37/38	3/3	3/4	3/3	N/A	1/1	3/3
Mr. Guo Chao Tian ("**Mr. Guo**")	1/38	–	1/4	–	N/A	N/A	N/A

N/A: not applicable

A.2. Chairman and Chief Executive Officer

- During the period from 4 September 2018 to 7 February 2021, Mr. Lin took up the positions of Chairman and chief executive officer (the "**CEO**"). The Board has evaluated the situation of the Group and taken into account of the experience and past performance of Mr. Lin, the Board was of the opinion that it was appropriate and in the best interest of the Company for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. On 8 February 2021, Mr. Lin resigned as the Chairman and CEO of the Company, also he resigned as an executive Director of the Company on 18 June 2021. Mr. Zhu, an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

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

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

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

- The Chairman has held one private meeting with INEDs to discuss major events or issues which incurred in 2021 and the Company's business plan to be developed in 2022. The Board believed that INEDs could through this private meeting to voice out their concerns on financial aspects after discussing major events or issues and provide constructive advice on the direction of Company's future development.

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

- Following Mr. Lin resigned as the CEO in February 2021, the Company does not have an officer with the title "Chief Executive Officer". The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself.

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

A.3 Board Composition

- Up to the date of this report, the Board comprises a total of seven members including four executive Directors, and three INEDs. Members of the Board have different professional and relevant industry experiences and background so as to bring in valuable contributions and advices for the development of the Group's business.

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

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

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

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

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

- The names of the directors and their respective biographies are set out on pages 44 to 47 of this annual report.

A.4 Appointment, re-election and removal

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

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

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

- All INEDs and NED of the Company were not appointed for a specific term but they are subject to retirement by rotation at least once every three years and re-election at AGM of the Company in line with the Company's A.A..

- Any appointment of an INED who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. Mr. Wong has served as an INED for more than nine years. During his years of appointment, Mr. Wong has demonstrated his ability, integrity and experience to provide an independent view to the Company's matters. He has given an annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules and has been assessed by the Nomination Committee to be independent. The Board is of the view that Mr. Wong is able to continue to fulfil his role as required and his long service would not affect his exercise of independent judgment. Mr. Wong was re-elected and approved by shareholders as an INED at AGM in June 2021.

A.5 Nomination Committee

For the FY2021 and up to the date of this report, the Nomination Committee has the following changes:

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

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

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

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

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

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

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

  (d) to assess the independence of INEDs; and

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

- Nomination Policy

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

  — Reputation for integrity;

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

  — Relevant skills and experience to contribute to the Board;

  — Commitment in respect of available time and relevant interest;

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

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

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

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

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

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

- Board Diversity Policy

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

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

— During the year under review, the Nomination Committee held 1 meeting to review the composition of the Board and its committees as well as the background and experiences of the Board members and evaluate the contributions of the Board members to the Group in 2021. An analysis of the Board's current composition is set out in the following chart:

Name of director	Title	Age	Gender	Professional/Industry experience	Length of service on Board (since)
Mr. Zhu	ED and Chairman	54	Male	Environmental protection and investment	August 2019
Mr. Hu	ED	44	Male	Financial investment, capital operation and the real estate investment	July 2021
Ms. Deng	ED	47	Female	Accounting and investment	July 2012
Ms. Chu	ED, Company Secretary and Group Financial Controller	51	Female	Accounting, auditing and financing	October 2006
Mr. Wong	INED	57	Male	Accounting, auditing and financing	October 2012
Ms. Qiu	INED	43	Female	Accounting and property management	September 2016
Mr. Richard Lam	INED	63	Male	Accounting, taxation and corporate finance	August 2019

ED: Executive Director
INED: Independent non-executive Director

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

- During the year, the Nomination Committee held 3 meetings and the attendance of each member is set out in the section headed "The Board" of this report.

A.6 Responsibilities of the Directors

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

- All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors have confirmed that they have complied with code provision A.6.5 of the CG Code for the year ended 31 December 2021. During the year, Company Secretary has provided the updated materials in relation to amendments to the Listing Rules in 2021 and other rules to the Directors.

  During the year, the Directors participated in the following training:

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

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

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

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

- The Company has adopted the full set of Model Code set out in Appendix 10 of the Listing Rules as the code of the conduct for securities transactions by Directors (the "**Model Code**"). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors, the Board confirms that the Director of the Company have complied with the Model Code regarding directors' securities transactions during the year and up to the date of this Report.

A.7 Supply of and access to information

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

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

B Remuneration of Directors and Senior Management

The Company has established a Remuneration Committee since 29 June 2005 with written terms of reference in consistence with the CG Code. A majority members of the Remuneration Committee is INEDs. For the FY2021 and up to the date of this report, the Remuneration Committee has the following changes:

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

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

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

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

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

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

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

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

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

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

	31 December	
	2021	2020
	Number of	Number of
Emolument band (HK$)	**individuals**	individuals
Nil to 500,000	**1**	1
500,001 to 1,000,000	**3**	3
1,000,001 to 2,000,000	**2**	1

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

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

- The Remuneration Committee held 3 meetings during the year to review and approve the remuneration of executive Directors including INEDs and senior management. The attendance record of individual members is set out in the section headed "The Board" of this report.

C Accountability and Audit

C.1 Financial Reporting

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

- The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021. The Board must ensure that the financial statements of the Group are prepared so as to give a true and fair view of the financial status of the Group.

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

- A statement by the independent auditor of the Company about their reporting responsibilities is included in the Report of the Auditors on pages 143 to 147 of this annual report.

- A separate statement in the Annual Report on pages 10 to 43 containing a discussion and analysis of the Group's performance.

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

C.2 Risk Management and Internal Control

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

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

Risk Management Structure

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

Board Oversight

The Board

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

Audit Committee

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

Management Risk Management and Leadership

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

Internal audit function and external auditors

Internal Audit Function

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

External Auditor

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

Risk Management Process

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

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

Main features of our risk management and internal control systems

Maintain an effective internal control system at operational level

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

In evaluating the effectiveness internal control systems, the Board has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions as well as those relating to the Group's ESG performance and reporting.

On-going risk monitoring at risk management level

The Management identifies and mitigates major risks according to the risk management process, the identified risks are summarized in risk register and submitted to the Board and Audit Committee for their review together with annual internal control review plan to enable the Board and Audit Committee effectively monitor major risks of the Group and how the risks are managed. Major risks relevant to the Group are shown on pages 41 to 43 of this Report. Material risks relating to ESG are shown on page 91 in the Environmental, Social and Governance Report.

Independent review

The Group has established an independent internal control department to conduct an internal control review on an annual basis, the scope of review has covered the period from 1 January 2021 to 31 December 2021. The results of the internal control review has been submitted to the Audit Committee.

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

C.3 Audit Committee

The Audit Committee of the Company was established since 29 June 2005 with specific written terms of reference. For the FY2021 and up to the date of this report, the Audit Committee has the following changes:

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

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

The major duties of the Audit Committee include:

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

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

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

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

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

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

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

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

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

For the year under review, the Audit Committee held 4 meetings included the reviewing of the financial statements, annual report and accounts and interim report. The Group's annual report for the year ended 31 December 2021 and internal audit reports have been reviewed by the Audit Committee. The attendance record of individual members is set out in the section headed "The Board" of this report.

D. Delegation by the Board

D.1 Management functions

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

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

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

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

  — Setting the objectives and targets of the Company;

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

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

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

  — Regularly evaluating businesses and operation performance;

  — Ensuring effective implementation of the Board's decision;

  — Ensuring adequate fundings; and

  — Monitoring performance of the management of the Group.

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

D.2 Board Committees

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

D.3 Corporate Governance Functions

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

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

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

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

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

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

E Communication with shareholders and investors

E.1 Effective communication

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

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

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

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

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

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

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

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

- Dividend Policy

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

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

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

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

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

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

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

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

h) the Group's expected working capital requirements;

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

j) any other factors that the Board deem appropriate.

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

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

E.2 Shareholders' rights

- Procedures for Shareholders to Convene an EGM

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

- Procedures for Proposing a Person for Election as a Director

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

- Procedures for Directing Shareholders' Enquiries to the Board

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

- Procedures for making proposals at Shareholders' Meetings

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

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

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

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

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

E.3 Voting by poll

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

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

F. Company Secretary

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

INVESTMENT COMMITTEE

The Investment Committee of the Company was established since 18 December 2008 with specific terms of reference.

The Committee members consisted of three executive Directors, namely Mr. Zhu (Committee Chairman), Ms. Chu, Mr. Hu and three Vice Presidents of the Company including Mr. Tang Po Shing, Mr. Liu Wei Qing and Mr. Pan Yimin. The terms of reference of the Investment Committee is available on the Company's website.

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

- The major duties of the Investment Committee include:

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

  (b) Review the investment policies and strategy;

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

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

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

- The Investment Committee held 3 meetings during the year. The attendance record of individual members is set out in the section headed "The Board" of this report.

AUDITORS' REMUNERATION

For the financial year, the remuneration paid and payable to Crowe (HK) CPA Limited, the auditors of the Company, totalled approximately of HK$3,493,000, of which HK$2,290,000 related to audit services and HK$1,203,000 to professional services for special engagements, taxation and other non-audit services. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of auditor.

COMPLIANCE WITH THE CODE ON THE CORPORATE GOVERNANCE CODE

The Company has complied with the CG Code throughout the financial year ended 31 December 2021 except for the deviation from the code provision C.2.1 as below:

- Pursuant to the code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the period from 4 September 2018 to 7 February 2021, Mr. Lin took up the positions of Chairman and CEO. The Board has evaluated the situation of the Group and taken into account of the experience and past performance of Mr. Lin, the Board was of the opinion that it was appropriate and in the best interest of the Company for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. On 8 February 2021, Mr. Lin resigned as the Chairman and CEO of the Company, also he resigned as an executive Director of the Company on 18 June 2021. Mr. Zhu, an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

REPORT OF THE DIRECTORS

The board of Directors of the Company, present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy in the PRC; and (iii) property investment and development. The details of principal activities and other particulars of the subsidiaries are set out in note 21 to the consolidated financial statements.

Details of the activities during the year as required by schedule 5 to the Companies Ordinance, including a description of the key risks and uncertainties facing the Group, an indication of likely future development in the Group's business is set out under the sections of Management Discussion and Analysis on pages 10 to 43, Chairman's Statement on pages 6 to 9 of this Annual Report respectively. An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to sustainable future development. We assess the materiality of various environmental, social and governance ("**ESG**") issues and take measures to control the environmental and social impacts on operations. All our businesses are required to comply with all applicable ESG laws and regulations strictly. Discussion on the Group's ESG initiatives, performance and applicable ESG laws and regulations can be found in the section headed "Environmental, Social and Governance Report" on pages 85 to 142 of this annual report.

SEGMENT INFORMATION

Analyses of the Group's segmental information by businesses for the year ended 31 December 2021 are set out in note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Group and the Company are set out in the financial statements on pages 148 to 284.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (FY2020: nil).

CHARITABLE DONATIONS

During the year, the Group did not make any charitable donations (2020: Nil).

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	2021	2020
The largest customer	**11.94%**	10.26%
Five largest customers in aggregate	**25.81%**	24.32%
The largest supplier	**6.62%**	6.66%
Five largest suppliers in aggregate	**24.84%**	24.98%

For the year ended 31 December 2021, the percentage of revenue from the five largest customers in aggregate was less than 30% of the Group's total revenue and the percentage of purchase from the five largest suppliers in aggregate was less than 30% of the Group's total purchase.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in note 34(b) and note 41 to the consolidated financial statements, respectively.

RESERVES AND DISTRIBUTIVE RESERVE

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements, respectively.

The Company had no reserve available for distribution to shareholders as at 31 December 2021 (31 December 2020: Nil).

BANK BORROWINGS AND BANKING FACILITIES

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 30 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5.

DIRECTORS

The Directors of the Company were:

Executive Directors:

Mr. Zhu Yongjun ("**Mr. Zhu**") *(Chairman)*
Mr. Hu Siyun ("**Mr. Hu**")
Ms. Deng Xiao Ting ("**Ms. Deng**")
Ms. Chu Yin Yin, Georgiana ("**Ms. Chu**")

Independent non-executive Directors:

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

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

According to Article 112 of the A.A., Mr. Hu who was appointed by the Board, shall hold office only until the AGM and shall be eligible for re-election. Mr. Hu being eligible, will offer himself for re-election at the AGM.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 44 to 47 of the Annual Report.

EMOLUMENT POLICY

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

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2021, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations and does not have specific terms of appointment but is subject for retirement and for re-elections at the forthcoming AGM as required by the A.A. of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 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
Mr. Hu	Beneficial owner	27,936,000 (L)	1.75%
Ms. Deng	Beneficial owner	3,000,000 (L)	0.19%
Ms. Chu	Beneficial owner	743,200 (L)	0.05%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,596,539,766 shares in issue as at 31 December 2021.

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

Save as disclosed above, as at 31 December 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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
Step Wide Investment Limited	Beneficial owner	276,112,000 (L) *(Note 1)*	17.29%
Honghu Capital Co. Ltd.	Beneficial owner	161,676,000 (L) *(Note 2)*	10.13%

Note 1: 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 2: These shares are held by Honghu Capital Co. Ltd. ("**Honghu Capital**") which Mr. Deng Jun Jie ("**Mr. Deng**") is the beneficial owner. Mr. Deng is deemed to be interested in shares held by Honghu Capital by virtues of the SFO.

Note 3: The shareholding percentage in the company is calculated on the basis of 1,596,539,766 shares in issue as at 31 December 2021.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

EQUITY-LINKED AGREEMENTS

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

MANAGEMENT CONTRACTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

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

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions:

1. Financial Assistance Received by the Group

During the year, the Group has borrowed three loans amounting to HK$240 million from Kingston Finance Limited comprising of HK$80 million (the "**Loan A**"), HK$30 million (the "**Loan B**") and HK$130 million (the "**Loan C**"). As at 31 December 2021, the loans due to Kingston Finance Limited was HK$240 million. For the FY2021, the interest expenses incurred for the loans financing were approximately HK$13.66 million. The following is the analysis of the aforesaid loans:

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 (the "**Lender**") is indirectly wholly-owned by Mrs. Chu. Accordingly, The Lender 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.

A. 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 "**Borrower**"), a wholly-owned subsidiary of the Company entered into two loan agreements with (the "**Lender**") for the purpose of borrowing Loan A and Loan B at an interest rate of 15% per annum and repayable within one year. The drawdown date for the Loan A and Loan B were on 19 March 2021 and on 10 May 2021 respectively. Loan A was secured by the shares of two subsidiaries of the Company and corporate guarantee provided by the Company. Loan B was secured by the corporate guarantee provided by the Company but without any Group's assets was pledged to the Lender. Both loan transactions were one-off and non-revolving in nature. The interest expenses in respect of Loan A and Loan B were paid to the Lender pursuant to the terms stipulated in the two loan agreements entered into with the Lender in March and May 2021 respectively, prior to Mrs. Chu and the Lender becoming connected persons of the Company. The Company considered that as of the date of execution of the two loan agreements in March and May 2021 respectively, the loan transactions did not constitute connected party transactions of the Company. Subsequent to the financial year ended 31 December 2021, Loan B was fully settled and Loan A was mutually agreed to be repayable on demand.

B. On 30 September 2021, the Borrower entered into a loan agreement with the Lender for the Loan C at an interest rate of 15% per annum and repayable within one year. The drawdown date for the Loan C was on 30 September 2021. Loan C was secured by the corporate guarantee provided by the Company. None of the Group's assets had been pledged to the Lender. Subsequent to the financial year ended 31 December 2021, partial repayment of HK$30 million in respect of the principal of Loan C had been made and the remaining principal balance of Loan C was mutually agreed to be repayable on demand.

As the entering into of the loan agreement with the Lender in respect of Loan C, was subsequent to Mrs. Chu becoming the substantial shareholder of the Company, the entering into the loan agreement in respect of Loan C constituted a connected transaction of the Company as defined under Chapter 14A of the Listing Rules. However, given Loan C was made for the benefit of the Group, on normal commercial terms with no security over the assets of the Group. In this regard, Loan C was fully exempted under Rule 14A.90 of the Listing Rules.

2. Other connected transaction

For the FY2021, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was HK$0.20 million. Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited. Accordingly, Kingston Corporate Finance Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company. The provision of corporate finance services constituted connected transaction of the Company under Chapter 14A of the Listing Rules but such transaction was fully exempt under Rule 14A.76 (1) of the Listing Rules.

Save as disclosed above, none of the other transactions constitute a connected transaction or exempted connected transaction as defined under the Listing Rules that is required to be disclosed. The Company has complied with the disclosure requirement prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year under review. Details of the connected transactions of the Group are also set out in note 46(a) and (b) to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of material related party transactions are set out in note 46 to the consolidated financial statements.

LITIGATIONS AND ARBITRATION

Details of litigation and arbitration are set out in note 45 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SHARE OPTION SCHEME

At the AGM of the Company held on 2 June 2021, the shareholders of the Company approved the adoption of the Company's new share option scheme ("**Scheme**") and the termination of the Company's then existing Share Option Scheme. The Scheme adopted by the Company was on 3 June 2021. A summary of the principal terms of the Scheme, as disclosed in accordance with the Listing Rules on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is as follows:

(i) Purpose

The purpose of the Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the development of the business and operations of the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. In determining whether a person has contributed or will contribute to the Group, the Group will take into account, among other things, whether contribution has been made to or will be made to the Group in terms of operation, financial performance, prospects, growth, reputation and image of the Group.

(ii) Qualifying participants

Under the terms of the Scheme, the Directors of the Company may, at their discretion, grant options to the any directors, whether executive or non-executive and whether independent or not, of the Group, full time or part time employees of the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group (the "**eligible participants**").

(iii) Maximum number of shares

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

(iv) Maximum entitlement of each eligible participant

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

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

(v) Option period

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

(vi) Acceptance of offer

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

(vii) Subscription price

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

(viii) The remaining life of the Scheme

The Directors shall be entitled at any time within 10 years commencing on 3 June 2021 to offer the grant of an option to any eligible participant. The Scheme will expire on 2 June 2031.

Save for the Scheme, the Company did not have any other share option scheme as at 31 December 2021. From the date of the Scheme being adopted up to 31 December 2021, no options had been granted and remained outstanding under the Scheme of the Company.

PRE-EMPTIVE RIGHTS

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

PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor its subsidiaries purchased, redeemed or sold of the Company's listed securities.

RETIREMENT SCHEMES

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

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the year are set out in note 47 to the consolidated financial statements.

SUFFICIENT OF PUBLIC FLOAT

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

AUDIT COMMITTEE

In accordance with the requirements of the Listing Rules, the Group established an Audit Committee comprising three INEDs of the Company. The Audit Committee of the Company has reviewed the audited consolidated financial statements for the year ended 31 December 2021. Information on the work of Audit Committee and its composition are set out in the Report of the Corporate Governance on pages 64 to 65 of this report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2020 Annual Report required to be disclosed were as follows:

i. the updated biographic details of the Directors are set out on pages 44 to 47 of the Annual Report;

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

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

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

- Mr. Liu Feng ("**Mr. Liu**") has resigned as an executive Director, an Authorised Representative and a member of the Remuneration Committee. Mr. Liu was appointed as a vice president 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, 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, an INED, has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee; and

- Ms. Deng, an executive Director, has been appointed as a member of the Investment Committee. Further, she resigned as a member of the Investment Committee on 16 September 2021.

iii. Mr. Lin 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 ceased to be a member of the Investment Committee.

iv. Mr. Ho Chi Ho has resigned as a non-executive Director of the Company with effect from 29 June 2021.

v. Mr. Zhong Wei Guang has resigned as an executive Director of the Company with effect from 14 July 2021.

vi. Mr. Hu Siyun ("**Mr. Hu**") has been appointed as an executive Director of the Company with effect from 14 July 2021.

vii. Each of Mr. Hu and Ms. Chu has been appointed as a member of Investment Committee with effect from 16 September 2021.

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

CORPORATE GOVERNANCE

The Company's Corporate Governance principles and practices are set out in the Corporate Governance Report on pages 48 to 71 of this Annual Report.

CONFIRMATION OF INDEPENDENCE

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

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 24 June 2022. Notice of AGM will be published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (www.hkexnews.hk), and will be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine shareholders' eligibility to attend and vote at the forthcoming AGM of the Company to be held on Friday, 24 June 2022, the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for entitlement to attend the AGM, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration, not later than 4:00 p.m. on Monday, 20 June 2022.

AUDITORS

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

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

Hong Kong, 30 March 2022

ABOUT THIS REPORT

Purpose of the Report

This is the eighth Environmental, Social and Governance ("**ESG**") Report (the "**Report**") of China Water Industry Group Limited ("**China Water**", "**the Company**", and together with its subsidiaries, collectively known as "**the Group**", "**We**"). The Report sets out our policies, approaches and data in respect of environmental and social sustainable development in 2021. It emphasises the Group's principal business and the aspects important to our stakeholders in order to provide stakeholders with more detailed and valuable information for reference and respond to the concerns from different stakeholders in a more comprehensive manner. For details regarding the corporate governance of the Group in 2021, please refer to the section headed "Corporate Governance Report" in this annual report.

Reporting Year and Scope

This Report covers the reporting period from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"). Unless otherwise stated, the scope of this Report covers the Group's core business segments including (i) provision of water supply and sewage treatment services; (ii) construction of water supply and sewage treatment infrastructure; and (iii) exploitation and sale of renewable energy in the People's Republic of China (the "**PRC**").

Reporting Standard

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

Access to The Report

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

Contact Information

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

HIGHLIGHTS OF THE YEAR 2021*

Water supply business

71,311,175 tonnes of clean water

Supplying clean water to **2** cities

Exploitation and sale of renewable energy business

797,028,961 kWh of green electricity generated

As at 31 December 2021, **37** landfill-gas-to-power projects have been in operation

Equivalent to **4,680,839** tonnes of carbon dioxide emissions avoided*

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

Sewage treatment business

61,474,860 tonnes of sewage treated

4 sewage treatment projects have been in operation

9,413 tonnes of Chemical Oxygen Demand ("**COD**") reduced

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

* Covers the overall performance of the Group.

AWARDS AND RECOGNITIONS

Received by	Award/Recognition	Organiser
China Water Industry Group Limited	Advanced Business in the Field of Landfill Site for 2021 (2021年度填埋場領域領先企業)	E20 Environment Platform, China Urban Construction Design & Research Institute
Linyi Fenghuang Water Industry Co., Ltd	Grade A in Quantitative Classification Management for Collective Supply of Domestic Drinking Water (生活飲用水集中式供水量化分級管理A級單位)	The Health and Wellness Committee of Linyi (臨沂市衛生健康委員會)
Linyi Fenghuang Water Industry Co., Ltd	2021 Taxation Model (2021年度納稅模範)	The People's Government of Hedong District under Hedong District Committee of the CPC (中共河東區委河東區人民政府)
Yichun Fangke Sewage Treatment Company Limited*	Advanced Entity in Total Water Pollutant Emission Reduction during the "13th Five-Year Plan" (「十三五」期間水污染物總量減排工作先進單位)	Ecology & Environment Bureau of Yichun (宜春市生態環境局)
Yichun Water Industry Group Co. Ltd.*	Mayday Labor Award of Jiangxi Province (江西省五一勞動獎項)	Jiangxi Federation of Trade Unions
Yichun Water Industry Group Co. Ltd.*	Yichun Communist Youth League with May 4th Red Flag (Level of Headquarters of the Communist Youth League) (全市五四紅旗團支部(團總支))	Communist Youth League Yichun Committee (共青團宜春市委)
Yichun Water Industry Group Co. Ltd.*	Advanced Unit of Internal Security Organization Awarded by Yuanzhou Public Security Branch Bureau for 2021 (二零二一年度袁州公安分局內保組織先進單位)	Yuanzhou Public Security Branch Bureau (袁州公安分局)

INDUSTRY PARTICIPATION

As one of the well-known investment and comprehensive service provides in domestic environment protection industry, the Group actively participate in different industry activities to exchange knowledge with many outstanding industry participants and absorb diverse ideas and innovative concepts in the industry, thereby achieving mutual growth with industry peers.

Participating Company	Event	Organiser
China Water Industry Group Limited	The E20 Fixed Waste Strategy Forum for 2021 (the 15th session) (2021(第十五屆) E20固廢戰略論壇)	E20 Environment Platform, China Urban Construction Design & Research Institute
Yichun Water Industry Group Co. Ltd.*	The Open Competition Debate for Title of Provincial Youth Civilization (省級青年文明號公開競爭答辯會)	The Organizing Committee of Department of Housing and Urban-rural Development of Jiangxi Province Determining the Title of Provincial Youth Civilization (省住建廳創建省級青年文明號組委會)

OUR TENET, MISSION, VISION AND CORE VALUES

Company tenet
The Group is a professional investment and operation management service provider for municipal water service and environmental new energy which specialises in investment and operation of water and environmental protection projects

Company mission
We assume the social responsibilities of providing clean water to the public, improving the living environment and creating value for the society

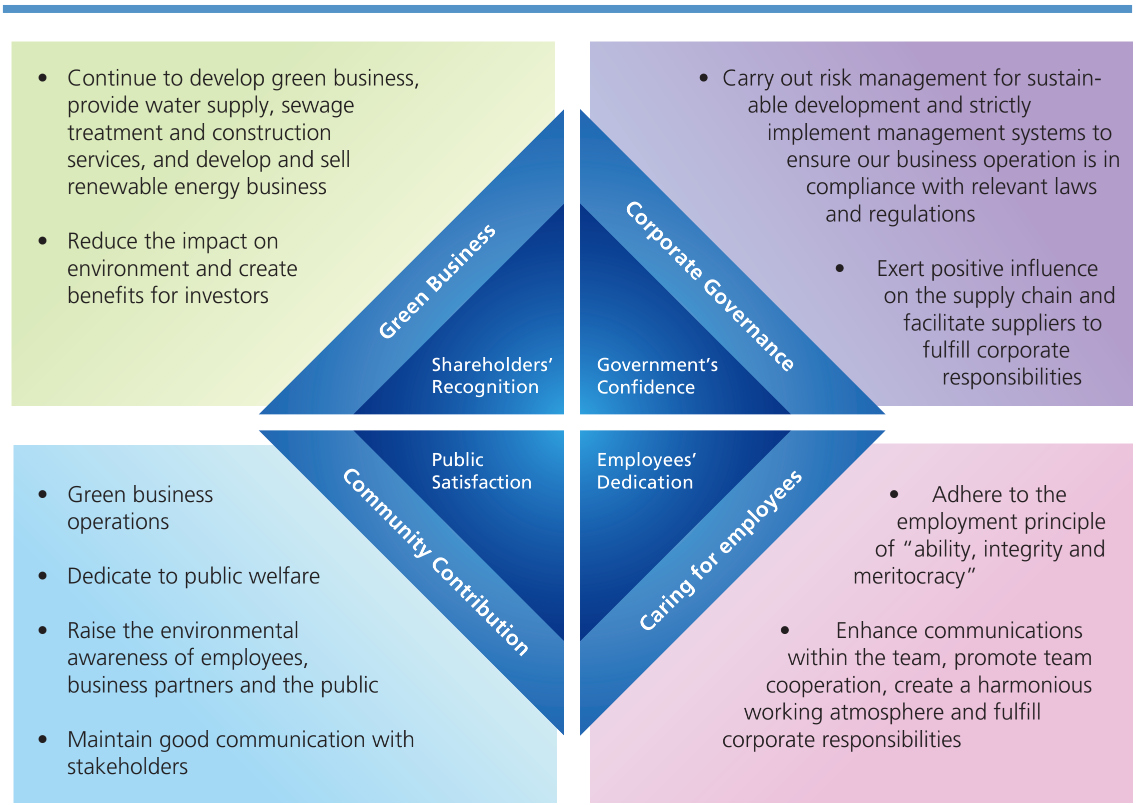
Company vision
Headquartered in China, we aspire to expand our presence to Asia and across the world

Core values
We strive to provide services that embrace government's confidence, public satisfaction, shareholders' recognition and employees' dedication

OUR APPROACH TO SUSTAINABILITY

We have been performing our corporate social responsibilities diligently to devote ourselves into national development and bring long-term and positive impact on the environment and society. Our sustainable development strategy covers four key areas, namely green business, corporate governance, caring for employees and community contributions, which reflects our core corporate value comprehensively. We expect to continuously create mutual benefits for the corporate and the society by carrying out environmental protection works, caring for our employees and making contribution to the society.

Key areas of sustainable development



SUSTAINABILITY GOVERNANCE

The Board upholds the overall responsibilities on the Group's ESG strategy and performance. Additionally, the Board oversees the identification and assessment of business operation risks, including environmental, social, and governance risks and opportunities, as well as the implementation of comprehensive risk management and internal monitoring systems. At the operational level, we have established an ESG Working Group (the "**Working Group**") to integrate sustainable development into daily operations. Endorsed by the Board, the Working Group oversees the ESG management approaches and regularly provides advice to the Board on the following issues:

- Formulate and review the Group's sustainability strategy, prioritised issues, goals and targets;
- Identify, review and manage ESG-related material risks and opportunities;
- Review and monitor the implementation of ESG-related policies and initiatives, to ensure compliance with the relevant regulations and legislation;
- Monitor and review the Group's ESG performance and progress based on goals and targets;
- Review and monitor the Group's stakeholder engagement channels to ensure effective communication with key stakeholders; and
- Compile the annual ESG report for approval from the Board.

ENVIRONMENTAL SOCIAL AND GOVERNANCE RISK MANAGEMENT

In a market of various change, we have adopted a series of risk management procedures to effectively respond to the potential risks and opportunities relating to sustainable development resulting from our operation, and also formulated a series of environmental, social and governance risk policies in 2019 to provide more clear guidance and regulation on management of environmental, social and governance risks. The Board determines the Group's business strategy and risk tolerance, and is responsible for establishing, maintaining and assessing the risk management and internal control system. The management is responsible for risk management of business operation, and collects internal and external data and opinions of stakeholders through different channels, historical data, future forecast and information about other relevant domestic and overseas companies, in order to identify, assess and respond to the risks and opportunities faced by the Group including environmental, social and governance risks.

During the Reporting Period, the Group also conducted an ESG-related risk assessment by conducting industry analysis, collecting stakeholders' views and evaluating ESG trends to identify ESG risks that were significant to the Group's business and prioritized them by assessing the extent to which each ESG risk affected the Group. For higher-level ESG risks, we will develop corresponding countermeasures, review the effectiveness of these measures regularly, report to the Board on the identified risks and changes, and introduce additional enhancement measures as necessary.

Environmental, Social and Governance Risk Policies

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

Stakeholder Engagement

In order to continuously improve the Group's sustainability performance, we actively maintain close communication with different stakeholders to understand their opinions and expectations for the Group. Our main stakeholders include employees, governments, shareholders, business partners, non-governmental organisations, customers, suppliers, communities, etc. Their engagement is an integral part of our journey towards sustainability, and we have therefore established a mechanism for collaboration and communication, and set up diversified channels to further improve our sustainability strategies and policies by understanding their needs and expectations.

Materiality Assessment

The Group conducted materiality assessment during the Reporting Period based on the materiality reporting principle set out in the ESG Reporting Guide, and determined those ESG issues which had material impact on the Group and the stakeholders. Set out below is our summarized procedure for materiality analysis:

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

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

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

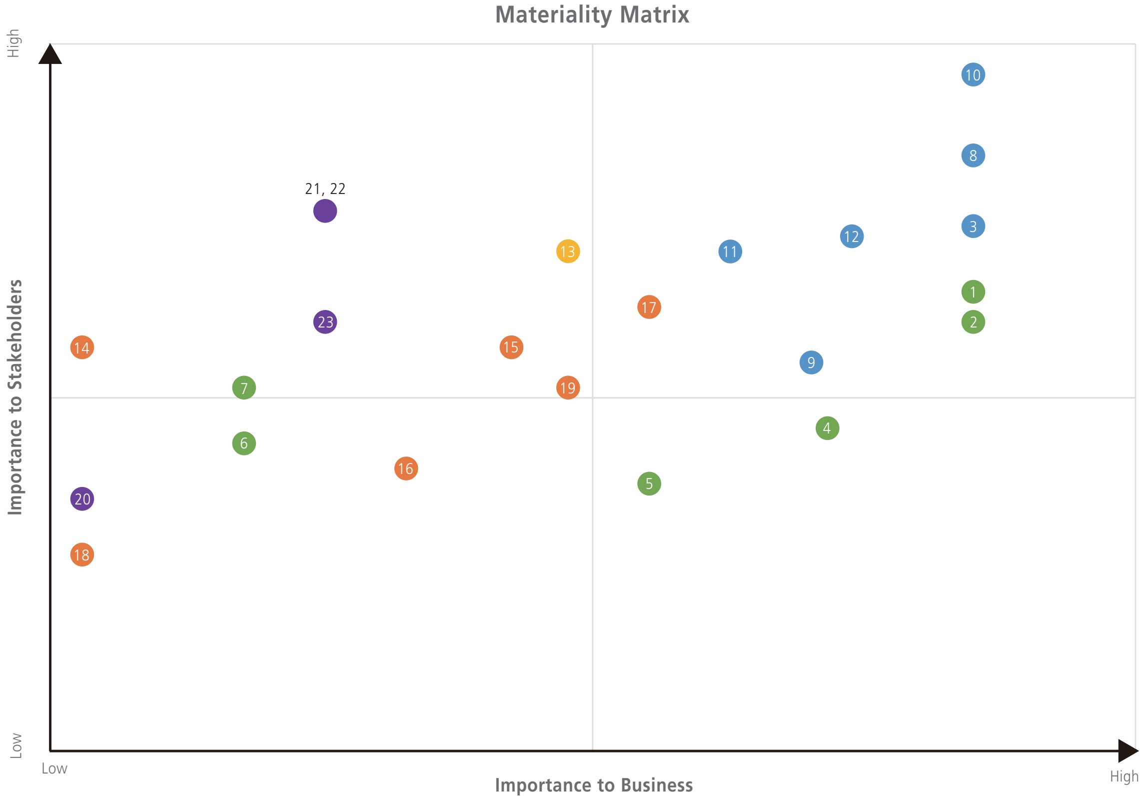
4) Consolidate the ratings from internal and external stakeholders and prepare the materiality matrix, in particular, the relevant issues are arranged vertically based on external stakeholders' ratings with high ratings being on top, and arranged horizontally based on management's assessment with most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

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

The results of our materiality assessment for the Reporting Period are set out in the materiality matrix below, with the 9 issues in the top right-hand section being the most important ones for our business and stakeholders in this analysis which will be highlighted in this Report.

Material Issues		Relevant Chapter/section
1.	Air emissions	➢ Management in Greenhouse Gas Emissions and Energy
2	Waste	➢ Wastewater Management in relation to Renewable Energy Project ➢ Solid Waste Management
3	Carbon emission and energy	➢ Management in Greenhouse Gas Emissions and Energy
8	Staff welfare	➢ People Management
9	Equal-opportunity, diversity, anti-discrimination	➢ People Management ➢ Protection for Our Female Employees
10	Occupational health and safety	➢ Occupational Health and Safety
11	Staff development and training	➢ Employee Trainings
12	Employment compliance	➢ People Management
17	Intellectual property rights management	➢ Information Protection

Materiality Matrix



Key issues identified

1	Air emissions
2	Waste
3	Carbon emission and energy
4	Water consumption and sewage discharge
5	Climate change risk
6	Green procurement
7	Environmental risk in supply chain
8	Staff welfare
9	Equal-opportunity, diversity, anti-discrimination
10	Occupational health and safety
11	Staff development and training
12	Employment compliance

13	Social risk in supply chain
14	Transparency & traceability of raw materials
15	Product assurance, quality and safety
16	Customer service
17	Intellectual property rights management
18	Marketing and advertising
19	Anti-corruption
20	Community investment
21	Technology design and innovation
22	Economic performance
23	Business growth

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

In the face of the outbreak of COVID-19 pandemic, the Group and its staff have been working hard on each position to provide uninterrupted services to the public. We have also adopted a series of countermeasures to stop the spread of the virus and to ensure a safe and healthy working environment for our staff.

Responses in place

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

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

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

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

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

Strengthen epidemic prevention and control to safeguard staff health

Threatened by the COVID-19 pandemic and the evolving virus, we continue to remain vigilant to safeguard the health of our employees. In order to enhance our safe working environment management against the epidemic, Yichun Fangke Sewage Treatment Company Limited has once again deployed and strengthened its epidemic prevention and control works in 2021, making relevant working requirement and all-round deployment in respect of thereof:

- Set up a leading team dedicated for epidemic prevention and control works, formulate relevant working plan, and carry out daily supervision and management to ensure that all measures are strictly enforced
- Fully play the leading and pioneer roles of our cadres who are also members of the Communist Party of China, determine the rules of implementation and responsibilities, and ensure employees can make a good job in epidemic prevention and control works effectively
- Reinforce safety production operation management, keep abreast of the latest production conditions on a real time basis, and ensure the effluent discharged complies with relevant standard
- Conduct strict control in entrance/exit management, require all of our employees to have body temperature measurement everyday and not to leave the city unless necessary; non-employee people must wear mask, have their heath code scanned, have temperature checked and make identity registration before entering into our Company. Visitors coming from the regions where middle and high level of risks exist are forbidden to visit
- Strengthen the dinning management of our canteens. Employees are required to bring their own cutlery for dinning and have their dinners in separate batches
- Strengthen hygiene cleaning and disinfection, disinfect the production and office areas twice a day to ensure that the biochemical pool, office premises and other areas stay clean and hygienic
- Make sufficient stock of materials, such as masks, protective clothing and hand sanitizer for epidemic prevention and control

Yichun Fangke Sewage Treatment Company Limited has performed its responsibility of epidemic prevention and control on a earnest and consistent basis through reinforced inspection and monitoring on the quality of the sewage discharged, to make sure its working premises stay clean and hygienic.

CORPORATE GOVERNANCE & BUSINESS ETHNIC

Business Integrity

The Group has been adherent to the policy of zero tolerance for any corruption or malpractice behavior, strictly follows the "Provisions of the Criminal Law of the People's Republic of China" (《中華人民共和國刑法》), "Company Law of the People' s Republic of China" (《中華人民共和國公司法》), "Anti-Unfair Competition Law of the People' s Republic of China" (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations, and formulate and implements a series of internal procedures and guidelines. Besides, Some project companies have formulated the "Procurement and Reimbursement Management Measures", "Financial Management System" and internal audit system, and conducted comprehensive audits on management, finance and operations to effectively prevent bribery, extortion, fraud, and money laundering.

In addition, our employees' handbook clearly sets out our requirement on ethical and professional conduct, expecting them to perform duties based on ethical standards of honesty and integrity. We also establish long-term, honest, trustworthy and reliable business relationship with all business partners. During the Reporting Period, in order to enhance anti-corruption practices and staff's awareness on integrity issues, the Group arranged anti-corruption related training for Directors and employees.

We encourage our employees to report to the Group any suspicious illegal act and require them to refuse any dishonest offer of money or gift. It is our policy to protect employees against any report on illegal, undisciplined or unlawful conduct, and make sure all the privacy and the information provided be in strict confidence, so as to protect the whistleblowers from unfair dismissal, oppression or inappropriate disciplinary action. We will deal with any undisciplined behavior seriously and make in-depth investigation into the reported issues, and take disciplinary actions against the violators.

In 2021, the Group was not aware that its business and employees were involved in any material non-compliance with laws and regulations related to bribery, extortion, fraud and money laundering.

Party integrity class touches inner minds and alarm sounds with case-based law interpretation

In June 2021, in order to thoroughly implement the spirits under the "Notice of Conducting a Series of Case-based Improvement & Alerting Education Activities within the Comprehensive Administrative Enforcement System of Yichun" and to further increase the awareness of integrity and self-discipline of the Party members and the management, the Party Branch of Yichun Fangke Sewage Treatment Company Limited invited the deputy head of the discipline inspection team stationed in the bureau to give all the Party members and the middle level management of the company a Party integrity class on the subject of "strengthen integrity construction and build a new norm of anti-corruption and integrity".

The entire class is divided into four major sectors:

- The concept and meaningfulness of anti-corruption and integrity
- Conduct comprehensive and strict governance within the Party, and strengthen the new norm of anti-corruption and integrity
- Xi Jinping's (the General Secretary of the Party) important discourses on integrity construction and struggle against corruption
- How to enhance the performance in anti-corruption and integrity construction for management (being the Party members)

The deputy head of the discipline inspection team stationed in the bureau combined the actual situation with the typical negative cases recently reported, which enabled the Party members and cadres to fully understand what is corruption and how it threatens. Party members and cadres were guided by the typical cases to cite one and reflect on the other, make profound comparison, learn lessons from the cases to alarm themselves for a long time. Through this course, all the participants of the Party branch of Fangke Sewage expressed their view that they would strictly observe the new requirements by the new times for Party members in both work and life in future, constantly strengthen the awareness of overall situation, awareness of responsibility, awareness of the bottom line and awareness of rules compliance, conscientiously implement the rules and regulations of the company, and constantly refine their work style, and effectively perform the central work of the sewage treatment industry.

Frugality for virtue and honesty for integrity — Yichun Water Industry Group Co. Ltd.* convened a working distribution meeting relating to "Integrity Promotion of Yichun"

In order to further carry out the Party governance policy in a strict manner, give full play to the leading and guiding effect of such strict governance and incorporate the integrity ideas, systems and culture into our business development, Yichun Water Industry Group Co. Ltd.* held a working distribution meeting relating to "Integrity Promotion of Yichun" in April 2021, which was presided over by the general manager of the company and attended by over 40 middle level management.

"The Implementation Plan of Integrity Promotion of Yichun" was released at the meeting, which determined the guiding policy, working targets and basic principles of the company for carrying out the works related to "Integrity Promotion of Yichun" programme and specified the specific works, time schedules and steps to be taken. There are three specific requirements in the "Integrity Promotion of Yichun" programme. The first is to match with "high line", in particularly, aligning with leadership requirements, work standards and advanced models. The second is to stay away from the "red line", which means to establish a "red line" in our mind from which we shall always stay away though it can not be seen or felt. Thirdly, we must keep a firm "bottom line" by strictly abiding by national laws and regulations, strictly complying with the our internal rules and regulations, and tightening the awareness of discipline.

Last but not least, the general manager of the company stressed that the "Integrity Promotion of Yichun" programme was conditional upon taking into account the actual condition of the company, continuous improvement of its systems and stringent supervision on performance assessment, thus to provide solid guarantee for high quality development of Yinchun Water Industry Group with effective results.

Information Protection

The Group attaches great importance to customer's privacy and personal information. As our water supply project company collects user information, employees are required to sign relevant non-disclosure agreement in respect of customers' information when entering into employment contract, and shall commit to handle confidential documents that contain customers' information with due care and diligence, and make sure the relevant information are maintained in such office under strict surveillance where its access keys are kept by designated staff. Important computers and files are encrypted with passwords being managed by relevant personnel to safeguard customers' information and maintain effective information safety management level.

During the Reporting Period, we did not receive any cases of customer privacy infringement or loss of customers' information or relevant confirmed complaints.

To protect the intellectual property rights of the Group, we strictly comply with all laws and regulations concerning intellectual property rights, such as the Patent Law of the People's Republic of China. Some of our project company's employee handbook clearly stated the rules related to protecting commercially confidential information, which included providing legal protection for patent applications, trademark registrations and copyright procedures. Our employees are required to comply with laws and regulations related to intellectual property rights. If any violation against the patent rights of the Group is found, we will carry out thorough investigations and the relevant employees may be subject to disciplinary action or dismissal depending on the seriousness of the case.

Supplier Management

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

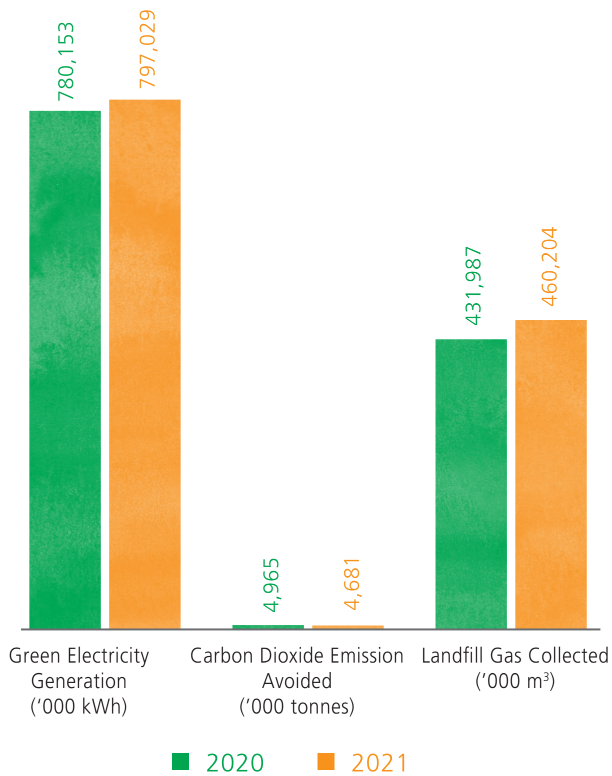
The Group is dedicated to carrying out close communication and cooperation with suppliers for sustainable development, including in aspect of business ethics. The Group adheres to zero tolerance for child labour and forced labour, and resolutely upholds human rights and labour rights. We avoid the use of child labour and forced labour, and expect our suppliers to adhere to the same principles, in order to create a harmonious, fair and sustainable society. The Group has conducted ESG related risk assessment of the Group to identify potential ESG risks in our supply chain. During the Reporting Period, we did not identify any ESG risks associated with our supply chain that were rated as "high risk". The Board will closely monitor the environmental, social and governance risks in our supply chain and regularly evaluate the effectiveness of controls to further enhance our supplier management.

During the Reporting Period, we have cooperated with a total of 1,238 suppliers, all of which are based in the Mainland China.

GREEN BUSINESS

The Group has been dedicated to environmental protection, and expanded actively to environmental friendly new energy and other business sectors. With a geographical coverage of various provinces and cities in China including Guangdong, Jiangxi, Chengdu and Foshan, the Group provides a full range of comprehensive solutions for aspects of water, environmental friendly new energy and other diversified sectors to facilitate the development of environmental protection industry in China.

Exploitation and sale of renewable energy



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

Our renewable energy projects are in line with the national policies related to energy saving and environmental protection. We install effective biogas collection system in landfills to fully utilise the biogas produced from anaerobic fermentation of organic wastes for power generation, which makes the landfills self-sufficient in electricity, reduces rely on fossil fuels for power generation. Besides, power generation by use of biogas could also reduce odour pollution of landfill gas caused to nearby residents, thereby creating economic benefits for the society and making contribution to environmental protection.

Organic matter is a kind of biomass which contains solar energy absorbed through photosynthesis. As such, biogas produced from decomposition of organic matter is considered as a renewable energy. As at 31 December 2021, the Group has been operating 37 landfill gas power generation projects in various provinces and municipalities including Jiangsu, Hunan, Shaanxi, Anhui, Hainan, Jiangxi, Sichuan, Zhejiang, Chongqing, Shandong, Hebei, Guangxi, Guangdong, etc. to deliver power to urban power grid, and generated a total of 797,028,961 kWh of green electricity throughout the year which increased the proportion of clean energy. In addition, we have been operating a compressed natural gas projects in Guangdong which generated a total of 12,845,659 m^3 of compressed natural gas throughout the year.

Biogas, if mixed with air in certain proportions, will become explosive gas, and the risk of explosion resulting from accumulation of biogas can be mitigated by burning off residual biogas. In addition, the main component of landfill gas is methane, which is a greenhouse gas, and the greenhouse effect caused by one kilogram of methane is 23 times stronger than one kilogram of carbon dioxide. As such, burning methane can substantially reduce the greenhouse gas emission. Landfill biogas may migrate out of the landfill through underground paths, and our biogas collection system can reduce such migration of biogas. In 2021, a total of 460,204,307 m^3 of landfill gas was collected and equivalent to 4,680,839 tonnes of carbon dioxide emission was avoided because of our projects.

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

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

Generated
3,555,348,900 kWh
of green electricity

Generated
90,891,252 m^3
of compressed natural gas

Equivalent to
24,679,157 tonnes
of carbon dioxide emission avoided

Collected
2,335,168,886 m^3
of landfill gas

Sewage treatment

In order to lay a solid foundation for an in-depth fight against pollution, the national requirements on sewage treatment and disposal have been steadily increasing. The country has formulated the "14th Five-Year Plan for the Development of Urban Sewage Treatment and Utilization as Resources" (《「十四五」城鎮污水處理及資源化利用發展規劃》), which aims to comprehensively improve the efficiency of sewage collection and treatment, accelerate utilization of sewage as resources, improve the operation and maintenance of facilities and improve the living environment of residents. The Group cares for the society and strives to serve the community through good sewage treatment service. Currently, the Group has 4 sewage treatment projects, located in Jiangxi's Yichun, Shandong's Jining and Guangdong's Foshan, respectively. The following is the achievement of our sewage treatment business in 2021:

Daily aggregate sewage disposal capacity is approximately **220,000** tonnes.
61,474,860 tonnes of sewage treated
9,413 tonnes of COD reduced

Accumulated achievement since the commissioning of the first sewage treatment project in 2007[1]:
593,885,187 tonnes of sewage treated
99,106 tonnes of COD reduced

Decontaminating and purifying water are the essential part of our sewage treatment business. We conduct sewage treatment business in strict accordance with the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and other relevant laws and regulations. All our projects have been qualified for operation under the Pollutant Discharge Permit. During the Reporting Period, we were not aware of any material violations of applicable laws and regulations. We specifically use facilities and treatment technologies of different sises according to the nature of the sewage to be treated, including Biolak technology of Germany, Cyclic Activated Sludge System (CASS) technology and Anaerobic-Anoxic-Oxic (A2/O) technology, combining with biological oxidation tank, magnetic-coagulation separation, ultraviolet irradiation disinfection, etc. The domestic sewage treated at the Gaoming Sewage Treatment Plant of the Group in Foshan, Guangdong Province meets the national first-class B standard, and the sewage treated at the remaining sewage treatment plants is discharged in accordance with the national first-class A standard of the Emission Standards for Pollutants in Urban Sewage Treatment Plants (《城鎮污水處理廠污染物排放標準》) (GB18918-2002), to ensure that it will not adversely affect natural ecology and human health and sewage will only be discharged at designated locations in the agreement with the government.

Before the construction of the sewage treatment plant, we have obtained the approval of the "Environmental Assessment of Construction Projects" (《建設項目環境評價》) and the "Environmental Protection Acceptance of Construction Projects " (《建設項目環境保護驗收》). The wastewater treatment plant meets the national environmental protection standards during the construction phase. We do not directly discharge the pollutants specified in the Environmental Protection Tax Law of the People's Republic of China and are eligible for tax concessions accordingly. In 2021, all treated effluent is discharged either to the ocean or river, amounting to 61,474,860 tonnes in total.

1 Jining City Haisheng Water Treatment Company Limited* is incorporated in the reporting scope in 2021, hence its sewage treated amount in 2020 is not included in the accumulated figures

Yichun Fangke Sewage Treatment Company Limited* has continuously improved the construction of wastewater and sludge treatment facilities, and constructed and operated Yichun Sewage Treatment Plant and Mingyue Mountain Wentang Sewage Treatment Plant in a build-operate-transfer (BOT) model. The two sewage treatment plants undertake an important task of treating the domestic sewage in the central city area of Yichun and in the area of Mingyue Mountain Wentang. In March 2021, Yichun Water Industry Group has successfully completed the renovation of the mud discharge valve at Wenbifeng Water Plant. After the renovation, the mud discharge valve will be automatically controlled by the PLC control system and will be flushed repeatedly within the prescribed time every day to prevent blockage, thus reducing manual labour intensity, improving efficiency and greatly enhancing the discharge efficiency of the mud discharge valve.

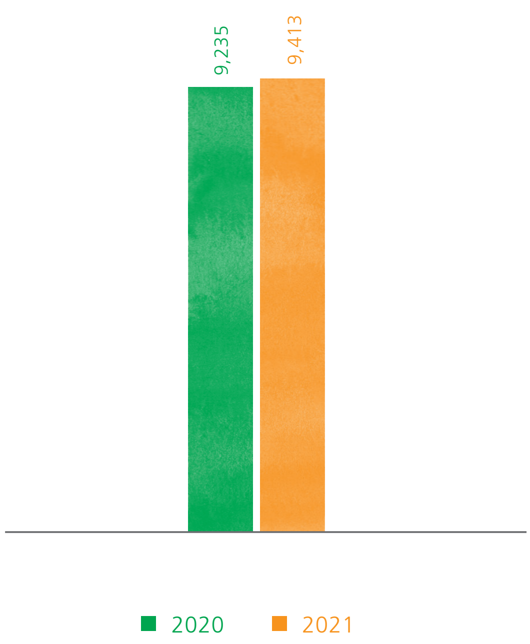
In addition, Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) completed the inspection and acceptance and commenced production in August 2020, with a daily wastewater treatment capacity up to 30,000 tonnes/day, and effluent quality meeting with the National Class IA Standard.

We also focus on waste recycling and actively explored the possibility of sludge reuse. The process project of Yichun Fangke Sewage Treatment Company Limited utilizes sludge dehydration process technology to achieve sludge dehydration treatment, reducing the target moisture content of sludge from 80% to 40%. After dehydration, the dry sludge will be delivered to a qualified third party for further treatment.

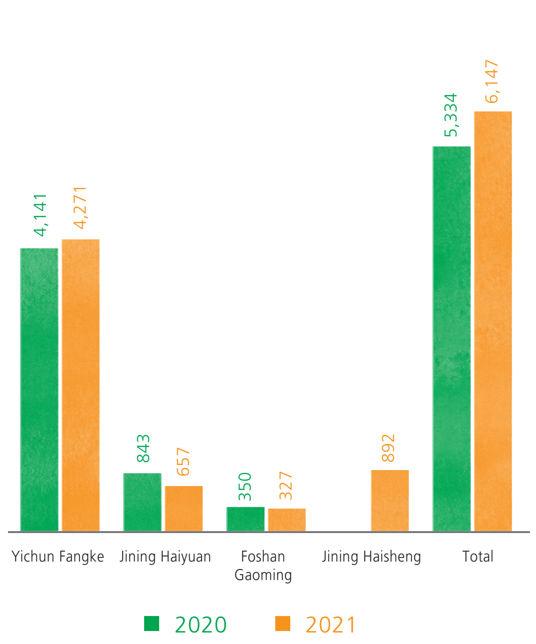
Total volume (tonnes) of treated sludge discharged by various disposal methods as at 31 December 2021

Incineration	Bricking-making	Composting	Total
4,312	42,014	2,970	49,296

Reduction in COD (Tonnes)



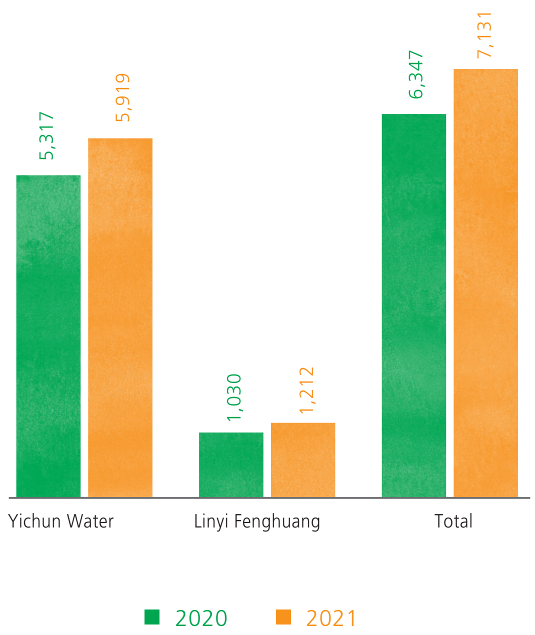
Volume of Sewage Treated by Projects (10,000 tonnes)



Water Supply

Upholding the motto "Everything in water supply matters, serve without boundary" and the attitude of "our pursuit of the need of the customer", we are committed to providing the public with stable and reliable running water, ensuring the quality and safety of urban water supply based on the people-oriented service. We are also in strict compliance with the laws and regulations related to water resources, including but not limited to the Water Law of the People's Republic of China (《中華人民共和國水法》). In 2021, we have 2 water supply projects, situated in Yichun (Jiangxi) and Linyi (Shandong), supplied a total of approximately 71,311,175 tonnes of water during the year.

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



Water Safety

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

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

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

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

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

In order to maintain high quality of water supply, we also attach great importance to the health conditions and knowledge of our employees. In terms of health issue, all staff engaged in water supply and management must obtain health certificates before starting work and are required to conduct health check once a year. No employee suffering from an illness which affects the sanitary of water supply shall engage in related works. In addition, we regularly train our employees and assist them to acquire more professional knowledge to improve their health and safety awareness, alertness and operational skills.

Provide quality, clean and reliable water for users during the festive period

Prior to the Dragon Boat Festival, Yichun Water Industry Group Co. Ltd.* conducted a comprehensive safety inspection of the machine set equipment, power distribution equipment and fire-fighting equipment within pump rooms to raise the awareness of production safety among staff at all water plants and pressurization stations and thus to eliminate hidden dangers. To ensure safety, staff on duty also increased inspection on water sources during the festive period to ensure safe and stable water supply.

In addition, the water quality testing centre also implemented measures such as increasing the testing frequency and the number of testing items during the festive period, promising reliable quality testing for the source and outtake of water. In this regard, indicators take the control and data take the right to speak. Furthermore, water quality monitoring under the new norm of epidemic prevention was strengthened to promise safe water supply throughout the whole procedure from source to tap during the festive period. The dispatch centre made prompt and effective adjustment to the pressure dispatch plan of water plants based on the analysis and prediction on water output volume. The three remote systems were used to monitor water output volume and pipeline network operation on a real time basis, and analysis and diagnosis were made for major abnormal data. Besides, GIS system was utilized to find any issue in pipeline network with rapid response and prompt handling, ensuring balanced pressure in water supply pipeline network during the festive period.

Learn professional knowledge to enhance the ability of ensuring water supply

The group standards under the "Guidelines for Internal Verification of Informed Commitment Fulfillment by Inspection and Testing Organizations* (檢驗檢測機構履行告知承諾內部核查指南)" by 21 entities including Jiangxi Provincial Market Supervision Administration, Shandong Provincial Market Supervision Administration, Henan Provincial Market Supervision Administration, Inner Mongolia Autonomous Region Market Supervision Administration, Gansu Provincial Market Supervision Administration and Luoyang Municipal Market Supervision Administration in conjunction with the Inspection and Testing Integrity Working Group of the National Technical Committee for Social Credit Standardization Administration of China were officially released on 21 February 2021. Yichun Water Industry Group Co. Ltd.*. organised a training activity for its staff in 2021 on the "First Round of Internal Verification of Informed Commitment by National Inspection and Testing Authorities* (首期全國檢驗檢測機構告知承諾內部核查)" in order to better learn, understand and fulfil the "Informed Commitment System". More than 10 staff from the company's chemical laboratory attended the training.

This training was conducted online. During the course, the instructor coming from the Inspection and Testing Integrity Working Group of the National Technical Committee for Social Credit Standardization Administration of China mainly focused on the nature of the "Informed Commitment", the impact of the "Informed Commitment System" on the testing industry of the state, and how to get the right understanding of the "Informed Commitment System" for accreditation and other aspects by testing bodies. Besides, the instructor also gave detailed interpretation for Management Measures on Accreditation of Inspection and Testing Bodies* (檢驗檢測機構資質認定管理辦法), the State Administration for Market Regulation's Views on Furthering Promoting Accreditation Reform of Inspection and Testing Bodies* (市場監管總局關於進一步推進檢驗檢測機構資質認定改革工作意見) and other documents. After the end of the training, all staff participating the training succeeded to pass the examination and were all awarded the Certificate of Internal Verification Officer of Informed Commitment for National Inspection and Testing Bodies* (全國檢驗檢測機構告知承諾內部核查員證書).

Through this training, the employees trained acquired an in-depth understanding on the "Informed Commitment System" in addition to improvement in their professional knowledge and capability of water testing, which provided the company assistance to further update its ability of water supply promise.

Management of Water Supply Projects

In order to optimise our management of project quality, we have formulated the Project Management System and the Project Quality Management System. We regulate the project construction process in strict compliance with the "Water Pipeline Construction and Inspection Standards" (《給水排水管道工程施工及驗收規範》)(GB50268-2008), to promote coordination between departments and improve working efficiency. The materials of the water pipeline are particularly important to the quality of water supply. We will only use the pipes that obtain product quality certificates or qualification certificates in conformity with the national standards such as "Polyethylene (PE) for Water Supply" (《給水用聚乙烯(PE)管材》(GB/T13663), to ensure the safety of water supply and the health of users. Some project companies use stainless steel pipes, pipes and fittings from suppliers that have passed ISO9001:2015 quality management system certification. During the Reporting Period, we were not aware of any material non-compliance with laws and regulations relating to product liability.

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

Neither wind nor snow can stop our determination to serve users

In January 2021, the temperature dropped sharply to below zero due to the extreme cold weather, which caused water meters to freeze in the central urban area due to the effect of heat expansion and cold contraction. In order to ensure normal usage of water by residents, Yichun Water Industry Group Co. Ltd.* immediately activated the emergency plan by informing customers in advance of the anti-freezing measures through various forms such as our WeChat official account and door-to-door distribution of warming tips, and organized staff to replace or repair the frozen water meters. Despite of the freezing weather, our people made the practical actions to safeguard the "lifeline" for residents of sufficient supply of domestic water. It is noted that Yichun Water Industry Group Co. Ltd.* has received a total of over 20 feedback from the service hotline relating to frozen water meters, and replaced over 30 meters accordingly, recovering normal supply of domestic water as soon as practicable and securing water safety of residents with responsibility.

Replace pipeline network to secure water supply, showing new face of the old communities

In order to turn Yichun into a civilized and hygienic city that is "civilized and livable, safe and peaceful", Yichun Water Industry Group Co. Ltd.* has been actively involved in the renovation of old communities with the service policy of "water supply matters everything, and service shall be endless".

The water supply pipeline network in old communities was built earlier and most of them are supplied with water in master meters. Besides, the pipes adopted are mostly cast iron and galvanised pipes which directly affect the leakage rate and stability of water supply. Yichun Water Industry Group Co. Ltd.* integrated the best resources in the relevant functional departments and made general plan. Prior to commencement of the renovation, staff responsible for design and maintenance and repair went to the site in advance, made detailed survey for the sections to be rehabilitated, determined comprehensive renovation plan, contacted with the construction party in the very first time to mark the flow of water supply pipelines and informed the construction party their renovation plan for water supply pipeline network.

Through door-to-door service, Yichun Water Industry Group Co. Ltd.* gets to know the wishes of customers for household meter renovation, and takes the opportunity of old communities renovation project to reduce the renovation cost of household meter. More than 900 households within over 10 old communities, including, among others, Agriculture Bank Dormitory in Suguatang District, Agriculture Bank Dormitory in Gaoshi Road, Dormitory of Sijian Company* (四建公司), Jiaoyuan Community* (教苑小區), the Traffic Police Dormitory, Suiyuan Community* (穗苑小區), Longjia Community* (龍家小區) and the Finance Bureau Dormitory, completed household meter renovation.

Renovation of old communities not only complies with national policies, but is also in line with people's needs, thus a livelihood project for the benefits of people. We believe that this water supply pipeline network renovation for old communities under which Yichun Water Industry Group Co. Ltd.* has turned all the outdated pipelines into brand new ductile iron pipes will definitely improve the safety and stability of water supply in substance for the communities covered by this renovation.

Optimizing Customer Service

The Group is adhering to the policy of people-oriented services targeting to provide our customers effective and high-quality services. Some project companies also provide 24-hour customer service hotlines, coupled with the 12345 service hotline offered by the government, to enable customers to get assistance at any time. In addition, we have formulated the codes of customer service, job responsibilities and processes to further standardise and optimise customer service. We also set up relevant contingency plans for emergencies such as power outages of water plants, burst of main pipe and other natural disasters, to give employees clear instructions on how to deal with the issues and to improve their resilience in emergencies.

In addition, customers can pay water bills, make an inquiry and check corporate information, such as temporary water supply suspension notice, water fees schedule and water quality testing report and etc., via their WeChat public accounts set up by project companies, which fully demonstrates our corporate transparency. Our payment channels have also expanded to banks, Alipay and Mobile QuickPass. Besides, service counters have been created in the administrative services centre for the convenience of customers. We have designated personnel in the meter-reading department for handling complaints and following up the problems regarding water meter, water fee and others reported by the landlords, making effective response to customers' needs. During the Reporting Period, we did not receive any material complaint.

Work Flow for Customer Service

Receive

- Complaints from customers are received via hotlines of the Company and the government and are recorded in detail.

Transfer

- According to the priority, the complaints will be transferred to the head of departmental leaders for instructions.

Handle

- The complaints will be handled by relevant departments on a timely basis (3 working days).

Return visit

- Telephone return visits are made to follow up the situation and customer satisfaction, and the cases are reported in written form to head of departmental leaders via email for signature.

The “Online Operating Outlet” operated by Yichun Water Industry Group Co. Ltd.* is open for business

Operation of the “Online Operating Outlet” is an effective way to improve the quality of services as a trend of development in the Internet era. To further facilitate people’s lives and improve the level of services, Yichun Water Industry Group Co. Ltd.* officially launched its “Online Operating Outlet” via the official account of WeChat in October 2021. The launch of the online outlet marks a new step in optimising business environment and improving water supply services of Yichun Water Industry Group Co. Ltd.*.

The “Online Operating Outlet” of Yichun Water Industry Group Co. Ltd.* offers a variety of online service, including transfer application, water use application, information change and deregistration application, etc. Also, self-service operations such as water volume enquiry and bill payment are also available, providing customers with an efficient and convenient water supply service without need to leave their homes.

Theme training on “Pursuit for Excellence — Optimise Business Environment and Build a Service Team of High Quality”

In order to further regulate the service behavior of its staff working in the customer service center and optimise the “soft power” in business environment, Yichun Water Industry Group Co. Ltd.* took a weekend day in September 2021 to organise the special one-day training under the theme of “Pursuit for Excellence — Optimise Business Environment and Build a Service Team of High Quality” which was attended by 40 service staff in total.

This training mainly focused on optimisation of business environment in terms of service concept, grooming norms, posture norms and language norms, providing detailed explanation on the importance of civilized and courteous service and serving etiquette. Through case studies, interactive quizzes and group discussions, the training guided staff to think about how to understand the current situation, establish standards and improve.

At the end of the training, the trainees said that they had benefited from the training and realised the importance of etiquette standards, which would be beneficial to their future work and life in terms of enhancing their self-cultivation and improving their working ability. Through this etiquette training, Yichun Water Industry Group Co. Ltd.* has been making its best to build a refined, standardized and quality image, create service atmosphere of standardization, civilization, courtesy, warmth and harmony, and propel its service to a new level.

OUR ENVIRONMENT

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

In addition, we have also set a series of additional environment targets to enable us to reduce the impact on environment during the ordinary course of business with more definite direction.

Scope	Environment targets
Energy use and greenhouse gas emission volume	We are committed to reducing our own greenhouse gas emissions and electricity consumption through the implementation of energy saving measures and making good use of renewable resources.
Water management	We are committed to focusing on reducing water consumption and recycling waste water by constantly reviewing various water conservation measures.
Solid waste management	We are committed to reducing waste generation by promoting the concept of waste separation and recycling.

Climate Change

With climate change leading to more extreme weather events in recent years which increases the threats and risks faced by mankind, the Group recognises the importance of addressing climate change and has conducted ESG-related risk assessments during the Reporting Period to identify potential climate-related risks and regularly evaluate the effectiveness of existing countermeasures to enhance our resilience to climate risks. We have also implemented a number of energy saving and emission reduction measures in our workplaces to improve energy efficiency and reduce greenhouse gas emissions during our operations.

In view of the potential safety risks threatened by extreme weather, Yichun Fangke Sewage Treatment Company Limited has formulated the "Emergency Plan for Flood Prevention and Control", and effectively dealt with internal flooding, external flooding, uncontrolled outflow of sewage and sludge caused by heavy rainfalls under the principle of combining defense and rescue. In particular, we conduct inspection and implementation case by case according to the requirements under relevant documents issued by the flood control office of the municipal government, and strengthen the daily maintenance and inspection of our potential safety hazards, biochemical ponds, sludge drying sheds, wall drains and drainage networks within plants to identify and eliminate safety hazards in a timely manner. We will also strengthen our liaison with the meteorological and water conservancy authorities to keep abreast of weather warnings, check the sufficiency of anti-disaster materials in advance, and step up inspections of various equipment and facilities in a targeted manner.

Furthermore, we emphasize the safety education in lightning prevention knowledge by various means to improve employees' awareness of alerting lightning weather. We also organise quarterly inspections of lightning protection equipment to check whether the lightning protection facilities are functioning as they should be, and if found to be damaged, we will immediately repair such facilities to ensure the normal operation of lightning protection equipment. We also provide heat protection and cooling materials (including heat protection medicine) for those staff working in a extremely hot weather, and place emergency medicine, heat protection medicine and herbal tea in the canteen, office and concierge rooms to enhance safety works relating to heat protection and first aid for heat stroke, strengthen staff's awareness of safe production and improve their ability to protect themselves.

In future, we will continue to review the latest development of laws and regulations and regulatory requirements related to climate change to get well prepared for climate change mitigation efforts.

Greenhouse Gas Emissions and Energy Management

The Group is committed to reducing greenhouse gas emission and electricity consumption through implementing energy saving measures and making good use of renewal resources. The major source of greenhouse gases of the Group is electricity consumption. During the year, we implemented a number of energy saving measures to reduce energy consumption in our ordinary course of business, such as optimizing the power system and building design, purchasing imported energy saving production equipment and electrical appliances, and adjusting the sewage treatment equipment according to the quality of inflow water. Our employees are offered low-carbon energy-saving guidelines to encourage them to develop the habit of saving electricity, such as turning off lights and controlling air-conditioning temperature. The vehicles, equipment, backup generators and canteens of the Group also consume diesel, petrol, natural gas and other fuels. We strive to explore any methods that can achieve energy saving and emission reduction.

In addition, we are also determined to replace and reduce the electricity generated by fossil fuels with renewable energy power generation. We prefer landfill gas electricity generation for the project of landfill gas electricity generation. We will first cover the landfill for deodourisation. The landfill gas collected via gas wells and pipes is purified and utilised to effectively improve the environmental sanitation of the entire landfill, reduce the landfill safety hazards, solve the problem of landfill odour pollution and make good use of renewable resources.

KPI[1]	Unit	2021	2020
Total Energy Consumption	MWh	623,658.62	458,581.29
Purchased Electricity	MWh	41,601.48	34,631.99
Petrol	MWh	792.93	851.06
Diesel	MWh	803.84	579.30
Liquefied Petroleum Gas	MWh	1,360.10	57.08
Natural Gas	MWh	–	22.10
Landfill Gas	MWh	579,005.37	422,439.76
Others	MWh	94.90	–
Total Energy Consumption Intensity	KWh/thousand HKD	0.57	0.41

Note:

1. Reporting scope of environmental data in this Report includes 2 water supply project companies (2020: 3), 4 wastewater treatment companies (2020: 3) and 9 renewable energy companies (2020: 5).

Air emission directly exhausted from our operations mainly comes from electricity generators, flares of landfill gas, different types of vehicles and canteen stoves. Air emission emitted from generators is treated by denitration devices and will be emitted only if it meets the emission limits stipulated in the "Boiler Air Pollutant Discharge Standards" (《鍋爐大氣污染物排放標準》)(GB13271-2014). In the event of poor biogas quality, stoppage of landfill gas recycling device or excessive gas supply, we will use the flare system of the landfill gas electricity generation project to burn the biogas in high temperature, burn down or treat the hazardous substances in a harmless manner. Air emission that meets the "Integrated Emission Standard for Regional Air Pollutants" (《大氣污染物綜合排放標準》)(GB16297-1996) will be discharged through a specific exhaust pipe. Relevant project companies have also obtained the discharge permits issued by the government. We conduct regular check-ups for prevention and control of air pollution in daily operation. We also entrust third-party environmental monitoring institutions to conduct on-site monitoring of atmospheric pollution. In case of any non-compliance, corrective actions will be taken based on the "Procedure of Non-compliance, Corrective and Preventive Action". In order to reduce fume emission from cooking, we installed fume purifying devices in the canteen.

Indicator[1]	Unit	2021	2020
Total Greenhouse Gas (GHG) Emissions[2]	Tonnes of CO2 equivalent	26,180.82	21,526.83
Direct Emissions (Scope 1)	Tonnes of CO2 equivalent	823.03	421.71
Indirect Emissions (Scope 2)[2]	Tonnes of CO2 equivalent	25,381.06	21,128.98
GHG Removal (Tree Plantation) (Scope 1)	Tonnes of CO2 equivalent	23.28	23.85
GHG Emissions (Biogenic)[3, 6]	Tonnes of CO2 equivalent	270,956.92	221,515.56
Total GHG Emissions Intensity (Scope 1 & 2)[4]	Tonnes of CO2 equivalent/thousand HKD	0.02	0.02
Nitrogen Oxides (NOx)[5, 6]	Kg	371,952.59	304,148.29
Sulphur Oxides (SOx)[6]	Kg	131,360.71	107,391.20
Particulate Matter (PM)[5, 6]	Kg	31,448.89	25,716.78

Notes:

1. Reporting scope of environmental data in this Report includes 2 water supply project companies (2020: 3), 4 wastewater treatment companies (2020: 3) and 9 renewable energy companies (2020:5).

2. With reference to the latest emission factors for Mainland China based operations stated in "How to prepare an ESG report", the scope 2 indirect emission for 2020 has been restated.

3. Biogenic emission represents GHG emission from landfill gas electricity generation, where the calculation relates to the volume of landfill gas used to produce the electricity sold.

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

5. Due to amendments to car usage data, we have restated the data for 2020.

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

We are in action for energy saving, carbon reduction, and green development

"Energy Saving and Carbon Reduction, Green Development" was the theme of the 31st week-long national campaign to promote energy conservation. Based on the theme, Yichun Water Industry Group Co. Ltd.* organised a variety of energy-saving publicity activities with rich contents and different forms in August 2021. During the campaign week, Yichun Water Industry Group Co. Ltd.* used public areas to post posters to increase the atmosphere of energy saving, while using media such as the company's website, WeChat official account and the WeChat groups among departments of the company to broadcast energy-saving propaganda films to guide all cadres and staff to practice an energy-saving and low-carbon lifestyle.

Taking into account the actual works related to epidemic prevention and control, all the staff participated in the launch ceremony of the week-long national campaign to promote energy conservation, energy conservation forum, "Red Heritage, Green Development" education campaign, "Cloud" exhibition of promotional films, "Cloud" quiz regarding energy saving knowledge, low-carbon experience and other activities in an active manner through combination of online and offline means, and popularized green office, waste separation and other energy saving knowledge throughout the company. Through this week-long campaign to promote energy conservation, all staff expressed that they would consciously put the concept of energy saving and carbon reduction into their work and life, eliminate wasteful behaviour and strive to be practitioners of low-carbon life.

Wastewater Management in relation to Renewable Energy Project

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

Water Management

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

Indicator[1]	Unit	2021	2020
Total Water Consumption	m^3	**42,213.00**	27,576.00
Total Water Consumption Intensity	m^3/thousand HKD	**0.04**	0.02

Note:

1. Reporting scope of environmental data in this Report includes 2 water supply project companies (2020: 3), 4 wastewater treatment companies (2020: 3) and 9 renewable energy companies (2020:5).

Linyi Fenghuang Water Industry Co., Ltd launched the water conservation promotion week campaign

The 30th National Urban Water Conservation Promotion Week fell on the period from 9 May to 15 May 2021 under the subject of "Implementing New Development Concept and Developing Cities of Water Conservation* (貫徹新發展理念，建設節水型城市)" for 2021.

Linyi Fenghuang Water Industry Co., Ltd has carried out numerous water conservation promotion campaigns. It made the residents noted the severe water scarcity, the necessity of saving water and protecting environment, the importance of protecting water resource and the obligation of saving water by everyone through a series of promotional activities conducted in communities and public areas.

During the promotion week, Linyi Fenghuang Water Industry Co., Ltd has successively gone to the public areas (such as Anju Street, Wuyue Square and the People's Hospital in the Administration Hall of Hedong District) and some large communities (such as Anju Community* (安居小區), Yixingyuan Community* (頤興園社區) and Sanjiang Lingxiu* (三江領秀)) to promote water conservation. The company posted water saving posters, distributed brochures, hanged conventional banners and four roll-up banners in communities and public areas to cover almost 20,000 people. Diversified channels were used to introduce knowledge on water conservation, which enabled people to understand the ways to save water and thus to develop the habit of saving water. The scientific and reasonable use of water could change the phenomenon of water waste in our life and help people truly experience the promotion words of "Save Water with Me First* (節約用水，從我做起)".

Noise Management

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

Solid Waste Management

We uphold the concept of rubbish separation and waste recycling to reduce waste production. Our solid waste is mainly general domestic refuse, food waste and hazardous waste generated in the production process. We identify hazardous waste, including waste oil, waste desulphurisation agent and sludge, strictly according to the "Directory of National Hazardous Wastes" (《國家危險廢物名錄》). We collect and store different categories of hazardous wastes in accordance with the "Standard for Pollution Control Hazardous Waste Storage" (《危險廢物貯存污染控制標準》), set up temporary liquid waste storage area and collection facilities that meet environmental requirements in the factory area, and entrust qualified hazardous waste collectors to dispose wastes to comply with the "Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Waste" (《中華人民共和國固體廢物污染環境防治法》) (GB18597-2001) and other relevant laws and regulations. This is to protect public health and prevent hazardous waste from causing other unnecessary environmental pollution. In addition, we conduct spot checks and supervise waste recyclers regularly to ensure that recyclers have adequate qualification to properly recycle and dispose of waste.

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

Indicator[1]	Unit	2021	2020
Total Hazardous Waste	Tonnes	305.59	118.87
Waste Oil and Waste Containing Oil	Tonnes	164.44	111.87
Waste Drum	Tonnes	2.45	3.04
Waste Activated Carbon	Tonnes	10.97	–
Catalyst	Tonnes	16.52	3.96
Waste Oil Compartment	Tonnes	0.30	–
Waste Lubricating Oil	Tonnes	16.34	–
Waste Lubricating Oil Drum	Tonnes	0.20	–
Waste Mineral Oil	Tonnes	65.34	–
Waste Denitration Catalyst	Tonnes	7.56	–
Desulfurization Medium	Tonnes	21.47	–
Total Hazardous Waste Intensity	Tonnes/thousand HKD	0.28	0.11
Total Non-Hazardous Waste	Tonnes	85.82	80.10
Recycled			
Metal	Tonnes	–	10.39
Food Waste	Tonnes	25.00	32.16
Paper	Tonnes	0.16	0.50
Other General Refuse	Tonnes	6.52	5.00
Plastic	Tonnes	–	8.00
Disposed			
Food Waste	Tonnes	34.48	2.30
Paper	Tonnes	0.26	0.20
Other General Refuse	Tonnes	19.40	21.55
Total Non-Hazardous Waste Intensity	Kg/thousand HKD	0.08	0.07

Note:

1. Reporting scope of environmental data in this Report includes 2 water supply project companies (2020: 3), 4 wastewater treatment companies (2020: 3) and 9 renewable energy companies (2020: 5).

CARING FOR EMPLOYEES

Employees are essential to the business operation of the Group. We are committed to providing comfortable working environment with motivation that enables the employees to keep growing and realize value enhancement and enable us to maintain a win-win relationship with employees. During the Reporting Period, we were not aware of any violations of laws and regulations related to employment by the Group, including but not limited to the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》), the "Social Insurance Law of the People's Republic of China" (《中華人民共和國社會保險法》) and the "Provisions on the Prohibition of Using Child Labour" (《禁止使用童工規定》).

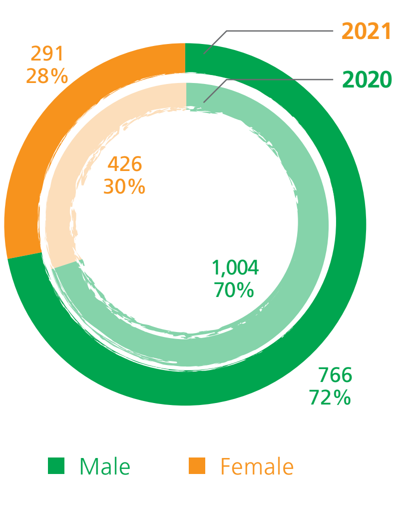
People Management

We attach great importance to the legitimate rights and interests of employees and the Group, and have developed relevant personnel management systems for each of our project companies based on the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), which clearly stipulate the operation procedures and regulations related to employee recruitment, resignation, promotion, salary, working hours, leave, etc. Also, we adopt a zero-tolerance attitude towards child labour and forced labour, and strictly implement the "Provisions on Prohibition of Child Labour" (《禁止使用童工規定》) of the State Council. Candidates must have their identity documents carefully examined by us during recruitment processes, and if necessary, their residence registration and photos are required to be verified before further registration. Those candidates who have not obtained ID cards shall hold a certificate of over 16 years old approved by the police station where their residence is registered. Employees shall guarantee the authenticity, legality and validity of the submitted documents, and shall not borrow or falsify the documents to deceive the Company. Otherwise, they will not be qualified for employment or their labour relationship with the Company will be terminated immediately. The Company will claim all the legal responsibilities to those who cause serious consequences. In the event of any recruitment of child under the age of 16, the management personnel of relevant department will be accountable. A special team will be set up to ensure the victims are adequately protected, and all their salaries are immediately settled. We will escort the child to his/her original place of residence and obtain the signature of the parent or guardian for confirmation.

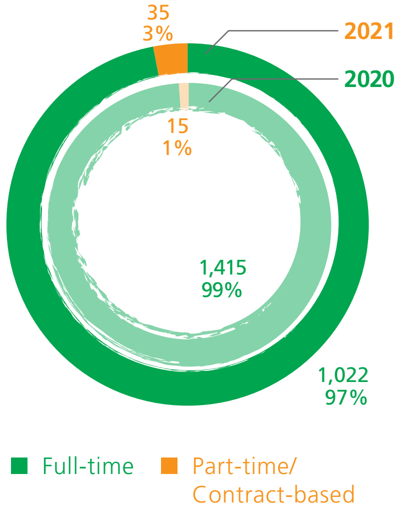
As for recruitment, the Group recruits talents by posting advertisements on newspapers, job boards, job markets, recruitment agencies, talent websites, internal promotions or referrals from coworkers. We hire and promote excellent, suitable and capable talents in a fair, open and transparent manner without any discrimination in terms of race, religion, gender, marital status, sexual orientation, age, disability, etc. In addition, we sign Labour Contracts with all new employees within one month after they join the Company on a willing basis and have their social security paid. We will never recruit employees by forced or deceptive means such as seizing their ID cards or other valid documents. If necessary, the Supplement Agreement to Labour Contract and the Confidentiality Agreement will be signed at the same time. We also distribute Employee Handbooks to employees, which provide details on corporate management policies, employee compensation, leaves, benefits, etc., and notify employees of any updates. If an employee is involved in a serious violation of the regulations, the Company is entitled to terminate the labour relationship with the employee in writing in accordance with the Labour Law of the People's Republic of China and relevant regulations. The employee dismissed by the Company will not be given financial compensation other than wages.

As of 31 December 2021, the Group had 1,057 employees[1]; 291 are female employees which accounted for 28% of the total number of employees. All our employees are located in China (including Hong Kong).

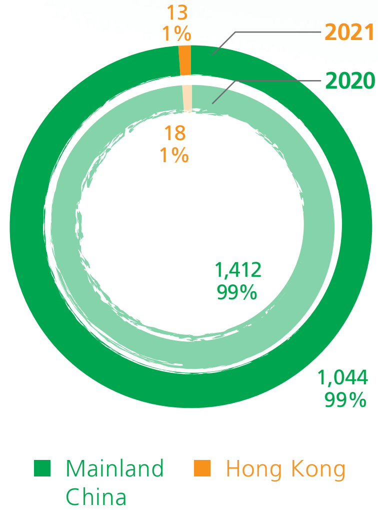
Distribution of Employee By Gender



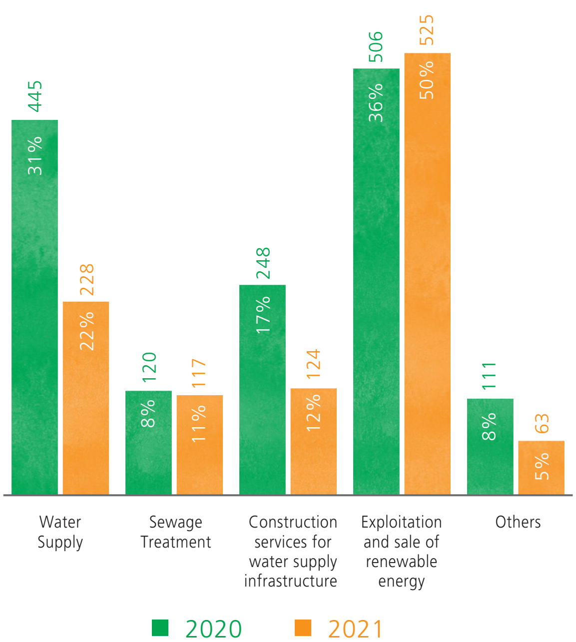
Distribution Of Employee By Employment Category



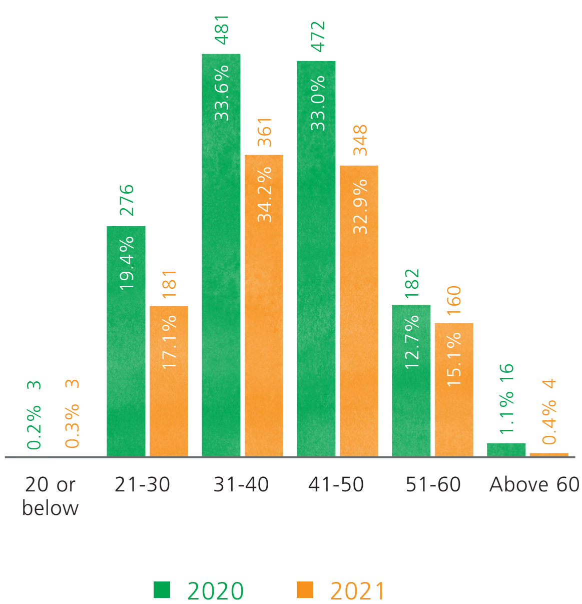
Distribution of Employee By Region



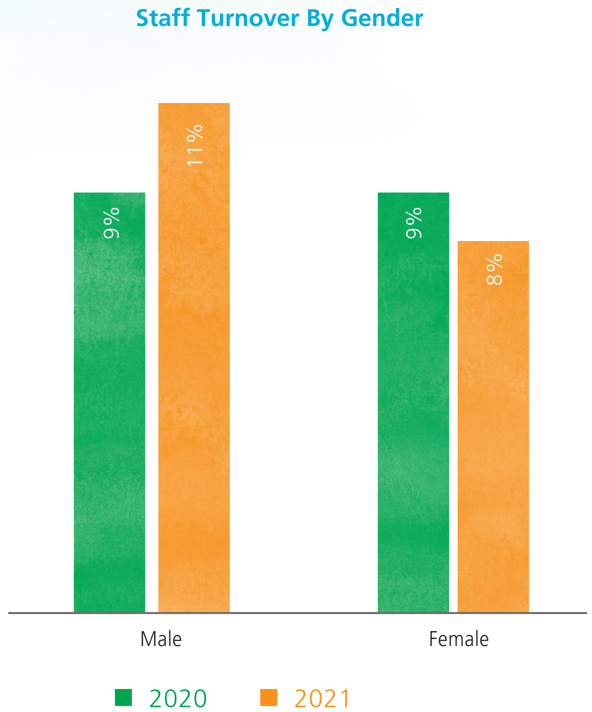
Distribution of Employee By Business Segment

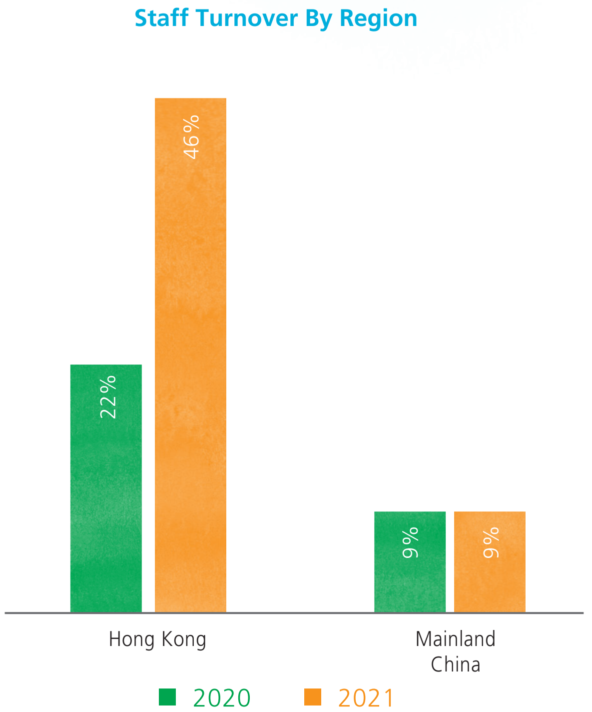


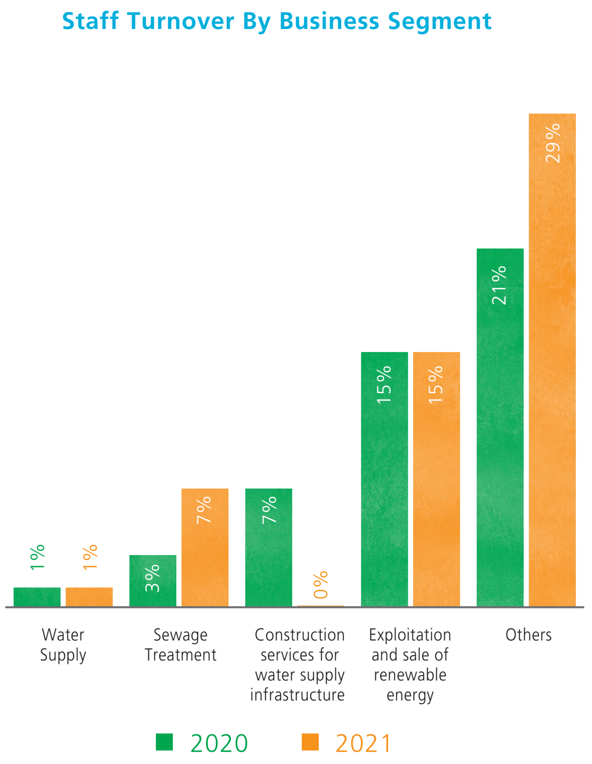
Distribution of Employee By Age Group

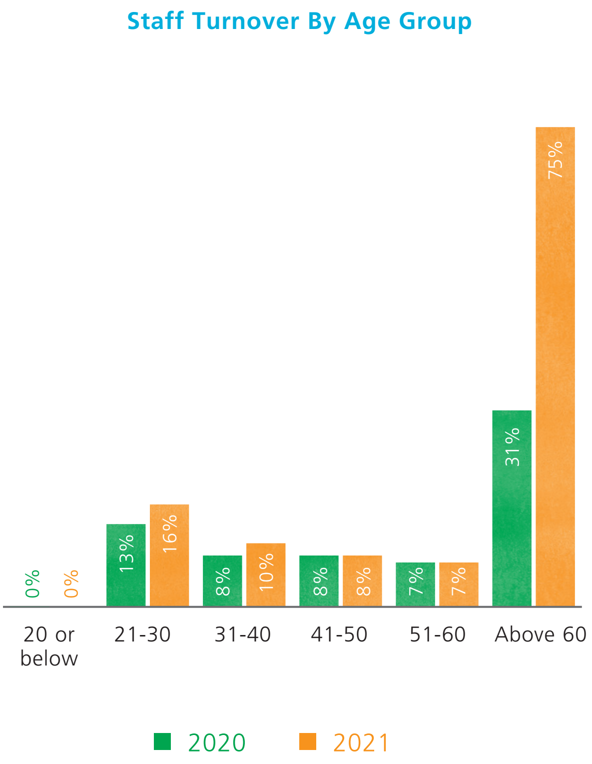


[1] The data related to employees covers all employees of the Group and the scope of disclosure is consistent with that of the financial report.


Staff Turnover By Gender
9%
11%
9%
8%
Male
Female
2020
2021


Staff Turnover By Region
22%
46%
9%
9%
Hong Kong
Mainland China
2020
2021


Staff Turnover By Business Segment
1%
1%
3%
7%
7%
0%
15%
15%
21%
29%
Water Supply
Sewage Treatment
Construction services for water supply infrastructure
Exploitation and sale of renewable energy
Others
2020
2021


Staff Turnover By Age Group
0%
0%
13%
16%
8%
10%
8%
8%
7%
7%
31%
75%
20 or below
21-30
31-40
41-50
51-60
Above 60
2020
2021

Protection for Our Female Employees

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

Occupational Health and Safety

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

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

The following are the measures developed by the project companies to ensure the occupational health and safety of employees:

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

Production Safety Month: implement safety responsibility and promote safety development

In order to implement the spirits under the documents issued by the Provincial and Municipal Safety Committees regarding the "Production Safety Month" campaign for 2021, and to further improve the safety production awareness of all staff, thus to secure stable operation of sewage treatment business, Yichuan Fangke Sewage Treatment Co., Ltd. conducted in June 2021 a series of production safety activities under the subject of "implement safety responsibility and promote safety development".

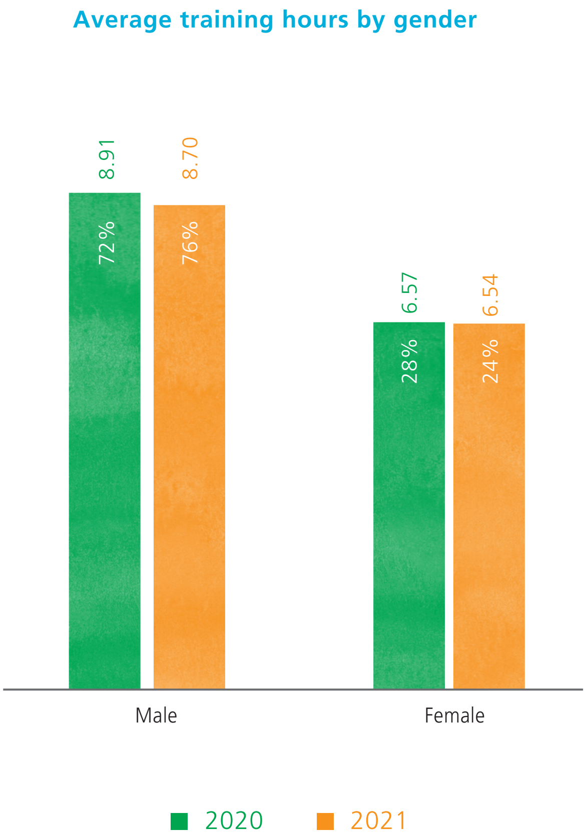
The campaign began with a mobilization meeting organised by the company for all the employees relating to the subject of production safety month, where the employees studied the relevant documents, watched the television documentary of "Life Matters the Most — Learning from General Secretary Xi Jinping's Important Remarks on Production Safety* (生命重於泰山 — 學習習近平總書記關於安全生產重要論述)" and took the oath of safe production, while all the departments signed certificate of responsibility for safety production, so that the responsibility for safe production could be enforced at all levels.

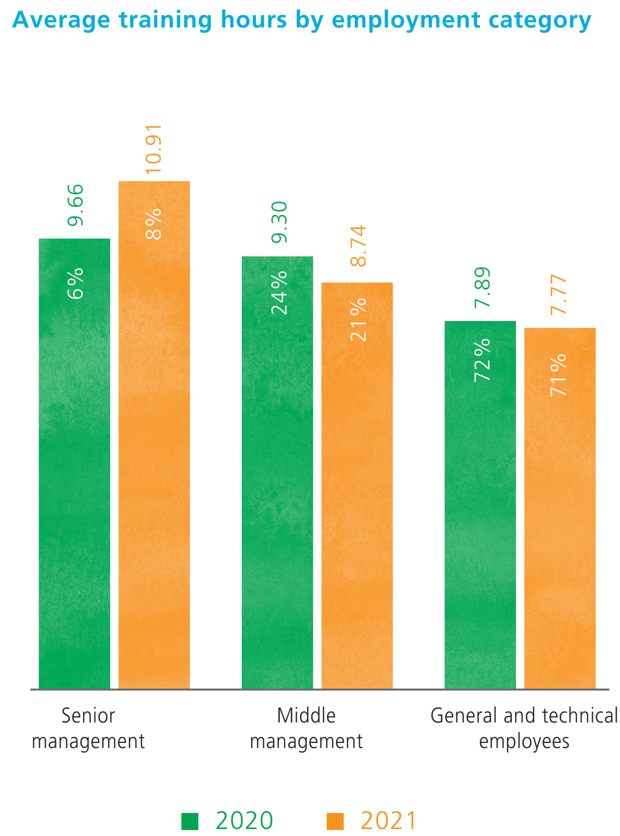
Then, the training subjects turned to "Safety Production, a Precedent Condition for Happy Family* (安全生產，幸福全家)" and "Combination of Prevention and Elimination with Prevention as the Principal* (防消結合，預防為主)" which presented emergency handling and safety production firefighting knowledge respectively. During the training, typical cases occurred in real life were based on to give theoretical explanation and operational practice. During the class delivering firefighting knowledge, the instructor warned staff of the importance of fire safety through shocking pictures and videos, real and thought-provoking cases, so that everyone could directly feel the serious consequences of fires and realise the importance of daily prevention, troubleshooting and mastering safety knowledge.

Finally, the staff conducted an on-site fire-fighting drill at the company's dedicated drill site, where they used dry powder fire extinguishers to extinguish small simulated fire on site and experienced in person on how to properly use fire-fighting equipment in case of fire emergency. After the launch of the series of activities, the company required all staff to apply the knowledge learned and practiced to the actual work, providing strong support for safety production, stable operation and qualified water quality of its sewage treatment plants.

Employee Trainings

We are committed to establishing a high-level talent pool by offering employees various training opportunities to balance business development and cater the needs of employees' personal development. We provide diverse training courses every year to enhance the professional knowledge and skills of employees. Some project companies also established online schools and uploaded training videos, so that employees can learn and review the professional knowledge at any time. In addition, outstanding employees will be assigned to various vocational training institutions to receive professional trainings. We will also invite external professional training personnel to teach employees various knowledge and skill. Besides, in order to encourage employees to continuously enhance self-value, some project companies will subsidise employee-led learning as long as the content of the learning meets the business needs of the Company, to make the trainings more autonomous and appropriate.





Employment Training	2021	2020
Total training hours	9,428	11,746
Average training hours per employee	8.11	8.21
Percentage of employee trained	99%	77%

Youth shall not be for regret, instead, shall form a new force — Yichun Water Industry Group Co. Ltd.* organised induction training for new staff in 2021

Yichun Water Industry Group Co. Ltd.* organised the induction training for new staff in January 2021, and a total of 12 new employees from various departments and branches attended the training which lasted for four days. The training aimed to help new staff be familiar their roles as soon as possible, integrate themselves into the work team and enhance their sense of recognition and belonging to the company.

The new staff oriented training covered 10 courses including the in-house rules and regulations, production process, water supply service, pipe network construction and secondary water supply, etc. The directors responsible for relevant departments and professional technicians of the company were invited as lecturers who shared the practical experience and working thoughts gained from their work based on their own working practice. At the same time, after being given an ideological and moral education class on "Ethics in the Workplace* (職業道德大講堂)", the employees exchanged their thoughts and discussed on how to become a "four new people* (四有新人)" with ideal, moral, culture and discipline in the water supply industry with active communication and interaction with each other in a harmonious atmosphere.

Yichun Water Industry Group Co. Ltd.* organised new staff to have on-site visit of dispatch centre, the water meter maintenance department, the warehousing centre and other front-line production departments, to give them a more intuitive and in-depth understanding of the company's operations at the grassroots level. New staff through this training acquired initial understanding on the corporate profile, management system and development plan of the company. They believed that this training made them more clear about their responsibility and the working targets in future, and they would get themselves familiar with various business and process as soon as practicable and strive to contribute to the development and expansion of the company to the largest extent.

Mutual Communication

Maintaining an unimpeded communication channel and promoting unity are necessary for us to show our care for the employees and enhance their sense of belonging. We pay great importance to the opportunity of communication with employees and conduct regular interviews and give out questionnaires to our employees in order to evaluate their feedbacks and thoughts. We also update the employees with our latest management policies and operating strategies through e-mails, meetings and announcements. Some project companies also share the latest development and industry information on a regularly basis via the WeChat platform, to enable employees to be updated with the Company's development.

Employee Benefits

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

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

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

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

A new training centre offering skills training and cultural activities to achieve balance between diligent work and happy life

In order to improve the technical level of the professional staff and enrich the spare time life of staff, Yichun Water Industry Group Co. Ltd.* built a new training centre integrating skill training and cultural activities in 2021. Benefiting from this centre, the company was enabled to have various training standardized, modernized and autonomized, and the spare time life of staff would be also more enriched.

The training centre has gross floor area of approximately 1,200 sq.m., which is divided into two sectors, namely "practice" and "leisure". In particular, the sector "practice" refers to the area offering employees with skill training where employees could receive skill training and ensure strengthened skill and safe operation through intensified practices. The centre has not only facilitated improvement of professional skill, increased awareness of safety, but also provided a more advanced and standardized pitch for the skill competition campaigns regularly organised by the group. As for the sector "leisure", it is established as a pitch for cultural activities and sport competition, where standardized basketball, pin pong ball and badminton courses are available. Employees are encouraged to work happy and live healthy as their increasing demand for spare time cultural life could be fully satisfied by the sector "leisure".

Yichun Water Industry Group Co. Ltd.* has been always focusing on cultivation and improvement of employee's occupational skill and enriching their spare time life, so as to maintain strong spirit of fighting for the water supply team. In addition to combination of "practice and leisure", the group is committed to pursuing the harmony between "diligent work and happy life" by providing users better water supply service.

Work Life Balance

The Group pays great attention to employees' health both physically and mentally, and organises different recreational activities to alleviate the employees' working pressure. We hold annual meeting and organise a variety of recreational activities regularly such as sports competitions, ball games and outdoor activities to encourage employees to pursue balance between work and life.

Team building activity under the subject of "Coordination, Cooperation, Love and Happiness along with Low Carbon Emission* (團結協作、互助友愛、綠色低碳、歡樂相伴)"

In order to enrich the spare time life of the staff, strengthen team building and enhance the cohesion and loyalty of the staff, the union of Yichun Fangke Sewage Treatment Company Limited*, together with the union of Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd*, carried out the team building activity under the subject of "Coordination, Cooperation, Love and Happiness along with Low Carbon Emission" in November 2021.

The activity was divided into three stages. Firstly, all the staff took bus unitedly to Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd* to visit a series of sewage treatment facilities such as fine grate, coarse grate, biochemical tank and fibre rotary filter, etc. The plant staff also introduced in detail the sewage collection pipeline network system of Wentang Town and the intake and outtake water indicators. During the course of visit, everyone were eager to raise questions and make exchange.

Upon completion of the visit, it came to the sport and cultural section of this activity which highlighted fun and collaborative feature. The nervous and funny atmosphere quickly grasped everyone's heart and stimulated them to mobile their whole body to enjoy the competition. The three games of "Go Together* (齊頭並進)", "Ping Pong Relay Race* (乒乓接力賽)" and "Water Transportation by Three Legs* (三足運水)" highlighted the mutual cooperation of staff, "Dance Imitation* (舞蹈模仿)" brought about lots of fun, while the "Crazy Hairy Ball* (瘋狂毛毛球)" made the activity to the best. Everyone was full of energy with happy smiles on faces.

At last, all the staff went to Cherry Blossom Valley of Hongjiang for an autumn excursion, where they could get away from the hustle and bustle of the city and relax in the nature. The activity ended with endless laughter at sunset. This activity has not only allowed the staff to relax during their busy work, enjoyed the beautiful scenery, and delighted their bodies and minds, but also brought them closer to each other, further strengthened the cohesion and centripetal force of the team, and created a more united, lively, healthy, harmonious and positive atmosphere for future work.

COMMUNITY CONTRIBUTION

Promoting economic and social harmony has been one the major responsibilities of the Group. We actively leverage on our expertise to serve the community and promote the spirit and importance of caring for the community. Our contribution is mainly made to environment protection and social construction, aiming to giving back to the community with our staff in real actions to create a harmonic and inclusive society. Our major community contributions for the year are set out below:

Voluntary Events

- **Yichun Water Industry Group Co. Ltd.*** organised a campaign named "Blood Donation to Warm You and Me* (無償獻血，你我同行)". Employees lined up in an orderly manner to have information registered, blood tested and blood collected. A total of 26 employees registered for the campaign and 18 of them succeeded to donate a total of 6,500ml blood.

- **Yichun Water Industry Group Co. Ltd.*** visited the Gaoshi community and conducted a series of festival related activities such as quizzing lantern riddles, making Lantern Festival dumplings and delivering the dumplings to the community residents. The staff also visited in person the residents in poverty and brought them the dumplings, making closer connection with the community and residents there.

- **Yichun Water Industry Group Co. Ltd.*** carried out a voluntary service activity under the theme of "New Style of Civilization Needs all and Spirit of Leifeng Walks Me Along* (文明新風人人創　雷鋒精神伴我行)", under which the employees visited residences of several elderly who were in special family condition in the Gaoshi community to help them clean the house and tidy up their messy belongings, enabling the elderly to feel the care and warmness from the big social family.

Promoting Environment Protection

- **Yichun Fangke Sewage Treatment Company Limited*** held a public open day for environmental protection facilities. The staff introduced to the public the sewage treatment process and led them to visit different environmental protection sewage treatment facilities, and finally consolidated the environmental protection knowledge learned by the public on that day in the form of an interesting quiz. This activity succeeded to stimulate citizen's consciousness to cherish the precious water resources.

- In support of the "June 5th" World Environment Day campaign organised by the Propaganda Department under the Municipal Party Committee, the Municipal Bureau of Ecology and Environment and the Municipal Cultural Affairs Office, **Yichun Fangke Sewage Treatment Company Limited*** promoted to the public the environment protection concept of "Save Water, Cherish Water, Love Water" by setting up sewage treatment and environmental protection information counter, sewage treatment promotional films, promotional posters, as well as environmental protection booklets and bags.

- **Yichun Water Industry Group Co. Ltd.*** participated in the launch ceremony of the rubbish separation activity under the subject of "Create Green City Together along with Youth and Give Green Back to Rivers* (創城同心　青春同行"暨"河小青)". In the capacity of volunteers, the staff collected rubbish at the riverside and instructed the public on rubbish classification, enhancing their awareness of responsibility for protection of rivers and lakes, and creating a good atmosphere for general involvement in water conservation.

Community Service

- **Yichun Water Industry Group Co. Ltd.*** conducted a community service activity in Yiyang residential community under the subject of "Drinking Water of Yichun to Embrace Happiness* (直飲宜春水，為民幸福家)" . In order to enable residents to further understand the production process and safety characteristics of direct drinking water, the company for the first time arranged its technical staff to lead the residents to visit the direct drinking water equipment room set in the community, gave them detailed introduction of manufacturing procedure and testing indicators of direct drinking water. Through this activity, users' awareness of healthy water was greatly improved, which also facilitated promotion of direct drinking water to every households in the future.

- **Yichun Water Industry Group Co. Ltd.*** organised Party Volunteer Service Day at Yixi Garden to provide various water supply related services such as water meter transfer and reporting repair for residents. The volunteers also visited the secondary booster pump room in the community to help inspect and maintain the secondary water supply facilities and ensure the quality of the secondary water supply facilities in the community.

- **Yichun Water Industry Group Co. Ltd.*** carried out the "Promote Civilised Traffic with Proper Advice and Demonstration* (文明交通勸導示範)" activity, making its own efforts to the creation of a civilised city through practical action. For this activity, a total of about 30 staff volunteers came to the intersection of North Mingyue Road and Wenti Road to assist the traffic police in maintaining traffic order during the two travelling peak periods, namely morning and evening, which created a harmonious and orderly traffic environment.

Pre-Spring Festival sympathy campaign by Yichun Water Industry Group Co. Ltd.*

As the Chinese New Year approached, in order to make sure every staff of the company would has a happy and peaceful Chinese New Year, Yichun Water Industry Group Co. Ltd.* carried out a pre-Spring Festival sympathy campaign in February 2021 through the form of sympathy talks to send the most sincere greetings and good wishes to employees and party members in difficulty, encouraging them to establish confidence and hold optimistic towards life.

During the talk, the general manager and party secretary of Yichun Water Industry Group Co. Ltd.* made detailed enquiry of the family conditions and actual specific difficulties of every staff and party members in difficulty, urged them to reflect any need to the company, expressed sincere appreciation for their diligent works and contribution to the company's development, and delivered them the sincere blessings and condolence money for the Spring Festival. Yichun Water Industry Group Co. Ltd.* has always attached great importance to the working and living conditions of employees in difficulties, and insisted on doing practical things and sending warmth to employees in difficulties, and carried out sympathy visits on every holiday to let employees in difficulties feel the warmth of the company as a big family.

Public open day on the subject of environment protection — a close contact with the sewage treatment plant

In September 2021, the Youth League Committee of the district, teacher and student representatives of Jinqiao Primary School and volunteers from Yichun Hope House, 45 people in aggregate, visited Yichun Fangke Sewage Treatment Company Limited* to participate the "Public Open Day" activity organised by the company on environmental protection facilities. The "Public Open Day" was processed with lecture, demonstration and in-site visit. The lecturer showed the visitors how the sewage was treated from the intake to the outtake based on the treatment process, gave detailed introduction on the structures and process of a sewage treatment plant relating to sewage treatment business (such as lift pump room, biochemical ponds, disinfection ponds), the effect of sewage treatment and discharge standards, and also answered questions raised by students from time to time.

The leader teacher of Jinqiao Primary School said that the school organised this educational visit to sewage treatment plant was to cultivate students' social responsibility and to raise their awareness of environmental protection in cherishing water resources, thus to enable them to better promote to the whole society the environment concept of protecting and conserving water resources. To open to the public the urban sewage treatment facilities is an effective measure to protect the public's right to know, to participate and to supervise in respect of environment protection and to raise the awareness of ecological environmental protection in the whole society. Yichun Fangke Sewage Treatment Company Limited* effectively fulfilled its responsibility for environmental education by offering the public opportunities to visit and experience the achievement and progress made in environment protection works, which further enhanced their awareness to protect the lucid water and lush mountains of Yichun.

KEY ENVIRONMENTAL DATA

In view of the major sources of carbon emissions, the Group will continue to assess, record and disclose annual greenhouse gas emissions and other environmental data, and use the 2020 annual data as a benchmark to make an appropriate annual comparison with the current year's data to review the effectiveness of the current measures. It will help us further develop emission reduction targets in the future.

Indicator[1,2,3]	Unit	2021	2020
Total Greenhouse Gas (GHG) Emissions	Tonnes of CO2 equivalent	**26,180.82**	21,526.83
Direct Emissions (Scope 1)[4]	Tonnes of CO2 equivalent	**823.03**	421.71
Indirect Emissions (Scope 2)	Tonnes of CO2 equivalent	**25,381.06**	21,128.98
GHG Removal (Tree Plantation) (Scope 1)	Tonnes of CO2 equivalent	**23.28**	23.85
GHG Emissions (Biogenic)[5,6]	Tonnes of CO2 equivalent	**270,956.92**	221,515.56
Total GHG Emissions Intensity (Scope 1 & 2)[7]	Tonnes of CO2 equivalent/thousand HKD	**0.02**	0.02
Nitrogen Oxides (NOx)[5]	Kg	**371,952.59**	304,148.29
Sulphur Oxides (SOx)[5]	Kg	**131,360.71**	107,391.20
Particulate Matter (PM)[5]	Kg	**31,448.89**	25,716.78
Total Energy Consumption[8]	MWh	**623,658.62**	458,581.29
Purchased Electricity	MWh	**41,601.48**	34,631.99
Petrol	MWh	**792.93**	851.06
Diesel	MWh	**803.84**	579.30
Liquefied Petroleum Gas	MWh	**1,360.10**	57.08
Natural Gas	MWh	**–**	22.10
Landfill Gas[5]	MWh	**579,005.37**	422,439.76
Others	MWh	**94.90**	–
Total Energy Consumption Intensity	KWh/thousand HKD	**0.57**	0.41
Total Water Consumption[9]	m^3	**42,213.00**	27,576.00
Total Water Consumption Intensity	m^3/thousand HKD	**0.04**	0.02
Total Hazardous Waste	Tonnes	**305.59**	118.87
Waste Oil and Waste Containing Oil	Tonnes	**164.44**	111.87
Waste Drum	Tonnes	**2.45**	3.04
Waste Activated Carbon	Tonnes	**10.97**	–
Catalyst	Tonnes	**16.52**	3.96
Waste Oil Compartment	Tonnes	**0.3**	–
Waste Lubricating Oil	Tonnes	**16.34**	–
Waste Lubricating Oil Drum	Tonnes	**0.2**	–
Waste Mineral Oil	Tonnes	**65.34**	–
Waste Denitration Catalyst	Tonnes	**7.56**	–
Desulfurization Medium	Tonnes	**21.47**	–
Total Hazardous Waste Intensity	Tonnes/thousand HKD	**0.28**	0.11
Total Non-Hazardous Waste	Tonnes	**85.82**	80.10
Recycled			
Metal	Tonnes	**–**	10.39
Food Waste	Tonnes	**25.00**	32.16
Paper	Tonnes	**0.16**	0.50
Other General Refuse	Tonnes	**6.52**	5.00
Plastic	Tonnes	**–**	8.00
Disposed			
Food Waste	Tonnes	**34.48**	2.30
Paper	Tonnes	**0.26**	0.20
Other General Refuse	Tonnes	**19.40**	21.55
Total Non-Hazardous Waste Intensity	Kg/thousand HKD	**0.08**	0.07

Note:

1. Reporting scope of environmental data in this Report includes 2 water supply project companies (2020: 3), 4 wastewater treatment companies (2020: 3) and 9 renewable energy companies (2020:5).
2. Due to our business nature, no packaging materials have been used.
3. Our reporting on air and greenhouse gases (GHG) emissions mainly base on the requirements in "How to prepare an ESG report" published by HKEX and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute. Operational control approach is adopted when defining organisational boundary for the purpose of GHG accounting and reporting. GHG emissions is presented in carbon dioxide equivalent (CO2 equivalent). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased or acquired) and refrigeration internally consumed by the Group. With reference to the latest emission factors for Mainland China based operations stated in "How to prepare an ESG report", the scope 2 indirect emission in 2020 has also been restated.
4. Due to amendments to car usage data, we have restated the data for 2020.
5. Included landfill gas consumption for the generation of sold electricity.
6. Biogenic emission represents GHG emission from landfill gas electricity generation.
7. Total GHG emission intensity (Scope 1 and 2) excludes biogenic emission. In accordance with The Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standard (Revised Edition), published by World Business Council for Sustainable Development and World Resources Institute, emissions data for direct GHG emissions from combustion of biomass or biofuels should be reported separately.
8. Our total energy consumption includes purchased electricity and fuels (non-renewable and renewable) consumed and the relevant conversion factors reference from "Technical Note: Conversion of fuel data to MWh" published by CDP.
9. Water consumption in 2021 represent 14 project companies (2020: 8).

HKEX ESG REPORTING GUIDE CONTENT INDEX

Indicator		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Green business; Our environment	101–111 112–119
KPI A1.1	The types of emissions and respective emissions data.	Key environmental data	134–135
KPI A1.2	Direct and/or indirect energy greenhouse gas emissions in total (in tonnes) and intensity.	Key environmental data	134–135
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Key environmental data	134–135
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Key environmental data	134–135
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Green business; Our environment	101–111 112–119
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Solid waste management	118–119
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, storage, transportation, construction, electronic equipment, etc.		Green business; Our environment	101–111 112–119
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Key environmental data	134–135
KPI A2.2	Water consumption in total and intensity	Key environmental data	134–135
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green business; Our environment	101–111 112–119
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water management	117
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	Not applicable to our business.	N/A

Indicator		Chapter/Disclosure	Page
Aspect A3: The Environment and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources		Green business; Our environment	101–111 112–119
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green business; Our environment	101–111 112–119
Aspect A4: Climate Change			
General disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Climate change	113
KPI A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate change	113

Indicator		Chapter/Disclosure	Page
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Caring for employees	120–130
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	People management	121–122
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	People management	121–122
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Occupational health and safety	123–125
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	There is no reported case of work-related fatalities during the Reporting Period.	N/A
KPI B2.2	Lost days due to work injury.	There is 0 days lost due to work injury during the Reporting Period.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational health and safety	123–125

Indicator		Chapter/Disclosure	Page
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities		Employee trainings	126–127
KPI B3.1	The percentage of employees trained by gender and employee category.	Employee trainings	126–127
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee trainings	126–127
Aspect B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		People management; There is no reported case of the use of child labour or forced labor in 2021.	120–122
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	We review the "Recruitment Management Policy" annually to avoid the use of child labour and forced labour.	N/A
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People management	120–122

Indicator		Chapter/Disclosure	Page
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supplier management	100
KPI B5.1	Number of suppliers by geographical region.	As of 31 December 2021, we have a total of 1,238 suppliers, which are all located in Mainland China.	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier management; During the Reporting Period, we visited a number of 628 suppliers.	100
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier management	100
KPI B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored	Supplier management	100
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Green business We comply with relevant laws to keep users' privacy confidential. There is no reported complaint concerning advertising, labelling and privacy in 2021.	101–111
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to our business.	N/A

Indicator		Chapter/Disclosure	Page
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Optimizing customer service	101–111
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Information protection	100
KPI B6.4	Description of quality assurance process and recall procedures.	Green business Recall procedures are not applicable to our business.	101–111 N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information protection	100
Aspect B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering		Business integrity	97–99
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	We are not aware of any legal cases which are on-going or brought against us or our employees in 2021 involving corruption, bribery, extortion or money laundering	N/A
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Business integrity; Supplier management	97–99 100
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business integrity	97–99

Indicator		Chapter/Disclosure	Page
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community contribution	131–133
KPI B8.1	Focus areas of contribution.	Community contribution	131–133
KPI B8.2	Resources contributed to the focus area.	Community contribution	131–133

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

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Water Industry Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 148 to 284, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
For water customers with water meters, the amount recognised depends upon the volume supplied, including an estimate of the sales value of units supplied between the date of the last meter reading and the year end. This is a key judgment because the estimated usage is based upon historical data and assumptions around consumption patterns.	We have reviewed the design and implementation of management's controls around this risk. We have challenged the key assumptions and estimates made by management in recognising revenue. We performed detailed analytical procedures by comparing revenue balance for the year against the total sales value of units supplied at the year ended. We also assessed the adequacy of the Group's disclosures of its revenue recognition and other related disclosures.
Impairment assessment	
The Group has approximately HK\$811,682,000, HK\$424,584,000, HK\$606,271,000 and HK\$177,770,000 of property, plant and equipment, right-of-use assets, operating concession intangible assets and other intangible assets respectively. Their recoverable amount is based on an assessment of the greater of its fair value less costs of disposal and its value-in-use. Value-in-use is calculated as the net present value of estimated future cash flows. The Group's assessment of impairment is a judgmental process which requires estimates concerning the estimated future cash flows and associated discount and growth rate based on management's view of future business prospects.	We assessed and challenged the impairment analysis prepared by the board of directors as outlined below: With regard to the overall impairment assessment performed by the board of directors, we evaluated the design of internal controls in place to check that the Group's assets are valued appropriately including those controls in place to determine any asset impairments or impairment reversals. We also reviewed the assets not assessed by management for impairment indicators and no indicators were identified. We assessed the qualification, independence and reputation of the independent external valuation expert. We evaluated the reasonableness of the management cash flow forecasts by comparing the assumptions made to internal and external data. We tested these assumptions by reference to third party documentation where available.

KEY AUDIT MATTERS *(Continued)*

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2022

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	7	**1,101,791**	1,129,548
Cost of sales		**(681,261)**	(649,248)
Gross profit		**420,530**	480,300
Other operating income and expenses	9	**79,056**	133,088
Loss on disposal of an associate		**(38,405)**	–
Gain on disposal of subsidiaries		**45,712**	–
Selling and distribution expenses		**(46,722)**	(55,529)
Administrative expenses		**(227,283)**	(241,449)
Finance costs	10	**(66,431)**	(79,746)
Change in fair value of investment properties	18	**36**	2,778
Net gain/(loss) on financial assets at fair value through profit or loss		**15,895**	(13,441)
Impairment loss recognised on:			
property, plant and equipment	16	**(30,799)**	(19,024)
goodwill	19	**(7,715)**	(76)
other intangible assets	19	**(4,913)**	(3,582)
trade and other receivables, net	26	**(69,404)**	(18,526)
right-of-use assets	16	**(13,097)**	(49)
Share of profit/(loss) of associates	22	**32,411**	(1,803)
Share of profit/(loss) of joint ventures	23	**640**	(2,155)
Profit before taxation		**89,511**	180,786
Income tax	11	**(63,964)**	(60,320)
Profit for the year	12	**25,547**	120,466
Attributable to:			
Owners of the Company		**(44,020)**	11,094
Non-controlling interests		**69,567**	109,372
		25,547	120,466
(Loss)/earnings per share (HK cents):	15		
Basic		**(2.76)**	0.69
Diluted		**(2.76)**	0.69

The notes on pages 158 to 284 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year		**25,547**	120,466
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations			
Exchange difference arising during the year		**51,739**	146,461
		51,739	146,461
Financial assets at fair value through other comprehensive income:			
Net gain/(loss) arising on revaluation of financial assets at fair value through other comprehensive income during the year		**702**	(3,826)
Release of reserve upon disposal of subsidiaries		**(23,933)**	–
Release of reserve upon disposal of an associate		**(271)**	–
Share of other comprehensive income of associates	22	**950**	1,059
Share of other comprehensive (loss)/income of joint ventures	23	**(638)**	1,561
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of investment properties upon transfer from property, plant and equipment		**2,299**	–
Deferred tax liabilities arising on gain on revaluation of investment properties		**(575)**	–
		1,724	–
Other comprehensive income for the year, net of income tax		**30,273**	145,255
Total comprehensive income for the year		**55,820**	265,721
Attributable to:			
Owners of the Company		**(37,353)**	122,695
Non-controlling interests		**93,173**	143,026
		55,820	265,721

The notes on pages 158 to 284 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**811,682**	824,286
Deposits paid for acquisition of property, plant and equipment		**5,708**	7,659
Deposits paid for acquisition of subsidiaries		**19,790**	290
Deposits paid for acquisition of right-of-use assets		**–**	87,927
Right-of-use assets	16	**424,584**	477,504
Operating concessions	17	**606,271**	791,129
Receivables under service concession arrangements	17	**14,481**	17,056
Investment properties	18	**12,280**	94,331
Other intangible assets	19	**177,770**	207,509
Financial assets at fair value through other comprehensive income	20	**4,071**	3,370
Interests in associates	22	**2,852**	17,376
Interests in joint ventures	23	**23,831**	22,521
Deferred tax assets	36	**739**	8,730
Deposits and prepayments	26	**18,960**	59,000
		2,123,019	2,618,688
Current assets			
Inventories	24	**278,729**	900,818
Receivables under service concession arrangements	17	**3,076**	3,401
Financial assets at fair value through profit or loss	20	**16,687**	23,946
Trade and other receivables	26	**1,050,110**	1,444,674
Contract assets	25	**42,908**	62,650
Cash held by financial institutions	27	**147**	135
Bank balances and cash	27	**291,211**	437,125
Amounts due from associates	33	**4,585**	104,659
		1,687,453	2,977,408
Assets held for sale	28	**51,395**	32,700
		1,738,848	3,010,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Current liabilities			
Overdraft held at financial institutions	27	**–**	4,606
Trade and other payables	29	**577,073**	638,529
Contract liabilities	25	**373,170**	1,427,114
Bank borrowings	30	**73,833**	53,998
Other loans	31	**365,733**	340,151
Lease liabilities	32	**117,501**	108,961
Amounts due to non-controlling shareholders of subsidiaries	33	**329**	320
Deposits received from disposal of equity interest in subsidiary		**12,231**	28,517
Amounts due to joint ventures	33	**–**	7,647
Tax payables		**22,216**	51,286
		1,542,086	2,661,129
Liabilities directly associated with the assets held for sale	28	**11**	5,644
		1,542,097	2,666,773
Net current assets		**196,751**	343,335
Total assets less current liabilities		**2,319,770**	2,962,023
Capital and reserves			
Share capital	34(b)	**798,270**	798,270
Share premium and reserves		**571,969**	609,322
Equity attributable to owners of the Company		**1,370,239**	1,407,592
Non-controlling interests		**555,627**	793,357
TOTAL EQUITY		**1,925,866**	2,200,949

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Non-current liabilities			
Bank borrowings	30	**105,886**	97,813
Other loans	31	**15,844**	388,827
Lease liabilities	32	**171,060**	158,990
Government grants	35	**38,382**	28,092
Deferred tax liabilities	36	**62,732**	87,352
		393,904	761,074
		2,319,770	2,962,023

Approved and authorised for issue by the board of directors on 30 March 2022:

Mr. Zhu Yongjun
Director

Ms. Chu Yin Yin Georgiana
Director

The notes on pages 158 to 284 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company									
	Share capital HK$'000 (note 34(b))	Share premium HK$'000 (note 34(c))	Revaluation reserve HK$'000 (note 34(c))	Translation reserve HK$'000 (note 34(c))	Reserve fund HK$'000 (note 34(c))	Fair value reserve (non–recycling) HK$'000 (note 34(c))	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2020	798,270	954,318	11,846	(96,954)	94,825	(8,953)	(468,455)	1,284,897	611,500	1,896,397
Changes in equity for 2020:										
Profit for the year	–	–	–	–	–	–	11,094	11,094	109,372	120,466
Other comprehensive income for the year:										
Exchange difference arising on translation	–	–	–	112,807	–	–	–	112,807	33,654	146,461
Share of other comprehensive income of associates	–	–	–	1,059	–	–	–	1,059	–	1,059
Share of other comprehensive income of joint ventures	–	–	–	1,561	–	–	–	1,561	–	1,561
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(3,826)	–	(3,826)	–	(3,826)
Total comprehensive income for the year	–	–	–	115,427	–	(3,826)	11,094	122,695	143,026	265,721
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	67,755	67,755
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(28,924)	(28,924)
Transfers to reserve fund	–	–	–	–	42,085	–	(42,085)	–	–	–
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	–	–	–	–	–	8,888	(8,888)	–	–	–
At 31 December 2020	798,270	954,318	11,846	18,473	136,910	(3,891)	(508,334)	1,407,592	793,357	2,200,949

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company									
	Share capital HK$'000 (note 34(b))	Share premium HK$'000 (note 34(c))	Revaluation reserve HK$'000 (note 34(c))	Translation reserve HK$'000 (note 34(c))	Reserve fund HK$'000 (note 34(c))	Fair value reserve (non–recycling) HK$'000 (note 34(c))	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	**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 2021:										
Profit for the year	–	–	–	–	–	–	(44,020)	(44,020)	69,567	25,547
Release of reserve upon disposal of subsidiaries	–	–	(11,846)	(23,933)	–	–	11,846	(23,933)	–	(23,933)
Release of reserve upon disposal of an associate	–	–	–	(271)	–	–	–	(271)	–	(271)
Other comprehensive income for the year:										
Gain on revaluation of investment property upon transfer from property, plant and equipment	–	–	1,172	–	–	–	–	1,172	1,127	2,299
Deferred tax liabilities arising from revaluation on investment property	–	–	(293)	–	–	–	–	(293)	(282)	(575)
Exchange difference arising on translation	–	–	–	28,978	–	–	–	28,978	22,761	51,739
Share of other comprehensive income of associates	–	–	–	950	–	–	–	950	–	950
Share of other comprehensive income of joint ventures	–	–	–	(638)	–	–	–	(638)	–	(638)
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	702	–	702	–	702
Total comprehensive income for the year	–	–	(10,967)	5,086	–	702	(32,174)	(37,353)	93,173	55,820
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	7,567	7,567
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	(38,720)	–	38,720	–	(338,470)	(338,470)
Transfers to reserve fund	–	–	–	–	27,322	–	(27,322)	–	–	–
At 31 December 2021	**798,270**	**954,318**	**879**	**23,559**	**125,512**	**(3,189)**	**(529,110)**	**1,370,239**	**555,627**	**1,925,866**

The notes on pages 158 to 284 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit before taxation	**89,511**	180,786
Adjustments for:		
Depreciation of property, plant and equipment	**56,204**	56,893
Depreciation of right-of-use assets	**45,031**	42,802
Amortisation of concession intangible assets	**51,162**	53,575
Amortisation of other intangible assets	**25,128**	25,905
Impairment loss recognised on:		
— property, plant and equipment	**30,799**	19,024
— goodwill	**7,715**	76
— other intangible assets	**4,913**	3,582
— trade and other receivables, net	**69,404**	18,526
— right-of-use assets	**13,097**	49
Change in fair value of investment properties	**(36)**	(2,778)
Finance costs	**66,431**	79,746
Interest income	**(6,044)**	(5,759)
Government grant income	**(11,616)**	(5,784)
Loss/(gain) on disposal of property, plant and equipment, net	**372**	(624)
Net (gain)/loss on financial assets at fair value through profit or loss	**(15,895)**	13,441
Loss on disposal of concession intangible assets	**405**	219
Write off of accounts payable	**–**	(57)
Share of (profit)/loss of associates	**(32,411)**	1,803
Share of (profit)/loss of joint ventures	**(640)**	2,155
Net gain on disposal of subsidiaries	**(45,712)**	–
Net loss on disposal of an associate	**38,405**	–
Loss on loan set off	**593**	2,694
Changes in working capital:		
Increase in inventories	**(139,003)**	(153,893)
Increase in trade and other receivables	**(123,207)**	(272,997)
Decrease in receivables under service concession arrangements	**2,900**	2,377
Increase in contract assets	**(37,779)**	(10,410)
Increase in trade and other payables	**151,895**	53,539
Increase in contract liabilities	**47,187**	475,383
Cash generated from operations	**288,809**	580,273
Income taxes paid	**(69,148)**	(64,109)
Net cash generated from operating activities	**219,661**	516,164

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(172,199)**	(215,842)
Purchase of right-of-use assets	**(3,635)**	(9,735)
Deposits paid for acquisition of right-of-use assets	**(36,003)**	(87,927)
Deposits paid for acquisition of property, plant and equipment	**(2,566)**	(3,038)
Proceeds from disposal of property, plant and equipment	**3,739**	2,171
Proceeds from disposal of operating concessions	**43**	–
Acquisition of operating concessions	**(60,087)**	(38,473)
Acquisition of other intangible assets	**(132)**	(19)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**–**	1,997
Proceeds from disposal of financial assets at fair value through profit or loss	**27,128**	14,767
Purchase of financial assets at fair value through profit or loss	**(3,614)**	–
Proceeds from disposal of subsidiaries	**–**	–
Proceeds from disposal of associates	**223,274**	–
Acquisition of subsidiary, net of cash acquired	**–**	–
Deposits paid for acquisition of subsidiaries	**(19,494)**	(275)
Interest received	**6,044**	5,759
Loans to third parties	**(111,187)**	(116,998)
Repayment of loans from third parties	**37,228**	53,020
Deposit received from disposal of equity interest in subsidiary	**12,231**	28,517
Advances from/(to) associates	**8,338**	(104,659)
Government grants received	**20,939**	3,920
Capital contribution to associates	**–**	(11,004)
Capital contribution to a joint venture	**–**	(8,527)
Net cash used in investing activities	**(69,953)**	(486,346)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
Financing activities		
Proceeds from new bank borrowings and other loans	**79,842**	85,210
Repayment of bank borrowings and other loans	**(322,359)**	(107,309)
Repayment of loans from third parties	**(205,265)**	(53,487)
Decrease in amounts due to non-controlling shareholders	**–**	(17,113)
Capital contribution from non-controlling shareholders	**7,567**	67,755
Increase in lease liabilities	**153,170**	114,474
(Decrease)/increase in amounts due to joint ventures	**(5,863)**	23,543
Capital element of lease rentals paid	**(142,758)**	(123,570)
Interest element of lease rentals paid	**(21,107)**	(20,625)
Loans from third parties	**240,018**	123,832
Interest paid	**(54,129)**	(31,440)
Dividend paid to non-controlling shareholders	**–**	(28,924)
Net cash generated (used in)/from financing activities	**(270,884)**	32,346
Net (decrease)/increase in cash and cash equivalents	**(121,176)**	62,164
Cash and cash equivalents at 1 January	**432,654**	390,906
Effect of foreign exchange rates changes	**(20,120)**	(20,416)
Cash and cash equivalents at 31 December	**291,358**	432,654
Analysis of the balance of cash and cash equivalents		
Cash held by financial institutions	**147**	135
Bank balances and cash	**291,211**	437,125
Overdraft held at financial institutions	**–**	(4,606)
Cash and cash equivalents at 31 December	**291,358**	432,654

The notes on pages 158 to 284 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

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

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group"), the Group's interests in associates and joint ventures. These consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") and Indonesia, whose functional currency is Renminbi ("RMB") and Rupiah respectively, the functional currency of the Company and its subsidiaries is HK$.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 21.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to these consolidated financial statements for the current accounting period:

Amendment to HKFRS 16	COVID-19-related rent concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform — phase 2

Amendment to HKFRS 16, COVID-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Other than the Amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these impact on the accounting policies of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

— investments in equity securities (see note 3(n)).

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

(d) Goodwill

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

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

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

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

(e) Investments in subsidiaries and non-controlling interests

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investments in associates and joint ventures

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investment properties

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

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

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

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

(j) Concession intangible assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Concession intangible assets *(Continued)*

Consideration given by the grantor

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

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

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

(k) Intangible assets (other than goodwill)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Operating concessions

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

Exclusive rights

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

The exclusive rights were initially recognised at fair value at the acquisition date. The rights have an original period ranging from 10 to 25 years, respectively. These rights, together with exclusive rights acquired separately with finite period (note 19), are carried at cost less accumulated amortisation and any accumulated impairment losses (note 3(o)(ii)).

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

(l) Leasehold land and buildings for own use

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Construction contracts

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

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

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

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

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

(n) Classification and subsequent measurement of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

All other financial assets are subsequently measured at FVPL.

Amortised cost and interest income

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Equity investments

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

(o) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

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

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

Measurement of ECLs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Measurement of ECLs *(Continued)*

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of non-financial assets

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

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

— goodwill;

— concession intangible assets;

— other intangible assets;

— deposits and prepayments; and

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

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(iii) Credit losses from financial guarantees issued

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

(iv) Interim financial reporting and impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Inventories

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

(i) Properties held for/under development for sale

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

(ii) Trading goods

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

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

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

(q) Contract assets and contract liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(r) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 3(o)(i)).

(s) Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and financial institutions and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 3(o)(i).

(t) Borrowings

Borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 3(ad)).

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(o)(iii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(v) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Equity-settled share-based payment transactions

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity (share options reserve). The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(ii) Share options granted to eligible persons

Share options issued in exchange for services are measured at fair values of services received. The fair values of services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(x) Other employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

The subsidiaries in the PRC participate in the Central Pension Scheme (the "CPS") operated by the PRC government for all of their staff. The subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Payments to the CPS are recognised as expenses as they fall due in accordance with the rules of the CPS.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Other employee benefits *(Continued)*

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(y) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are included in non-current liabilities as deferred government grants in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(z) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant accounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary difference, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same year as the expected reversal of the deductible temporary difference or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a year, or years, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(aa) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Revenue and other income *(Continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Revenue arising from water supply is recognised based on water supplied as recorded by meter readings during the year.

Revenue from sewage treatment is recognised based on actual sewage treated from meter readings during the year.

Water supply related installation and construction income is recognised when services are rendered and income can be measured reliably.

Revenue from long-term construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (note 3(m)).

Revenue from the construction of water supply and sewage treatment plants under service concession agreements is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Sales of electricity from the biogas power plant are recognised when electricity is generated and transmitted.

Tariff adjustment represents subsidy received and receivable from the local government authorities in respect of the Group's power generation business. Tariff adjustment is recognised at its fair value where there is reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

Sales and distribution of natural gas are recognised when goods are delivered to the customers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Revenue and other income *(Continued)*

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 3(q)).

Service income, consultancy fee, handling charges and cleaning income are recognised when services are provided.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the gross carrying amount of the financial assets. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(o)(i)).

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(ab) Foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ab) Foreign currencies *(Continued)*

The results of foreign operations are translated into Hong Kong dollars ("HK$") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into the presentation currency of the Group (that is, HK$) at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(ac) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ac) Leased assets *(Continued)*

(i) As a lessee (Continued)

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3(g) and 3(o)(ii)), except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 3(i); and

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost in accordance with note 3(l).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ac) Leased assets *(Continued)*

(i) As a lessee (Continued)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

(ad) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ae) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(af) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ag) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ah) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(ai) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Critical accounting judgments

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

In accordance with HKAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with notes 3(g) and (ac).

In making this judgment, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Useful lives and impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment and right-of-use assets are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss.

(ii) Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

(iii) Estimated impairment loss recognised in respect of other receivables and loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) Estimated impairment loss of operating concession and exclusive rights

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(v) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the greater of the value-in-use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

(vi) Revenue from construction contracts

Revenue from construction contracts of certain water supply and sewage treatment of the Group are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. In recognition of profit and loss on the construction contracts, the management makes their best estimation of the future expected revenue from the contracts and future expected cost to complete the job. The estimates are determined by the management based on the current market conditions and expected time cost, material cost, other overhead expense to be incurred, expectations of future changes in the market and experience of similar transactions. Any change in these estimates will have an impact on the amount of contract revenue or contract loss.

(vii) Estimation of water consumption

Determination of the revenue from the distribution and sale of water may include an estimation of the water supplied to customers for whom actual meter reading is not available. The estimation is done mainly based on the past consumption records and the recent consumption pattern of individual customers.

The actual consumption could deviate from those estimates.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(viii) Classification between operating concessions and receivables under service concession arrangements

As explained in note 3(j) to the consolidated financial statements, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at their fair values.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, future guaranteed receipts and non-guaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes various types of borrowings, such as bank borrowings, other loans, amounts due to non-controlling shareholders of subsidiaries, amounts due to joint ventures and overdraft held at financial institutions, less cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the raise of various types of borrowings, issuance of convertible bonds and new shares.

5. CAPITAL MANAGEMENT *(Continued)*

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by equity attributable to owners of the Company. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios as at 31 December 2021 and 2020 are as follows:

	2021 **HK$'000**	2020 HK$'000
Overdraft held at financial institutions	**–**	4,606
Bank borrowings	**179,719**	151,811
Other loans	**381,577**	728,978
Amounts due to non-controlling shareholders of subsidiaries	**329**	320
Amounts due to joint ventures	**–**	7,647
Lease liabilities	**288,561**	267,951
Total debt	**850,186**	1,161,313
Less: Cash held by financial institutions	**(147)**	(135)
Bank balances and cash	**(291,211)**	(437,125)
Cash and cash equivalents	**(291,358)**	(437,260)
Net debt	**558,828**	724,053
Equity attributable to owners of the Company	**1,370,239**	1,407,592
Gearing ratio	**40.78%**	51.44%

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The main risks arising from Group's financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's exposure of these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit rating assigned by international credit rating agencies, for which the Group considers to represent low credit risk. The Group does not obtain collateral from counterparties.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-180 days (2020: 0-180 days) from the date of billing.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group used average loss rates ranging from 0.1% to 0.3% (2020: 0.1% to 5%). Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's of economic conditions over the expected lives of the receivables and were adjusted for any forward-looking information that was available without undue cost or effort.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

The movements in the loss allowances on trade receivables are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**5,041**	4,764
Allowance/expected credit loss recognised, net	**2,213**	44
Exchange realignment	**99**	233
At 31 December	**7,353**	5,041

Included in the impairment loss are individually impaired trade receivables with an aggregate balance of approximately HK$7,353,000 (2020: HK$5,041,000). The Group does not hold any collateral over these balances.

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2021:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance;

— increase in days past due over 180 days resulted in an increase in loss allowance.

At 31 December 2021, included in trade receivables were the government on-grid tariff subsidies of approximately HK$578,240,000 (2020: HK$432,480,000) and electricity sales receivables of approximately HK$32,480,000 (2020: HK$34,630,000) from local grid companies. The tariff subsidies receivables are settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance of the PRC. There is no due date for settlement. Trade receivables from renewable energy business are fully recoverable considering there were no bad debt experiences with the local grid companies in the past and such tariff subsidies are funded by the PRC government. As the Group considers credit risk for such balances to be insignificant, the expected credit loss is minimal and included in allowance/expected credit loss recognised for the year amounted to approximately HK$1,620,000 (2020: Nil).

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECLs.

The movement in the loss allowances on other receivables are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**12,607**	10,862
Allowance/expected credit loss recognised, net	**4,524**	629
Exchange realignment	**28**	1,116
At 31 December	**17,159**	12,607

Included in the impairment loss are individually impaired other receivables with an aggregate balance of approximately HK$17,159,000 (2020: HK$12,607,000). The Group does not hold any collateral over these balances.

Loan receivables

Loss allowance in respect of loan receivables are measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loan receivables (Continued)

The movements in the loss allowances on loan receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**77,373**	63,262
Allowance/expected credit loss recognised, net	**39,985**	14,111
Exchange realignment	**2,702**	–
At 31 December	**120,060**	77,373

Included in the impairment loss are individually impaired loan receivables with an aggregate balance of approximately HK$120,060,000 (2020: HK$77,373,000). The Group does not hold any collateral over these balances.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which the Group can be required to pay.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2021					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities						
Trade and other payables	**577,073**	**–**	**–**	**–**	**577,073**	**577,073**
Lease liabilities	**128,623**	**114,287**	**67,157**	**8,826**	**318,893**	**288,561**
Bank borrowings and other loans	**451,289**	**27,235**	**99,523**	**2,722**	**580,769**	**561,296**
Amounts due to non- controlling shareholders	**329**	**–**	**–**	**–**	**329**	**329**
	1,157,314	**141,522**	**166,680**	**11,548**	**1,477,064**	**1,427,259**

	2020					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	638,529	–	–	–	638,529	638,529
Lease liabilities	123,933	132,756	33,867	8,810	299,366	267,951
Bank borrowings and other loans	441,475	359,454	77,226	103,372	981,527	880,789
Amounts due to non- controlling shareholders	320	–	–	–	320	320
Amounts due to joint ventures	7,647	–	–	–	7,647	7,647
	1,211,904	492,210	111,093	112,182	1,927,389	1,795,236

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk

(i) Currency risk

Exposure to currency risk

Other than the subsidiaries established in the PRC and Indonesia whose functional currency is RMB and Rupiah, the Company and its subsidiaries' functional currency is HK$. However, certain bank balances and other receivables are denominated in currencies other than HK$ held by the Company and its subsidiaries established in Hong Kong. Foreign currencies are also used to settle expenses for overseas operations.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollar, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$'000)			
	2021		2020	
	USD	**RMB**	USD	RMB
Assets	**34**	**120**	29	49

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the needs arise.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and decrease/ (increase) in accumulated losses**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and decrease/ (increase) in accumulated losses
Renminbi	**5%**	**6**	5%	2
	(5%)	**(6)**	(5%)	(2)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Group are primarily exposed to cash flow interest rate risk and fair value interest rate risk in relation to bank borrowings, other loans and lease liabilities for the years ended 31 December 2021 and 2020. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's interest-bearing financial liabilities at the end of the reporting period:

	2021		2020	
	Effective interest rate		Effective interest rate	
	%	**HK$'000**	%	HK$'000
Fixed rate borrowings:				
Bank borrowings	**4.57%–12.60%**	**15,517**	5.65%–8.70%	20,158
Other loans	**0%–16.71%**	**381,577**	0%–30%	518,719
Lease liabilities	**4.30%–7.80%**	**288,561**	4.35%–7.80%	267,951
		685,655		806,828
Variable rate borrowings:				
Bank borrowings	**4.13%–7.84%**	**164,202**	1.15%–8.70%	131,653
Other loans	**–**	**–**	4.90%–7.43%	210,259
		164,202		341,912
Total borrowings		**849,857**		1,148,740
Fixed rate borrowings as a percentage of total borrowings		**81%**		70%

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, (2020: 50 basis points) with all other variables held constant, would have decrease/increase the Group's profit after tax and increase/decrease the accumulated losses by approximately HK$616,000 (2020: HK$1,238,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis as 2020.

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities and unlisted fund investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the needs arise.

The Group's unlisted fund investments comprised mainly investments in private equity funds. The Group managed the equity price risk through diversification of investment portfolio. The underlying investments held by these funds include unlisted equity instruments, structured financing products and venture capital deals in various regions in the PRC. The fair values of these investments are affected by the market conditions in the abovementioned sectors, the overall capital market conditions, as well as the performance of individual investees of each of these funds. The investments held in the portfolio may be realised only after several years and their fair values may change significantly.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(iii) Equity price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points (2020: 100 basis points) in the fair value of the Group's listed and unlisted equity securities, with all other variables held constant, would have increase/decrease the Group's profit after tax (and decrease/increase accumulated losses) and other components of equity by approximately HK$159,000 (2020: HK$218,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that all other variables remain constant. The analysis is performed on the same basis for 2020.

(d) Fair value measurements recognised in the consolidated statement of financial position

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group takes reference to the fair value of the financial assets based on the net asset value of the financial assets calculated on the last day of each calendar month and reported by the fund manager or engaged third party qualified valuers to perform the valuation. The Company's directors work closely with independent professional valuers to establish the appropriate valuation techniques and inputs to the model.

	Fair value at 31 December 2021 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
— listed equity securities	359	359	–	–	359
— unlisted fund investments	16,328	–	–	16,328	16,328
	16,687	359	–	16,328	16,687
Equity investments at FVOCI	4,071	4,071	–	–	4,071
Liabilities					
Financial liability at FVPL					
— Contingent consideration payable	1,343	–	–	1,343	1,343

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(i) Financial instruments carried at fair value (Continued)

Fair value hierarchy *(Continued)*

	Fair value at 31 December 2020 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
— listed equity securities	12,066	12,066	–	–	12,066
— unlisted fund investments	11,880	–	–	11,880	11,880
	23,946	12,066	–	11,880	23,946
Equity investments at FVOCI	3,370	3,370	–	–	3,370

During the years ended 31 December 2021 and 2020, there were no significant transfers between instruments levels.

Valuation techniques and inputs used in Level 3 fair value measurements

The Group's unlisted financial assets measured at FVPL categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input.

The Group's financial liability measured at FVPL categorised in Level 3 comprises contingent consideration for acquisition of a subsidiary during the year (see note 37) and included under "Trade and other payables". The fair value of contingent consideration is determined based on valuation performed by independent professional valuer and determined based on discounted cash flow model. This significant unobservable inputs include discount rate of 10% and electricity generated for the next five years.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2021 and 2020.

7. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated by major products or service lines:		
Water supply services	**155,293**	175,993
Sewage treatment services	**83,093**	64,876
Water supply related installation and construction income	**233,011**	352,176
Water supply and sewage treatment infrastructure construction income	**47,299**	38,605
Sale of electricity	**514,097**	459,699
Sale of compressed natural gas	**21,269**	6,958
Service income from collection of landfill gas	**33,828**	27,596
Sales of property investment and development	**13,901**	3,645
	1,101,791	1,129,548

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 8.

8. SEGMENT REPORTING

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

The Group has identified the following reportable segments:

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

(ii) "Exploitation and sale of renewable energy" segment, which derives revenues primarily from sale of electricity and compressed natural gas from biogas power plants; and

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

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

8. SEGMENT REPORTING *(Continued)*

Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition as well as information regarding the Group's reportable and operating segments, are set out below.

For the year ended 31 December 2021

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Total HK$'000
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	**238,386**	**569,194**	**13,901**	**821,481**
Over time	**280,310**	**–**	**–**	**280,310**
Reportable segment revenue	**518,696**	**569,194**	**13,901**	**1,101,791**
Reportable segment profit	**132,692**	**104,809**	**(7,298)**	**230,203**
Unallocated corporate expenses				**(136,673)**
Interest income				**1,166**
Interest on fixed coupon bonds				**(28,387)**
Net gain on financial assets at fair value through profit or loss				**15,895**
Loss on disposal of an associate				**(38,405)**
Gain on disposal of subsidiaries				**45,712**
Profit before taxation				**89,511**

8. SEGMENT REPORTING *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2020

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Total HK$'000
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	240,869	494,253	3,645	738,767
Over time	390,781	–	–	390,781
Reportable segment revenue	631,650	494,253	3,645	1,129,548
Reportable segment profit	211,928	126,600	(23,882)	314,646
Unallocated corporate expenses				(75,091)
Interest income				1,023
Interest on overdraft held at financial institutions				(827)
Interest on fixed coupon bonds				(45,524)
Net loss on financial assets at fair value through profit or loss				(13,441)
Profit before taxation				180,786

8. SEGMENT REPORTING *(Continued)*

Other segment information

For the year ended 31 December 2021

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Corporate HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	4,721	110	47	1,166	–	6,044
Interest expenses	(4,141)	(19,264)	(370)	(42,656)	–	(66,431)
Share of profit/(loss) of associates	32,299	196	(34)	(50)	–	32,411
Share of profit/(loss) of joint ventures	1,407	–	(390)	(377)	–	640
Depreciation of:						
— Property, plant and equipment	(1,833)	(48,051)	(2,509)	(3,811)	–	(56,204)
— Right-of-use assets	(2,724)	(38,366)	(1,256)	(2,685)	–	(45,031)
Amortisation of:						
— Concession intangible assets	(35,459)	(15,703)	–	–	–	(51,162)
— Other intangible assets	–	(25,128)	–	–	–	(25,128)
Gain/(loss) on disposal of property, plant and equipment, net	4	(464)	–	88	–	(372)
Gain/(loss) on disposal of:						
— Associate	–	–	–	(38,405)	–	(38,405)
— Subsidiaries	–	–	–	45,712	–	45,712
Loss on disposal of concession intangible assets	(405)	–	–	–	–	(405)
Impairment loss recognised on:						
— Property, plant and equipment	–	(29,582)	–	(1,217)	–	(30,799)
— Goodwill	–	(7,715)	–	–	–	(7,715)
— Other intangible assets	–	(4,913)	–	–	–	(4,913)
— Trade and other receivables, net	1,289	(3,961)	(461)	(66,271)	–	(69,404)
— Right-of-use assets	–	(13,097)	–	–	–	(13,097)
Reportable segment assets	1,054,081	1,837,544	755,355	214,148	739	3,861,867
Additions to non-current assets	81,969	64,692	95,863	3,963	–	246,487
Reportable segment liabilities	(429,156)	(576,103)	(505,908)	(374,398)	(50,436)	(1,936,001)

8. SEGMENT REPORTING *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2020

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Corporate HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	3,976	59	701	1,023	–	5,759
Interest expenses	(3,010)	(16,186)	(4)	(60,546)	–	(79,746)
Share of profit/(loss) of associates	980	335	(2,993)	(125)	–	(1,803)
Share of loss of joint ventures	(608)	–	(1,343)	(204)	–	(2,155)
Depreciation of:						
— Property, plant and equipment	(3,981)	(47,542)	(243)	(5,127)	–	(56,893)
— Right-of-use assets	(1,237)	(34,148)	(1,643)	(5,774)	–	(42,802)
Amortisation of:						
— Concession intangible assets	(40,332)	(13,243)	–	–	–	(53,575)
— Other intangible assets	–	(25,905)	–	–	–	(25,905)
Gain/(loss) on disposal of property, plant and equipment, net	1,073	(445)	–	(4)	–	624
Loss on disposal of concession intangible assets	(219)	–	–	–	–	(219)
Impairment loss recognised on:						
— Property, plant and equipment	–	(19,024)	–	–	–	(19,024)
— Goodwill	–	(76)	–	–	–	(76)
— Other intangible assets	–	(3,582)	–	–	–	(3,582)
— Trade and other receivables, net	(415)	(1,040)	(149)	(16,922)	–	(18,526)
— Right-of-use assets	–	(49)	–	–	–	(49)
Reportable segment assets	1,966,628	1,732,588	1,559,872	357,608	12,100	5,628,796
Additions to non-current assets	53,246	64,030	162,257	5,311	–	284,844
Reportable segment liabilities	(712,273)	(547,688)	(1,280,299)	(834,436)	(53,151)	(3,427,847)

8. SEGMENT REPORTING *(Continued)*

Other segment information *(Continued)*

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and other unallocated corporate assets. Segment liabilities include all current liabilities and non-current liabilities with the exception of overdraft held at financial institutions and other unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2020: Nil).

The measure used for reporting segment profit is "adjusted profit before tax". To arrive at adjusted profit before tax, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as interest on overdraft held at financial institutions, change in fair value of financial assets at fair value through profit or loss, directors' and auditors' remuneration and other head office or corporate administration costs.

No geographical information is presented as the Group's business is principally carried out in the PRC (country of domicile) and the Group's revenue from external customers and non-current assets are in the PRC. No geographical information for other country is of a significant size to be reported separately.

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2021 **HK$'000**	2020 HK$'000
Customer A — revenue from exploitation and sale of renewable energy	**131,568**	115,842

9. OTHER OPERATING INCOME AND EXPENSES

	2021 HK$'000	2020 HK$'000
Interest income on:		
— bank deposits	**3,813**	3,545
— loans (note (a))	**2,231**	2,214
Total interest income on financial assets not at fair value through profit or loss	**6,044**	5,759
Government grants (note 35)	**11,616**	5,784
Handling charges	**2,979**	3,040
Cleaning income	**–**	137
Repair services income	**1,929**	3,394
Gross rentals from investment properties	**907**	4,604
(Loss)/gain on disposal of property, plant and equipment, net	**(372)**	624
Loss on disposal of concession intangible assets	**(405)**	(219)
VAT refund	**23,706**	31,595
Write off of accounts payable	**–**	57
Revenue from management services	**7,762**	52,633
Proceeds from steel trade	**3,779**	18,570
Sale of carbon emission target income	**8,972**	–
Others	**12,139**	7,110
	79,056	133,088

Note:

(a) During 2021, the Group earned interest income of approximately HK$2,231,000 (2020: HK$2,200,000) on loans to seventeen (2020: fourteen) unrelated parties (note 26), which bears fixed interest ranging from 4% to 24% (2020: from 4% to 24%) per annum.

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
— bank borrowings	**3,958**	3,481
— other loans	**59,580**	72,692
— overdraft held at financial institutions	**–**	827
— lease liabilities	**21,106**	20,625
Total borrowing costs	**84,644**	97,625
Less: interest capitalised included in construction in progress	**(18,213)**	(17,879)
	66,431	79,746

Included in construction in progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of approximately HK$18,213,000 (2020: HK$17,879,000) at the capitalisation rate of 8.87% (2020: 8.51%) per annum.

11. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax — Hong Kong Profits Tax		
— Provision for the year	**–**	–
Current tax — PRC Enterprise Income Tax ("EIT")		
— Provision for the year	**67,098**	68,918
— Under/(over) provision in respect of prior years	**239**	(2,904)
Deferred tax (note 36)	**(3,373)**	(5,694)
	63,964	60,320

No provision for Hong Kong profit tax has been made for the years ended 31 December 2020 and 2021 as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profit tax for these years.

11. INCOME TAX EXPENSE *(Continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Accordingly, provision for PRC EIT for the PRC subsidiaries is calculated at 25% on the estimated assessable profits for both years, except disclosed as follows.

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

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Profit before taxation	**89,511**	180,786
Notional tax on profit before taxation, calculated at the rate applicable to profits in the countries concerned	**23,244**	47,499
Tax effect of share of results of associates	**(7,605)**	349
Tax effect of share of results of joint ventures	**(293)**	488
Tax effect of expenses not deductible for tax purposes	**69,428**	36,712
Tax effect of income not taxable for tax purposes	**(18,609)**	(20,706)
Effect on tax exemption granted to PRC subsidiaries	**(23,029)**	(10,812)
Tax effect of tax losses and deductible temporary differences not recognised	**20,589**	9,694
Under/(over) provision in respect of prior years	**239**	(2,904)
	63,964	60,320

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Staff costs excluding directors' and chief executive's emoluments		
— Salaries, wages and other benefits	**185,962**	203,895
— Retirement benefits scheme contributions	**24,476**	10,462
Total staff costs	**210,438**	214,357
Amortisation of:		
— concession intangible assets	**51,162**	53,575
— other intangible assets	**25,128**	25,905
Depreciation charge (note 16)		
— owned property, plant and equipment	**56,204**	56,893
— right-of-use assets	**45,031**	42,802
Lease payments not included in the measurement of lease liabilities	**7,548**	7,795
Loss/(gain) on disposal of property, plant and equipment, net	**372**	(624)
Loss on disposal of concession intangible assets	**405**	219
Auditors' remuneration		
— audit services	**2,290**	2,390
— other services	**1,203**	823
Cost of inventories	**59,180**	384,669
Gross rental income from investment properties less direct outgoings of approximately HK$72,000 (2020: HK$822,000)	**835**	3,782

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, all (2020: all) were directors and chief executive whose emoluments are set out in note 44.

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

15. (LOSS)/EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
(Loss)/profit attributable to the owners of the Company, used in the basic and diluted (loss)/earnings per share	**(44,020)**	11,094

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares — basic and diluted	**1,596,540**	1,596,540
(Loss)/earnings per share (HK cents):		
Basic	**(2.76)**	0.69
Diluted	**(2.76)**	0.69

For the year ended 31 December 2021 and 2020, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use HK$'000	Other properties leased for own use HK$'000	Plant and machinery leased for own use HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 January 2020	156,723	21,553	429,957	124,890	376,337	23,569	38,874	233,561	1,405,464
Additions	2,138	9,735	13,627	1,176	8,179	1,363	1,454	205,833	243,505
Additions									
— interest capitalised	–	–	–	–	–	–	–	17,517	17,517
Transfer from investment properties	–	–	–	3,272	–	–	–	–	3,272
Transfer to assets held for sale	–	–	–	–	–	–	–	(3,389)	(3,389)
Transfer	–	–	(34,182)	1,123	58,287	11	–	(25,239)	–
Transfer to inventories	–	–	–	–	–	–	–	(57,719)	(57,719)
Disposals	–	–	–	(936)	(8,319)	(184)	(1,680)	–	(11,119)
Reclassification	–	–	–	–	–	–	–	–	–
Exchange realignment	10,307	(5,597)	26,529	8,594	31,397	1,586	1,662	20,733	95,211
At 31 December 2020 and 1 January 2021	**169,168**	**25,691**	**435,931**	**138,119**	**465,881**	**26,345**	**40,310**	**391,297**	**1,692,742**
Additions	**3,635**	**2,388**	**–**	**189**	**28,690**	**3,289**	**167**	**144,449**	**182,807**
Additions									
— interest capitalised	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,808**	**12,808**
Transfer to investment properties	**–**	**–**	**–**	**(451)**	**–**	**–**	**–**	**–**	**(451)**
Transfer to assets held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,942)**	**(13,942)**
Transfer	**–**	**–**	**91,989**	**7,857**	**(58,033)**	**2,780**	**–**	**(44,593)**	**–**
Disposals	**–**	**–**	**–**	**–**	**(24,053)**	**(59)**	**(10,002)**	**–**	**(34,114)**
Disposal of subsidiaries	**(84,226)**	**(101)**	**–**	**(52,859)**	**(6,944)**	**(8,181)**	**(2,660)**	**(3,022)**	**(157,993)**
Write off	**–**	**(4,142)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,142)**
Exchange realignment	**3,759**	**409**	**14,262**	**3,166**	**13,448**	**696**	**595**	**24,126**	**60,461**
At 31 December 2021	**92,336**	**24,245**	**542,182**	**96,021**	**418,989**	**24,870**	**28,410**	**511,123**	**1,738,176**

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Ownership interests in land and buildings held for own use HK$'000	Other properties leased for own use HK$'000	Plant and machinery leased for own use HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment:									
At 1 January 2020	5,369	7,804	78,834	21,034	99,881	12,387	20,973	10,936	257,218
Provided for the year	3,204	7,372	32,226	5,620	39,861	1,163	5,019	5,230	99,695
Eliminated on disposal	–	–	–	(260)	(7,711)	(167)	(1,434)	–	(9,572)
Transfer	–	–	11,462	–	(11,462)	–	–	–	–
Impairment	49	–	–	–	19,024	–	–	–	19,073
Exchange realignment	869	(1,456)	7,553	1,960	13,584	881	1,147	–	24,538
At 31 December 2020 and 1 January 2021	**9,491**	**13,720**	**130,075**	**28,354**	**153,177**	**14,264**	**25,705**	**16,166**	**390,952**
Provided for the year	**2,469**	**3,562**	**39,000**	**4,894**	**38,576**	**1,626**	**3,508**	**7,600**	**101,235**
Transfer to investment properties	**–**	**–**	**–**	**(220)**	**–**	**–**	**–**	**–**	**(220)**
Eliminated on disposal	**–**	**–**	**–**	**–**	**(10,586)**	**(57)**	**(7,493)**	**–**	**(18,136)**
Disposal of subsidiaries	**(11,172)**	**(62)**	**–**	**(8,082)**	**(4,737)**	**(3,559)**	**(1,513)**	**–**	**(29,125)**
Transfer	**–**	**–**	**29,757**	**–**	**(29,757)**	**–**	**–**	**–**	**–**
Impairment	**198**	**–**	**12,899**	**3,382**	**23,474**	**96**	**126**	**3,721**	**43,896**
Write off	**–**	**(1,377)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,377)**
Exchange realignment	**544**	**214**	**4,861**	**873**	**7,369**	**373**	**451**	**–**	**14,685**
At 31 December 2021	**1,530**	**16,057**	**216,592**	**29,201**	**177,516**	**12,743**	**20,784**	**27,487**	**501,910**
Carrying values									
At 31 December 2021	**90,806**	**8,188**	**325,590**	**66,820**	**241,473**	**12,127**	**7,626**	**483,636**	**1,236,266**
At 31 December 2020	159,677	11,971	305,856	109,765	312,704	12,081	14,605	375,131	1,301,790

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Right-of-use assets

The analysis of the net carrying value of right-of-use assets by class of underlying asset is as follows:

	Notes	**At 31 December 2021 HK$'000**	At 1 January 2021 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in China, with remaining lease term of:	(i)		
— between 10 and 50 years		**90,806**	159,677
		90,806	159,677
Other properties leased for own use, carried at depreciated cost	(ii)	**8,188**	11,971
Plant and machinery carried out depreciated cost	(iii)	**325,590**	305,856
		333,778	317,827

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**2,469**	3,204
Other properties leased for own use	**3,562**	7,372
Plant and machinery	**39,000**	32,226
	45,031	42,802
Interest on lease liabilities (note 10)	**21,106**	20,625
Lease payments not included in the measurement of lease liabilities	**7,548**	7,795

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Right-of-use assets *(Continued)*

During the year, additions to right-of-use assets were approximately HK$6,023,000 (2020: HK$25,500,000). This amount included the purchase of a leasehold property of approximately HK$3,635,000 (2020: HK$2,138,000), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for lease and the maturity analysis of lease liabilities are set out in note 27(b) and 32 respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds land and buildings for its ordinary course of business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

(iii) Other leases

The Group leases production plant and machinery under leases expiring from 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(b) The analysis of the classification of property, plant and equipment as follows:

	2021 **HK$'000**	2020 HK$'000
Property, plant and equipment	**811,682**	824,286
Right-of-use assets	**424,584**	477,504
	1,236,266	1,301,790

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(c) Impairment loss

The Group has been experiencing significant drop in revenue and gross loss in certain subsidiaries engaged in renewable energy projects as (i) no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators resulting in the cessation of power generation; and (ii) an expected decrease in new garbage delivered to the landfill sites, which caused the volume of landfill gas collected and the electricity generated less than expected; which the operating costs continued to increase.

The management of the Group therefore performed an impairment review of the recoverable amount related to these subsidiaries. For the purposes of impairment testing, the recoverable amount of property, plant and equipment, including right-of-use assets, of these subsidiaries were allocated to their respective cash-generating unit ("CGU") of collection and utilisation of landfill gas.

In performing the impairment testing, the directors of the Company had also made reference to valuation performed by independent professional valuers.

The recoverable amount of the relevant cash-generating units of approximately HK$1,621,709,000 (equivalent to RMB1,325,901,000) (2020: HK$543,592,000 (equivalent to RMB483,408,000)) was determined on the basis of value-in-use calculations. Value-in-use calculations was based on the discount rate of 10%–14% (2020: 13.5%–17.4%) and cash flow projections prepared from financial forecasts approved by the management for the next five years. The cash-generating unit cash flows beyond the 5-year period were extrapolated using a growth rate of 0%–2% (2020: 0.5%–3%). Other key assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows which included budgeted sales and expected gross margins during the budget period which had been determined based on past performance and management's expectations for the market development.

The directors of the Company engaged AVISTA Valuation Advisory Limited ("AVISTA") and Peak Vision Appraisals Limited ("Peak Vision"), to perform valuation of these property, plant and equipment in order to provide them with the impairment assessment. Having regard to the future plan of the Group and the valuation performed by AVISTA and Peak Vision, impairment losses of approximately HK$43,896,000 (equivalent to RMB36,434,000) (2020: HK$19,073,000 (equivalent to RMB16,962,000)) was recognised during the years.

Impairment losses of approximately HK$30,799,000 (equivalent to RMB25,563,000) (2020: HK$19,024,000 (equivalent to RMB16,918,000)) and approximately HK$13,097,000 (equivalent to RMB10,871,000) (2020: HK$49,000 (equivalent to RMB44,000)) have been recognised in property, plant and equipment and right-of-use assets respectively.

17. CONCESSION INTANGIBLE ASSETS

As further explained in the accounting policy for "service concession arrangements" set out in note 3(j) to the consolidated financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under a service concession arrangement) or a combination of both, as appropriate. The following is the summarised information of the intangible asset component (operating concessions) and the financial asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

Operating concessions

	2021 HK$'000	2020 HK$'000
Cost		
At 1 January	**1,107,657**	1,006,535
Additions	**60,087**	38,473
Additions — interest capitalised	**5,405**	362
Disposal	**(2,936)**	(980)
Disposal of subsidiaries	**(257,671)**	–
Exchange realignment	**23,987**	63,267
At 31 December	**936,529**	1,107,657
Accumulated amortisation and Impairment		
At 1 January	**316,528**	243,250
Provided for the year	**51,162**	53,575
Disposal of subsidiaries	**(41,667)**	–
Eliminated on disposal	**(2,596)**	(698)
Exchange realignment	**6,831**	20,401
At 31 December	**330,258**	316,528
Carrying values		
At 31 December	**606,271**	791,129

17. CONCESSION INTANGIBLE ASSETS *(Continued)*

Receivables under service concession arrangements

	2021	2020
	HK$'000	HK$'000
Receivables under service concession arrangements	**17,557**	20,457
Impairment	**–**	–
	17,557	20,457
Portion classified as current assets	**(3,076)**	(3,401)
Non-current portion	**14,481**	17,056

The subsidiaries of the Group, Yichun Water Industry Co., Limited* ("Yichun Water") and Linyi Fenghuang Water Industry Co., Ltd* ("Linyi Fenghuang") entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of water supply plant and were granted with an exclusive operating right for provision of water supply services to the public users for a period of 30 years commencing from the operation of the respective water supply plant.

The subsidiaries of the Group, Yichun Fangke Sewage Treatment Company Limited* ("Yichun Fangke"), Jining City Haiyuan Water Treatment Company Limited* ("Jining Haiyuan"), Jining City Haisheng Water Treatment Company Limited* ("Jining Haisheng") and Foshan City Gaoming Huaxin Sewage Treatment Company Limited* ("Gaoming Huaxin") entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of sewage treatment plant and were granted with an exclusive operating right for provision of sewage treatment services to the public users for a period ranging from 25 years to 29 years, commencing from the operation of the respective waste treatment plant.

The subsidiaries of the Group, Chengdu City Green State Renewable Energy Co., Limited* ("Chengdu City Green State") and Chongqing Camda New Energy Equipment Company Limited* ("Chongqing Camda") entered into the service concession arrangement with the respective local government whereby the above subsidiaries are required to build the infrastructure of electricity plant and were granted with an exclusive operating right for provision of electricity services to the respective local government for a period of 10.5 years and 19.5 years respectively commencing from the operation of respective electricity plant.

Amortisation for the above concession intangible assets has been provided on a straight-line basis over the remaining terms of the operating rights since commencement of operations. The receipt from these service concession arrangements, are contingent on the extent that public uses the services.

For the year ended 31 December 2021, the Group has recognised service concession construction revenue of approximately HK$60,952,000 (2020: HK$39,767,000) and profit of approximately HK$8,003,000 (2020: HK$4,249,000) during the construction periods of the service concession periods.

17. CONCESSION INTANGIBLE ASSETS *(Continued)*

Receivables under service concession arrangements *(Continued)*

The recoverable amounts of the CGUs under water supply and sewage treatment which contain concession intangible assets is determined by using value-in-use calculation with reference to the valuation performed by AVISTA and Peak Vision. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 10%–12% (2020: 9.5%). Cash flows beyond the five-year period have been extrapolated using a steady 2% (2020: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry.

* The English name is for identification purpose only.

18. INVESTMENT PROPERTIES

	2021 **HK$'000**	2020 HK$'000
At fair value		
At 1 January	**94,331**	89,114
Reclassified from property, plant and equipment during the year	**231**	–
Reclassified as property, plant and equipment during the year	**–**	(3,272)
Disposal of subsidiaries	**(85,654)**	–
Fair value recognised in revaluation reserve	**2,299**	–
Fair value gain recognised for the year	**36**	2,778
Exchange realignment	**1,037**	5,711
At 31 December	**12,280**	94,331

The Group leases out investments properties under operating leases. The leases typically run for an initial period of 1 to 5 years. None of the leases include variable lease payments.

18. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of properties

(i) Fair value hierarchy

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

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

		Fair value measurements 31 December categorised into		
	Fair value at 31 December	**Level 1**	**Level 2**	**Level 3**
2021	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurement				
Investment properties:				
— Commercial — PRC	**12,280**	–	–	**12,280**

		Fair value measurements 31 December categorised into		
	Fair value at 31 December	Level 1	Level 2	Level 3
2020	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Investment properties:				
— Commercial — PRC	94,331	–	–	94,331

18. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of properties *(Continued)*

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2021. The valuations were carried out by AVISTA who has recent experience in the location and category of property being valued. The Company's directors have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

The fair value of the investment properties has been arrived by adopting the income method by taking into account the net rental income of the property achievable in the existing market with due allowance for the reversionary income potential of the leases. Rental income achievable are analysed in order to arrive at fair capital values.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
2021			
Investment properties Commercial — PRC	Income approach (term and reversionary method)	Term and reversionary yield	5%
2020			
Investment properties Commercial — PRC	Income approach (term and reversionary method)	Term and reversionary yield	5% to 8%

18. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of properties *(Continued)*

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of investment properties located in the PRC as at 31 December 2021 is determined by using income approach (term and reversionary method) which largely used observable inputs (e.g. market rent, yield, etc) and taking into account on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease. The higher the vacancy rate and term and reversionary yield, the lower the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2021 **HK$'000**	2020 HK$'000
Investment properties — Commercial — PRC		
At 1 January	**94,331**	89,114
Reclassified from property, plant and equipment during the year	**231**	–
Reclassified as property, plant and equipment during the year	**–**	(3,272)
Disposal of subsidiaries	**(85,654)**	–
Fair value recognised in revaluation reserve	**2,299**	–
Net gain from a fair value adjustment recognised in change in fair value of investment property in profit or loss	**36**	2,778
Exchange realignment	**1,037**	5,711
At 31 December	**12,280**	94,331

Exchange adjustment of investment property are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

19. OTHER INTANGIBLE ASSETS

	Goodwill	Exclusive rights of collection and utilisation of landfill gas	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2020	277,917	314,873	592,790
Acquisition of exclusive rights	–	19	19
Exchange realignment	17,900	20,286	38,186
At 31 December 2020 and 1 January 2021	**295,817**	**335,178**	**630,995**
Acquisition of exclusive rights	**–**	**132**	**132**
Acquisition of a subsidiary	**22**	**2,286**	**2,308**
Exchange realignment	**8,691**	**9,892**	**18,583**
At 31 December 2021	**304,530**	**347,488**	**652,018**
Accumulated amortisation and impairment			
At 1 January 2020	236,355	132,155	368,510
Amortisation	–	25,905	25,905
Impairment loss recognised for the year	76	3,582	3,658
Exchange realignment	15,228	10,185	25,413
At 31 December 2020 and 1 January 2021	**251,659**	**171,827**	**423,486**
Amortisation	**–**	**25,128**	**25,128**
Impairment loss recognised for the year	**7,715**	**4,913**	**12,628**
Exchange realignment	**7,509**	**5,497**	**13,006**
At 31 December 2021	**266,883**	**207,365**	**474,248**
Carrying values			
At 31 December 2021	**37,647**	**140,123**	**177,770**
At 31 December 2020	44,158	163,351	207,509

(i) The exclusive rights acquired upon acquisition of subsidiaries were initially recognised at fair value at the acquisition date. The exclusive rights acquired separately were initially recognised at cost. Amortisation expense for the year ended 31 December 2021 was approximately HK$25,128,000 (2020: HK$25,905,000), of which approximately HK$23,165,000 (2020: HK$25,803,000) and approximately HK$1,963,000 (2020: HK$102,000) were recorded into cost of sales and administrative expenses, respectively.

19. OTHER INTANGIBLE ASSETS *(Continued)*

Impairment test on goodwill

For the purposes of impairment testing, goodwill have been allocated to fourteen (2020: fourteen) individual cash-generating units ("CGUs"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2021 and 2020 allocated to these units are as follows:

	2021 **HK$'000**	2020 HK$'000
Collection and utilisation of landfill gas		
Shenzhen City Li Sai Industrial Development Limited* ("Shenzhen Li Sai")	**12,681**	12,319
Datang Huayin Chenzhou Environmental Power Company Limited* ("Chenzhou Environmental")	**–**	2,792
Datang Huayin Heng Yang Environmental Power Company Limited* ("Heng Yang Environmental")	**140**	4,953
Baoji City Electric Power Development Co., Limited* ("Baoji")	**1,478**	1,436
Chongqing Camda New Energy Equipment Company Limited* ("Chongqing Camda")	**2,604**	2,530
Ningbo Qiyao New Energy Company Limited* ("Ningbo Qiyao")	**–**	–
Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* ("Datang Huayin Xiangtan")	**1,219**	1,185
Shandong Qiyao New Energy Company Limited* ("Shandong Qiyao")	**–**	–
Chengdu City Green State Renewable Energy Co., Limited* ("Chengdu City Green State")	**12,870**	12,500
Dongyang Grand Energy Co., Ltd.* ("Dongyang Grand")	**5,867**	5,699
Guangxi Ruirong Energy Technology Co., Limited* ("Guangxi Ruirong")	**766**	744
Huangshi City Hangwei Intelligence Energy Co., Ltd.* ("Huangshi City Hangwei") (note 37)	**22**	–
Water supply and sewage treatment		
Onfar International Limited ("Onfar")	**–**	–
Jining City Haiyuan Water Treatment Company Limited* ("Jining Haiyuan")	**–**	–
	37,647	44,158

* The English name is for identification purpose only.

19. OTHER INTANGIBLE ASSETS *(Continued)*

Impairment test on goodwill *(Continued)*

The Group tests goodwill annually for impairment, or more frequently when there is indication that the unit may be impaired. In assessing the need for impairment of goodwill, the Group estimates the recoverable amount of individual CGU to which goodwill has been allocated by reference to, amongst other things, the existing operations, and future prospects of the CGUs. Accordingly, the Group recognised impairment losses with an aggregate amount of approximately HK$266,883,000 (2020: HK$251,659,000) as at 31 December 2021 in relation to goodwill arising on acquisition of the subsidiaries.

The basis of the recoverable amount of the CGUs and the major underlying assumptions are summarised below:

Collection and utilisation of landfill gas

The recoverable amount of the CGUs under the collection and utilisation of landfill gas is determined based on value-in-use calculations with reference to valuation performed by AVISTA and Peak Vision. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%–2% (2020: 0.5%–3%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 12%–14% (2020: 13.5%–17.4%). The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

The recoverable amount of the CGUs at 31 December 2021 was approximately HK$1,045,423,000 (RMB854,732,000) (2020: HK$543,952,000 (RMB483,408,000)).

During the year, the Group has been experiencing significant drop in revenue and gross loss in certain subsidiaries engaged in renewable energy projects as (i) no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators resulting in the cessation of power generation; and (ii) an expected decrease in new garbage delivered to the landfill sites, which caused the volume of landfill gas collected and the electricity generated less than expected; which the operating costs continued to increase.

The Group has assessed the recoverable amount of goodwill and determined that impairment loss of approximately HK$7,715,000 was recognised.

During the year ended 31 December 2020, in light of the suspended operation of Ningbo Qiyao New Energy Limited ("Ningbo Qiyao"), an impairment loss was recognised on goodwill of approximately HK$76,000 (equivalent to approximately RMB67,000). The recoverable amount of this CGU at 31 December 2020 was approximately HK$16,403,000 (equivalent to approximately RMB13,805,000).

Water supply and sewage treatment

No further impairment charge arose during the course of year 2021 as impairment on the goodwill had been fully provided in the previous years.

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

	2021	2020
	HK$'000	HK$'000
Listed equity securities, at fair value	**4,430**	15,436
Unlisted fund investments, at fair value	**16,328**	11,880
	20,758	27,316
Classified as:		
Financial assets at fair value through profit or loss		
— Current	**16,687**	23,946
Financial assets at fair value through other comprehensive income		
— Non-current	**4,071**	3,370
	20,758	27,316

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

The unlisted fund investments represented investments in funds in the PRC. Details of fair value measurement are set out in note 6(d).

21. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Billion City Investments Limited	British Virgin Islands ("BVI")/ Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Onfar International Limited ("Onfar")	BVI/Hong Kong	US$100	–	100%	Investment holding	Private limited liability company
Yichun Water Industry Co., Limited* ("Yichun Water")	PRC	RMB45,500,000	–	51%	Provision of water supply and installation of water supply facilities	Chinese foreign equity joint venture
Yichun Fangke Sewage Treatment Company Limited* ("Yichun Fangke")	PRC	RMB115,000,000	–	54.33%	Sewage treatment	Domestic enterprise
Yichun City Water Supply Engineering Limited*	PRC	RMB5,000,000	–	100%	Installation of water supply facilities	Domestic enterprise
Yichun Kun Lun Information Technology Company Limited* ("Yichun Kun Lun")	PRC	RMB2,000,000	–	100%	Information services	Domestic enterprise
Jiangxi Dekang Purified Water Company Limited*	PRC	RMB5,000,000	–	100%	Exploitation, production and sale of purified and drinking system	Domestic enterprise
Jiangxi Dekang Environmental Testing and Development Limited*	PRC	RMB5,000,000	–	100%	Environmental testing and product testing	Domestic enterprise
Nourish Gain Investments Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
China Ace Investment Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Jining City Haiyuan Water Treatment Company Limited* ("Jining Haiyuan")	PRC	RMB40,000,000	–	70%	Sewage treatment	Chinese foreign equity joint venture
Swan (Huizhou) Investment Company Limited*	PRC	US$33,568,000	–	100%	Investment holding	Wholly-owned foreign enterprise
Swan (Huizhou) Creative Technology Company Limited*	PRC	RMB175,000,000	–	100%	Renewable energy technology development	Domestic enterprise
Huizhou Swan Heng Chang Property Development Company Limited*	PRC	RMB53,247,000	–	100%	Property development	Domestic enterprise
Huizhou Swan Dadi Property Development Company Limited*	PRC	RMB50,000,000	–	100%	Property development	Domestic enterprise
China Water Industry (HK) Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Linyi Fenghuang Water Industry Co., Ltd* ("Linyi Fenghuang")	PRC	RMB30,000,000	–	60%	Provision of water supply	Chinese foreign equity joint venture
Shenzhen Haisheng Environmental Sci-Tech Company Limited*	PRC	RMB15,802,400	–	100%	Installation of water suppliers facilities	Wholly-owned foreign enterprise
Nanjing Feng Shang New Technology Limited Liability Company* ("Nanjing Feng Shang")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
New China Water (Nanjing) Renewable Resources Investment Company Limited* ("New China Water (Nanjing)")	PRC	US$82,880,000	–	96.13%	Exploitation, generation and sale of renewable energy	Non-wholly-owned foreign enterprise
Changsha New China Water Environmental Technology Limited* (Formerly known as Changsha Huiming Recycling Resources Technology Limited)	PRC	RMB50,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City Li Sai Industrial Development Limited* ("Shenzhen Li Sai")	PRC	RMB50,000,000	–	88%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City New China Water Environmental Technology Limited* ("Shenzhen New China Water")	PRC	RMB80,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Qingyuan City Greenspring Environmental Technology Limited*	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hunan Huiming Environmental Technology Limited* ("Hunan Technology")	PRC	RMB18,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hunan Liuyang New China Water Environmental Technology Limited* (Formerly known as Hunan Feng Ming Energy Technology Limited)	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Wuzhou City China Water New Renewable Resources Company Limited *("Wuzhou New China Water") (note i)	PRC	RMB15,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Datang Huayin Chenzhou Environmental Power Company Limited* ("Chenzhou Environmental")	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Heng Yang Environmental Power Company Limited* ("Heng Yang Environmental")	PRC	RMB4,100,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Baoji City Electric Power Development Co., Ltd* ("Baoji")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chongqing Camda New Energy Equipment Company Limited* ("Chongqing Camda")	PRC	RMB20,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Camda New Energy Equipment Company Limited* ("Hainan Camda")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
New China Water (Nanjing) Carbon Company Limited*	PRC	RMB45,800,000	–	100%	Property development	Domestic enterprise
New China Water (Nanjing) Energy Company Limited*	PRC	RMB53,000,000	–	100%	Property development	Domestic enterprise
New China Water (Hexian) Recycling Resources Technology Limited*	PRC	RMB14,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Yichun City New China Water Energy Technology Limited*	PRC	RMB15,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Shenzhen City New China Water Electric Power Limited*	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Ningbo Qiyao New Energy Company Limited* (Ningbo Qiyao")	PRC	RMB8,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* ("Datang Huayin Xiangtan")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xinhua New China Water Environmental Technology Limited*	PRC	RMB4,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shandong Qiyao New Energy Company Limited* ("Shandong Qiyao")	PRC	RMB7,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anqiu City New China Water Environmental Technology Limited*	PRC	RMB12,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Jining City Haisheng Water Treatment Company Limited*	PRC	RMB19,000,000	–	100%	Sewage treatment	Domestic enterprise
Fengcheng City New China Water Energy Technology Limited*	PRC	RMB15,850,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chengdu City Green State Renewable Energy Co., Limited* ("Chengdu City Green State")	PRC	RMB47,000,000	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Zhangjiakou New China Water Energy Technology Limited*	PRC	RMB16,500,000	–	70%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Danzhou New China Water Environmental Technology Limited*	PRC	RMB3,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hong Kong New China Water Renewable Resources Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Conquer Asia Development Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Happy Hour Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Mascot Industries Limited	Hong Kong	HK$2	–	100%	Investment holding	Private limited liability company
Smart Giant Group Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Blue Mountain Hong Kong Group Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Swift Surplus Holdings Limited	BVI/Hong Kong	US$100	100%	–	Investment holding	Private limited liability company
Mark Profit Group Holdings Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Guangzhou Hyde Environmental Protection Technology Co., Ltd*	PRC	HK$12,000,000	–	100%	Investment holding	Wholly-owned foreign enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Foshan City Gaoming Huaxin Sewage Treatment Company Limited* ("Gaoming Huaxin")	PRC	RMB10,000,000	–	70%	Sewage treatment	Domestic enterprise
Bonus Raider Investments Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Bloom Profit Investment Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Hong Kong Glass Resources Limited	Hong Kong	HK$100	–	100%	Glass Recycling	Private limited liability company
Hong Kong Glass Reborn Limited	Hong Kong	HK$5,000,000	–	70%	Glass Recycling	Private limited liability company
South Top Investment Ltd.	Hong Kong	HK$1	100%	–	Provision of administrative services	Private limited liability company
Neutral Crown Holdings Limited	BVI/Hong Kong	US$100	100%	–	Investment holding	Private limited liability company
Victory Strategy Investment Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
PT. CWI Energy Indonesia	Indonesia	IDR55,000,000,000	–	94%	Exploitation generation and sale of renewable energy	Private limited liability company
Hainan Sanya New China Water Environmental Technology Limited*	PRC	RMB9,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Chenzhou New China Water Environmental Technology Limited*	PRC	RMB1,500,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Swan (Huizhou) Environmental Technology Company Limited*	PRC	RMB42,978,600	–	100%	Dormant	Domestic enterprise
Dongyang Grand Energy Co., Ltd.*	PRC	RMB10,000,000	–	90%	Exploitation generation and sale of renewable energy	Domestic enterprise
Haicheng City New China Water Environmental Technology Limited*	PRC	RMB3,500,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Anlu City New China Water Environmental Technology Limited*	PRC	RMB7,390,000	–	90%	Exploitation generation and sale of renewable energy	Domestic enterprise
Laizhou City New China Water Environmental Technology Limited*	PRC	RMB26,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Shenzhen City Haide Medical Technology Co. Limited*	PRC	RMB2,000,000	–	100%	Dormant	Domestic enterprise
Linyi Water Pipe Construction Co. Limited*	PRC	RMB30,000,000	–	100%	Dormant	Domestic enterprise
Zhijiang Xinzhongshui Chufeng Environmental Protection Technology Co., Ltd.*	PRC	RMB8,363,200	–	51%	Exploitation generation and sale of renewable energy	Domestic enterprise
Guangxi Ruirong Energy Technology Co., Ltd.*	PRC	RMB10,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Hainan Lingao Greenspring Environmental Technology Limited*	PRC	RMB5,200,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Gaizhou City New China Water Environmental Technology Limited*	PRC	RMB5,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Shenzhen Hainengda Technology Development Co., Ltd.*	PRC	RMB520,000	–	100%	Dormant	Domestic enterprise
Shenzhen City China Water Zeyuan Technology & Environment Co Limited*	PRC	RMB5,100,000	–	51%	Dormant	Domestic enterprise
Guangzhou China Water Renewable Environmental Technology Limited*	PRC	RMB300,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Zhuzhou New China Water Environmental Protection Technology Limited*	PRC	RMB2,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Ankang New China Water Environmental Protection Technology Limited*	PRC	RMB3,610,000	–	100%	Dormant	Domestic enterprise
Lianyuan City New China Water Environmental Protection Technology Limited*	PRC	RMB5,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Shanghang Greenspring Environmental Technology Limited*	PRC	RMB2,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Jiangxi Dekang Water Supply Company Limited*	PRC	RMB2,000,000	–	100%	Construction and management of secondary water supply facilities	Domestic enterprise
Jiangxi Dekang Property Management Limited*	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the principal subsidiaries of the Group as at 31 December 2021. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Dingnan Greenspring Environmental Technology Limited*	PRC	RMB2,000,000	–	100%	Dormant	Domestic enterprise
Wuping Greenspring Environmental Technology Limited*	PRC	RMB2,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Huangshi City Hangwei Intelligent Energy Company Limited*	PRC	RMB1,500,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Wafangdian Greenspring Environmental Technology Limited*	PRC	RMB1,120,000	–	100%	Dormant	Domestic enterprise
Shaowu City New China Water Environmental Protection Technology Limited*	PRC	RMB2,000,000	–	100%	Dormant	Domestic enterprise
Changting Greenspring Environmental Technology Limited*	PRC	RMB2,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Xiuyan China Water Biomass Electricity Limited*	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise

* The English names are for identification purpose only.

Notes:

None of the subsidiaries has issued any debt securities subsisting at the end of 2021 and 2020 or at any time during the years ended 31 December 2021 and 2020.

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Yingtan Water Group		Yichun Water Group	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
NCI percentage	**–**	49%	**49%**	49%
Current assets	**–**	1,425,091	**270,513**	236,211
Non-current assets	**–**	509,609	**414,235**	356,209
Current liabilities	**–**	(1,206,678)	**(205,681)**	(183,918)
Non-current liabilities	**–**	(101,709)	**(38,134)**	(23,088)
Net assets	**–**	630,813	**440,933**	385,414
Carrying amount of NCI	**–**	309,098	**216,057**	188,852
Revenue	**43,621**	244,445	**329,467**	267,751
Profit for the period/year	**23,269**	103,387	**42,810**	39,866
Total comprehensive income	**26,690**	67,858	**55,519**	33,627
Profit allocated to NCI	**11,402**	50,660	**20,977**	19,534
Dividend paid by the subsidiaries	**–**	44,890	**–**	3,373
Dividend paid to NCI	**–**	22,040	**–**	1,541
Cash flows (used in)/generated from operating activities	**(4,223)**	168,076	**72,099**	66,303
Cash flows used in investing activities	**(44,621)**	(104,468)	**(75,867)**	(33,884)
Cash flows (used in)/generated from financing activities	**(747)**	(155,607)	**12,189**	7,695

Notes:

Yingtan Water Supply Group Co., Ltd. ("Yingtan Water") together with its subsidiaries (the "Yingtan Water Group") was disposed during the year (see note 38).

22. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets	**2,852**	17,376

All the Company's associates are unlisted corporate entities whose quoted market price is not available. All of these associates are accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities	Legal form
Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* 資陽市綠州新中水環保科技有限公司	PRC	Contributed capital	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise

* The English names are for identification purpose only.

Aggregate information of associates that are not individually material:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**2,852**	17,376
Aggregate amounts of the Group's share of those associates		
Profit/(loss) for the year (note)	**32,411**	(1,803)
Other comprehensive income	**950**	1,059
Total comprehensive income/(loss)	**33,361**	(744)

Notes:

Included in share of profit of associates for the year ended 31 December 2021 of approximately HK$32,299,000 was related to Yingtan Water. The disposal of Yingtan Water was completed during the year (see note 38).

23. INTERESTS IN JOINT VENTURES

	2021	2020
	HK$'000	HK$'000
Share of net assets	**23,831**	22,521

All the Company's joint ventures are unlisted corporate entities whose quoted market price is not available. All of these joint ventures are accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd.* 宜春市明月山方科污水處理有限公司	PRC	Contributed capital	–	65%	Sewage treatment services	Domestic enterprise

* The English names are for identification purpose only.

Aggregate information of joint ventures that are not individually material:

	2021	2020
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**23,831**	22,521
Aggregate amounts of the Group's share of the joint ventures:		
Profit/(loss) for the year	**640**	(2,155)
Other comprehensive (loss)/income	**(638)**	1,561
Total comprehensive income/(loss)	**2**	(594)

24. INVENTORIES

	2021 HK$'000	2020 HK$'000
Properties held for sale	–	106,245
Properties under development	214,592	732,054
Raw materials	64,137	62,519
	278,729	900,818

The analysis of the amount of inventories recognised as an expense is as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount of inventories	59,180	384,669

25. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 HK$'000	2020 HK$'000
Contract assets		
Arising from performance under construction contracts	42,908	62,650

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits as part of its credit risk management policies. The Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

25. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	2021	2020
	HK$'000	HK$'000
Contract liabilities		
Construction contracts		
Billings in advance of performance	**186,340**	299,088
Property developments		
Forward sales deposits and instalments received	**186,830**	1,128,026
	373,170	1,427,114

The revenue recognised during the year that was included in the contract liabilities balance of the beginning of the period amounted to approximately HK$129,054,000 (2020: HK$78,568,000).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— *Construction contracts*

When the Group receives a deposit before the construction work commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

— *Sales of properties*

The Group typically receives deposits from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

— *Water supply services*

The Group typically receives deposits from clients in respect of the Group's water supply operation. This deposit is recognised as a contract liability until it is utilised.

26. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**678,978**	565,601
Less: Loss allowances	**(7,353)**	(5,041)
	671,625	560,560
Other receivables	**127,558**	225,102
Less: Loss allowances	**(17,159)**	(12,607)
	110,399	212,495
Loan receivables (note a)	**252,900**	221,717
Less: Loss allowances	**(120,060)**	(77,373)
	132,840	144,344
Deposits and prepayments (note b)	**154,206**	586,275
	1,069,070	1,503,674
Amounts due within one year included under current assets	**1,050,110**	1,444,674
Amounts due after one year included under non-current assets	**18,960**	59,000
	1,069,070	1,503,674

(a) Apart from the loans to Top Vision of HK$43,600,000 and other borrowers of HK$11,200,000 which were fully impaired, included in loan receivables as at 31 December 2021 were loan to seventeen (2020: fourteen) unrelated parties of HK$132,840,000 (2020: HK$144,340,000), which bear fixed interest rate ranging from 4% to 24% (2020: 4% to 24%) per annum.

(b) Deposits and prepayments were mainly prepayments and tender deposits paid to independent third parties for construction projects.

The management of the Company expected that the recoverability of prepayment of approximately HK$22,682,000 (2020: HK$3,742,000) is uncertain. Accordingly, full impairment against the balances of prepayment was recognised as at 31 December 2021.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables

The Group allows an average credit period of 0 day to 180 days (2020: 0 day to 180 days) to its customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 6.

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

	2021	2020
	HK$'000	HK$'000
Within 90 days	**134,601**	184,191
91 to 180 days	**53,367**	45,367
181 to 365 days	**82,161**	79,448
Over 1 year	**401,496**	251,554
	671,625	560,560

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (note 3(o)(i)).

27. CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

(a) Cash held by financial institutions by the Group represents amounts deposited in financial institutions in Hong Kong carry interest rate ranging from 0% to 0.001% (2020: 0% to 0.001%) per annum.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates.

	2021	2020
	HK$'000	HK$'000
Cash held by financial institutions	**147**	135
Cash at bank and on hand	**291,211**	437,125
Overdraft held at financial institutions	**–**	(4,606)
Cash and cash equivalents in the consolidated cash flow statement	**291,358**	432,654

The overdrafts are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the financial institutions should be entitled, without notice to the Group, to close the account and/or dispose of any or all securities held for or on behalf of the Group to settle all outstanding amounts owing to financial institutions (note 20). Total amount of approximately HK$3,418,000 (2020: HK$14,705,000) was held by the financial institutions.

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be classified in the Group's consolidated cash flow statement as cash flows from financing activities.

27. CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings HK$'000	Other loans HK$'000	Lease liabilities HK$'000	Amounts due from/(to) NCI HK$'000	Amounts due from/(to) joint ventures HK$'000	Total HK$'000
At 1 January 2020	124,282	739,558	272,343	17,433	–	1,153,616
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	73,220	11,990	–	–	–	85,210
Increase in lease liabilities	–	–	114,474	–	–	114,474
Repayment of bank borrowings and other loans	(57,709)	(49,600)	–	–	–	(107,309)
Loans from third parties	–	123,832	–	–	–	123,832
Repayment of loans from third parties	–	(53,487)	–	–	–	(53,487)
Decrease in amounts due to non-controlling shareholders	–	–	–	(17,113)	–	(17,113)
Capital element of lease rentals paid	–	–	(123,570)	–	–	(123,570)
Interest element of lease rentals paid	–	–	(20,625)	–	–	(20,625)
Increase in amounts due to joint ventures	–	–	–	–	7,647	7,647
Interest paid	(3,481)	(27,132)	–	–	–	(30,613)
Total changes from financing cash flows	12,030	5,603	(29,721)	(17,113)	7,647	(21,554)
Exchange adjustments	12,018	4,133	(11,061)	–	–	5,090
Other changes:						
Increase in lease liabilities	–	–	15,765	–	–	15,765
Finance charges on leases liabilities	–	–	20,625	–	–	20,625
Interest expenses	3,481	72,692	–	–	–	76,173
Loan set off	–	(93,008)	–	–	–	(93,008)
Total other changes	3,481	(20,316)	36,390	–	–	19,555
At 31 December 2020	151,811	728,978	267,951	320	7,647	1,156,707

27. CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank borrowings HK$'000	Other loans HK$'000	Lease liabilities HK$'000	Amounts due from/(to) NCI HK$'000	Amounts due from/(to) joint ventures HK$'000	Total HK$'000
At 1 January 2021	151,811	728,978	267,951	320	7,647	1,156,707
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	79,842	–	–	–	–	79,842
Increase in lease liabilities	–	–	153,170	–	–	153,170
Repayment of bank borrowings and other loans	(56,743)	(265,616)	–	–	–	(322,359)
Loans from third parties	–	240,018	–	–	–	240,018
Repayment of loans from third parties	–	(205,265)	–	–	–	(205,265)
Decrease in amounts due to non-controlling shareholders	–	–	–	–	–	–
Capital element of lease rentals paid	–	–	(142,758)	–	–	(142,758)
Interest element of lease rentals paid	–	–	(21,107)	–	–	(21,107)
Decrease in amounts due to joint ventures	–	–	–	–	(5,863)	(5,863)
Interest paid	(3,958)	(50,171)	–	–	–	(54,129)
Total changes from financing cash flows	19,141	(281,034)	(10,695)	–	(5,863)	(278,451)
Exchange adjustments	4,809	(5,131)	7,810	9	97	7,594
Other changes:						
Increase in lease liabilities	–	–	2,388	–	–	2,388
Finance charges on leases liabilities	–	–	21,107	–	–	21,107
Interest expenses	3,958	59,580	–	–	–	63,538
Loan set off	–	(25,027)	–	–	–	(25,027)
Disposal of subsidiaries	–	(95,789)	–	–	(1,881)	(97,670)
Total other changes	3,958	(61,236)	23,495	–	(1,881)	(35,664)
At 31 December 2021	179,719	381,577	288,561	329	–	850,186

28. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 29 June 2018, New China Water (Nanjing) Renewable Resources Investment Company Limited ("New China Water (Nanjing)"), a non-wholly owned subsidiary of the Group and 南京屹信航天科技有限公司 (the "Purchaser"), entered into a sale and purchase agreement whereby New China Water (Nanjing) agreed to sell its 100% equity interest in New China Water (Nanjing) Carbon Company Limited at a consideration of HK$81,300,000 (equivalent to RMB72,860,000). At 31 December 2019, the Group had received HK$31,300,000 (equivalent to RMB28,000,000) as a deposit, representing 38% of total consideration. During the years ended 31 December 2020 and 2021, with the COVID-19 pandemic, the construction work to be carried out by the Group had been affected and delayed, resulting in a delay in the completion of disposal. The construction work is expected to be completed and delivered in 2022.

The assets attributable to a subsidiary expected to be sold within twelve months from the end of the reporting period were classified as assets held to sale as at 31 December 2021 and 2020. The carrying amount of the assets as at 31 December 2021 and 2020, which has been presented separately in the consolidated statement of financial position, is as follows:

	2021 **HK$'000**	2020 HK$'000
Assets held for sale	**51,395**	32,700
Liabilities held for sale	**(11)**	(5,644)
	51,384	27,056

29. TRADE AND OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
Trade payables	**173,865**	254,877
Property sales received in advance	**–**	1,285
Construction payables	**193,104**	129,034
Interest payables	**3,329**	45,094
Accrued expenses	**29,711**	46,370
Guarantee deposits from a subcontractor	**1,304**	2,943
Sewage treatment fees received on behalf of certain government authorities	**4,008**	7,205
Other payables	**170,409**	151,721
Contingent consideration payable (note 37)	**1,343**	–
	577,073	638,529

29. TRADE AND OTHER PAYABLES *(Continued)*

The aging analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 30 days	**29,354**	32,911
31 to 90 days	**50,298**	96,526
91 to 180 days	**21,170**	20,585
181 to 365 days	**16,888**	70,363
Over 1 year	**56,155**	34,492
	173,865	254,877

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the time frame agreed with the respective suppliers.

30. BANK BORROWINGS

At 31 December 2021, the bank borrowings were repayable as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year or on demand	**73,833**	53,998
More than one year but within two years	**25,261**	46,554
More than two years but within five years	**77,903**	39,852
Over than five years	**2,722**	11,407
	179,719	151,811
Less: Amount due within one year shown under current liabilities	**(73,833)**	(53,998)
Amount due from one year shown under non-current liabilities	**105,886**	97,813
Secured	**177,359**	148,246
Unsecured	**2,360**	3,565
	179,719	151,811

30. BANK BORROWINGS *(Continued)*

The exposure of the Group's loans is as follows:

	2021	2020
	HK$'000	HK$'000
Fixed-rate loans	**15,517**	20,158
Variable-rate loans	**164,202**	131,653
	179,719	151,811

The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

All of the bank loans, including amounts repayable on demand, are carried at amortised cost.

Of the total bank borrowings as at 31 December 2021 and 2020, approximately HK$104,394,000 (equivalent to RMB85,352,000) (2020: HK$133,869,000 (equivalent to approximately RMB112,665,000) was secured by the Group's property, plant and equipment and right-of-use assets with total carrying amount of approximately HK$185,766,000 (2020: HK$189,588,000) and approximately HK$64,008,000 (2020: HK$63,176,000) respectively.

Notes:

(i) At 31 December 2021, bank borrowings of approximately RMB5,600,000 (equivalent to HK$6,849,000) is secured by corporate guarantees from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company, and 深圳市高新投融資擔保有限公司 and a personal guarantee from management of subsidiary. It carries variable interest rate ranging from 4.9% to 5.9% per annum.

(ii) At 31 December 2021, bank borrowings of approximately RMB1,905,000 (equivalent to HK$2,330,000) is secured by a personal guarantee from management of subsidiary. It carries fixed interest rate at 9.19% per annum.

(iii) At 31 December 2021, bank borrowings of approximately RMB1,724,000 (equivalent to HK$2,109,000) is secured by a personal guarantee from management of subsidiary. It carries fixed interest rate at 7.92% per annum.

(iv) At 31 December 2021, bank borrowings of approximately RMB1,627,000 (equivalent to HK$1,990,000) is secured by a personal guarantee from management of subsidiary. It carries fixed interest rate at 12.6% per annum.

(v) At 31 December 2021, bank borrowings of approximately RMB2,600,000 (equivalent to HK$3,180,000) is secured by corporate guarantees from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company, and 深圳市高新投融資擔保有限公司 and a personal guarantee from management of subsidiary. It carries fixed interest rate at 4.9% per annum.

(vi) At 31 December 2021, bank borrowings of approximately RMB9,000,000 (equivalent to HK$11,008,000) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at 4.13% per annum.

(vii) At 31 December 2021, bank borrowing of approximately RMB31,000,000 (equivalent to HK$37,916,000) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at above-five-year Loan Prime Rate ("LPR") published by the People's Bank of China minus 0.14% per annum.

(viii) At 31 December 2021, bank borrowings of approximately RMB1,000,000 (equivalent to HK$1,223,000) is secured by corporate guarantees from the Company, China Ace Investment Limited, a wholly-owned subsidiary of the Company, and Shenzhen Haisheng Environmental Sci-Tech Company Limited, a wholly-owned subsidiary of the Company and a contractual right to receive the revenue generated by Jining Haiyuen. It carries fixed interest rate at 5.65% per annum.

30. BANK BORROWINGS *(Continued)*

Notes: (Continued)

(ix) At 31 December 2021, bank borrowings of approximately RMB4,166,000 (equivalent to HK$5,096,000) is secured by a contractual right to receive the revenue generated by the subsidiary. It carries variable interest rate at one-year LPR published by the People's Bank of China plus 0.95% year annum.

(x) At 31 December 2020, bank borrowings of approximately RMB10,000,000 (equivalent to HK$11,882,000) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company and a personal guarantee from management of a subsidiary. It carries fixed interest rate at 6.5% per annum and was fully repaid during the year.

(xi) At 31 December 2021, bank borrowings of approximately RMB19,700,000 (equivalent to HK$24,095,000) is secured by corporate guarantees from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company, and New China Water (Nanjing) Carbon Company Limited, a non-wholly owned subsidiary of the Company, and right-of-use assets with total carrying amount of approximately HK$34,963,000. It carries variable interest rate at one-year LPR published by the People's Bank of China plus 2.7% per annum.

(xii) At 31 December 2021, bank borrowings of approximately RMB4,300,000 (equivalent to HK$5,259,000) is secured by corporate guarantees from, Hainan Camda, a non-wholly owned subsidiary of the Company, and Hainan Sanya, a non-wholly owned subsidiary of the Company, Shenzhen Li Sai, a non-wholly owned subsidiary of the Company, and property, plant and equipment with total carrying amount of approximately HK$3,987,000. It carries variable interest rate at one-year LPR published by the People's Bank of China plus 1.05% per annum.

(xiii) At 31 December 2021, bank borrowings of approximately RMB900,000 (equivalent to HK$1,101,000) is secured by a corporate guarantee Jining Haisheng, a wholly-owned subsidiary of the Company and a personal guarantee from management of a subsidiary. It carries fixed interest rate at 8.7% per annum.

(xiv) At 31 December 2020, bank borrowings of approximately RMB3,220,000 (equivalent to HK$3,826,000) is secured by a contractual right to receive the revenue generated by Jining Haiyuen and a non-wholly owned subsidiary of the Company. It carries fixed interest rate at 5.65% per annum and was fully repaid during the year.

(xv) Bank borrowings of approximately RMB14,000,000 (equivalent to HK$17,123,000) (2020: RMB18,000,000 (equivalent to HK$21,388,000)) is secured by corporate guarantees from the New China Water (Shenzhen), a non-wholly owned subsidiary of the Company and non-controlling shareholders of a subsidiary, personal guarantees from management of a subsidiary, property, plant and equipment with total carrying amount of approximately HK$18,045,000 (2020: HK$20,825,000). It carries variable interest rate at 6.37% (2020: 6.37%) per annum.

(xvi) On 12 December 2017, Gaoming Huaxin, a non-wholly owned subsidiary of the Company entered into an agreement with the bank to extend the bank borrowings of RMB9,900,000 (equivalent to approximately HK$11,887,000) for three years was secured by a contractual right to receive the revenue generated by Gaoming Huaxin. It carried at an interest rate 7.13% per annum and was fully repaid during the year ended 31 December 2020.

(xvii) Bank borrowings of approximately RMB1,000,000 (equivalent to HK$1,223,000) (2020: RMB1,645,000 (equivalent to HK$1,955,000)) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries fixed interest rate at 7.5% (2020: 7.5%) per annum.

(xviii) Bank borrowings of approximately RMB4,500,000 (equivalent to HK$5,504,000) (2020: RMB6,300,000 (equivalent to HK$7,486,000)) is secured by a corporate guarantee from the Hainan Sanya New China Water Environmental Technology Limited, a non-wholly owned subsidiary of the Company, of the property, plant and equipment with total carrying amount of approximately HK$6,809,000 (2020: HK$7,466,000). It carries variable interest rate at 4.75% (2020: 4.75%) per annum.

(xix) Bank borrowings of approximately RMB41,985,000 (equivalent to HK$51,352,000) (2020: RMB45,000,000 (equivalent to HK$53,469,000)) is secured by a corporate guarantee from the Huizhou Swan Heng Chang Property Development Company Limited, a wholly owned subsidiary of the Company, of the property, plant and equipment and right-of-use assets with total carrying amount of approximately HK$160,925,000 and HK$29,045,000 (2020: HK$140,315,000 and HK$28,851,000) respectively and wholly owned subsidiary of the Company equity interest in Swan (Huizhou) Investment Company Limited. It carries variable interest rate at 7.84% (2020: 7.84%) per annum.

31. OTHER LOANS

	2021 HK$'000	2020 HK$'000
Other loans comprise of:		
Government loans (note i)	**2,391**	97,041
Loans from unrelated parties (note ii)	**44,770**	272,047
Loans from related party (note 46a)	**240,000**	–
Fixed coupon bonds (note iii)	**94,416**	359,890
	381,577	728,978
Analysed as:		
Secured	**270,333**	5,941
Unsecured	**111,244**	723,037
	381,577	728,978

At 31 December 2021, the other loans were repayable as follows:

	2021 HK$'000	2020 HK$'000
Overdue	**14,438**	98,731
On demand or within one year	**351,295**	241,420
More than one year but within two years	**–**	274,964
More than two years but within five years	**15,844**	22,941
More than five years	**–**	90,922
	381,577	728,978
Less: Amount due within one year shown under current liabilities	**(365,733)**	(340,151)
Amount due from one year shown under non-current liabilities	**15,844**	388,827

Notes:

(i) At 31 December 2021, government loans of approximately HK$1,111,000 (2020: HK$8,210,000), HK$Nil (2020: HK$10,694,000) and HK$1,278,000 (2020: HK$78,137,000) are fixed-rate borrowings, floating-rate borrowings and interest-free borrowings, respectively. The fixed-rate borrowings carried interest rate at 5.2% (2020: 5% to 5.2%) per annum and the floating-rate borrowings carried interest at fixed deposit rate as stipulated by the People's Bank of China plus 0.3% per annum (2020: 0.3% per annum).

At 31 December 2021, government loans of approximately HK$Nil was due for repayment on or before 31 December 2021 (2020: HK$8,317,000 which was due for repayment on or before 31 December 2020) and the remaining balances are repayable on demand or within one year (2020: one year to five years).

31. OTHER LOANS *(Continued)*

Notes: (Continued)

(ii) (a) Loans from unrelated individual of approximately HK$7,986,000 (2020: HK$8,249,000) are fixed-rate borrowings carrying interest in range of 2% to 2.5% (2020: 2%) per month and due for repayment on or before 23 June 2021 (2020: on or before 23 June 2021).

(b) At 31 December 2019, the subsidiary of the Group, Jining City Haisheng Water Treatment Company Limited and 揚州上善建設有限公司 entered into a loan agreement approximately HK$33,900,000 (equivalent to RMB29,800,000) was fixed rate borrowing carrying interest at 24% per annum regard to the construction project in Jining City. This loan will mature in three years from the date of the completion of construction project.

(iii) (a) Bond I

On 25 October 2017, the Company entered into the placing agreement with the placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount of up to HK$100,000,000 within the placing period. The Company had completed the issuance of the bonds on 13 December 2017. The bonds will mature in 3 years from the date of issuance. The interest rate is 6% per annum, and payable semi-annually in arrears. At 31 December 2021, Bond 1 was fully settled (2020: HK$87,650,000).

(b) Bond II

On 4 December 2017, the Company entered into the placing agreement with the placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount of not less than HK$100,000,000 within the placing period, which ended on 31 May 2019. After signed several extension agreements with the recreant parties on 31 May 2018 and 30 November 2018, the expiry date of the placing was further extended to 30 May 2019. The bonds will mature in 3 years from the date of issuance. The interest rate is 6% per annum, and payable semi-annually in arrears.

The placing of Bonds II has been completed on 30 May 2019 in an aggregate principal amount of HK$208,100,000.

(c) Bond III

On 11 January 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount up to HK$100,000,000 within the placing period. Subsequent to the year ended 31 December 2018, the Company entered into the supplemental agreement with the placing agent to extend the placing period from 365 days to 730 days. Bond III with the aggregate principal amount of HK$6,000,000 were issued during the year ended 31 December 2019. The bonds will mature in 3 years from the date of issuance. The interest rate is 6% per annum, and payable annually in arrears.

The placing of Bond III has been completed on 17 January 2020 in an aggregate principal amount of HK$20,000,000.

(d) Bond IV

On 18 January 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent placees to subscribe for the bonds up to aggregate principal amount of HK$100,000,000 within the placing period. Subsequent to the year ended 31 December 2018, the Company entered into the supplemental agreement with the placing agent to extend the placing period from 365 days to 730 days. Bond IV with the aggregate principal amount of HK$20,000,000 were issued during the year ended 31 December 2018. The bonds will mature in 7.5 years from the date of issuance. The interest rate is 6% per annum, and payable annually in arrears.

The placing of Bond IV has been completed on 17 January 2020 in an aggregate principal amount of HK$20,000,000.

31. OTHER LOANS *(Continued)*

Notes: (Continued)

(iii) (Continued)

(e) Bond V

On 24 August 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent placees to subscribe for the bonds in aggregate principal amount of not less than HK$100,000,000 within the placing period. Bond V with the aggregate principal amount of HK$13,100,000 were issued during the year ended 31 December 2019. The bonds will mature in 1 year from the date of issuance. The interest rate is 5% per annum, and payable semi-annually in arrears.

The placing of Bond V has been completed on 30 August 2019.

(f) Bond VI

On 15 January 2019, the Company entered into the placing agreement with the placing agent, for the purpose of arranging independent placees to subscribe for 5% per annum for Bonds (A) and 5.5% per annum for Bonds (B) with a term of one year and two years respectively, up to an aggregate principal amount of HK$200,000,000. The placing of Bond VI has been completed on 14 January 2020.

At 31 December 2021, the Bond VI was fully settled (2020: HK$2,070,000).

(g) Other bonds

Except for the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers in an aggregate principal amount of HK$43,000,000 (2020: HK$57,000,000) at a fixed coupon rate in range of 5% to 6% with a term ranging from 1 to 3 years. At 31 December 2021, the outstanding other bonds amounted to HK$37,900,000 and was classified as an other loan (2020: HK$50,060,000).

32. LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	**117,501**	108,961
After 1 year but within 2 years	**140,007**	121,610
After 2 years but within 5 years	**30,740**	29,468
After 5 years	**313**	7,912
	171,060	158,990
	288,561	267,951

At 31 December 2021 and 2020, the Group entered into financing arrangements for purchase machineries with independent third party leasing companies, in the form of sale and leaseback transactions which result in finance leases and the Group bears repurchase options. As the repurchase prices are set at RMB100 which is minimal compared to the expected fair values of the underlying assets at the end of the lease periods and the Group is certain that it will exercise the repurchase options, and considering the amounts of the lease payments to be paid on the selling prices, the above financing arrangements are accounted for as collateralised borrowings at amortised cost using effective interest method.

The finance lease of approximately HK$259,141,000 (equivalent to approximately RMB211,872,000) (2020: HK$253,267,000 (equivalent to approximately RMB213,152,000)) is secured by contractual rights to receive the revenue generated by certain subsidiaries of the Company.

33. AMOUNTS DUE (FROM)/TO ASSOCIATES, JOINT VENTURES AND NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts were unsecured, interest-free and repayable on demand.

34. CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share Capital HK$'000	Share premium HK$'000	Fair value reserve (non–recycling) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	798,270	954,318	(8,953)	(956,515)	787,120
Changes in equity for 2020:					
Loss for the year	–	–	–	(109,060)	(109,060)
Fair value loss on financial asset through other comprehensive income	–	–	(3,826)	–	(3,826)
Total comprehensive loss for the year	–	–	(3,826)	(109,060)	(112,886)
Transfer of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	–	–	8,888	(8,888)	–
At 31 December 2020	798,270	954,318	(3,891)	(1,074,463)	674,234
At 1 January 2021	**798,270**	**954,318**	**(3,891)**	**(1,074,463)**	**674,234**
Changes in equity for 2021:					
Loss for the year	**–**	**–**	**–**	**(61,748)**	**(61,748)**
Fair value gain on financial asset through other comprehensive income	**–**	**–**	**702**	**–**	**702**
Total comprehensive income for the year	**–**	**–**	**702**	**(61,748)**	**(61,046)**
At 31 December 2021	**798,270**	**954,318**	**(3,189)**	**(1,136,211)**	**613,188**

34. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2021		2020	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.50 each				
At 1 January and 31 December (note i)	**4,000,000**	**2,000,000**	4,000,000	2,000,000
Convertible preference shares of HK$0.10 each				
At 1 January and 31 December (note ii)	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each				
At 1 January and 31 December	**1,596,540**	**798,270**	1,596,540	798,270

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Convertible preference shares do not carry the right to vote and not be entitled to any dividend payment or any distribution of the Company. No right for return of capital in liquidation is available for distribution among the holders of Convertible Preference Shares.

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(ab).

34. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(iii) Reserve fund

Reserve fund arises from (i) Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital; and (ii) premium paid for capital injection in relation to the additional of equity interest of a subsidiary.

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in (note 3(i)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 3(n)).

35. GOVERNMENT GRANTS

	2021	2020
	HK$'000	HK$'000
At 1 January	**28,092**	28,243
Additions	**20,939**	3,920
Recognised as other income for the year	**(11,616)**	(5,784)
Exchange realignment	**967**	1,713
At 31 December, classified as non-current liabilities	**38,382**	28,092

Certain subsidiaries of the Group received government grants subsidising construction of water supply facilities. There are no unfulfilled conditions and other contingencies attaching to the government grants. The government grants were accounted for as non-current liabilities and amortised over the useful lives of the relevant water pipeline network and water plant assets. During the year, certain projects related to the construction of water pipeline network has been completed and being used in the year. Deferred government grants of approximately HK$11,616,000 (2020: HK$5,784,000) was amortised and recognised in the consolidated statement of profit or loss.

36. DEFERRED TAX (ASSETS)/LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profits HK$'000	Service concession arrangements HK$'000	Exclusive rights HK$'000	Revaluation on investment property HK$'000	Property, plant and equipment transfer to Investment properties HK$'000	Government grants HK$'000	Total HK$'000
At 1 January 2020	13,214	10,057	45,602	6,686	7,322	(300)	82,581
Charged/(credited) to profit or loss for the year	–	(245)	(6,132)	683	–	–	(5,694)
Exchange realignment	–	(338)	1,145	258	670	–	1,735
At 31 December 2020 and 1 January 2021	**13,214**	**9,474**	**40,615**	**7,627**	**7,992**	**(300)**	**78,622**
Charged/(credited) to profit or loss for the year	**–**	**(516)**	**(2,866)**	**9**	**–**	**–**	**(3,373)**
Arising from acquisition of subsidiary	**–**	**–**	**571**	**–**	**–**	**–**	**571**
Arising from revaluation on investment properties	**–**	**–**	**–**	**–**	**575**	**–**	**575**
Disposal of subsidiaries	**–**	**530**	**–**	**(7,377)**	**(8,060)**	**–**	**(14,907)**
Exchange realignment	**–**	**62**	**296**	**71**	**76**	**–**	**505**
At 31 December 2021	**13,214**	**9,550**	**38,616**	**330**	**583**	**(300)**	**61,993**

Reconciliation to the consolidated statements of financial position

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**(739)**	(8,730)
Deferred tax liabilities	**62,732**	87,352
	61,993	78,622

At 31 December 2021, the Group had unused tax losses of approximately HK$356,841,000 (2020: HK$245,584,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. At 31 December 2021, no tax losses can be carried forward indefinitely and tax losses of approximately HK$356,841,000 (2020: HK$245,584,000) will expire in five years' time.

36. DEFERRED TAX (ASSETS)/LIABILITIES *(Continued)*

At 31 December 2021, the Group also has other deductible temporary differences of approximately HK$96,125,000 (2020: HK$15,132,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be recognised.

Under the EIT law of PRC, withholding tax is imposed on dividend declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a rate of 5%-10% will be applied. Deferred tax has been provided for in respect of the temporary difference attributable to such profits amounting to approximately HK$504,088,000 (2020: HK$398,878,000).

37. ACQUISITION OF A SUBSIDIARY

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.* ("Huangshi City Hangwei")（黃石市航為智慧能源有限公司）at a consideration of RMB1,450,000 (equivalent to approximately HK$1,737,000) which contributed by cash consideration amounted RMB350,000 (equivalent to approximately HK$394,000) and contingent consideration payable amounted RMB1,098,000 (equivalent to approximately HK$1,343,000). 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 Hangwei. Huangshi City Hangwei is principally engages 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.

	HK$'000
Total consideration paid	**394**
Contingent consideration payable	**1,343**
	1,737

The goodwill is attributable to Huangshi City Hangwei's strong position in the biogas power generation business in Huangshi City, the PRC. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for the tax purpose.

From the date of acquisition to 31 December 2021, Huangshi City Huangwei contributed loss of approximately HK$615,000 to the loss of the Group for the year ended 31 December 2021. No revenue was generated by Huangshi City Hangwei.

* The English name is for identification purpose only.

37. ACQUISITION OF A SUBSIDIARY *(Continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	HK$'000
Intangible assets	2,286
Deferred tax liabilities	(571)
Total identified net assets at fair value	1,715
Goodwill arising on acquisition of a subsidiary (note 19)	22
Total consideration	1,737
Consideration paid in cash for the year ended 31 December 2021	–
Cash and cash equivalent balances acquired	–
Net cash outflow in the year ended 31 December 2021	–

Net cash outflow arising on acquisition

	HK$'000
Consideration paid	1,737
Deposit paid for acquisition of subsidiary	(394)
Contingent consideration payable	(1,343)
Bank balances and cash acquired	–
	–

38. DISPOSAL OF A SUBSIDIARY

On 15 December 2020, China Water Industry (HK) Limited, Jiangxi Sanchuan Group Company Limited ("Jiangxi Sanchuan") (江西三川集團有限公司) and Yingtan Water Supply Group Co. Ltd. (the "Yingtan Water") (鷹潭市供水集團有限公司) entered into the First Equity Transfer Agreement, pursuant to which the China Water Industry (HK) Limited 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$144,012,000). 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 accounted for as an associate of the Company, and the financial information of the Yingtan Water Group ceased to be consolidated into the consolidated financial statements of the Group.

On 28 June 2021, China Water Industry (HK) Limited, Yingtan Water and Jiangxi Sanchuan entered into the Second Equity Transfer Agreement, pursuant to which the China Water Industry (HK) Limited 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 by the shareholders by way of poll at the EGM on 14 September 2021. The Second Disposal of Yingtan Water was completed on 24 September 2021 upon the completion of the registration of equity transfer and the Yingtan Water ceased to be an associate of the Company thereafter.

The net assets of Yingtan Water Group at the date of disposal were as follows:

Consideration received:

	HK$'000
Cash received	**117,302**
Deposit received for disposal of subsidiary	**26,710**
Total consideration received	**144,012**

38. DISPOSAL OF A SUBSIDIARY *(Continued)*

Analysis of assets and liabilities over which control was lost:

	28/2/2021
Current assets	1,519,829
Non-current assets	578,513
Current liabilities	(1,297,230)
Non-current liabilities	(110,357)
Net assets disposed of	690,755

Gain on disposal of a subsidiary:

Consideration received	144,012
Net assets disposed of	(690,755)
Non-controlling interests	338,470
Fair value of interests retained	229,380
Release of reserve upon disposal	23,933
Gain on disposal	45,040

Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	117,302
Cash and cash equivalents disposed of	(117,302)
	–

39. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2021 HK$'000	2020 HK$'000
Contracted but not provided for:		
— Acquisition of concession intangible assets and property, plant and equipment	**8,393**	7,566
— Acquisition of right-of-use assets	**–**	21,898
	8,393	29,464

40. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was approximately HK$907,000 (2020: HK$4,604,000) (see note 9).

At 31 December 2021, the properties were expected to generate rental yields of 7.39% per annum (2020: 8.28% per annum) on an ongoing basis. The properties had committed tenants for twelve (2020: seventeen) years and none of the leases includes contingent rentals.

Undiscounted lease payments receivable on leases are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**334**	7,809
After one year but within five years	**190**	19,302
After five years	**–**	12,617
	524	39,728

41. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

On 3 June 2011, the Company has adopted new share option scheme (the "2011 Scheme") to replace the 2002 Scheme.

Further details are set out in the announcement of the Company dated 29 April 2011. The 2011 Scheme is valid and effective for a period of 10 years after the date of adoption.

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

Under the terms of the 2011 Scheme, the Directors of the Company may, at their discretion, grant options to the employees, executive or non-executive Directors, business associate, person or entity that provides research, development or other technological support to any shareholder of any member of the Group or any invested entity, any adviser or consultant to any owner of business or business development of any member of the Group or any invested entity (the "Eligible Participants").

A nominal consideration of HK$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 10 years commencing on the date of acceptance of the option at a price at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option.

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the 2011 Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any Eligible Participants may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

The 2011 Scheme was terminated by the shareholders by way of poll at the AGM on 2 June 2021.

On 2 June 2021, the Company has adopted new share option scheme (the "2021 Scheme") to replace the 2011 Scheme.

Further details are set out in the announcement of the Company dated 29 April 2021. The 2021 Scheme is valid and effective for a period of 10 years after the date of adoption. In respect of any particular option, such period commencing on the date of grant or such later date as the Directors may decide and expiring on such date as the Directors may determine, such period not to exceed 10 years from the date of grant.

Under the terms of the 2021 Scheme, the Directors of the Company may, at their discretion, grant options to the any directors, whether executive or non-executive and whether independent or not, of the Group, full time or part time employees of the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group (the "Eligible Participants").

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

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

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

At 31 December 2021 and 2020, no options had been granted and remained outstanding under the share option schemes of the Company.

42. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and its employees each contribute 5% of relevant payroll costs to the scheme. Effective from 1 June 2014, the cap of monthly relevant income was $30,000.

The employees of the Group's subsidiaries in the PRC are required to participate in the Central Pension Scheme ("CPS") CPS operated by the local municipal governments. These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the CPS. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the CPS.

The total cost charged to the consolidated statement of profit or loss of approximately HK$24,476,000 (2020: HK$10,462,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Financial assets at fair value through other comprehensive income		**4,071**	3,370
Investment in subsidiaries		**2**	2
Deposits and prepayments		**18,960**	59,000
		23,033	62,372
Current assets			
Financial assets at fair value through profit or loss		**359**	12,064
Other receivables		**23,698**	7,621
Deposits and prepayments		**18,028**	22,917
Amounts due from subsidiaries		**660,673**	1,163,900
Cash held by financial institutions		**116**	104
Bank balances and cash		**730**	2,619
		703,604	1,209,225
Current liabilities			
Other payables		**11,047**	13,044
Other loans		**86,558**	288,932
Overdraft held at financial institutions		**–**	4,606
		97,605	306,582
Net current assets		**605,999**	902,643
Total assets less current liabilities		**629,032**	965,015
Capital and reserves	34		
Share capital		**798,270**	798,270
Reserves		**(185,082)**	(124,036)
Total equity		**613,188**	674,234
Non-current liabilities			
Other loans		**15,844**	290,781
		629,032	965,015

Approved and authorised for issue by the board of directors on 30 March 2022:

Mr. Zhu Yongjun
Director

Ms. Chu Yin Yin Georgiana
Director

44. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The emoluments paid or payable to each of the 12 (2020: 11) directors and chief executive were as follows:

			2021		
Name	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	2021 Total HK$'000
Executive Directors					
Liu Feng (note (iii))	–	112	–	2	114
Lin Yue Hui (note (iv))	–	342	–	9	351
Chu Yin Yin, Georgiana	–	972	–	18	990
Deng Xiao Ting	–	921	–	18	939
Zhong Wei Guang (note (vii))	–	581	–	10	591
Ho Chi Ho (note (vi))	–	180	–	–	180
Zhu YongJun (note (i))	–	830	–	16	846
Hu Siyun (note (ii))	–	167	–	–	167
	–	4,105	–	73	4,178
Independent Non-Executive Directors					
Guo Chao Tian (note (v))	19	–	–	–	19
Wong Siu Keung, Joe	180	–	–	–	180
Qiu Na	180	–	–	–	180
Lam Cheung Shing Richard	180	–	–	–	180
	559	–	–	–	559
	559	4,105	–	73	4,737

Notes:

(i) Mr. Zhu Yongjun was appointed as the Chairman on 8 February 2021.

(ii) Mr. Hu Siyun was appointed as the Executive Director on 14 July 2021.

(iii) Mr. Liu Feng resigned as the Executive Director of the Company on 8 February 2021.

(iv) Mr. Lin Yue Hui resigned as the Chairman and Chief Executive Officer of the Company on 8 February 2021 and the Executive Director on 18 June 2021.

(v) Mr. Guo Chao Tian resigned as the Independent Non-Executive Director on 8 February 2021.

(vi) Mr. Ho Chi Ho resigned as the Non-Executive Director on 29 June 2021.

(vii) Mr. Zhong Wei Guang resigned as the Executive Director on 14 July 2021.

44. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

	2020				
Name	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	2020 Total HK$'000
Executive Directors					
Liu Feng (note (iii))	–	1,116	113	18	1,247
Lin Yue Hui (note (iv))	–	1,236	138	18	1,392
Chu Yin Yin, Georgiana	–	1,080	113	18	1,211
Deng Xiao Ting	–	1,080	113	18	1,211
Zhong Wei Guang (note (vii))	–	1,080	113	18	1,211
Ho Chi Ho (note (vi))	–	360	20	14	394
Zhu YongJun (note (i))	–	360	13	18	391
	–	6,312	623	122	7,057
Independent Non-Executive Directors					
Guo Chao Tian (note (v))	180	15	–	–	195
Wong Siu Keung, Joe	180	15	–	–	195
Qiu Na	180	15	–	–	195
Lam Cheung Shing Richard	180	6	–	–	186
	720	51	–	–	771
	720	6,363	623	122	7,828

There was no arrangement under which directors and chief executive have waived or agreed to waive any emoluments during the two years ended 31 December 2021 and 2020.

There was no amount paid to the Directors and chief executive as an inducement to join or upon joining the Group, or as compensation for the loss of office.

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

45. LITIGATIONS AND ARBITRATION

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

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("Swift Surplus") (collectively as the "Lenders") entered into repayment agreements (the "Repayment Agreements") with the Sihui Sewage Treatment Co. Ltd.*（四會市城市污水處理有限公司）and Top Vision Management Limited ("Top Vision") (collectively as the "Borrowers") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58,430,000 together with interest accrued thereon (the "Loan Receivables"). HK$5,000,000 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$5,000,000 of the Loan Receivables. However, the remaining Loan Receivables of HK$53,430,000 (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$18,030,000 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$35,400,000 of the Remaining Loan Receivables and underlying interests (the "Outstanding Balance"). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the "Writ") to the High Court of Hong Kong Special Administrative Region (the "High Court") to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the "Final Judgment"). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

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

45. LITIGATIONS AND ARBITRATION *(Continued)*

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

On 16 July 2015, the Zhaoqing Intermediate People's Court adjudged that the Final Judgment recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("PRC Judgment"). On 27 January 2016, the PRC Judgment was announced on the website of The People's Court Announcement for 60 days ("Announcement Period"). If Top Vision has not appealed for the PRC Judgment within 30 days after the Announcement Period, the PRC Judgment will be automatically effective thereafter, the Company can enforce the PRC Judgment. On 10 August 2016, Sihui City People's Court*（四會市人民法院）accepted to execute the PRC Judgment in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2020. On 28 June 2020, 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 2020, 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$3,900,000 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. On 30 November 2021, the Swift Surplus had submitted the application to the Sihui City People's Court for the resumption of civil enforcement on Top Vision. On January 2022, Sihui City People's Court accepted the application and resumed the execution of the final judgement granted in July 2015 to continue to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2025. Up to the date of this report, the legal processing in PRC is still in progress. As at 31 December 2020 and 31 December 2021, the loan receivables from Top Vision of HK$43.60 million were fully impaired.

45. LITIGATIONS AND ARBITRATION *(Continued)*

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

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

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

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission ("Commission") for arbitration on 24 February 2012. The Commission accepted the case and started a trail on 5 June 2012. After the trail, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8,560,000 and overdue interests thereon; and the relevant arbitration fees.

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

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

45. LITIGATIONS AND ARBITRATION *(Continued)*

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

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.*（雲南超越油氣科技有限公司）, Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.*（雲南超越油氣勘探有限公司）, Yunnan Transcend Pipeline Investment Co., Ltd.*（雲南超越管道投資有限公司）and Yunnan Transcend Energy Co., Ltd.*（雲南超越能源股份有限公司）and Mr. Liu Jinrong (collectively as the "Guarantors") entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the "Settlement Agreement"). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde within 10 days. On 8 January 2021, the Kunming Court failed to locate any assets from Yunnan Chaoyue Gas and Guarantors even taken exhaustive enforcement measures, and ruled to terminate this execution. The Kunming Court will resume the execution of this case in accordance with the law once any assets available for execution being found. Up to the date of this report, the Guarantors had not performed court judgement and no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

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

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the Loan Receivables has been provided.

* The English names are for identification purpose only.

46. MATERIAL RELATED PARTY TRANSACTIONS

(a) Details of the balances with related party

The details of the balance with related party have been disclosed in note 31. In addition to those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following balances with its related party as at the year ended.

	2021 HK$'000	2020 HK$'000
Loans payable to the Group by an related party (Note (i))	**240,000**	–

(b) 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	2021 HK$'000	2020 HK$'000
Kingston Finance Limited	Note (i)	Interest expenses of loan financing	**13,660**	–
Kingston Corporate Finance Limited	Note (ii)	Advisory fee of corporate services	**200**	–

(c) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 44, is as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**10,576**	8,813
Post-employment benefits	**471**	132
	11,047	8,945

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

46. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) Kingston Finance Limited (the "Lender") is indirectly wholly-owned by Mrs. Chu Yuet Wah ("Mrs. Chu"), who became a substantial shareholder of the Company effective from 29 June 2021.

Prior to Mrs. Chu becoming a substantial shareholder of the Company, on 19 March 2021 and on 10 May 2021, China Water Industry (HK) Limited (the "Borrower"), a wholly-owned subsidiary of the Company entered into two loan agreements with the Lender for HK$80,000,000 (the "Loan A") and HK$30,000,000 (the "Loan B"), interest-bearing at a rate of 15% per annum and repayable within one year. Loan A was secured by the shares of two subsidiaries of the Company and corporate guarantee provided by the Company. Loan B was secured by the corporate guarantee provided by the Company. Subsequent to the end of the reporting period, Loan B was fully settled on 24 February 2022 and Loan A was mutually agreed to be repayable on demand.

On 30 September 2021, the Borrower entered into a loan agreement with the Lender for HK$130,000,000 (the "Loan C") at an interest rate of 15% per annum and repayable within one year. Loan C was secured by the corporate guarantee provided by the Company. Subsequent to the end of the reporting period, partial repayment of HK$30,000,000 in respect of the principal of Loan C had been made on 24 February 2022 and the remaining principal balance of Loan C was mutually agreed to be repayable on demand.

(ii) For the year ended 31 December 2021, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was approximately HK$200,000. Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited.

Save as disclosed above, none of the other transactions constitute a connected transaction or exempted connected transaction as defined under the Listing Rules that is required to be disclosed.

47. EVENTS AFTER THE REPORTING PERIOD

With the outbreak of coronavirus pandemic continued in 2021, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the coronavirus pandemic and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the coronavirus pandemic.

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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