



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



Interim Report 2023

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yongjun (Chairman)
Mr. Hu Siyun
Ms. Chu Yin Yin, Georgiana
Ms. Deng Xiao Ting (retired on 16 June 2023)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Wong Siu Keung, Joe (Chairman)
Mr. Zhu Yongjun
Mr. Lam Cheung Shing, Richard

NOMINATION COMMITTEE

Mr. Zhu Yongjun (Chairman)
Mr. Wong Siu Keung, Joe
Mr. Lam Cheung Shing, Richard

INVESTMENT COMMITTEE

Mr. Zhu Yongjun (Chairman)
Mr. Hu Siyun
Ms. Chu Yin Yin, Georgiana
Mr. Zhong Wei Guang
Mr. Pan Yimin
Mr. Liu Wei Qing
Mr. Tang Po Shing

COMPANY SECRETARY

Ms. Chu Yin Yin, Georgiana

AUTHORISED REPRESENTATIVES

Mr. Zhu Yongjun
Ms. Chu Yin Yin, Georgiana

PRINCIPAL BANKERS

PRC

Agricultural Bank of China
Bank of China Limited
Bank of China Industrial and Commercial

Hong Kong

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

LEGAL ADVISERS AS TO HONG KONG LAWS

Johnny K.K. Leung & Co.

LEGAL ADVISER AS TO CAYMAN ISLANDS LAWS

Conyers Dill & Pearman

AUDITORS

Crowe (HK) CPA Limited

REGISTERED OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK

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FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2023 HK\$'000	2022 HK\$'000	
Financial Results			
Revenue	385,769	576,399	(33.07%)
Gross profit	111,382	181,601	(38.67%)
(Loss)/profit for the period	(37,773)	6,214	(707.87%)
Loss attributable to owners of the Company	(56,364)	(24,185)	(133.05%)
Loss per share (HK cents)			
— Basic and diluted	(1.96)	(1.26)	(55.56%)
EBITDA (Note 1)	88,819	162,162	(45.23%)

	As at	As at	Change %
	30 June 2023 HK\$'000	31 December 2022 HK\$'000	
Financial Position			
Total assets	3,264,082	3,463,508	(5.76%)
Total liabilities	1,471,314	1,561,090	(5.75%)
Current assets	1,226,159	1,367,808	(10.36%)
Current liabilities	965,806	1,047,959	(7.84%)
Current ratio	1.27 times	1.31 times	(3.05%)
Cash and cash equivalents	91,417	184,447	(50.44%)
Gearing ratio (Note 2)	45.08%	45.07%	0.02%
Net asset value	1,792,768	1,902,418	(5.76%)
Equity attributable to owners of the Company	1,295,092	1,395,640	(7.20%)
Equity attributable to owners of the Company per share (HK\$)	0.45	0.49	(8.16%)

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	385,769	576,399
Cost of sales		(274,387)	(394,798)
Gross profit		111,382	181,601
Other income, net		13,423	14,969
Selling and distribution expenses		(21,695)	(20,692)
Administrative expenses		(101,504)	(106,371)
Finance costs	6	(25,073)	(37,669)
Net gain/(loss) on financial assets at fair value through profit or loss		397	(116)
Gain/(loss) on disposal of subsidiaries		3,016	(16)
Loss on disposal of joint venture		–	(1,142)
Impairment loss recognised on trade and other receivables		(7,287)	(5,391)
Share of loss of associates		(464)	(206)
Share of profit of joint ventures		363	402
(Loss)/profit before tax		(27,442)	25,369
Income tax expense	7	(10,331)	(19,155)
(Loss)/profit for the period	8	(37,773)	6,214
Attributable to:			
Owners of the Company		(56,364)	(24,185)
Non-controlling interests		18,591	30,399
		(37,773)	6,214
Loss per share (HK Cents)			
Basic and diluted	9	(1.96)	(1.26)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss)/profit for the period		(37,773)	6,214
Other comprehensive loss for the period			
Items that may be reclassified subsequently to loss:			
Exchange difference on translation of financial statements of foreign operations:			
Exchange difference arising during the period		(51,047)	(87,925)
		(51,047)	(87,925)
Financial assets at fair value through other comprehensive income:			
Net (loss)/gain arising on revaluation of financial assets at fair value through other comprehensive income during the period		(1,195)	1,305
Share of other comprehensive loss of associates		(242)	(119)
Share of other comprehensive loss of joint ventures		(686)	(1,030)
Other comprehensive loss for the period, net of income tax		(53,170)	(87,769)
Total comprehensive loss for the period		(90,943)	(81,555)
Attributable to:			
Owners of the Company		(100,548)	(96,763)
Non-controlling interests		9,605	15,208
		(90,943)	(81,555)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	567,343	548,020
Deposits paid for acquisition of property, plant and equipment		131,802	153,929
Right-of-use assets		344,926	353,550
Operating concessions		583,190	604,387
Receivables under service concession arrangements		9,382	10,795
Investment properties		207,018	213,679
Other intangible assets		143,941	162,029
Financial assets at fair value through other comprehensive income	12	2,648	3,843
Interests in associates		5,915	2,483
Interests in joint ventures		21,189	21,512
Deferred tax assets		1,609	2,513
Deposit and prepayments	13	18,960	18,960
		2,037,923	2,095,700
Current assets			
Inventories		54,797	67,055
Receivables under service concession arrangements		2,267	2,459
Financial assets at fair value through profit or loss	12	11,198	30,115
Trade and other receivables	13	952,291	938,981
Contract assets		80,567	63,513
Cash held by financial institutions		597	596
Pledged bank deposits		15,969	–
Bank balances and cash		74,851	183,851
Deposits paid for the purchase of minority interest of subsidiaries		27,062	–
Amounts due from non-controlling shareholders of subsidiaries		–	2,889
Amounts due from associates		6,490	4,196
Amounts due from joint ventures		70	–
		1,226,159	1,293,655
Assets held for sale		–	74,153
		1,226,159	1,367,808

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	14	433,221	487,823
Contract liabilities		120,660	135,822
Bank borrowings		56,916	60,602
Other loans		193,954	184,519
Lease liabilities		134,401	123,380
Amounts due to non-controlling shareholders of subsidiaries		1,456	–
Tax payables		25,198	27,858
		965,806	1,020,004
Liabilities directly associated with the assets held for sale		–	27,955
		965,806	1,047,959
Net current assets		260,353	319,849
Total assets less current liabilities		2,298,276	2,415,549
Capital and reserves			
Share capital	15	28,736	28,736
Share premium and reserves		1,266,356	1,366,904
Equity attributable to owners of the Company		1,295,092	1,395,640
Non-controlling interests		497,676	506,778
TOTAL EQUITY		1,792,768	1,902,418
Non-current liabilities			
Trade and other payables	14	20,282	21,371
Bank borrowings		198,510	223,755
Other loans		16,867	16,506
Lease liabilities		186,102	161,135
Government grants		32,029	33,784
Deferred tax liabilities		51,718	56,580
		505,508	513,131
		2,298,276	2,415,549

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
At 1 January 2023 (audited)	28,736	1,312,810	1,780	(110,139)	142,415	(3,111)	23,149	1,395,640	506,778	1,902,418
Changes in equity for the six months ended 30 June 2023:										
Loss for the period	-	-	-	-	-	-	(56,364)	(56,364)	18,591	(37,773)
Other comprehensive loss for the period	-	-	-	(42,989)	-	(1,195)	-	(44,184)	(8,986)	(53,170)
Total comprehensive loss for the period	-	-	-	(42,989)	-	(1,195)	(56,364)	(100,548)	9,605	(90,943)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(18,707)	(18,707)
At 30 June 2023 (unaudited)	28,736	1,312,810	1,780	(153,128)	142,415	(4,306)	(33,215)	1,295,092	497,676	1,792,768

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
At 1 January 2022 (audited)	798,270	954,318	879	23,559	125,512	(3,189)	(529,110)	1,370,239	555,627	1,925,866
Changes in equity for the six months ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	(24,185)	(24,185)	30,399	6,214
Other comprehensive income for the period	-	-	2	(73,885)	-	1,415	(110)	(72,578)	(15,191)	(87,769)
Total comprehensive income for the period	-	-	2	(73,885)	-	1,415	(24,295)	(96,763)	15,208	(81,555)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	217	217
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(48,012)	(48,012)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	1	1
Transfer to reserve fund	-	-	-	-	2,536	-	(2,536)	-	-	-
Capital reduction	(782,305)	123,835	-	-	-	-	658,470	-	-	-
Issue of new share under placing	3,192	76,608	-	-	-	-	-	79,800	-	79,800
At 30 June 2022 (unaudited)	19,157	1,154,761	881	(50,326)	128,048	(1,774)	102,529	1,353,276	523,041	1,876,317

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	5,362	10,876
NET CASH USED IN INVESTING ACTIVITIES	(94,442)	(93,345)
NET CASH USED IN FINANCING ACTIVITIES	(1,844)	(15,198)
DECREASE IN CASH AND CASH EQUIVALENTS	(90,924)	(97,667)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	184,447	291,358
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,106)	(14,510)
CASH AND CASH EQUIVALENTS AT 30 JUNE	91,417	179,181
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
CASH HELD BY FINANCIAL INSTITUTIONS	597	584
PLEGGED BANK DEPOSITS	15,969	–
BANK BALANCES AND CASH	74,851	178,597
CASH AND CASH EQUIVALENTS AT 30 JUNE	91,417	178,181

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. COMPANY INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, except for the accounting policy changes set out in note 3.

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

3. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred tax related to Assets and liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. REVENUE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Water supply services	58,666	72,083
Sewage treatment services	43,400	43,183
Water supply related installation and construction income	93,775	150,651
Water supply and sewage treatment infrastructure construction income	18,820	69,605
Sale of electricity	156,602	221,676
Sale of compressed natural gas	5,542	–
Service income from collection of landfill gas	8,528	19,201
Sale of solid organic fertilizer	436	–
	385,769	576,399

5. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. SEGMENT INFORMATION *(Continued)*

Segment turnover and results

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

For the period ended 30 June 2023

	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	102,066	171,108	–	273,174
Over time	112,595	–	–	112,595
Reportable segment revenue	214,661	171,108	–	385,769
Reportable segment profit/(loss)	31,539	(16,804)	(9,643)	5,092
Unallocated corporate expenses				(27,678)
Interest income				23
Interest on fixed coupon bonds and other loans				(8,292)
Net gain on financial assets at fair value through profit or loss				397
Gain on disposal of subsidiaries				3,016
Loss before taxation				(27,442)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

For the period ended 30 June 2022

	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	115,266	240,877	–	356,143
Over time	220,256	–	–	220,256
Reportable segment revenue	335,522	240,877	–	576,399
Reportable segment profit/(loss)	46,530	42,994	(3,075)	86,449
Unallocated corporate expenses				(37,040)
Interest income				82
Interest on fixed coupon bonds and other loans				(22,848)
Net loss on financial assets at fair value through profit or loss				(116)
Loss on disposal of joint ventures				(1,142)
Loss on disposal of subsidiaries				(16)
Profit before taxation				25,369

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. SEGMENT INFORMATION (Continued)

Other segment information

For the period ended 30 June 2023

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	573	180	1	23	777
Interest expenses	(2,102)	(14,651)	(28)	(8,292)	(25,073)
Share of loss of associates	–	(464)	–	–	(464)
Share of profit of Joint ventures	363	–	–	–	363
Depreciation of:					
— Property, plant and equipment	(1,700)	(25,200)	(20)	(850)	(27,770)
— Right-of-use assets	(751)	(23,050)	(302)	(2,703)	(26,806)
Amortisation of:					
— Concession intangible assets	(18,950)	(6,755)	–	–	(25,705)
— Other intangible assets	–	(10,655)	–	(252)	(10,907)
Loss on disposal of property, plant and equipment	–	(9)	–	–	(9)
Write off of:					
— Property, plant and equipment	(6)	(4,321)	–	–	(4,327)
Impairment loss recognised on trade and other receivables	(130)	–	(893)	(6,264)	(7,287)
Additions to non-current assets	28,146	61,706	23,213	680	113,745

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the period ended 30 June 2022

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	1,410	386	1	82	1,879
Interest expenses	(1,888)	(12,729)	(204)	(22,848)	(37,669)
Share of loss of associates	–	(206)	–	–	(206)
Share of profit/(loss) of Joint ventures	678	–	–	(276)	402
Depreciation of:					
— Property, plant and equipment	(2,240)	(22,439)	(1,478)	(3,260)	(29,417)
— Right-of-use assets	(1,328)	(23,958)	(687)	(1,781)	(27,754)
Amortisation of:					
— Concession intangible assets	(20,897)	(9,963)	–	–	(30,860)
— Other intangible assets	–	(11,093)	–	–	(11,093)
(Loss)/gain on disposal of property, plant and equipment	(5)	28	–	43	66
Loss on disposal of concession intangible assets	(114)	–	–	–	(114)
Impairment loss recognised on trade and other receivables	(118)	(20)	(406)	(4,847)	(5,391)
Additions to non-current assets	69,423	19,170	29	7,980	96,602

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 30 June 2023 (unaudited)						
Reportable segment assets	880,809	1,774,896	433,575	174,802	–	3,264,082
Reportable segment liabilities	(350,346)	(639,662)	(216,220)	(224,907)	(40,179)	(1,471,314)
As at 31 December 2022 (audited)						
Reportable segment assets	925,926	1,856,483	513,740	167,296	63	3,463,508
Reportable segment liabilities	(365,733)	(684,167)	(253,569)	(216,347)	(41,274)	(1,561,090)

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
— bank borrowings	6,814	2,720
— other loans	9,863	26,165
— lease liabilities	11,526	12,099
Total borrowing cost	28,203	40,984
Less: interest capitalised included in construction in progress	(3,130)	(3,315)
	25,073	37,669

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits tax	—	—
Current tax		
— PRC Enterprise Income Tax (“EIT”)	16,097	19,397
Deferred tax	(5,766)	(242)
	10,331	19,155

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$Nil) as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profits tax for the period.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs including Directors' emoluments		
— salaries, wages and other benefits	87,593	97,299
— retirement benefits scheme contributions	8,645	9,799
Total staff costs	96,238	107,098
Amortisation of:		
— Concession intangible assets (included in cost of sales)	25,705	30,860
— Other intangible assets	10,907	11,093
Depreciation of:		
— property, plant and equipment	27,770	29,417
— right-of-use assets	26,806	27,754
Loss/(gain) on disposal of property, plant and equipment	9	(66)
Loss on disposal of concession intangible assets	—	114
Write off of:		
— property, plant and equipment	4,327	—
Lease payments not included in the measurement of lease liabilities	1,033	803
Bank interest income	(262)	(1,107)
Net exchange loss	2,745	7,034
Gross rental income from investment properties less direct outgoing of approximately HK\$38,000 (six months ended 30 June 2022: HK\$40,000)	(1,806)	(231)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Loss attributable to the owners of the Company, used in the basic and diluted loss per share	(56,364)	(24,185)
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	No. of shares	No. of shares
	'000	'000

Weighted average number of ordinary shares issued Basic and diluted	2,873,610	1,915,740
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Loss per share (HK Cents): Basic and diluted	(1.96)	(1.26)
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For the six months ended 30 June 2023 and 30 June 2022, diluted loss per share equals basic loss per share as there was no dilutive potential share.

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment amounted to approximately HK\$85,460,000 (including right-of-use assets of HK\$2,489,000) (six months ended 30 June 2022: approximately HK\$33,790,000 (including right-of-use assets of HK\$Nil)), of which HK\$Nil (six months ended 30 June 2022: HK\$5,596,000) was purchased through acquisition of subsidiaries.

During the six months ended 30 June 2023, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$46,000 (six months ended 30 June 2022: approximately HK\$2,256,000), and the Group wrote off of property, plant and equipment with carrying amount of approximately HK\$4,327,000 (six months ended 30 June 2022: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Listed equity securities, measured at fair value	2,648	3,843
Unlisted fund investments, measured at fair value	11,198	30,115
	13,846	33,958
Classified as:		
Financial assets at fair value through profit or loss		
— Current	11,198	30,115
Financial assets at fair value through other comprehensive income		
— Non-current	2,648	3,843
	13,846	33,958

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Financial instruments carried at fair value

Fair value hierarchy

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

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

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

	At 30 June 2023 (Unaudited)				At 31 December 2022 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000

Recurring fair value measurements

Assets

Financial asset at fair value through other comprehensive income								
— Listed	2,648	—	—	2,648	3,843	—	—	3,843
Financial assets at fair value through profit or loss								
— Unlisted fund investments	—	—	11,198	11,198	—	—	30,115	30,115

During the six months ended 30 June 2023, there were no significant transfer between instruments levels.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Trade receivables	759,008	735,402
Less: Loss allowance	(7,724)	(8,066)
	751,284	727,336
Other receivables	97,730	100,907
Less: Loss allowance	(41,769)	(43,044)
	55,961	57,863
Loan receivables	247,746	254,375
Less: Loss allowance	(202,614)	(204,992)
	45,132	49,383
Deposits and prepayments	118,874	123,359
	971,251	957,941
Amount due within one year included under current assets	952,291	938,981
Amount due after one year included under non-current assets	18,960	18,960
	971,251	957,941

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. TRADE AND OTHER RECEIVABLES (Continued)

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Within 90 days	107,536	115,801
91 to 180 days	34,012	39,197
181 to 365 days	90,326	129,875
Over 1 year	519,410	442,463
	751,284	727,336

14. TRADE AND OTHER PAYABLES

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Within 90 days	39,432	83,724
91 to 180 days	71,329	41,362
181 to 365 days	40,706	17,786
Over 1 year	65,741	52,305
Trade payables	217,208	195,177
Other payables	228,422	308,345
Interest payables	7,873	5,672
	453,503	509,194
Amount due within one year included under current liabilities	433,221	487,823
Amount due after one year included under non-current liabilities	20,282	21,371
	453,503	509,194

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. SHARE CAPITAL

	At 30 June 2023 (Unaudited)		At 31 December 2022 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised capital:				
Ordinary shares of HK\$0.01 each at at 1 January and ordinary shares of HK\$0.50 each at 1 January	200,000,000	2,000,000	4,000,000	2,000,000
Sub-division	–	–	196,000,000	–
Ordinary shares of HK\$0.01 each at 30 June and at 31 December	200,000,000	2,000,000	200,000,000	2,000,000
Convertible preference shares of HK\$0.10 each at 1 January, at 30 June and at 31 December	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each at 1 January and ordinary shares of HK\$0.50 each at 1 January	2,873,610	28,736	1,596,540	798,270
Capital Reduction	–	–	–	(782,305)
Share capital issued under placing	–	–	319,200	3,192
Right issue share	–	–	957,870	9,579
Ordinary shares of HK\$0.01 each at 30 June 2023 and at 31 December 2022	2,873,610	28,736	2,873,610	28,736

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. CAPITAL COMMITMENTS

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Contracted but not provided for:		
— Acquisition of concession intangible assets, property, plant and equipment	5,038	5,264
	5,038	5,264

17. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. LITIGATIONS AND ARBITRATION *(Continued)*

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

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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. LITIGATIONS AND ARBITRATION *(Continued)*

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

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 29 March 2020, HKIAC has appointed a sole arbitrator for this arbitration proceedings. 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. In January 2022, Swift Surplus re-submitted the application to the Sihui City People's Court again for the resumption of 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. In January 2022, the Lenders petitioned to the Shenzhen Intermediate People's Court and the Zhaoqing Intermediate People's Court for recognition and enforcement of Hong Kong awarded arbitrations in order to collect the debt from the guarantors. But the guarantor refused to recognise the verdict of the Zhaoqing Intermediate People's Court, they filed an appeal with the Guangdong Province Higher People's Court. In June 2022, Sihui City People's Court accepted the application and adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for addition 2 years from June 2022 to June 2024. On 22 May, 2023, the Zhaoqing Intermediate People's Court and the Guangdong Higher People's Court recognised and acknowledged for enforcement in Mainland China the arbitral award of the guarantors (the "**Guarantor's Award**"). The Guangdong Province Higher People's Court issued a judgement efficacy certificate on 8 August, 2023, allowing the Company to enforce the Guarantor's Award in China. The Zhaoqing Intermediate People's Court acknowledged the enforcement of the Guarantors' Award in mainland China on 11 August, 2023. Up to the date of this report, the legal processing in PRC is still in progress. The loan receivables from Top Vision of HK\$43.60 million were fully impaired.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. 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. Finally, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. 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. On 21 June 2023, the Kunming Municipal Court held a hearing on the bankruptcy liquidation of Yunnan Chaoyue Gas upon the application of Guangzhou Hyde. Up to the date of this report, Yunnan Chaoyue Gas and 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.

(c) **New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司), New China Water (Nanjing) Carbon Company Limited* (新中水(南京)碳能有限公司), indirect non-wholly owned subsidiaries of the Company**

In October 2018, New China Water (Nanjing) Energy Company Limited (“**New China Water Energy**”), New China Water (Nanjing) Carbon Company Limited (“**New China Water Carbon**”) and Jinling Construction Group of Jiangsu Province Co. Ltd.* (江蘇省金陵建工集團有限公司) (“**Jinling Construction**”) entered into the construction contract for construction works, pursuant to which Jinling Construction became the construction contractor for Nanjing Space Big Data Industry Base which was developed by New China Water Energy and New China Water Carbon.

On 26 January 2022, Jinling Construction filed a lawsuit to Nanjing City Jiangning District People’s Court* (南京市江寧區人民法院) (the “**Jiangning Court**”) regarding the allegedly unsettled payment of construction fee by New China Water Energy and New China Water Carbon as co-defendants to Jinling Construction in the sum of approximately RMB151.59 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. LITIGATIONS AND ARBITRATION (Continued)

(c) **New China Water (Nanjing) Energy Company Limited*** (新中水(南京)能源有限公司), **New China Water (Nanjing) Carbon Company Limited*** (新中水(南京)碳能有限公司), **indirect non-wholly owned subsidiaries of the Company** (Continued)

In February 2022, despite the parties were in negotiations to reach an agreement to settle the claims, the land use rights of the property were seized by Jiangning Court for the period from 18 February 2022 to 17 February 2025. On 21 March 2022, Jiangning Court decided to refer the case to the People's Court of Xuanwu District, Nanjing City, Jiangsu Province* (江蘇省南京市玄武區人民法院) (“**Xuanwu People's Court**”) for trial. In May 2022, the parties have reached a preliminary settlement agreement. As both parties have the intention to resolve the contract dispute, Xuanwu People's Court decided to suspend the trial on 24 June 2022. Such construction debts amounted to RMB99.91 million have been recognized as other payable of the Group since the financial year ended 31 December 2021.

In August 2022, the involved parties signed the settlement agreement (the “**Settlement Agreement**”) that affirmed the unpaid construction debts of RMB99.91 million and the repayment plan. The aforementioned Settlement Agreement was submitted to the Xuanwu People's Court for the withdrawal of the relevant land use rights seizure. New China Water Energy and New China Water Carbon had fulfilled a portion of their contractual responsibilities in accordance with the Settlement Agreement. According to the Settlement Agreement, Xuanwu People's Court issued a civil mediation letter (the “**Civil Mediation Letter**”) confirming that New China Water Energy and New China Water Carbon should jointly and severally pay the outstanding construction debts in the amount of RMB89.91 million including a default claim of RMB8 million which was recognised as default claim payable. The Xuanwu People's Court subsequently removed the relevant seizure of the land use right.

In June 2023, the parties involved signed Settlement Agreement 1 (the “**Settlement Agreement 1**”) and fulfilled their obligations. The Xuanwu People's Court ruled to halt New China Water Carbon's execution. New China Water Carbon was no longer a subsidiary of the Company upon the completion of disposal in June 2023. The relevant parties signed Settlement Agreement 2 (the “**Settlement Agreement 2**”) in August 2023, and then Jinling Construction has petitioned the Xuanwu People's Court to withdraw enforcement against New China Water Energy. As of the date of this report, New China Water Energy has not fully satisfied its obligations under the Civil Mediation Letter, but partial payments have been made. The Settlement Agreement 2 is currently undergoing implementation, and the PRC legal proceeding is still ongoing.

(d) **Huizhou Swan Heng Chang Property Development Company Limited*** (惠州鴻鵠恒昌置業有限公司) **and Swan (Huizhou) Investment Company Limited*** (鴻鵠(惠州)投資有限公司), **indirect wholly-owned subsidiaries of the Company**

In January 2018, Huizhou Swan Heng Chang Property Development Company Limited* (惠州鴻鵠恒昌置業有限公司) (“**Swan Heng Chang**”) entered into the construction contract for construction works (the “**Construction Contract**”) with China Minsheng Drawin Construction Technology Group Company Limited (formerly known as China Minsheng Drawin Construction Co., Ltd) (“**CMDC**”), under which CMDC shall act as the construction contractor of the construction project of Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) developed by Swan Heng Chang. To further clarify the rights and obligations of both parties, both parties signed a supplemental agreement in January 2018 to further define the payment terms and other rights and obligations, and the contract price was agreed to be subject to actual settlement based on the actual quantities of work.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. LITIGATIONS AND ARBITRATION *(Continued)*

(d) **Huizhou Swan Heng Chang Property Development Company Limited*** (惠州鴻鵠恒昌置業有限公司) **and Swan (Huizhou) Investment Company Limited*** (鴻鵠(惠州)投資有限公司), **indirect wholly-owned subsidiaries of the Company** *(Continued)*

On 14 May 2019, Swan Heng Chang entered into the contract termination agreement with CMDC, under which the Construction Contract and the supplemental agreement were agreed to terminate. On 1 August 2019, both parties signed the settlement agreement, which determined the final settlement amount of RMB82.51 million.

In September 2020, CMDC filed a lawsuit with the Huicheng District People's Court of Huizhou City against Swan Heng Chang and its shareholder of Swan (Huizhou) Investment Company Limited* (鴻鵠(惠州)投資有限公司) ("**Swan Investment**") as co-defendants, requesting Swan Heng Chang to settle the construction payment and demanding Swan Investment to bear joint and several liabilities. The court heard the case on 6 January 2021.

On 14 April 2021, under the mediation of the court, Swan Heng Chang reached a settlement agreement with CMDC, under which the court issued a civil mediation order, which confirmed that the total amount payable by Swan Heng Chang to CMDC was RMB28.42 million and that Swan Investment was jointly and severally liable for the settlement of the debt. Such construction debts amounted to RMB28.42 million have been recognised as trade payable of the Group since the financial year ended 31 December 2020.

On 3 December 2021, Swan Heng Chang and Swan Investment were served by the court as defendants subject to enforcement for failing to fulfill their obligations under the civil mediation order. On 10 March 2022, upon application by CMDC, the land use right legally owned by Swan Heng Chang was seized by the Huizhou Court for the period from 10 March 2022 to 9 March 2025. Up to the date of this report, the parties are negotiating the settlement agreement and the relevant legal proceeding is still in process.

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

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 and the unsettled construction debts has been recorded in the trade and other payables to reflect the total liabilities of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

(a) Details of the balances with related party

In addition to those related party balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material related party transactions, which also included connected transactions under the Listing Rules as at the six months ended:

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Loans payable to an related party (note (i))	86,000	70,000
Loans payable to an related party (note (ii))	17,000	17,000
Leases liabilities to an related party (note (v))	1,848	2,283
Other payable to an related party (note (vi))	–	1,018
Other payable to an related party (note (vii))	3,000	–

(b) Related party transactions

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

Name of related party	Relationship	Nature of transaction	Six months ended 30 June	
			2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Kingston Finance Limited	note (i)	Interest expenses of loan financing	5,328	11,885
Excellent Point Asia Limited	note (ii)	Interest expenses of loan financing	1,180	1,627
Kingston Corporate Finance Limited	note (iii)	Advisory fee of corporate finance services	200	482
Kingston Securities Limited	note (iv)	Placing commission of placing agency service	–	1,995
Star Wing International Limited	note (v)	Lease payment	483	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

- (i) Kingston Finance Limited (the “**Lender I**”) 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, China Water Industry (HK) Limited (the “**Borrower I**”), a wholly-owned subsidiary of the Company entered into a loan agreement with the Lender I for HK\$80,000,000 (the “**Loan A**”), 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. Such loan transaction was one-off and non-revolving in nature. The interest expenses in respect of Loan A was paid to the Lender I pursuant to the terms stipulated in the loan agreement entered into with the Lender I in March 2021, prior to Mrs. Chu and the Lender I becoming connected persons of the Company. The Company considered that as of the date of execution of this loan agreement in March 2021 did not constitute connected party transaction of the Company. Subsequent to the interim period of 30 June 2023 (the “**Interim Period**”), partial repayment of HK\$20,000,000 in respect of the principal of the Loan A had been made. As at 30 June 2023, the remaining principal balance of HK\$70,000,000 in respect of Loan A was mutually agreed to be repayable on demand.

On 7 June 2023, the Borrower I entered into a loan agreement with the Lender I for HK\$16,000,000 (the “**Loan B**”) at an interest rate of 12% per annum and repayable within three months. The drawdown date for Loan B was on 7 June 2023. Loan B was secured by the corporate guarantee provided by the Company and a wholly-owned subsidiary of the Company. The entering into the loan agreement in respect of Loan B constituted connected transaction of the Company as defined under Chapter 14A of the Listing Rules. However, given Loan B 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 B was fully exempt under Rule 14A.90 of the Listing Rules. Subsequent to the Interim Period, Loan B was fully settled.

- (ii) On 24 January 2022, the Company (the “**Borrower II**”), entered into a loan agreement with Excellent Point Asia Limited (the “**Lender II**” or the “**Excellent Point**”) for HK\$33,000,000 (the “**Loan C**”) , interest-bearing at a rate of 15% per annum and repayable within one year. On 24 May 2022, the Borrower II entered into a loan agreement with the Lender II for HK\$5,000,000 (the “**Loan D**”) at an interest rate of 12% per annum and repayable within one year. In addition, on 22 December 2022, the Borrower II entered into a loan agreement with the Lender II for HK\$4,000,000 (the “**Loan E**”) at an interest rate of 12% per annum and repayable within one year. Loan C, Loan D and Loan E were unsecured and unguaranteed. As at 30 June 2023, the remaining principal balance of Loan C, Loan D and Loan E in aggregate of HK\$17,000,000 were mutually agreed to be repayable on demand. Subsequent to the Interim Period, partial repayment of HK\$5,000,000 in respect of the principal of the Loan C had been made. Lender II is wholly-owned by Mr. Zhu Yongjun (“**Mr. Zhu**”). Mr. Zhu is the Chairman and an Executive Director of the Company. The Lender II is an associate of Mr. Zhu (as defined in the Listing Rules) and thus became a connected person of the Company, the entering into the loan agreements in respect of Loan C, Loan D and Loan E constituted connected transactions of the Company as defined under Chapter 14A of the Listing Rules. However, given Loan C, Loan D and Loan E were 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, Loan D and Loan E were fully exempt under Rule 14A.90 of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

- (iii) For the First Half 2023, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was approximately HK\$200,000 (First Half 2022: HK\$482,000). Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited.
- (iv) For the First Half 2022, the placing commission incurred for the provision of placing agency services by Kingston Securities Limited was approximately HK\$1,995,000. Kingston Securities Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited.
- (v) On 26 August 2022, South Top Investment Limited, a wholly-owned subsidiary of the Company as the tenant, entered into a tenancy agreement (the "**Tenancy Agreement**") with Star Wing International Limited (the "**Landlord**") for leasing Office H, 8/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong (the "**Premise**"), for a term of three years with commencement of 2 months rent free renovation period from 20 July 2022. The Premises upon completion of renovation has been used as the principal office of the Group in Hong Kong. The Landlord is wholly-owned by Mrs. Chu. For the First Half 2023, lease payment of approximately HK\$483,000 has been made.
- (vi) The Company engaged ISP Interiors Limited to carry out the fitting-out and interior work at the Premise (the "**Engagement**"). The fee for the Engagement was HK\$1.37 million. ISP Interiors Limited (the "**ISP interiors**") is a wholly-owned subsidiary of ISP Holdings Limited (stock code: 2340) (the "**ISP**") which is listed on the Main Board of the Stock Exchange. Champ Key Holdings Limited (the "**Champ Key**") is a controlling shareholder of ISP. Champ Key is wholly-owned by Mrs. Chu.
- (vii) During the Interim Period, Excellent Point had advanced HK\$3,000,000 (the "**Advance**") to the Company at interest free, unsecured and repayable on demand. Subsequent to the Interim Period, the Company had settled the advance in full.

(c) Compensation of key management personnel

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	4,680	5,336
Post-employment benefits	181	253
	4,861	5,589

19. EVENT AFTER THE END OF THE INTERIM PERIOD

Details of events after the end of the Interim Period are set out in the section of Material Events During/After the Period Under Review.

FINANCIAL REVIEW

Net loss for the Interim Period

Net loss for the six months ended 30 June 2023 (the “**First Half 2023**” or the “**Interim Period**”) was approximately HK\$37.77 million, representing a decrease of 707.87% from net profit of HK\$6.21 million for the six months ended 30 June 2022 (the “**First Half 2022**”). Loss attributable to owners of the Company for the First Half 2023 was HK\$56.36 million (First Half 2022: loss of HK\$24.19 million).

Comparing with the First Half 2022, the downturn from profit to loss was mainly attributable to, among others, net impact of the following factors: (i) the reduction in gross profit derived from the renewable energy businesses as a result of the decrease in the volume of on-grid electricity; (ii) the decrease in gross profit derived from the water supply related installation, construction and infrastructure business as a result of less engineering and construction contracts awarded; and (iii) the absence of contribution from Linyi Fenghuang Water Industry Co., Ltd. (the “**Linyi Fenghuang**”) upon the completion of disposal in October 2022 (the “**Disposal of Linyi Fenghuang**”). The effects of the aforesaid facts were partially offset by the decrease in finance costs as a result of the decrease in interest-bearing borrowings, taxation and gain on disposal of subsidiary.

Revenue and gross profit

During the Interim Period, 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.

Linyi Fenghuang is mainly engaged in the provision of water supply services and the related installation and construction services. Following the completion of the Disposal of Linyi Fenghuang in October 2022, the Group has further scaled down the water supply business, but there is no change to the principal business of the Group. The Group has continued to carry out its existing businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance analysis of the Group as follows:

	First Half 2023 The Group HK\$'000	First Half 2022 The Group HK\$'000	First Half 2023 VS First Half 2022 The Group HK\$'000
Revenue	385,769	576,399	(190,630)
Gross profit	111,382	181,601	(70,219)
Gross profit margin	28.87%	31.51%	(2.64%)
(Loss)/profit after taxation	(37,773)	6,214	(43,987)
Attributable to:			
— owners of the Company	(56,364)	(24,185)	(32,179)
— non-controlling interests	18,591	30,399	(11,808)
	(37,773)	6,214	(43,987)

The Group's revenue dropped by HK\$190.63 million from HK\$576.40 million for the First Half 2022 to HK\$385.77 million for the First Half 2023. The decline in business performance was mainly due to (i) the Disposal of Linyi Fenghuang; (ii) several large scale projects relating to the water supply business being completed construction in the First Half 2022 and less construction activities in the same business in the First Half 2023; (iii) the continue decrease in new garbage delivered to certain landfill sites which caused the volume of on-grid electricity to reduce; (iv) less service contracts from collection of landfill gas awarded; and (v) the depreciation of RMB against HK\$, which was partially offset by the increase in the water supply volume and the increase in sale of compressed natural gas (the "CNG") products.

During the Interim Period, the renewable energy business segment became the principal source of the Group's revenue which contributed HK\$171.11 million (First Half 2022: HK\$240.88 million). Construction services business segment became the second largest revenue generator of the Group which achieved a revenue of HK\$112.59 million (First Half 2022: HK\$220.26 million).

The Group's gross profit fell by HK\$70.22 million from HK\$181.60 million for the First Half 2022 to HK\$111.38 million for the First Half 2023 as a result of the decline in business performance from the renewable energy business and construction service for water supply business.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	First Half 2023 The Group HK\$'000	First Half 2022 The Group HK\$'000	First Half 2023 VS First Half 2022 The Group HK\$'000
Other income, net	13,423	14,969	(1,546)
Selling and distribution expenses	21,695	20,692	1,003
Administrative expenses	101,504	106,371	(4,867)
Total expenses	123,199	127,063	(3,864)
Share of (loss)/profit			
— associates	(464)	(206)	(258)
— joint ventures	363	402	(39)
Finance costs	25,073	37,669	(12,596)
Taxation	10,331	19,155	(8,824)

Other income, net

For the First Half 2023, the Group's other income, net amounting to HK\$13.42 million mainly consisted of income generated from VAT refund of HK\$12.02 million, government grants of HK\$3.28 million, consultancy fee income of HK\$2.91 million, rental income of HK\$1.84 million from investment properties, net service income of HK\$1.52 million from the operation of landfill gas project and interest income HK\$0.78 million after the deduction of write off of equipment of HK\$4.33 million and sundry expenses of HK\$4.60 million. Compared with the First Half 2022, the Group's other income, net down by HK\$1.55 million to HK\$13.42 million mainly due to the increase in consultancy fee income, government grants and rental income received from Nanjing Property Project which was partially offset by write off of equipment and the Disposal of Linyi Fenghuang (First Half 2022: HK\$14.97 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses and administrative expenses

For the First Half 2023, selling and distribution expenses together with administrative expenses (“**Total Expenses**”) of the Group collectively decreased by HK\$3.86 million to HK\$123.20 million (First Half 2022: HK\$127.06 million) due to the Disposal of Linyi Fenghuang. Total Expenses of the Group mainly consisted of staff costs including social insurance of HK\$70.35 million, legal and professional fee including audit fee of HK\$7.43 million, repair and maintenance of HK\$5.96 million and depreciation including amortization of HK\$11.60 million. Total Expenses of the Group accounted for 31.94% of the total revenue of the Group, which was comparable to First Half 2022 of the Group of 22.04%.

Finance costs

For the First Half 2023, the finance costs for the Group were HK\$25.07 million, a decrease of HK\$12.60 million as compared to that of last year corresponding period (First Half 2022: HK\$37.67 million). The decrease was mainly attributable to (a) the partial repayment of fixed coupon bonds and other loans; and (b) borrowing a new other loan at a lower interest rate to repay loans at a high interest rate, resulting in a decrease in average borrowing interest rate in the First Half 2023 as compared with the same period last year.

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

For the First Half 2023, net gain on financial assets at fair value through profit or loss (“**FVPL**”) of the Group amounted to HK\$0.40 million, rose by HK\$0.52 million from the loss of HK\$0.12 million for the First Half 2022 of the Group. Included in net gain on FVPL was mainly including dividend income received and realized gain on disposal of unlisted investment in the PRC.

Net impairment loss recognised on trade and other receivable

For the First Half 2023, the Group recorded an allowance for expected credit loss (the “**ECL**”) of HK\$7.29 million (the “**Impairment Loss**”), which consists of HK\$4.37 million for loan and interest receivables, HK\$1.06 million for other receivables and HK\$1.86 million for the deposits and prepayments (First Half 2022: HK\$5.39 million). The reasons of the Impairment Loss were mainly due to slowdown in repayment of loan and no refund for the cancellation of pre-ordered equipment, as it will not be used for production anymore. Based on the evaluation of collectability and ageing analysis of trade and other receivable as well as certain of forward-looking factors, the Group applied different ECL rates to different classes of receivables according to their respective risk characteristics and business nature.

Share of results from associates

For the First Half 2023, the Group shared of loss from Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (the “**Ziyang Oasis**”) (資陽市綠州新中水環保科技有限公司) amounted to HK\$0.46 million (First Half 2022: loss of HK\$0.21 million). As at 30 June 2023, the Group has three associated companies including 49% equity interests in Ziyang Oasis, 33% equity interests in Shandong Land Group (Chengwu) Bole Ecological Agriculture Co., Ltd.* (山東土地集團(成武)伯樂生態農業有限公司) and 35% equity interests in Jiangxi Kangyue Water Purification Co., Ltd.* (江西康月淨水有限公司).

Share of results from joint venture companies

For the First Half 2023, the Group shared the profit from joint venture companies of HK\$0.36 million (First Half 2022: profit of HK\$0.40 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 30 June 2023, the Group has held 65% equity interests in Yichun Mingyue Mountain.

Gain on disposal of a subsidiary

For the First Half 2023, the Group recorded a gain of HK\$3.02 million from the disposal of New China Water Carbon. The sale and purchase agreement for the aforesaid disposal was entered into in June 2018. Owing to the COVID-19 pandemic in 2021 and 2022, 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 disposal was completed in June 2023.

Income tax

For the First Half 2023, the Group of tax recorded HK\$10.33 million (First Half 2022: HK\$19.16 million), the decrease of HK\$8.83 million was in line with the decrease in profits of the Group and the Disposal of Linyi Fenghuang. 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 Interim Period, certain renewable energy companies in PRC are still subject to tax concessions under the relevant tax rules and regulation.

Exposure to Fluctuations in Exchange Rates

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

TREASURY MANAGEMENT

During the Interim Period, there had been no material change in the Group’s funding and treasury policies. The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group’s liquidity position to ensure that the Group can meet its funding requirements for business development and the repayment of financial liabilities when due. The Group generally finances its business operations and capital expenditure with internally generated cash flow, bank facilities and other borrowings. To support medium to long term funding requirements, the Group also considers via accessing to funding from capital markets, subject to market conditions. On the other hands, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The Group’s financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining substantial long term funding sources, with diversifying term structures and funding instruments. In anticipating new investments or maturity of bank and other borrowings, the Group will consider new financing while maintaining an appropriate level of gearing.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

As at 30 June 2023, the Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Group recorded a cash and cash equivalents balance of HK\$91.42 million (As at 31 December 2022: HK\$184.45 million) including cash held at financial institutions of HK\$0.60 million and pledged bank deposits of HK\$15.97 million (As at 31 December 2022: HK\$0.60 million for cash held at financial institutions and HK\$Nil for pledged bank deposits). The decrease of HK\$93.03 million was mainly due to repayment of debts, deposit paid for the acquisition of minority equity interest in New China Water Nanjing, further investment in the renewable energy business and slowdown in payment of sewage treatment fees and water tariff by the relevant local governments in China. With the steady operating cash flows, the Group is expected to have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HK\$ and RMB.

The net current assets for the Group at 30 June 2023 were HK\$260.35 million (As at 31 December 2022: HK\$319.85 million). The current ratio of the Group (current assets over current liabilities) was 1.27 times as at 30 June 2023 (As at 31 December 2022: 1.31 times).

As at 30 June 2023, net asset value of the Group amounted to HK\$1,792.77 million (As at 31 December 2022: HK\$1,902.42 million). Net asset value of the Group per share was HK\$0.62 as at 30 June 2023 (As at 31 December 2022: HK\$0.66).

As at 30 June 2023, the Group's consolidated total assets (including both current and non-current) decreased by HK\$199.43 million to HK\$3,264.08 million (As at 31 December 2022: HK\$3,463.51 million). The decrease was primarily the net result of the disposal of New China Water Carbon, the decrease of bank and cash balance and the depreciation of RMB against HK\$.

CAPITAL EXPENDITURES

During the Interim Period, the Group incurred capital expenditures amounting to HK\$21.03 million (First Half 2022: HK\$53.55 million) for acquisition of concession intangible assets.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

As at 30 June 2023, the Group held the following investment properties for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	The Group's interest (%)	
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	96.00	Long	100%	51%
3	Gas station on South Huancheng Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Factory	170.00	Long	100%	51%
Nanjing Property Project						
	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Commercial	17,808.23	Long	52.00%	96.13%
			18,630.38			

As at 30 June 2023, the carrying value of Yichun Properties and Nanjing Property Project recorded HK\$207.02 million (As at 31 December 2022: HK\$213.68 million). Slightly decrease in investment properties by HK\$6.66 million was due to depreciation of RMB against HK\$. As at 30 June 2023, the Group had a total gross floor area of 18,630.38 square meters (As at 31 December 2022: total gross floor area of 18,688.15 square meters). For the First Half 2023, the gross rental income of the Group after deducting the related outgoings amounted to HK\$1.81 million which increased by 686.96% compared with the First Half 2022 (First Half 2022: HK\$0.23 million). Substantial increase in rental income was because Nanjing Property Project commenced to lease the office buildings in second half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORIES

As at 30 June 2023, the inventories of the Group recorded HK\$54.80 million which comprised of raw material and work-in-progress (As at 31 December 2022: HK\$67.06 million), decreased by HK\$12.26 million mainly because construction projects in Yichun being completed and the related inventories recognized as cost of sales in the corresponding period.

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 30 June 2023, the fair value of securities investments of the Group including held-for-trading investment and held-for-long term investment recorded HK\$13.85 million (As at 31 December 2022: HK\$33.96 million) representing 0.42% of the total assets value of HK\$3,264.08 million as at 30 June 2023. The securities investments of the Group comprised listed securities in Hong Kong and investment fund in the PRC. The following analysis was the Group's investments at the end of reporting period:

MANAGEMENT DISCUSSION AND ANALYSIS

List of stocks in terms of market value as at 30 June 2023

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2023	No. of issued ordinary share as at 30 June 2023	Effective interest held as at 30 June 2023	Initial investment cost HK\$'000	Market value as at 30 June 2023 HK\$'000	Realised gain for the period ended 30 June 2023 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Dividend received/receivable during the period HK\$'000	Classification
China Best Group Holding Ltd	370	Trading of electronic product, building construction contracting business, project management service, centralised heating business and money lending business	6,208,000	1,525,284,939	0.41%	5,157	1,645	–	(3,512)	–	FVOCI
Wisdom Wealth Resources Investment Holding Group Limited	7	Sales of electronic products and equipment, exploration and production of mineral, oil and gas, financial business and property investment	–	3,160,140,697	0.00%	–	–	–	–	–	FVPL
Fy Financial (Shenzhen) Co., Ltd. — H Shares	8452	Provision of financial leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC and leasing of 5G base station and energy storage business	844,000	89,840,000	0.94%	988	359	–	(630)	–	FVOCI
China Tangshang Holdings Limited	674	Money lending business, property sub-leasing and investment business and property development business	3,580,000	3,428,466,570	0.12%	908	644	–	(263)	–	FVOCI
Future Bright Mining Holdings Ltd	2212	Production and sale of marble and marble related products; and trading of commodities	–	877,716,000	0.00%	–	–	–	–	–	FVPL
Chinese Energy Holdings Limited (Note 2)	8009	General trading (including market sourcing of technical and electronic products); trading of LNG products; money lending and investment in financial assets	250	58,900,537	0.00%	2	–	–	(2)	–	FVPL
Sub-total							2,648	–	(4,407)	–	
Name of unlisted investment	Brief description of the business										
Guangdong Finance Industry Strategic Fund* (Note 1)		Investment in unlisted equity	N/A		N/A	10,222	11,198	–	976	32	FVPL
Fuzhou Qingyu New Energy Equity Investment Partnership (Limited Partnership)*		Investment in unlisted equity	N/A		N/A	–	–	365	–	–	FVPL
Sub-total							11,198	365	976	32	
Total							13,846	365	(3,431)	32	

MANAGEMENT DISCUSSION AND ANALYSIS

Note 1: The functional currency of the investment is RMB. The initial investment cost is RMB9,424,000 (equivalent to HK\$10,222,000). The market value as at 30 June 2023 is RMB10,324,000 (equivalent to HK\$11,198,000).

Note 2: Chinese Energy Holdings Limited has been suspended its trading in shares since 15 July 2022.

FVPL: Financial assets at fair value through profit or loss

FVOCI: Financial asset at fair value through other comprehensive income

For the First Half 2023, the Group recorded a net gain of HK\$0.40 million on FVPL (First Half 2022: loss of HK\$0.12 million). During the Interim Period, amid the ongoing geopolitical and economic tensions, the global economic recovery was characterised by uncertainty, the Board has planned to scale down the short-term investment in equity trading and manage the investment portfolio in accordance with the Group'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 as to balance investment risks of the Group.

TRADE AND OTHER RECEIVABLES

As at 30 June 2023, the Group's trade and other receivables, net of loss allowance were approximately HK\$971.25 million (As at 31 December 2022: HK\$957.94 million). These comprised of: (i) net trade receivables of HK\$751.28 million, (ii) net other receivables of HK\$55.96 million, (iii) net loan receivables of HK\$45.13 million and (iv) net deposits and prepayments of HK\$118.88 million.

(A) Trade Receivable

As at 30 June 2023, trade receivables, net of loss allowance of the Group increased by HK\$23.94 million to HK\$751.28 million (As at 31 December 2022: HK\$727.34 million) which was primarily attributable to the addition government on-grid tariff subsidies and slowdown in payment of water supply tariff and sewage treatment fees which was partially offset by the depreciation of exchange rate of RMB and the settlement of property considerations by customers.

- (i) The net trade receivable from the renewable energy business of HK\$641.05 million divided into: (i) the government on-grid tariff subsidies receivable were amounted to HK\$618.07 million (As at 31 December 2022: HK\$587.42 million) and (ii) the electricity sales receivable from local grid companies was HK\$22.98 million (As at 31 December 2022: HK\$25.28 million), which in aggregate accounted for 85.33% of trade receivables of the Group. The above-mentioned tariff subsidies receivables will be settled in accordance with the prevailing government payment policies including (i) 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 January 2020 which jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration; and (ii) Caijian [2020] No. 70 Notice on Accelerating the Review of the List of Renewable Energy Power Generation Subsidy Projects (加快推進可再生能源發電補貼項目清單審核有關工作的通知) published by Ministry of Finance in November 2020 and the prevalent payment trends of Ministry of Finance of the PRC. There were no pre-determined due date for settlement of the tariff subsidies. The trade receivables from renewable energy business were considered as fully recoverable given there were no bad debt experiences with the local grid companies in the past and the above-mentioned tariff subsidies were provided by the relevant PRC government authorities. During the Interim Period, the management has reassessed the credit risk based on the historical settlement records, the ageing of the tariff subsidies receivables and taking into account prevailing economic conditions as at 30 June 2023, the Group considered the default risk for such balances to be insignificant and the expected credit loss to be minimal. In light of this, no impairment loss on trade receivable relating to the renewable energy business was provided (First Half 2022: HK\$Nil).
- (ii) The net trade receivable balances from the water supply and the sewage treatment and the related construction services were amounted to HK\$82.51 million (As at 31 December 2022: HK\$73.78 million), representing 10.98% of trade receivables of the Group. The increase of HK\$8.73 million was mainly due to the slowdown in payment of water supply tariff by households and sewage treatment fees by related local PRC government. Generally, trade receivables would be written off if the Group is of the view that the recovery of the amount is remote. In view of historical repayment record, the Group considered the default risk for such balances to be insignificant and, the ECL to be minimal. During the Interim Period, no impairment loss was recognized on these trade receivable (First Half 2022: HK\$Nil).

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- (iii) The net trade receivable balances from the sale of completed properties recorded HK\$19.64 million (As at 31 December 2022: HK\$34.14 million), representing 2.61% of trade receivables of the Group. The decrease of HK\$14.50 million was mainly due to customers used the mortgage to settle the considerations. Considerations in respect of the completed properties sold in Nanjing Property Project are payable by the purchasers in accordance with the terms of the related sale and purchase agreements. In second half of 2022, the properties sale were handed over to customers. Those receivable balances are pending for completing their mortgage procedures. The Group considered the default risk for such balances to be insignificant. Accordingly, no impairment loss on this segment was provided for the First Half 2023 (First Half 2022: HK\$Nil).

(B) Other receivable

As at 30 June 2023, other receivables, net of loss allowance of the Group dropped by HK\$1.90 million to HK\$55.96 million (As at 31 December 2022: HK\$57.86 million) primarily owing to depreciation of exchange rate of RMB and the decrease in the sale of equipment. The net other receivables represented mainly tax recoverable, the sale proceeds of equipment, income receivable from the sludge treatment project and technical consultancy fees.

During the period under review, other 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. For the First Half 2023, the impairment allowance of HK\$1.06 million was recognized (First Half 2022: HK\$0.74 million).

(C) Loan receivable

As at 30 June 2023, loans receivables, net of loss allowance of the Group decreased by HK\$4.25 million to HK\$45.13 million mainly due to the depreciation of exchange rate of RMB (As at 31 December 2022: HK\$49.38 million). The net loans receivables mainly comprised of loans to independent private companies in the PRC. The loans are interest-bearing at rates ranging from 4% to 24% per annum and with maturities ranging from 1 month to 36 months. None of the borrowers has pledged any his/its assets to the Group to secure the loans. The Group has obtained the personal guarantee provided by the respective guarantors as a security for certain loans.

During the Interim Period, the Group has focused on examining the existing loan portfolio of the Group and recovering the outstanding loans, as well as initialing legal actions against those overdue and/or default of borrowings on a case-by-case basis by the decision of the management of the Company. In view of the above, the impairment loss recognized on loan receivable was amounted to HK\$4.37 million (First Half 2022: HK\$1.72 million).

(D) Deposits and prepayments

As at 30 June 2023, deposits and prepayments, net of loss allowance of the Group recorded HK\$118.88 million (As at 31 December 2022: HK\$123.36 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 enhance business cooperation and relationship with the respective parties given the Group has been exploring business opportunities with them. During the Interim Period, the impairment loss recognised on deposits and prepayments was amounted to HK\$1.86 million (First Half 2022: HK\$2.93 million).

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LIABILITIES AND GEARING

As at 30 June 2023, the Group's total liabilities (including both current and non-current) recorded HK\$1,471.31 million (As at 31 December 2022: HK\$1,561.09 million). The reduction was due to the repayment of debts and settled the construction payable. Except for the issuance of bonds and non-financial institution loan denominated in HK\$, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 30 June 2023 was 45.08% (As at 31 December 2022: 45.07%). The ratio was calculated by dividing total liabilities of the Group of HK\$1,471.31 million (As at 31 December 2022: HK\$1,561.09 million) over total assets of the Group of HK\$3,264.08 million (As at 31 December 2022: HK\$3,463.51 million).

As at 30 June 2023, the Group's total bank and other borrowings were HK\$466.25 million (As at 31 December 2022: HK\$485.38 million). For the maturity profile, refer to the table below:

Debt Analysis

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	HK\$'000	%	HK\$'000	%
Classified by maturity				
— Repayable within one year				
Bank borrowings	56,916	12.21	60,602	12.49
Other loans	193,954	41.60	184,519	38.02
	250,870	53.81	245,121	50.51
Classified by maturity				
— Repayable more than one year				
Bank borrowings	198,510	42.57	223,755	46.09
Other loans	16,867	3.62	16,506	3.40
	215,377	46.19	240,261	49.49
Total bank and other borrowings	466,247	100.00	485,382	100.00
Classified by type of loans				
Secured	341,425	73.23	343,162	70.70
Unsecured	124,822	26.77	142,220	29.30
	466,247	100.00	485,382	100.00
Classified by type of interest				
Fixed rate	351,844	75.46	361,330	74.44
Variable-rate	91,340	19.59	100,436	20.69
Interest free rate	23,063	4.95	23,616	4.87
	466,247	100.00	485,382	100.00

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OTHER LOANS

1. Issuance of bonds through the placing agent

On 18 January 2018, the Company entered into a placing agreement with Prior Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent 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\$100.00 million (“**Bond**”). On 17 January 2020, the Company has completed to issue the Bond to the placees in an aggregate principal amount of HK\$20.00 million. As at 30 June 2023, the outstanding Bond amounted to HK\$16.81 million and was classified as an other loan (As at 31 December 2022: HK\$16.45 million).

2. Loans from related companies

As at 30 June 2023, loans from related companies recorded of HK\$103.00 million (As at 31 December 2022: HK\$87.00 million). Details for loans from related companies are set out in note 18(a) to the consolidated financial statement.

As at 30 June 2023, Bond and loans from related companies recorded in aggregate of HK\$119.81 million, representing of 56.83% of the other loans, which were utilized as general working capital, repayment of debts and/or acquisition activities.

TRADE AND OTHER PAYABLES

As at 30 June 2023, the Group’s trade and other payables were approximately HK\$453.50 million (As at 31 December 2022: HK\$509.19 million). The decrease in trade and other payables of HK\$55.69 million was mainly due to the depreciation of RMB against HK\$ and settled partial outstanding construction liabilities relating to Nanjing Property Project. The credit terms of trade payables vary according to the terms agreed with different suppliers.

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BUSINESS REVIEW

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

	Revenue				Gross Profit (GP)						First Half 2023 VS First Half 2022 Increase/(Decrease)		
	For the six months ended 30 June				For the six months ended 30 June						Revenue HK\$M	Gross Profit HK\$M	GP Margin %
	HK\$'M 2023	% to the total	HK\$'M 2022	% to the total	HK\$'M 2023	% to the total	% GP margin	HK\$'M 2022	% to the total	% GP margin			
Water supply business	58.67	15.21	72.08	12.51	23.49	21.09	40.04	15.85	8.73	21.99	(13.41)	7.64	18.05
Sewage treatment business	43.40	11.25	43.18	7.49	16.70	14.99	38.48	13.42	7.39	31.08	0.22	3.28	7.40
Construction service business	112.59	29.18	220.26	38.21	41.94	37.66	37.25	70.17	38.64	31.86	(107.67)	(28.23)	5.39
Sub-total	214.66	55.64	335.52	58.21	82.13	73.74	38.26	99.44	54.76	29.64	(120.86)	(17.31)	8.62
Exploitation and sale of renewable energy business	171.11	44.36	240.88	41.79	29.35	26.35	17.15	82.16	45.24	34.11	(69.77)	(52.81)	(16.96)
Property Development	-	-	-	-	(0.10)	(0.09)	-	-	-	-	-	(0.10)	-
Total	385.77	100.00	576.40	100.00	111.38	100.00	28.87	181.60	100.00	31.51	(190.63)	(70.22)	(2.64)

1.1. Water supply business

Upon completion of the Disposal of Linyi Fenghuang in 2022, the Group has only one city water supply project which is located in Jiangxi province, the PRC. The daily aggregate water supply capacity of the Group was approximately 0.26 million tonne (First Half 2022: 0.31 million tonne). Total water supply to the Jiangxi during the Interim Period recorded 32.60 million tonne (First Half 2022: 35.24 million tonne including 6.04 million tonne from Linyi Fenghuang), decrease by 7.49% over the last corresponding period. For the First Half 2023, the revenue and gross profit of the Group from water supply business amounted to HK\$58.67 million and HK\$23.49 million respectively, representing 15.21% and 21.09% of the Group's total revenue and total gross profit respectively. Compared with the First Half 2022, the revenue of the Group recorded a decrease of HK\$13.41 million but the gross profit of the Group recorded an increase of HK\$7.64 million. The decrease in revenue was mainly due to the Disposal of Linyi Fenghuang even though the completion of expansion of water supply plant in Yichun Water project resulted in an enhancement of the water supply volume. On the other hand, the reason for the slight increase in gross profit was the decrease in the cost of raw water in the Yichun Water project. The average rates for the water supply of the Group was HK\$1.72 per tonne (First Half 2022: from HK\$1.87 to HK\$2.51 per tonne).

MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2023	2022	Variance
Water Supply Business				
Revenue	HK\$'million	58.67	72.08	(13.41)
Gross profit	HK\$'million	23.49	15.85	7.64
Gross profit %	%	40.04	21.99	18.05
Designed daily capacity of water supply	Tonne	260,000	310,000	(50,000)

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)
Yichun Water	51	260,000	Jiangxi	2034

1.2 Sewage treatment business

As at 30 June 2023, the Group has five sewage treatment projects which are located in Jiangxi, Guangdong and Shandong provinces (First Half 2022: five projects) and the daily aggregate sewage disposal capacity was approximately 240,000 tonne (First Half 2022: 240,000 tonne). For the First Half 2023, the revenue and gross profit of the Group were amounted to HK\$43.40 million and HK\$16.70 million respectively, representing 11.25% and 14.99% of the Group's total revenue and total gross profit respectively. During the Interim Period, the Group processed in aggregate of 37.92 million tonne of waste water (First Half 2022: 35.89 million tonne), represented an increase of 5.66% over the last corresponding period. Compared with the First Half 2022, the revenue and gross profit of the Group increased by HK\$0.22 million and HK\$3.28 million. The rise in revenue was attributable to the increase of waste water processing volume. The increase in gross profit was mainly due to the decrease in treatment chemical costs. The average rates for sewage treatment of the Group ranged from HK\$0.97 to HK\$1.41 per tonne (First Half 2022: HK\$1.02 to HK\$1.50 per tonne).

MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2023	2022	Variance
Sewage Treatment Business				
Revenue	HK\$'million	43.40	43.18	0.22
Gross profit	HK\$'million	16.70	13.42	3.28
Gross profit %	%	38.48	31.08	7.40
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 Haiyuan Water	70	30,000	Shandong	2036
2 Haisheng Water	100	30,000	Shandong	2049
3 Gaoming Huaxin	70	20,000	Guangdong	2033
4 Yichun Fangke	54.33	140,000	Jiangxi	2036
5 Yichun Mingyue Mountain	65	20,000	Jiangxi	2047
Total		240,000		

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Group's second major sources of revenue and gross profit contributing HK\$112.59 million and HK\$41.94 million respectively, representing 29.18% and 37.66% of the Group's total revenue and total gross profit respectively. Compared with the First Half 2022, the revenue and gross profit of the Group decreased by HK\$107.67 million and HK\$28.23 million due to (i) the Disposal of Linyi Fenghuang; and (ii) several large scale projects relating to the water supply business being completed construction in the First Half 2022 and less construction activities in the First Half 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2023	2022	Variance
Water supply related installation and construction business				
Revenue	HK\$'million	93.77	150.65	(56.88)
Gross profit	HK\$'million	43.80	69.14	(25.34)
Gross profit %	%	46.71	45.89	0.82
Water supply and sewage treatment infrastructure construction business				
Revenue	HK\$'million	18.82	69.61	(50.79)
Gross (loss)/profit	HK\$'million	(1.86)	1.03	(2.89)
Gross (loss)/profit %	%	(9.88)	1.48	(11.36)
Total				
Revenue	HK\$'million	112.59	220.26	(107.67)
Gross profit	HK\$'million	41.94	70.17	(28.23)
Gross profit %	%	37.25	31.86	5.39

1.4 Exploitation and sale of renewable energy business

Up to the date of this report, the Group has 52 solid waste treatment projects, of which 39 have commenced operation with a total installed capacity of 162.16 MW, the remaining 13 are under construction, with an estimated total installed capacity of 12.50 MW. Up to the date of this report, the Group secured 7 new projects in Boli, Shandong Chengwu, Xingcheng, Dashiqiao, Longnan, Yunyang and Jianping with an estimated total installed capacity is 6.00 MW.

For the First Half 2023, the revenue and gross profit of the Group recorded HK\$171.11 million and HK\$29.35 million respectively representing 44.36% and 26.35% to the Group's total revenue and total gross profit respectively. Compared with the First Half 2022, the revenue and gross profit of the Group decreased by HK\$69.77 million and HK\$52.81 million respectively.

The decline in business performance was because (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; (ii) new projects are not yet put into operation; and (iii) operating costs continued to increase. During the Interim Period, the Group had 38 projects in operation (First Half 2022: 39 projects), generating approximately 254,653.80 MWh of on-grid electricity which represented a decrease of 24.66% over the same period of 2022 (First Half 2022: 337,993.40MWh). As at 30 June 2023, the Group accumulated a total installed capacity of 174.66 MW, representing an decrease of 0.39% compared to the First Half 2022 (As at 30 June 2022: 175.35 MW). The average electricity rate of the Group was HK\$0.57 per kilowatt-hour and the average CNG rate was HK\$2.13 per m³ (First Half 2022: average electricity rate HK\$0.63 per kilowatt-hour).

MANAGEMENT DISCUSSION AND ANALYSIS

Included in revenue was HK\$109.62 million (First Half 2022: HK\$151.45 million) and HK\$45.50 million (First Half 2022: HK\$70.05 million) derived from the sale of electricity to local grid companies and the government tariff subsidies respectively, representing 64.06% and 26.59% of the total renewable energy revenue respectively.

The analysis of financial performance by segment is as follows:

		For the six months ended 30 June		
		2023	2022	Variance
Exploitation and sale of renewable energy business				
— Sale of electricity				
Revenue	HK\$'million	156.60	221.68	(65.08)
Gross profit	HK\$'million	27.56	80.83	(53.27)
Gross profit %	%	17.60	36.46	(18.86)
— Sale of compressed natural gas				
Revenue	HK\$'million	5.54	—	5.54
Gross profit/(loss)	HK\$'million	2.11	(0.35)	2.46
Gross profit/(loss) %	%	38.09	—	38.09
— Service income from collection of landfill gas				
Revenue	HK\$'million	8.53	19.20	(10.67)
Gross (loss)/profit	HK\$'million	(0.09)	1.68	(1.77)
Gross (loss)/profit %	%	(1.06)	8.75	(9.81)
— Sale of solid organic fertilizer				
Revenue	HK\$'million	0.44	—	0.44
Gross loss	HK\$'million	(0.23)	—	(0.23)
Gross loss %	%	(52.27)	—	(52.27)
Total				
Revenue	HK\$'million	171.11	240.88	(69.77)
Gross profit	HK\$'million	29.35	82.16	(52.81)
Gross profit %	%	17.15	34.11	(16.96)

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		For the six months ended 30 June			
		2023	% to total	2022	% to total
Summary of revenue					
Government tariff subsidies	HK\$'million	45.50	26.59	70.05	29.08
The sale of electricity to local grid companies	HK\$'million	109.62	64.06	151.45	62.87
Other	HK\$'million	1.48	0.87	0.18	0.08
		156.60	91.52	221.68	92.03
Compressed natural gas & service income from collection of landfill gas & sale of solid organic fertilizer	HK\$'million	14.51	8.48	19.20	7.97
		171.11	100.00	240.88	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

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	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
2	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
3	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
4	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
5	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
6	Hainan Camda	Hainan	Power generation	100	May 2016	Note 1
7	Changsha Operation Contract*	Hunan	Power generation	-	May 2014	} October 2039
					CNG: December 2015	
8	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	Power generation: October 2017	} April 2030
					CNG: July 2015	
9	Shenzhen Xiaping Landfill Site	Guangdong	CNG/Power generation	88	Power generation: January 2018	} October 2038
					CNG: July 2016	
10	Liuyang Biogas	Hunan	CNG/Power generation	100	Power generation: September 2017	} July 2024
					CNG: May 2016	
11	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	Power generation: October 2016	
12	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
13	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
14	Zhangjiakou	Hebei	Power generation	70	October 2018	Note 1
15	Anqiu City	Shandong	Power generation	100	March 2018	Note 1
16	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
17	Haicheng	Liaoning	Power generation	100	August 2019	Note 1
18	Laizhou	Shandong	Power generation	100	May 2019	February 2028
19	Jakarta TPST	Jakarta	Power generation	94	February 2018	December 2023
20	Guangzhou Huadu	Guangdong	Power generation	100	January 2020	July 2026
21	Zhijiang	Hubei	Power generation	51	January 2021	Note 1
22	Nanning	Guangxi	Power generation	100	April 2020	April 2028
23	Ziyang	Sichun	Power generation	49	March 2020	November 2026
24	Gaizhou	Liaoning	Power generation	100	January 2021	Note 1
25	Lianyuan	Hubei	Power generation	100	January 2021	May 2024
26	Liling	Hunan	Power generation	100	October 2020	January 2027
27	Chongqing Heishizi Operation Contract	Chongqing	Power generation	-	November 2020	February 2039
28	Ankang	Shaanxi	Power generation	100	April 2022	September 2030
29	Dingnan	Jiangxi	Power generation	100	December 2021	Note 1
30	Shanghang	Fujian	Power generation	100	October 2021	September 2025
31	Changting	Fujian	Power generation	100	September 2021	December 2025
32	Wuping	Fujian	Power generation	100	October 2021	December 2030
33	Wafangdian	Liaoning	Power generation	100	April 2023	Note 1
34	Shaowu	Fujian	Power generation	100	January 2022	May 2026

MANAGEMENT DISCUSSION AND ANALYSIS

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	Xiuyan	Liaoning	Power generation	100	December 2023	Note 2
36	Jingchuan	Gansu	Power generation	100	December 2023	Note 1
37	Xinning	Hunan	Power generation	100	June 2023	April 2032
38	Fushun	Liaoning	CNG	100	September 2022	July 2025
39	Xiaoyi	Shanxi	Power generation	100	December 2023	July 2032
40	Zhengzhou	Henan	Power generation	100	September 2022	July 2028
41	Taiyuan	Shanxi	CNG	100	September 2022	November 2031
42	Shandong Yixin	Shandong	CNG	100	December 2023	October 2039
43	Chengwu Ruili	Shandong	CNG	66	December 2023	N/A
44	Huoqiu Huizhao	Anhui	Power generation	60	October 2023	N/A
45	Kazuo	Liaoning	Power generation	100	April 2024	Note 1
46	Boli Wanlong	Heilongjiang	CNG	60	December 2024	N/A
47	Shandong Chengwu	Shandong	CNG	33	December 2024	N/A
48	Xingcheng	Liaoning	Power generation	100	December 2023	Note 1
49	Dashiqiao	Liaoning	Power generation	100	December 2023	Note 1
50	Longnan	Jiangxi	Power generation	100	July 2023	2024
51	Yunyang	Chongqing	Power generation	100	April 2024	April 2028
52	Jianping	Liaoning	Power generation	100	December 2023	Note 1

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

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

Note 2: The collection period of landfill gas is until 3 years after landfill site close.

Not applicable: N/A

MANAGEMENT DISCUSSION AND ANALYSIS

1.5 Property Investment and development

As at 30 June 2023, the Group has 4 property projects on hand with a total site area of approximately 70,985 square meters. All commercial units have been sold in Nanjing Property Project since 2022. During the Interim Period, the Group had completed the sale of its entire equity interests in New China Water Carbon, which held approximately a gross floor area of 8,496 square meters in Nanjing Property Project.

The development status of the property projects held by the Group as at 30 June 2023 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 Property Project (南京物業項目)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Completed	Mar-22	Research and development/ Commercial (for leasing)	26,340	62,637	50 years	96.13
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%)	Mar-24	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 (95%)	Sep-23	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 Province, east of Qin Yuan Primary School	Yet to develop	Dec-26	Other	13,337	40,413	50 years	51
						70,985	149,964		

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITION AND/OR FORMATION OF SUBSIDIARIES DURING THE INTERIM PERIOD

The Group had entered into 6 landfill gas collection and power generation agreements with different government authority departments and companies in the PRC. The investment mode for these projects are building-owning-operation. The analysis of new construction and/or acquisition of renewable energy projects for power generation and/or CNG are as follows:

	Date of acquisition/ construction Contract signing time	Date of completion of formation/ acquisition	Name of company	Concession agreement signing department/company	Project name	Current garbage disposal capacity (tons/day)	Estimated investment amount/ consideration (RMB million)	Equity interest held by the Company (%)
From acquisition								
1	5 January 2023	21 February 2023	Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.* (勃利縣中水皖龍可再生能源科技有限公司)	People's Government of Boli County* (勃利縣人民政府)	Boli Landfill Gas Project ("Boli Project")	-	18	60%
By new construction								
2	28 December 2022	24 February 2023	Xingcheng New China Water Environmental Technology Limited* (興城新中水環保科技有限公司)	Xingcheng Environmental Sanitation Management Office* (興城市環境衛生管理處)	Xingcheng City Landfill Gas Power Generation Project ("Xingcheng Project")	500-550	6.8	100%
3	6 March 2023	21 March 2023	Dashiqiao New China Water Environmental Technology Limited* (大石橋新中水環保科技有限公司)	Dashiqiao City Huzhuang Domestic Wastes Sanitary Landfill* (大石橋市虎莊生活垃圾衛生填埋場)	Dashiqiao City Landfill Gas Power Generation Project ("Dashiqiao Project")	300	7.0	100%
4	January 2023	29 March 2023	Longnan City Greenspring Environmental Technology Limited* (龍南市青泓環保科技有限公司)	Longnan City Chengwei Intelligent Environmental Technology Service* (龍南城市城衛智能環境技術服務)	Longnan City Landfill Gas Power Generation Project ("Longnan Project")	300	6.0	100%
5	April 2023	8 May 2023	Yunyang County New China Water Environmental Technology Limited* (雲陽縣新中水環保科技有限公司)	Yunyang County Xingyun City Management Service (Group) Co., Ltd.* (雲陽縣興雲城市管理服務(集團)有限公司)	Yunyang Second Landfill Gas Power Generation Project ("Yunyang Project")	350	8.0	100%
6	26 April 2023	9 May 2023	Jianping County New China Water Environmental Technology Limited* (建平縣新中水環保科技有限公司)	Jianping County Environmental Sanitation Management Office* (建平縣環境衛生管理處)	Jianping County Landfill Gas Power Generation Project ("Jianping Project")	200	4.87	100%

MATERIAL EVENTS DURING/AFTER THE PERIOD REVIEW

Saved as disclosed in the section headed “ACQUISITION AND/OR FORMATION OF SUBSIDIARIES DURING THE INTERIM PERIOD” above, the Group also had the following material events during/after the Interim Period:

A. Finance Lease Arrangement

- I. (a) On 24 February 2023, Changsha New China Water Environmental Technology Limited* (長沙新中水環保科技有限公司), (the “**Lessee A**”), being an indirect non-wholly owned subsidiary of the Company entered into the Finance Lease Agreement A with Sinopharm Holding (China) Finance Leasing Co., Ltd. (國藥控股(中國)融資租賃有限公司) (the “**Sinopharm Leasing**”), pursuant to which (i) Sinopharm Leasing shall purchase landfill gas power generating facilities (the “**Leased Assets A**”) from Lessee A for the purchase price A of RMB30,000,000 (the “**Purchase Price A**”) (equivalent to approximately HK\$34,047,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets A to Lessee A for a lease consideration comprising the principal amount equivalent to the Purchase Price A and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price A.
- (b) On 24 February 2023, Qingyuan City Greenspring Environmental Technology Limited* (清遠市青泓環保科技有限公司), (the “**Lessee B**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement B with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase the Leased Assets B from Lessee B for the purchase price B of RMB14,000,000 (the “**Purchase Price B**”) (equivalent to approximately HK\$15,889,000); and (ii) Sinopharm Leasing shall lease back landfill gas power generating facilities (the “**Leased Assets B**”) to Lessee B for a lease consideration comprising the principal amount equivalent to the Purchase Price B and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price B.
- (c) On 24 February 2023, Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司), (the “**Lessee C**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement C with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase landfill gas power generating facilities (the “**Leased Assets C**”) from Lessee C for the purchase price C of RMB29,000,000 (the “**Purchase Price C**”) (equivalent to approximately HK\$32,912,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets C to Lessee C for a lease consideration comprising the principal amount equivalent to the Purchase Price C and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price C.
- (d) On 8 March 2023, Hainan Camda New Energy Equipment Company Limited* (海南康達新能源有限公司) (the “**Lessee D**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase landfill gas power generating facilities (the “**Leased Assets D**”) from the Lessee for the purchase price D of RMB7,000,000 (the “**Purchase Price D**”) (equivalent to approximately HK\$7,923,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets D to the Lessee for a lease consideration comprising the principal amount equivalent to the Purchase Price D and the interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price D.

For details, please refer to the announcements of the Company dated 24 February 2023 and 8 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

- II. (a) On 23 March 2023, Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) (the “**Haisheng Water**”) (the “**Lessee**”) entered into the new transfer agreement and the new finance lease agreement with Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司) (the “**Greengold Leasing**”), pursuant to which (i) Greengold Leasing shall purchase sewage treatment equipment (the “**Leased Assets**”) from the Lessee for the purchase price of RMB30,000,000 (equivalent to approximately HK\$34,260,000); and (ii) Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease period of 60 months at a rate of 6.35% per annum. For details, please refer to the announcements of the Company dated 23 March 2023.
- (b) Subsequent to the date of this report, on 21 September 2023, the Lessee entered into the transfer agreement with Greengold Leasing, pursuant to which Greengold Leasing shall purchase certain designated equipment and facilities for sewage treatment systems (the “**Leased Assets**”) from the Lessee for the purchase price of RMB15,000,000 (the “**Purchase Price**”) (equivalent to approximately HK\$16,146,000). On the same date, the Lessee and Greengold Leasing entered into the finance lease agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising of 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 60 months commencing from the payment date of the Purchase Price. For details, please refer to the announcements of the Company dated 21 September 2023.
- III. On 8 June 2023, Huoqiu Huizhao Renewable Energy Technology Co., Ltd* (霍邱徽沼可再生能源科技有限公司) (the “**Lessee**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Transfer Agreement with Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) (the “**Jiangsu Leasing**”), pursuant to which Jiangsu Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB8,200,000 (equivalent to approximately HK\$9,046,000). On the same date, the Lessee also entered into the Finance Lease Agreement with Jiangsu Leasing, pursuant to which Jiangsu Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising the principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 7.8797% per annum for a lease period commencing from 9 June 2023 to 9 June 2026. For details, please refer to the announcements of the Company dated 8 June 2023.
- IV. (a) On 2 August 2023, Anqiu City New China Water Environmental Technology Limited* (安丘市新中水環保科技有限公司) (the “**Lessee A**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement A with Haitong Unitrust International Financial Leasing Co., Limited (海通恒信國際融資租賃股份有限公司) (the “**Haitong Leasing**”), pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas power generating facilities situated in Anqiu City, the PRC (the “**Leased Assets A**”) from Lessee A for the Purchase Price A of RMB20,000,000 (equivalent to approximately HK\$21,832,000); and (ii) Haitong Leasing shall lease back the Leased Assets A to Lessee A for a lease consideration comprising the principal amount equivalent to the Purchase Price A and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price A.

MANAGEMENT DISCUSSION AND ANALYSIS

- (b) On the same date, Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (大唐華銀湘潭環保發電有限責任公司) (the “**Lessee B**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement B with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas power generating facilities situated in Xiangtan City, the PRC (the “**Leased Assets B**”) from Lessee B for the Purchase Price B of RMB20,000,000 (equivalent to approximately HK\$21,832,000); and (ii) Haitong Leasing shall lease back the Leased Assets B to Lessee B for a lease consideration comprising the principal amount equivalent to the Purchase Price B and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price B.
- (c) On the same date, Datang Huayin Heng Yang Environmental Power Company Limited* (大唐華銀衡陽環保發電有限公司) (the “**Lessee C**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement C with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas treatment and power generating facilities situated in Hengyang County, the PRC (the “**Leased Assets C**”) from Lessee C for the Purchase Price C of RMB15,000,000 (equivalent to approximately HK\$16,374,000); and (ii) Haitong Leasing shall lease back the Leased Assets C to Lessee C for a lease consideration comprising the principal amount equivalent to the Purchase Price C and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price C.
- (d) On the same date, Baoji City Electric Power Development Co., Limited* (寶雞市易飛明達電力發展有限公司) (the “**Lessee D**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement D with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase waste and landfill gas treatment and power generating facilities situated in Baoji City, the PRC (the “**Leased Assets D**”) from Lessee D for the Purchase Price D of RMB15,000,000 (equivalent to approximately HK\$16,374,000); and (ii) Haitong Leasing shall lease back the Leased Assets D to Lessee D for a lease consideration comprising the principal amount equivalent to the Purchase Price D and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price D.
- (e) On the same date, Wuzhou City China Water New Renewable Resources Company Limited* (梧州市中水新能源科技有限公司) (the “**Lessee E**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement E with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas treatment and power generating facilities situated in Wuzhou City, the PRC (the “**Leased Assets E**”) from Lessee E for the Purchase Price E of RMB10,000,000 (equivalent to approximately HK\$10,916,000); and (ii) Haitong Leasing shall lease back the Leased Assets E to Lessee E for a lease consideration comprising the principal amount equivalent to the Purchase Price E and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price E.

MANAGEMENT DISCUSSION AND ANALYSIS

- (f) On the same date, Hunan Liuyang New China Water Environmental Technology Limited* (湖南瀏陽新中水環保科技有限公司) (the “**Lessee F**”), being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement F with Haitong Leasing, pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas treatment and power generating facilities situated in Liuyang City, the PRC (the “**Leased Assets F**”) from Lessee F for the Purchase Price F of RMB10,000,000 (equivalent to approximately HK\$10,916,000); and (ii) Haitong Leasing shall lease back the Leased Assets F to Lessee F for a lease consideration comprising the principal amount equivalent to the Purchase Price F and the interest accrued thereon at a rate of 5.04% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price F.

For details, please refer to the announcement of the Company dated 2 August 2023.

B. Capital Injection Into Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.

On 5 January 2023, New China Water (Nanjing) Renewable Resources Investment Company Limited* (the “**New China Water Nanjing**”), entered into the Capital Injection Agreement with Beijing Zhenhui Energy Saving and Environmental Protection Technology Co., Ltd.* (北京振徽節能環保科技有限公司), (the “**Beijing Zhenhui**”) and Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.* (勃利縣中水皖龍可再生能源科技有限公司) (the “**Target Company**”). Pursuant to the Capital Injection Agreement, New China Water Nanjing shall contribute RMB18,000,000 (equivalent to approximately HK\$20,540,000) to the registered capital of the Target Company (the “**Capital Injection**”). Upon completion of the Capital Injection, (i) the registered capital of the Target Company will be increased from RMB12,000,000 (equivalent to approximately HK\$13,693,000) to RMB30,000,000 (equivalent to approximately HK\$34,233,000), and (ii) New China Water Nanjing and Beijing Zhenhui will hold as to 60% and 40% equity interest in the Target Company, respectively. As at the date of this report, the Target Company is an indirect non-wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 5 January 2023.

C. Acquisition of 3.872% Equity Interest in New China Water Nanjing

On 1 March 2023, China Water (HK), an indirect wholly-owned subsidiary of the Company, and the Company (collectively, as **Purchasers**) entered into the Equity Transfer Agreement with Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)* (廣東粵財中小企業股權投資基金合夥企業(有限合夥)) and Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)* (珠海橫琴依星伴月投資合夥企業(有限合夥)), (collectively, as **Vendors**), pursuant to which the Vendors have agreed to sell to the Purchasers, and the Purchasers have agreed to purchase from the Vendors, the Aggregate Sale Capital at the Total Consideration of approximately RMB81,340,955 (equivalent to approximately HK\$92,574,000), which is determined based on the calculation of the repurchase price pursuant to the terms of the Investment Agreements. Upon completion of the Acquisition, New China Water Nanjing will become an indirect wholly-owned subsidiary of the Company. Up to the date of this report, the acquisition has not been completed. The first instalment payment representing 30% of the Total Consideration was paid in March 2023. For details, please refer to the announcement of the Company dated 1 March 2023.

D. Acquisition of equipment

- On 14 July 2023, New China Water Nanjing, an indirect non-wholly-owned subsidiary of the Company (the “**Purchaser**”), entered into the equipment purchase agreement I with Beijing Yisheng Environmental Technology Limited* (北京宜升環保能源科技有限公司) (the “**Vendor I**”), to purchase the six (6) set of biogas generators for a total consideration of RMB27.60 million (equivalent to approximately HK\$30.37 million) for the operation of the Group’s principal business in renewable energy business segment. For details, please refer to the announcement of the Company dated 14 July 2023.
- On 18 July 2023, New China Water Nanjing, an indirect non-wholly-owned subsidiary of the Company (the “**Purchaser**”), entered into the equipment purchase agreement II with Beijing Aijian Tongyi Economic and Trade Development Co., Ltd* (北京愛建同益經貿發展有限責任公司) (the “**Vendor II**”) to purchase the five (5) set of biogas generators for a total consideration of RMB23.00 million (equivalent to approximately HK\$25.20 million) for the operation of the Group’s principal business in renewable energy business segment. For details, please refer to the announcement of the Company dated 18 July 2023.
- On 19 July 2023, New China Water Nanjing, an indirect non-wholly-owned subsidiary of the Company (the “**Purchaser**”), entered into the equipment purchase agreement III with Shanghai Shuichungli Environmental Technology Co., Ltd* (上海水創利環境技術有限公司) (the “**Vendor III**”) to purchase the fifteen (15) set of biogas generators for a total consideration of RMB69.00 million (equivalent to approximately HK\$75.21 million) for the operation of the Group’s principal business in renewable energy business segment. For details, please refer to the announcement of the Company dated 19 July 2023.

E. Further Investment in the Sewage Treatment Plants in Jinxiang

On 24 August 2023, Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) (the “**Haisheng Water**”), being an indirect wholly-owned subsidiary of the Company as principal, and Jiangsu Wanrong Construction Technology Company Limited* (江蘇萬融工程科技有限公司) (the “**Wanrong Construction**”), as contractor, entered into the Upgrading and Modification Contract, pursuant to which Wanrong Construction has agreed to carry out the Upgrading and Modification Work on the Sewage Treatment Plant at the contract price of approximately RMB24.50 million (equivalent to approximately HK\$26.50 million). The construction period of the Upgrading and Modification Work shall be commencing from 25 August 2023 to 25 November 2023. As at the date of this report, the upgrading and modification work in Haisheng Water has currently commenced. For details, please refer to the announcement of the Company dated 24 August 2023.

On 12 September 2023, Jining City Haiyuan Water Treatment Company Limited* (濟寧市海源水務有限公司) (the “**Haiyuan Water**”), being an indirect non-wholly-owned subsidiary of the Company, as principal, and Wanrong Construction, entered into the Haiyuan Upgrading and Modification Contract, pursuant to which Wanrong Construction has agreed to carry out the Haiyuan Upgrading and Modification Work on the Haiyuan Sewage Treatment Plant at the contract price of approximately RMB32.30 million (equivalent to approximately HK\$34.80 million). The construction period of the Haiyuan Upgrading and Modification Work shall be commencing from 15 September 2023 to 15 December 2023. Subsequent to the date of this report, the Haiyuan Upgrading and Modification Work in Haiyuan Water has currently commenced. For details, please refer to the announcement of the Company dated 12 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

F. Investment on Centralised Comprehensive Treatment Centre for Agricultural Waste in the PRC

On 25 August 2023, Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.* (勃利縣中水皖龍可再生能源科技有限公司) (the “**Project Company**”), an indirect non-wholly owned subsidiary of the Company, entered into the Investment Cooperation Agreement with Boli Government, pursuant to which (i) the Project Company agreed to invest in the Project with an investment amount of RMB100.00 million (equivalent to approximately HK\$108.30 million); and (ii) Boli Government agreed to assist the Project Company to implement the Project, including, amongst other things, to assist the Project Company to acquire the Project Land and obtain other relevant government consents, approvals, permits and/or government subsidies. Subsequent to the Interim Period, the Project Company had acquired the Project Land. For details, please refer to the announcement of the Company dated 25 August 2023.

G. Awarded Two Glass Management Contracts in Kowloon Region and New Territories Region

On 23 June 2023, Hong Kong Glass Resources Limited (“**Glass Resources**”), an indirect wholly-owned subsidiary of the Company, has been awarded two 5-year glass management contracts (the “**Glass Management Contract(s)**”) for the Kowloon and the New Territories regions, respectively, by the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region (the “**EPD**”) for an aggregate contract sum of approximately HK\$319.00 million. For details, please refer to the announcement of the Company dated 23 June 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had contingent liabilities in respect of guarantees in the mortgage facilities for certain purchasers of properties in the amount of HK\$1.99 million (As at 31 December 2022: HK\$3.26 million).

PLEDGE OF ASSETS

- (a) The Group’s obligations under finance leases, bank loans and other loans of HK\$344.70 million in total as at 30 June 2023 (As at 31 December 2022: HK\$312.58 million) were secured by charges over:
- (i) property, plant and equipment in which their carrying amount was HK\$192.47 million (As at 31 December 2022: HK\$185.34 million);
 - (ii) right-of-use assets in which their carrying amount was HK\$293.34 million (As at 31 December 2022: HK\$306.39 million); and
 - (iii) contractual rights to receive revenue generated by certain of our subsidiaries.
- (b) The Group’s certain bank deposits of HK\$15.97 million (As at 31 December 2022: HK\$Nil) were pledged to a bank for granting a banking facility of HK\$16.00 million (As at 31 December 2022: HK\$Nil).

NO MATERIAL CHANGE

Save as disclosed in this report, during the First Half 2023, there has been no material change in the Group’s financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2022.

EMPLOYEES

As at 30 June 2023, excluding jointly controlled entities and associates, the Group had 1,051 employees (As at 30 June 2022: 1,039 employees), of which 16 are Hong Kong employees (As at 30 June 2022: 13). During the Interim Period, total employee benefit expenses, including Directors' emoluments and provident funds, was HK\$96.24 million (First Half 2022: HK\$107.10 million). The drop in staff costs was the Disposal of Linyi Fenghuang. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary, a year-end discretionary bonus and the Share Option Scheme, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages to Directors and senior management are normally reviewed as on annual basis by the Remuneration Committee. During the Interim Period, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

PROSPECTS

REVIEW:

With global economic development facing acute challenges in the first half of 2023, the Group progressed steadily, while actively seized new opportunities in industry development and propelled its business transformation in a stable manner. The Group reshaped their corporate business, readjusted their development direction from last year and advanced the organizational reform intensively including engaging an agent to dispose interests in subsidiaries relating to water supply and sewage treatment businesses of the Group in May 2023. In the future, we will focus on the development of five major business segments, namely the biogas resource utilization, the comprehensive livestock and poultry manure resource utilization, the high-concentration organic wastewater deep treatment, the operation, ancillary engineering services, closure and rectification of landfill sites and also the ecological restoration and resources development.

During the Interim Period, the Green Projects operated by New China Water Nanjing have also been selected and awarded the "Green Project of the Year" at "The Asset Triple A Sustainable Infrastructure Awards 2023" (the "**Award**"), being a widely recognised award programme in the sustainable infrastructure industry honouring the best-in-class institutions and deals in Asia. The Award represents a pre-eminent recognition to organisations excelled in their respective industry and is adjudicated by ASSET's board of editors who are regarded as the most experienced and collectively have several decades' worth of evaluating industry awards.

The Company expanded its businesses in various segments, and cultivated and developed new business growth points in 2023 to form a new layout with benign interaction and coordinated development. It conducted intensive organizational reform, supported corporate strategic transformation and sustainable development, perfected asset management systems, improved asset compliance standards, enhanced industrial management capability and established outstanding operation and service brands.

I. Ancillary Environmental and Green Capital and New Business Segments Gradually Implemented

1. We completed the collaboration on green finance with IFC under the World Bank. At the same time, New China Water was awarded the "Green Project of the Year" by ASSET, a global authority.
2. The livestock and poultry manure treatment project was put into operation. The Huoqiu Project commenced its operation in the first half year, a project of tremendous significance as it is the first project actually implemented since the Company proposed its strategic transformation.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Established overseas business departments: The foreign operation of the Group actively responded to the intricate and complicated international situation and strived to ensure stable production and operation. Meanwhile, we continuously enriched our market reserves and focused on business development in Southeast Asia. We strived to achieve a power generation capacity of 28MW for the project in Jakarta, Indonesia and developed biogas power generation projects at nearby landfills in Jakarta. For the project in the Philippines, we will soon enter into biogas utilization agreements with the local government to fully edge into the Philippine market.
4. Models in other new segments and their implementation: In 2022, seven departments, including the Ministry of Ecology and Environment, the NDRC and the MIIT to name a few, jointly issued the "Implementation Plan for Synergistic Efficiency of Pollution and Carbon Reduction", proposing to plan the construction of photovoltaic power generation, wind power generation and other new energy projects by leveraging closed landfills according to local conditions. For projects bearing closure capability, New China Water plans to develop photovoltaic power generation in closed landfills, in which they can effectively integrate the existing power distribution and on-grid systems of closure projects and revitalize assets. Meanwhile, if projects are unable to achieve on-grid operation, the company can transform the existing technical routes to develop energy storage products. The company will soon sign the contract on a photovoltaic power generation project on a closed landfill.

II. Water Service Segment Sustained Stable Operation with Optimization

The first half of the year, all divisions of the water service sector excelled in their respective economic indicators. They maintained stable production and operation with the water quality meeting the standards. While ensuring stable urban water supply and provision of sewage treatment, they continuously optimized the business environment, comprehensively improved service measures, promoted the construction of tertiary industries and implemented upgrading and reconstruction. Based on their strategic development needs, they will continue to plan and coordinate the optimization of water assets.

1. Yichun Water Industry Group Co., Ltd* (宜春水務集團有限公司) delivered 41,434,300 tonnes of water supply by the end of June, representing an increase of 6.81% over the same period of last year. It sold 32,604,700 tonnes of water, up by 11.64% year-on-year and the revenue from the water tariff went up by 10.98%. Yichun guaranteed water supply from four dimensions, optimized water supply services comprehensively, built intelligent water demonstration points and strived to develop diversified markets.
2. Yichun Fangke Sewage Treatment Company Limited* (宜春市方科污水處理有限公司) carried out a sewage treatment for approximately 23.46 million tonnes of sewage with a daily average of 129,000 tonnes, representing an increase of 5.2% year-on-year. Its sludge treatment volume was approximately 17,200 tonnes with a daily average of 95 tonnes. The revenue from its principal businesses recorded a year-on-year increase of 7.43%. It actively implemented preferential taxation policies and effectively saved RMB1.02 million in tax payments for the company.
3. Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* (佛山市高明區華信污水處理有限公司) ensured charging the government the minimum sewage treatment fees of 20,000m³/day based on its actual inflow water of 10,000 m³/day in the first half year and strived to collect monthly sewage treatment fees in advance from the local government to sustain its normal operation. The finance lease loans of RMB2,105,000 were repaid in the first half of the year.

4. The net profit of Jining City Haiyuan Water Treatment Company Ltd.* (the “**Haiyuan Water**”) (濟寧市海源水務有限公司) and Haisheng Water exceeded their half year profit targets. Haiyuan Water and Haisheng Water have entered into BOT supplemental contracts with the government of Jinxiang County. In compliance with the latest industry regulatory standard, the upgrading and modification construction work to improve the quality of the discharged water to quasi discharged water quality standard class IV on sewage treatment plant for Haisheng Water has currently commenced. The same construction work will also be carried out by Haiyuan Water after an appropriate contractor is engaged. The two companies will rank among the top-notch municipal sewage treatment entities of the nation after the projects have passed the environmental inspection and acceptance. Following the increase of sewage treatment fee to RMB2.06/tonne, their revenue will reach a new high.

III. City-Industry Integration Segment Rose to Challenges and Promoted Work in an Orderly Manner

Under the difficult recovery background of the real estate industry in the first half year, the profitability of domestic real estate developers is yet to be restored and net loss or profit decline still played the dominant roles. Under the decision-making and leadership of the city-industry integration business segment teams, the two city-industry integration projects in Huizhou and Nanjing progressed in an orderly manner and achieved certain results.

For the project in Nanjing Space Big Data Industrial Park, RMB11,782,000 was received in selling the property rights in the first half of 2023, representing a return rate of 92.45% and the leased area reached 9,266.32 m², representing an occupancy rate of 52%. It successfully completed the industrial, commercial and taxation settlement procedures on the equity interests of New China Water (Nanjing) Carbon Company Limited and the consideration in respect of the equity interests transfer were received. It actively coordinated the new master contract of the Huizhou Honghu Blue Valley Wisdom Square* Project (鴻鵠藍谷智慧廣場) and certain creditors concurred to reactivate the project with no default litigation issues recorded.

IV. Hong Kong Glass Resources Limited Secured Service Contract from the EPD

In the first half of 2023, Hong Kong Glass Resources Limited completed its plant relocation. Its overall operation was sound, with a stable glass bottle recycling volume. The company is highly recognized by the Environmental Protection Department (the “**EPD**”) in Hong Kong. For the tender projects during the Interim Period, Hong Kong Glass Resources Limited secured a five-year glass management service contracts for Kowloon and New Territories approved by the EPD under the Government of the Hong Kong Special Administrative Region with a total contract amount of HK\$319 million. With the large-scale expansion of the recycling market in Hong Kong, the Group will seize market opportunities through the participation, planning and development of this green business.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK:

In the second half of 2023, the Group will further optimize and adjust the water service and city-industry integration segments and focus on the development of the environmentally friendly new energy segment. While deeply tapping into the existing business segments, the Group will continuously innovate and improve core technologies in the environmental protection industry and continue to explore the international markets with Southeast Asian countries as the breakthrough. It will fully mobilize industry resources, actively conduct collaboration with various parties and endeavor to build an industrial ecosystem with mutual benefits, win-win results and harmonious co-existence. Furthermore, the Group attaches great importance to talent development and launches systematic talent cultivation plans to continuously upgrade labor management mechanisms and consolidate human resources foundation for the development of the Company.

I. Major Businesses to Develop Simultaneously in the Environmental New Energy Segment

1. For the biogas resource utilization: it will seek cooperation on gas sources in livestock and poultry manure, leachate, food waste, industrial sewage and other projects that can generate biogas to achieve the sustainable development of the biogas resource utilization business of the Group and facilitate the improvement of the Group's efficiency in reducing carbon dioxide emission. It will concentrate all resources and capital on developing Southeast Asia and other overseas markets.
2. For the comprehensive treatment and resource utilization of urban and rural organic wastes: based on the industrial characteristics of the resource utilization of urban and rural organic wastes and integrating with the current technologies and plans on organic waste treatment, the Group will focus on achieving breakthroughs in the complete plans on the resource treatment of agricultural organic wastes, seek more economic benefits in facilitating agricultural development and achieve total solutions on the treatment of organic waste-biogas power generation/purification-utilization of dregs and fluid of biogas-production and sale of organic fertilizers.
3. For the deep treatment of high-concentration organic wastewater: the Group proposed to achieve leapfrog development from the traditional water service segment to the deep treatment of high-concentration organic wastewater, develop itself into a high-tech enterprise integrating technology, investment, construction and operation, and provide complete solutions to the niche segment of high-concentration wastewater. Leveraging the most competitive anaerobic technology and AQP technology, the Group will achieve a comprehensive layout of the segment and provide landlords with technical plans-design-products-EPC-operation services.
4. For the operation, ancillary engineering services, closure and rectification of landfill sites as well as the ecological restoration and resource development: in terms of projects with closure capability, the Group plans to develop photovoltaic power generation in closed landfills and effectively integrate the existing power distribution and on-grid systems of closure projects to revitalize assets. It will intensively study the treatment and recycling of stale refuse in landfills, focus on advancing the pilot on optical photon technology and strive to bring new opportunities for the Group.
5. For consolidating the cooperation with enterprises and achieving mutual benefits and win-win results with resources: the Group will maintain sound cooperation with major financial institutions and banks to safeguard the resources and capital of the Group.

II. Optimize and Adjust the Water Service and City-industry Integration Segments

Based on our strategic development layout, the Group will further implement the optimization and sale of water supply and sewage projects in Yichun in the second half of the year to ensure the normal production and operation of other water companies and actively advance the upgrading and reconstruction of Haiyuan water and Haisheng water according to requirements.

Secondly, based on the current conditions of the city-industry integration segment, the Group will actively propel the resumption of work and the sale of the Huizhou Honghu Blue Valley Wisdom Square* Project (鴻鵠藍谷智慧廣場), continue to implement the sales return on the project in Nanjing Space Big Data Industrial Park, maintain the steady work progress of the property companies and achieve project revenue capitalization.

III. Expand the Presence of the Glass Business in Hong Kong

The Group will boost the participation in and the development of green businesses in Hong Kong through Hong Kong Glass Resources Limited to seize market opportunities. With the glass recycling business as a base, it will further carry out the recycling of plastic and food waste, wastewater treatment and other businesses and expand the business layout in Hong Kong to explore new business opportunities for the Group.

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

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

The Group will stay true to our mission, and 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"), closely follow the trends of national policies and market conditions, seize opportunities and respond to challenges. We will strive to become a leading biomass gas operator in China and even to the world as soon as possible.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: HK\$Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2023, 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 Siyun	Beneficial owner	27,936,000 (L)	0.97%
Ms. Chu Yin Yin, Georgiana	Beneficial owner	1,112,000 (L)	0.04%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 2,873,609,649 shares in issue as at 30 June 2023.

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

Save as disclosed above, as at 30 June 2023, 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 30 June 2023, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, 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	707,821,018 (L) (Note 1)	24.63%

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: The shareholding percentage in the company is calculated on the basis of 2,873,609,649 shares in issue as at 30 June 2023.

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

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other corporation which/person (other than a Director or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2023 amounted to HK\$28.74 million divided into 2,873,609,649 ordinary shares of HK\$0.01 each.

DIRECTORS' RIGHTS TO ACQUIRES 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.

SUPPLEMENTARY INFORMATION

SHARE OPTION SCHEME

At the annual general meeting (the “**2021 AGM**”) of the Company held on 2 June 2021, the shareholders of the Company approved the adoption of the Company’s New Share Option Scheme (the “**New Share Option Scheme**”) and the termination of the Company’s then existing Share Option Scheme. The adoption date for the New Share Option Scheme was on 3 June 2021. From the New Share Option Scheme being adopted up to 30 June 2023, no share options have been granted. The total number of options available for grant under the scheme mandate of the New Share Option Scheme was 159,653,976 as at 1 January 2023 and 30 June 2023. The New Share Option Scheme was in compliance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rule**”). In any event, any grant of options under the New Share Option Scheme shall comply with the amended provisions of Chapter 17 of the Listing Rules which took effect on 1 January 2023 notwithstanding any provisions of the New Share Option Scheme. The purpose of the New Option Scheme is to enable the Company to grant options to selected participants as incentive and/or rewards for their contribution and support to the Group and any invested entity and/or to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity. The New Option Scheme will remain in force for 10 years and expire on 2 June 2031.

PRE-EMPTIVE RIGHTS

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

SUFFICIENT OF PUBLIC FLOAT

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

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rule, the changes in information of Directors of the Company subsequent to the date of the annual report of the Company for the year ended 31 December 2022 required to be disclosed was as follows:

- At the conclusion of the annual general meeting (the “**AGM**”), Ms. Deng Xiao Ting (“**Ms. Deng**”) as an executive Director was not passed at the AGM, Ms. Deng has retired as an executive Director with effect from 16 June 2023. In addition, Ms. Deng resigned other directorships of certain subsidiaries of the Group.
- Mr. Lam Cheung Shing Richard (“**Mr. Lam**”), is an independent non-executive director (the “**INED**”) of the Company, was appointed as an INED of Legend Strategy International Holdings Group Company Limited (stock code: 1355) with effect from 31 December 2022 whose shares are listed on the Main Board of the Stock Exchange.
- Mr. Wong Siu Keung Joe (“**Mr. Wong**”), is an INED of the Company, resigned as an INED, chairman of the audit committee and member of the remuneration committee and the nomination committee of the Worldgate Global Logistics Ltd. (stock code: 8292) with effect from 16 June 2023 whose shares are listed on the GEM of the Stock Exchange.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders' expectation and comply with relevant standards. The Company has complied with the code provisions of Corporate Governance Code (the "**CG Code**") throughout the period ended 30 June 2023 except for the deviation from the code provision C.2.1 in Part 2 of Appendix 14 to the Listing Rules 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. Mr. Zhu Yongjun ("**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 CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of the conduct for securities transactions by Directors (the "**Model Code**"). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to all Directors and 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 and senior management, the Board confirmed that they had complied with the Model Code regarding Directors' securities transactions throughout the accounting period and up to the date of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2023.

AUDITOR REVIEW OF THE INTERIM FINANCIAL RESULTS

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors (the "**INEDs**") of the Company including Mr. Wong (Committee Chairman), Mr. Lam and Ms. Qiu Na, has reviewed with the management of the Company, (i) the accounting principles and practices adopted by the Group; (ii) internal controls including relevant internal control measures to govern connected party transactions; and (iii) financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2023. The term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

SUPPLEMENTARY INFORMATION

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

PUBLICATION OF THE INTERIM RESULTS AND REPORT

The interim results announcement is published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report of the Company for 2023 containing all information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

ACKNOWLEDGEMENTS:

On behalf of the Board, I hereby express my heartfelt gratitude to the investors and financial institutions for their unwavering support and trust in the Group, and also to all our colleagues in the China Water for their unremitting efforts. Time and tide wait for no man and in the second half of the year, the Group will insist on making efforts and attach equal importance to both the existing and new businesses and look forward to sharing with you the experience and achievements of the Group.

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

Hong Kong, 30 August 2023

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