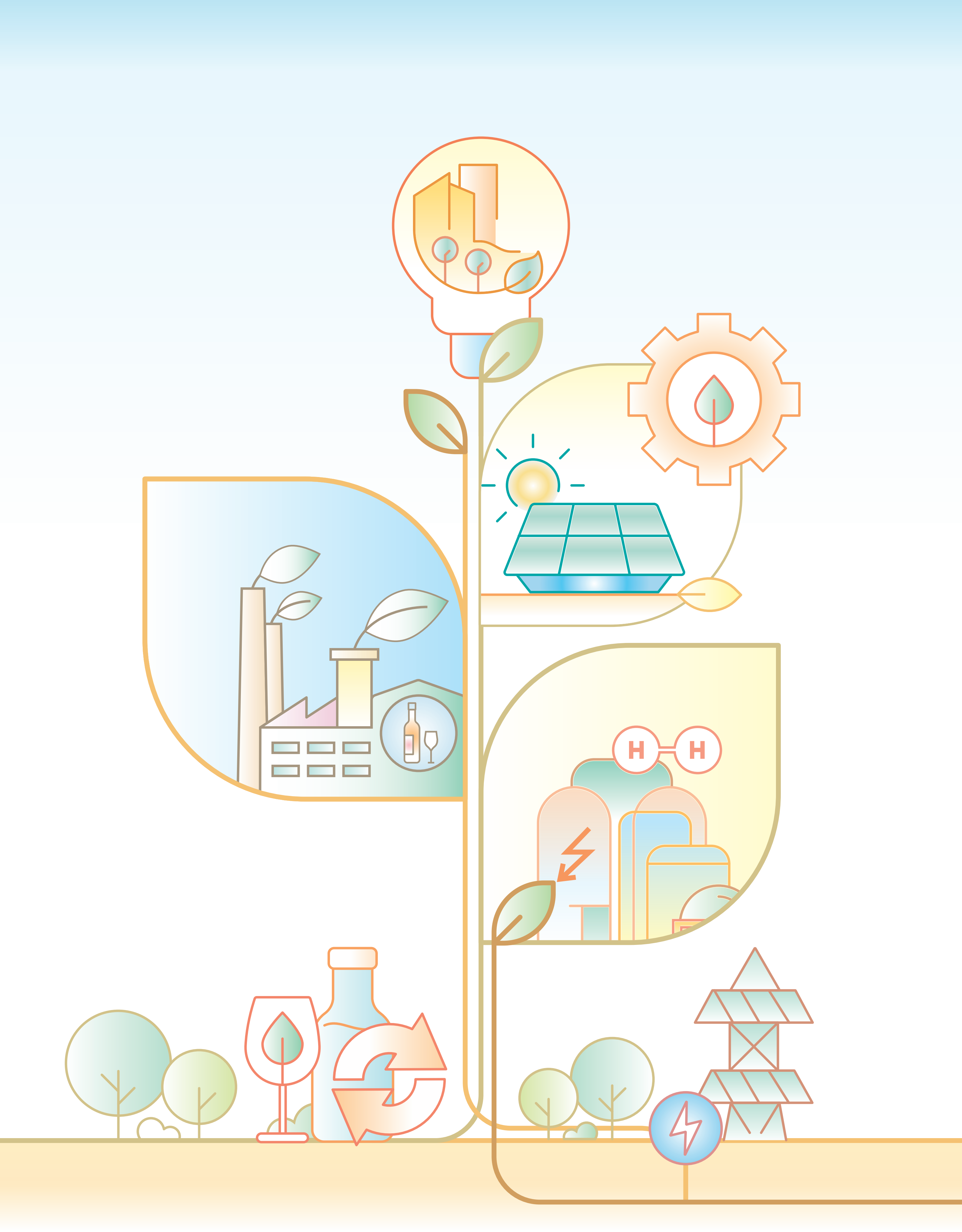
中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

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

ANNUAL REPORT 2024

Build a Dream and Share Future Success

* For identification purpose only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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yongjun (Chairman)
Mr. Hu Siyun (retired on 14 June 2024)
Ms. Chu Yin Yin, Georgiana

Independent Non-Executive Directors

Mr. Wong Siu Keung, Joe
Ms. Qiu Na (retired on 14 June 2024)
Mr. Lam Cheung Shing, Richard
Mr. Mak Ka Wing, Patrick
(appointed on 3 September 2024)

AUDIT COMMITTEE

Mr. Wong Siu Keung, Joe (Chairman)
Ms. Qiu Na (retired on 14 June 2024)
Mr. Lam Cheung Shing, Richard
Mr. Mak Ka Wing, Patrick
(appointed on 3 September 2024)

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 (retired on 14 June 2024)
Ms. Chu Yin Yin, Georgiana
Mr. Zhong Wei Guang
Mr. Pan Yimin
Mr. Tang Po Shing
Mr. Liu Wei Qing (retired on 14 January 2024)
Ms. Xie Ye (appointed on 6 March 2024)
Mr. Xu Yong (resigned on 26 April 2024)

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., Solicitors

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

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North Point Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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19 Wang Chiu Road,
Kowloon Bay,
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Dashi First Road
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STOCK

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FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2024	2023	Change
	HK$'000	HK$'000	%
		(Restated)	
Financial Result			
Revenue	**536,631**	748,973	(28.35)
Gross Profit	**87,125**	182,521	(52.27)
Loss for the year	**(334,025)**	(213,635)	56.35
Loss attributable to owners of the Company	**(322,282)**	(243,451)	36.49
Loss per share (HK cents) — Basic and diluted	**(112.15)**	(84.72)	32.38
EBITDA (Note)	**(80,144)**	27,643	(389.93)

	2024	2023
	HK$'000	HK$'000
		(Restated)
Financial Position		
Gearing ratio	**54.51%**	51.31%
Current ratio	**1.26 times**	1.17 times
Cash and cash equivalents	**45,156**	148,785
Net asset value	**1,055,032**	1,641,244
Equity attributable to owners of the Company	**796,204**	1,129,387
Equity attributable to owners of the Company per share (HK$)	**2.77**	3.93

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

FIVE YEARS FINANCIAL SUMMARY

	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000 (Restated)	**2024** **HK$'000**
Results					
Revenue	1,129,548	1,101,791	1,219,143	748,973	**536,631**
Finance costs	(79,746)	(66,431)	(67,535)	(46,203)	**(53,606)**
Profit/(loss) before taxation	180,786	89,511	(466)	(198,204)	**(304,848)**
Income tax expense	(60,320)	(63,964)	(29,253)	(15,431)	**(29,177)**
Profit/(loss) for the year	120,466	25,547	(29,719)	(213,635)	**(334,025)**
Assets and liabilities					
Non-current assets	2,618,688	2,123,019	2,095,700	2,117,988	**1,309,069**
Current assets	3,010,108	1,738,848	1,367,808	1,252,689	**1,010,102**
Total assets	5,628,796	3,861,867	3,463,508	3,370,677	**2,319,171**
Non-current liabilities	761,074	393,904	513,131	659,232	**461,878**
Current liabilities	2,666,773	1,542,097	1,047,959	1,070,201	**802,261**
Total liabilities	3,427,847	1,936,001	1,561,090	1,729,433	**1,264,139**
Net assets	2,200,949	1,925,866	1,902,418	1,641,244	**1,055,032**
Equity attributable to owners of the Company	1,407,592	1,370,239	1,395,640	1,129,387	**796,204**
Non-controlling interests	793,357	555,627	506,778	511,857	**258,828**
Earnings (loss) per share					
Basic	0.69 cents	(2.76) cents	(3.88) cents	(84.72) cents	**(112.15) cents**
Diluted	0.69 cents	(2.76) cents	(3.88) cents	(84.72) cents	**(112.15) cents**

CHAIRMAN'S STATEMENT

In 2024, China Water Industry Group Limited (hereinafter referred to as "**Group**" or "**China Water**") continued its steady development by aligning with its strategic goal of becoming a leading "Chinese Biomass Gas Operation Service Provider". In the course of industry development, the Company confronted with dozens of daunting challenges, among which the surge in accounts receivable stands out as particularly acute. The cumulative accounts receivable for three sewage treatment plants have soared to over RMB40 million, while electricity subsidies have accumulated to more than RMB600 million. Such a hefty amount of accounts receivable has posed immense pressure on the Group's cash flow. In 2025, the Group will brave the challenges to constantly optimize internal management, enhance operational efficiency, and propel the transformation and development of its business. Externally, the Group will actively explore diversified business models, set its sights on overseas markets and endeavor to promote China's biomass gas technology and services globally.

BUSINESS REVIEW:

I. Above-target Performance Achieved in the Sewage Business Segment, with Deepening Public-Private Partnerships Continued

The sewage business segment achieved above-target performance and made significant achievements in deepening Public-Private Partnerships.

(1) In 2024, Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* (the "**Foshan Gaoming**") (佛山市高明區華信污水處理有限公司) achieved its expected targets. By optimizing operational management processes, the company improved sewage treatment efficiency and reduced production costs. Against the acute background of a shortage of government fiscal funds, the Company actively communicated with the local government, and kept abreast of policy dynamics and government needs to ensure production stability.

(2) In 2024, Jining City Haisheng Water Treatment Company Limited* (the "**Jining Haisheng**") (濟寧市海晟水務有限公司) achieved its expected targets. Over the past year, by intensifying investment in technological innovation, the Company improved sewage treatment technology standards, optimized service quality, strengthened internal management, and reduced operating costs, culminating in exceptional performance in revenue and net profit. The Jining Haisheng and Jining City Haiyuan Water Treatment Company Limited* (the "**Jining Haiyuan**") (濟寧市海源水務有限公司) upgrading projects successfully passed the acceptance inspection of environmental protection on 1 January 2024 and 1 December 2024, respectively. With the successful completion of the upgrading projects, the unit price of sewage treatment increased to RMB2.06 per tonne, positioning the Company for substantial growth in future revenue and net profit.

II. New China Water Streamlining Business Portfolio to Optimize Resources Deployment

(1) Quality Enhancement and Quantity Assurance in Existing Landfill Gas Power Generation Projects

Under the acute situation of a downward trend in domestic landfill gas volume and intensifying fierce market competition, New China Water conducted comprehensive review and optimization in its production processes, equipment maintenance, and personnel management, etc. As of the end of 2024, carbon dioxide emissions is expected to reduce by over 2,000,000 tonnes, and achieving good environmental benefits. In terms of project construction, two new projects, namely Dashiqiao Project (2MW) and Yunyang Project (1.704MW), were successfully put into operation during the year, adding 3.7MW of installed capacity.

(2) Technical Breakthrough in Industrial Biogas Purification

In the field of industrial biogas resource utilization, New China Water accelerated the transformation of technology and market expansion. The Dezhou Gu Shen Protein Biomass Gas Purification Project, as a key project of the company in the industrial biogas purification sector, maintained a highly efficient and stable operation throughout the year. The project adopted advanced biomass gas purification technology and equipment to purify biogas generated from industrial waste efficiently, converting it into high-quality bio-natural gas. It provides customers with stable and reliable clean energy, effectively reducing reliance on traditional fossil fuels, and lowering carbon emissions. The Company also actively promoted project cooperation in multiple regions, strengthened partnerships with enterprises in Jiangsu and Shanxi to jointly advance industrial biogas projects. It is expected that in 2025, the Company will achieve further growth in new production capacity in this sector.

(3) Pioneering the Industry in Carbon Asset Development and Trading

Carbon assets have become a critical strategic resource for enterprises. The Company has established a dedicated carbon reduction team, conducting sales of carbon emission during the year. New China Water prioritizes the reserve of carbon assets. The Company has reserved about 1 million tonnes of VCS-certified carbon assets to date. Concurrently, it is developing four new VCS projects in Ankang, Dashiqiao, etc., continuously enriching the variety and scale of its carbon assets. Additionally, the Company joined forces with industry partners to advocate for the inclusion of landfill gas power generation in the CCER methodology and actively participated in domestic pilot programs for green certificate development.

(4) Leading Industry Transformation through Technology R&D

In the era of rapid technological advancement, New China Water always regards technology R&D as the core driving force for its development and actively pursues innovation. To achieve this goal, New China Water has established in-depth collaborations with leading domestic research institutions to jointly advance the industrial application of "Photon Quantum Kiln Gasification and Pyrolysis Technology". The "Photon Quantum Kiln Gasification and Pyrolysis Technology" was actually verified in the pilot project at the Huadu Landfill Site in Guangzhou. By upgrading and innovating traditional waste treatment technology, the Company achieved a remarkable result of a 40% increase in energy conversion efficiency. Concurrently, the Company innovatively proposed the "photovoltaic + ecological restoration" model. This model organically integrates photovoltaic power generation with ecological restoration, fully utilizing the land resources of landfill site while effectively improving the ecological environment. New China Water plans to complete the filing process for one landfill photovoltaic project in 2025 and plans to complete its construction and put it into operation in 2026.

(5) Igniting Endogenous Vitality through Organizational Optimization

Faced with increasingly fierce market competition and constantly changing industry environment, New China Water made comprehensive and in-depth adjustments to its organization structure, resulting in reduced labor costs. Additionally, to address the impact of policy changes, the Company established a dedicated subsidy task force responsible for closely monitoring national and local policy dynamics and staying updated on relevant policy information. By establishing a long-term communication mechanism with the energy bureaus of various provinces, the Company can master policy changes in the first place and actively strive for relevant policy support. Throughout 2024, the Company obtained more than RMB10 million in electricity price subsidies.

III. Prioritizing Overseas Market Layout with a Focus on Resource Reserves

The Group's Overseas Division actively engaged in the expansion and development of overseas markets. Among numerous potential market regions, it focused on Southeast Asian countries such as Indonesia and the Philippines, as well as the Middle East. In Davao City, Philippines, the Group developed a landfill biogas power generation project, which received support from the Davao City government. A wholly-owned subsidiary of the Group entered into a joint venture agreement with a local partner. The joint venture will lay the foundation for the Group's further expansion in the Philippine market. In Indonesia, the Group reached preliminary consensus with several city governments on the reuse of landfill biogas and RDF resources and completed feasibility studies for several projects. The project development received strong support from relevant departments of the Indonesian central government and local government authorities, and the Group is expected to sign preliminary cooperation agreements on project development with several local governments in the near future. Meanwhile, in the Middle East, the Group signed a joint venture agreement with a partner in the United Arab Emirates ("**UAE**"), established a joint venture, and actively participated in the preliminary development work of the regional market, including the UAE, achieving preliminary progress.

IV. Dual Contracts Boosting the Opening-up of a New Chapter in the Environmental Protection Business in Hong Kong

Hong Kong Glass Resources Limited ("**Glass Resources**") achieved leapfrog development in the environmental protection sector. The Company successfully won the bid to expand its glass recycling business from the Kowloon area to the New Territories area of Hong Kong. The Company established a well-structured business network, covering the rational layout of recycling sites, seamless transport and distribution coordination, and meticulous management of subsequent processing links, ensuring the smooth operation of the entire business process and laying a solid and stable foundation for sustainable business growth. In February 2024, Glass Resources won the bid for the food waste recycling project in West Kowloon, Hong Kong, expanding the Company's business scope beyond the single field of glass recycling to achieve diversified resource recycling and utilization.

The glass recycling business and the food waste recycling project complement each other and advance together, securing a pioneering position for the Group in the development of the environmental protection sector in Hong Kong. They not only enhance the Group's overall competitiveness but also contribute to Hong Kong's environmental protection efforts.

V. Integrated Water Treatment Business Advancing Steadily with Notable Achievements in Market Expansion

In 2024, Shanghai RELE secured seven external orders, achieving an increase in operating revenue and net profit compared to last year, further consolidating its market position. Concurrently, the Company actively forged collaborations with the pulp and paper industry, leveraging the three-year exclusive agency cooperation agreement with Paques China to vigorously expand into the traditional industrial pulp and paper market, creating new business growth points for the Company.

In terms of technological innovation, the Company continued to increase research and development (the "**R&D**") investment and actively advanced membrane technology research projects. The cooperation with Aquaporin, a Danish company, and EvCon, a German company, has been continuously deepened as evidenced by the phased achievements made in the FO forward osmosis membrane project and the multi-effect membrane distillation (MD) technology research. In addition, the company also partnered with AEV, a Danish company, and Aarhus University in Denmark to conduct forward osmosis membrane technology research projects and successfully won the bid for the food waste leachate treatment project in Xixian New Area. While actively exploring overseas markets in Vietnam, the Middle East, and Indonesia, the Company also deeply engaged in the preliminary development of the Hong Kong garbage leachate comprehensive treatment project, which is expected to be signed in the near future.

VI. Enhancing Engineering Project Operations with Synergistic Development of Diverse Business Segments

Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司) actively developed new business areas. The Company advanced the aged waste excavation and transportation project in Fengcheng County, positioning such project as a strategic focus for future growth. Meanwhile, Li Sai Company also successfully completed well drilling, membrane covering, and other supportive work for various landfill gas power generation projects of New China Water, ensuring the smooth operation of New China Water's landfill gas power generation projects. Leveraging these achievements, the Company aims to further expand its business layout, and improve service quality to achieve sustainable development.

VII. Accurately Grasping Industry Development Opportunities and Vigorously Promoting the Sustainable Development of Agricultural Organic Waste

Beijing Zhongying Lihua Technology Development Co., Ltd* (北京中嬴利華科技發展有限公司), as a platform company for agricultural organic waste projects, received tremendous support from the Bureau of Commerce and the Investment Promotion Center of Fengtai District, and the Fengtai Science Park. It was successfully listed as a key project for attracting investment in Beijing for 2024. The Boli County Livestock Manure and Crop Straw Comprehensive Utilization Demonstration Project is progressing smoothly, which officially commenced construction in May 2024, with 30% of the civil engineering work has been completed to date. The project has secured organic fertilizer orders for local high-standard farmland construction and black soil conservation initiatives, providing strong support for the project's subsequent development and making a positive contribution to the sustainable development of local agriculture.

VIII. **Targeted Efforts in Investment Promotion with Enhanced Quality Services**

For the project in Nanjing Space Big Data Industrial Park, we vigorously carried out publicity and investment promotion campaign through various channels and forms. As of the end of December 2024, occupancy rate has reached 55%, injecting financial support for its further development. In property management, guided by the philosophy of "refined, intelligent, and human-centric," the Nanjing Space Big Data Industry Park is committed to creating a comfortable, convenient, and efficient working environment for tenants and employees. Notably, idle ground-floor areas across all buildings have been innovatively transformed into featured spaces such as "Sci-Tech Innovation Workstations," not only making full use of space resources but also providing a vibrant and creative working platform for innovators and entrepreneurs.

OUTLOOK AND FUTURE PLANS:

In 2025, the sustainable development of China's environmental protection industry will still face unprecedented severe challenges. As a key player in the industry, China Water will prioritize business transformation, and adhere to the market positioning of "biomass gas operator in China", striving for long-term development amid intensifying market competition.

Hong Kong, as an international financial and trading hub, has a huge potential for its environmental protection market. To this end, the Group will closely monitor the initiatives of the Hong Kong government, follow its policy orientation and development plans, and promptly adjust the Company's market strategies. While consolidating existing businesses such as glass recycling and food waste collection and transportation, we will strive to explore more market opportunities. Simultaneously, to better serve customers, we will extend the service chain. Furthermore, the Group will leverage Hong Kong as a strategic hub to actively participate in overseas environmental protection projects and expand its business footprint into a broader international markets.

In the first half of 2025, while alleviating pressure from accounts receivable, the Group will prioritize the plan to optimize of three sewage treatment companies: Jining Haiyuan, Jining Haisheng, and Foshan Gaoming.

The construction of talent and partner network serves as a crucial pillar for the Company's development. While further recruiting professionals with extensive experience and professional skills, the Group will prioritize cultivating succession teams for key positions. Through various means such as internal training and external learning, the Group will enhance the professional quality and comprehensive capabilities of the team. The Group will also actively strengthen its collaborative alliance relationships with major domestic and international environmental protection companies, seeking to fully leverage their respective advantages for coordinated development in different business areas and regional markets.

The Group will further strengthen communication and cooperation with relevant government authorities where projects are located by establishing a regular communication mechanism to timely understand government needs and policy updates, ensuring the smooth operation of each project. Meanwhile, we will closely monitor various subsidy programs and financing support policies introduced by the government, actively apply for relevant support to alleviate the Group's financial pressure, and make full use of the favorable policy environment for business development.

Going forward, China Water will continue to explore new technologies, processes, and models in the environmental protection and new energy sectors. Through continuous R&D investment and technological upgrades, the Company will further enhance its professional technical capabilities in these sectors. At the same time, the Company will focus on model optimization, continuously innovates business models and management approaches by aligning with market demands and its own practical circumstances, to improve its operational efficiency and management standards.

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 adhere to the core values of "taking the company as home, taking pride in performance, taking unity as harmony and taking hard-working as the foundation". While pursuing its own development, the Group will actively fulfill social responsibilities and strive for harmonious and win-win development among the enterprise, society, and the environment. Anchored on the deep integration of resources, policies, technology, and teams, the Group will fully leverage the synergistic effects of various resources to drive business innovation and upgrading.

ACKNOWLEDGEMENTS:

On behalf of the Board, I would like to extend our sincerest gratitude to all of our colleagues, investors, and partners. Looking ahead, we will continue to be innovation-driven and aggressive to provide customers with higher-quality services, create greater returns for shareholders, and contribute more value to society.

Mr. Zhu Yongjun
Chairman and Executive Director
Hong Kong, 28 March 2025

FINANCIAL REVIEW

Net loss for the year

Net loss for the year ended 31 December 2024 (the "**FY2024**") was approximately HK$334.03 million (the "**Net Loss**"), representing an increase of HK$120.39 million as compared with the net loss of HK$213.64 million for the year ended 31 December 2023 (the "**FY2023**"). Loss attributable to owners of the Company for the FY2024 was HK$322.28 million (FY2023: loss attributable to owners of the Company of HK$243.45 million).

Comparing with the FY2023, the Board considered that the increase in net loss attributable to owners of the Company was mainly attributable to, among others, net impact of the following factors: (i) the decline in revenue and gross profit derived from the renewable energy business, mainly resulting from the decrease in number of landfill site in operation and the substantial reduction in the volume of on-grid electricity due to less available new garbage being delivered to the landfill sites for generation of electricity as local incineration projects being in operation; and (ii) the impairment losses on non-financial assets mainly including goodwill, right-of-use assets, other intangible assets and property, plant and equipment (the "**PPE**") of the Group's renewable energy projects due to the continued decline in the volume of on-grid electricity generated resulting in the continuous operating losses of certain renewable energy projects. The effects of the aforesaid factors were partially offset by (a) the decrease in administrative and selling expenses by implementing measures to tighten cost controls over various operating and corporate expenses; (b) the net contribution from the disposal of Yichun Water Industry Group Company Limited together with its subsidiaries (the "**Yichun Water Group**"); (c) the decrease in the provision of expected credit loss on loans receivable; and (d) the decrease in income tax as a result of the decrease in taxable profit generated in FY2024.

Revenue and gross profit

On 26 July 2024, the Group had entered into the equity transfer agreement with 宜春市市政發展有限公司 (Yichun Municipal Development Co., Ltd*) for the purpose of disposing 51% equity interest in the Yichun Water Group. Following completion of the disposal of Yichun Water Group in September 2024, the Group no longer held any equity interest in Yichun Water Group which ceased to be a subsidiary of the Company thereafter and the financial performance of the Yichun Water Group is no longer consolidated into that of the Group. The principal activities of Yichun Water Group are mainly engaged in the provision of water supply, sewage treatment services and related construction services. The Group has ceased the businesses operated by the Yichun Water Group but there is no change to the principal business of the remaining group (the "**Remaining Group**"). The Remaining Group have continued to carry out its existing businesses including (i) provision of sewage treatment services and related construction services; (ii) exploitation and sale of renewable energy in the PRC; (iii) property investment and development; and (iv) waste management and recycling.

For the FY2024, overall the Group's revenue and gross profit recorded HK$536.63 million and HK$87.13 million respectively which dropped by HK$212.34 million and HK$95.39 million respectively as compared with FY2023 (FY2023: revenue HK$748.97 million and gross profit HK$182.52 million) mainly due to the disposal of Yichun Water Group and substantial decline in the performance of renewable energy business which mainly due to (i) the substantial reduction in the volume of on-grid electricity caused by local incineration projects being developed and the decrease in landfill sites in operation; and (ii) fewer service contracts from the collection of landfill gas awarded, which was partially offset by the increase in income arising from the sewage treatment business due to the new tariff rate adopted and classified the waste management and recycling as one of the business segments of the Group.

The gross profit recorded a decline as a result of (a) the disposal of Yichun Water Group; (b) the decline in business performance from the renewable energy business; and (c) the magnitude of the decrease in cost of sales was smaller than the decrease in revenue due to certain fixed expenses included in the cost of sales.

Other operating expenses, net

For the FY2024, the overall other operating expenses, net amounted to HK$4.78 million, (FY2023: other operating expenses, net of HK$7.45 million) decreased by HK$2.67 million due to write off of PPE in FY2023.

For the FY2024, excluding the operating income, net of HK$6.41 million from Yichun Water Group, the Remaining Group's other expenses, net amounting to HK$11.19 million mainly consisted of income generated from VAT refund of HK$13.42 million, government grants of HK$1.53 million, rental income of HK$4.14 million from investment properties, the sale of carbon emission target income of HK$2.16 million, gain on disposal of equipment of HK$1.48 million, net service income of HK$1.35 million from the operation of landfill gas projects and interest income of HK$1.03 million after the deduction of loss on disposal of PPE of HK$11.89 million and the construction cost and default interest payment in total of HK$22.32 million arising from the litigation on Swan Heng Chang.

Selling and distribution expenses and administrative expenses

For the FY2024, the overall selling and distribution expenses of HK$29.06 million, together with administrative expenses of HK$173.14 million ("**Total Expenses**") of the Group collectively have dropped by HK$40.58 million to HK$202.21 million (FY2023: HK$242.78 million) due to implementing different measures to tighten cost controls over various operating and corporate expenses and only nine months of Yichun Water Group's expenses consolidated into the Group but consolidated full year expenses of Yichun Water Group in FY2023.

Total Expenses of the Remaining Group excluding the Total Expenses of HK$63.19 million for Yichun Water Group, recorded HK$139.01 million which mainly consisted of staff costs including social insurance and redundancy payments of HK$57.48 million, legal and professional fee (including audit fees) of HK$20.61 million, repair and maintenance of HK$5.66 million and depreciation (including amortization) of HK$13.62 million (FY2023 of the Remaining Group excluding HK$89.36 million for Yichun Water Group: HK$153.42 million). As at 31 December 2024, the Remaining Group had 376 full-time employees, compared with 592 full-time employees as at 31 December 2023. The decrease in the number of staff was mainly due to the continued closure of certain landfill sites in 2024. In this regard, the Group has provided the one-off redundancy payment. Total Expenses of the Remaining Group accounted for 43.41% of the total revenue of the Remaining Group, which was comparable to FY2023 of the Remaining Group of 37.18%, as most of the Total Expenses were non-variable in nature and would not decrease in the same magnitude when revenue decrease.

Impairment loss recognised on other intangible assets (the "OIA"), Concession Intangible Assets ("CIA"), goodwill, right-of-use assets (the "ROU assets") and PPE

Impairment assessment was carried out on certain OIA, CIA, goodwill, ROU assets and PPE when an indication of impairment exists, in particular for the renewable energy projects of the Remaining Group's landfill gas-to-power business operation for FY2024.

The Remaining Group after carrying out the impairment assessment recorded impairment losses for FY2024 on PPE of HK$62.60 million (FY2023: HK$4.78 million), OIA of HK$9.86 million (FY2023: Nil), CIA of HK$1.33 million (FY2023: Nil), goodwill of HK$21.74 million (FY2023: Nil) and ROU assets of HK$50.76 million (FY2023: HK$1.74 million), respectively, mainly provided for the renewable energy projects.

The Company engaged independent professional valuers to perform the impairment assessments based on the recoverable amounts of the relevant cash-generating units ("**CGUs**") as at 31 December 2024 by considering income approach to which these assets were allocated based on value of inputs involving the future cash flow forecast estimated by the management of the Remaining Group (the "**Management**"). The basis and estimations adopted by Management in assessing the recoverable amounts of the relevant CGUs included, among other things, key assumptions on annual revenue growth, budgeted gross margin, operating costs, estimated capital expenditure during the projection period and discount rates. For FY2024, the valuation methodology adopted remains unchanged from the previous approach adopted in 2023, with no subsequent modifications to the valuation techniques previously used.

The reasons contributing to the provision on impairment losses on these projects mainly include (i) the local incineration projects being developed in proximate location to the Remaining Group's renewable energy landfill sites resulting in less new garbage being delivered to the Remaining Group's landfill sites and therefore less electricity being generated and with the continued decline in the volume of on-grid electricity generated, certain renewable energy projects of the Remaining Group recorded continuous operating losses; (ii) the operating cost of renewable energy projects continued to increase; and (iii) the shifting of projection on the sale of carbon emission target income to a later period based on the prevailing regulatory regime in respect of carbon emission trading in the PRC, resulting in downward adjustment of estimated revenue.

Considering the reasons above and with reference to valuation performed by independent professional valuers, the Management considered that the recoverable amounts of the relevant CGUs for the aforesaid projects were less than their carrying amount of assets and therefore recorded an impairment loss in FY2024. For details of the Group's PPE, OIA, CIA, goodwill and ROU assets (including impairment losses recognize, if applicable) please refer to notes 16, 17 and 19 to the consolidated financial statements.

Impairment loss recognised on trade, loans and other receivables

For the FY2024, the Remaining Group recorded an allowance for expected credit loss (the "**ECL**") of HK$14.21 million (the "**Impairment Loss**"), which consists of HK$8.60 million for trade receivable, HK$4.83 million for loans and interest receivables and HK$0.77 million for prepayment (FY2023 of the Remaining Group: HK$68.35 million excluding HK$5.04 million for Yichun Water Group). The decrease of Impairment Loss by HK$54.14 million was mainly due to the balance of Loan Receivables and Other Receivables decreased as compared to prior year. For further details, please refer to section headed "**TRADE AND OTHER RECEIVABLES**" below in this report.

Based on the evaluation of collectability and ageing analysis of trade, loan and other receivable as well as certain forward-looking factors, the Group applied different ECL rates to different classes of receivables according to their respective risk characteristics and business nature.

Assessment of ECL

The Company has engaged an independent valuer (the "**Valuer**"), to conduct a valuation (the "**Valuation**") on potential default or defaulted receivables to support the relevant impairment assessment in estimating the Impairment Loss.

For the Trade Receivables, Loan Receivables and Advances, the Valuer adopted the probability of default and loss given default method (the "**PD Model**") to measure the ECL allowance. Major inputs of the PD Model include (i) probability of default ("**PD**"); (ii) loss given default ("**LGD**"); and (iii) exposure at default ("**EAD**"). The ECL rate has been adjusted for forward-looking factors by taking into account of the expected change in future economic conditions, events and environment, and evaluating the debtor's past default history and the debtor's credit, presence of collaterals, as well as the debtor's financial position. The Group's trade receivables as at 31 December 2024 had an ECL rate ranging from 0.47% to 1.89%, depending on the assessed credit risk of the counterparties. Meanwhile, the rate of ECL of the Group's loan receivables and advance as at 31 December 2024 ranged from 72.10% to 100% (as at 31 December 2023: ranged from 72.10% to 100%) depending on the nature, probability of default and loss incurred in respect of the defaulted loan receivables and advances. Owing to the deteriorating credit status, certain debtors failed to repay their loans and advances which led to the Group proceed with legal actions to recover the outstanding balances (the "**Default Events**") as compared to the previous year. Once the loans and advances resulted in Default Events, a maximum default probability up to 100% will apply as it will indicate a higher probability of default as well as loss.

Share of results from associates

For the FY2024, excluding a gain of HK$0.06 million for Yichun Water Group, the Remaining Group's share of loss amounted to HK$0.11 million which was arising 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) (FY2023 of the Remaining Group: loss of HK$0.92 million excluding a gain of HK$0.01 million for Yichun Water Group). As at 31 December 2024, the Group has one associated company of 49% equity interests in Ziyang Oasis.

Finance costs

For the FY2024, the finance costs for the Remaining Group were HK$55.04 million excluding HK$1.43 million of interest capitalised for Yichun Water Group, an increase of HK$6.64 million as compared to last year (FY2023 of the Remaining Group excluding HK$2.20 million of interest capitalised for Yichun Water Group: HK$48.40 million). The increase was mainly attributable to borrowing a new bank loan in the second half of 2023 and less interest being capitalized on construction in progress due to number of construction projects being reduced during the year as compared with the last year.

Income Tax

For the FY2024, excluding HK$13.47 million for Yichun Water Group, the Remaining Group recorded income tax expense of HK$15.71 million including tax paid of HK$18.88 million for the gain on disposal of Yichun Water Group (the "**Income tax for the disposal**") (FY2023 of the Remaining Group: HK$5.81 million excluding HK$9.62 million for Yichun Water Group), the Income tax credit was HK$3.17 million after excluding the Income tax for the disposal, which was in line with the substantial dropped operating performance in the renewable energy business. 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 year under review, certain renewable energy companies in PRC are still subject to tax concessions of 3-year full exemption and subsequent 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived under the relevant tax rules and regulation.

Change in fair value of investment properties

For the FY2024, the fair value loss on investment property recorded HK$14.13 million excluding HK$0.36 million for Yichun Water Group (FY2023: loss on fair value of HK$8.27 million excluding HK$1.03 million for Yichun Water Group) which provided on Nanjing Property Project. As at 31 December 2024, the Remaining Group had one investment property on hand which is located in Nanjing City, the PRC. According to the valuation result, the loss from the change in fair value of Nanjing Property Project for 2024 was mainly due to further decline in the fair value of office buildings resulting from the downturn of the office leasing market in China. The Company has engaged an independent property valuer to conduct a valuation on the investment properties.

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

For the FY2024, net gain on financial assets at fair value through profit or loss ("**FVPL**") of the Remaining Group amounted to HK$0.38 million, fell by HK$1.35 million from the gain of HK$1.73 million for the FY2023 of the Remaining Group. Included in net gain on FVPL in FY2024 mainly comprised of dividend income received and the unrealised gain on unlisted fund in the PRC.

Disposal of subsidiaries

The disposal of Yichun Water Group recorded a gross gain before taxation of HK$43.40 million, gain on disposal of other subsidiaries of HK$3,000 and net loss on disposal for deregistration subsidiaries amounted to HK$0.26 million (FY2023 of the Remaining Group: HK$2.96 million). After considering the income tax for the disposal, the net gain for the disposal of Yichun Water Group recorded HK$24.52 million. The disposal of Yichun Water Group was completed in September 2024. Save for the above, there were no material acquisition and disposal of subsidiaries, associates and joint ventures during FY2024.

Exposure to Fluctuations in Exchange Rates

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

TREASURY MANAGEMENT

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

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

Financial Position Analysis

As at 31 December 2024, the Remaining Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Remaining Group recorded a cash and cash equivalents balance of HK$45.16 million (as at 31 December 2023 of the Remaining Group: HK$84.11 million excluding HK$64.68 million for Yichun Water Group) including cash held at financial institutions of HK$0.16 million, pledged bank deposits of HK$20.33 million and restricted bank deposits of HK$3.24 million (as at 31 December 2023 of the Remaining Group: HK$0.66 million for cash held at financial institutions and HK$15.97 million for pledged bank deposits). The decrease of HK$38.95 million was mainly due to the repayment of debt liabilities and the decrease in income arising from renewable energy business. With steady operating cash flows, the Group is expected to have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HK$ and RMB.

The net current assets for the Remaining Group at 31 December 2024 were HK$207.84 million (as at 31 December 2023 of the Remaining Group: HK$244.48 million excluding the net current liabilities of HK$61.99 million for Yichun Water Group). The current ratio of the Remaining Group (current assets over current liabilities) was 1.26 times as at 31 December 2024 (as at 31 December 2023 of the Remaining Group: 1.31 times).

As at 31 December 2024, the net asset value of the Remaining Group amounted to HK$1,055.03 million (as at 31 December 2023 of the Remaining Group: HK$1,240.32 million excluding HK$400.93 million for Yichun Water Group).

As at 31 December 2024, the Remaining Group's consolidated total assets (including both current and non-current) decreased by HK$315.89 million to HK$2,319.17 million (as at 31 December 2023 of the Remaining Group excluding HK$735.62 million for Yichun Water Group: HK$2,635.06 million). The decrease was primarily due to the decrease in bank and cash balances, amortization on assets, fair value loss on investment property, impairment loss provided on PPE, goodwill, right-of-use assets and other intangible assets and the depreciation of RMB against HK$.

Capital Structure — Share Consolidation

During the year, the Company completed the share consolidation on the basis that (i) every ten (10) existing shares of par value of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of par value of HK$0.1 each; and (ii) every ten (10) existing preference shares of par value of HK$0.1 each in the unissued share capital be consolidated into one (1) consolidated preference share of par value of HK$1.0 each. The share consolidation was approved by the shareholders by way of poll at the EGM on 9 December 2024. The share consolidation became effective on 11 December 2024.

Save as disclosed above, there was no movements in either the Company's authorised or issued share capital during the year under review.

CAPITAL EXPENDITURES AND CAPITAL RAISING

During the year under review, the Remaining Group incurred capital expenditures amounting to HK$1.48 million (FY2023 of the Remaining Group: HK$65.84 million) for acquisition of concession intangible assets.

The Company has not conducted any equity fund raising activities during the year under review. Subsequent to end of FY2024, the Company has completed the issuance of 287,360,964 right shares in January 2025 and raised up to the net proceeds of HK$90.10 million. Please refer to the **MATERIAL EVENTS DURING / AFTER THE YEAR UNDER REVIEW** under the section of F (III) for further details on the right issue.

INVESTMENT PROPERTIES

As at 31 December 2024, the Remaining Group held the following investment property in Nanjing for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	Group's interest (%)
Nanjing Space Big Data Industry Base					
No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Commercial	17,808.23	Long	55%	100%

As at 31 December 2024, the carrying value of Nanjing Property Project decreased to HK$175.05 million (as at 31 December 2023 of the Remaining Group: HK$193.11 million excluding HK$8.28 million for Yichun Water Group). The decrease in carrying value of investment property by HK$18.06 million was due to the fair value loss and exchange loss on investment properties in Nanjing Property Project. As at 31 December 2024 and 31 December 2023, the Nanjing Property Project has a total gross floor area of 17,808.23 square meters. For the FY2024, the gross rental income arising from Nanjing Property Project after deducting the related outgoings amounted to HK$3.93 million excluding HK$0.44 million for Yichun Water Group (FY2023 of the Remaining Group: HK$3.57 million excluding HK$0.23 million for Yichun Water Group). The increase in rental income was contributed by an increase in the leasing out of the office building of Nanjing Property Project in 2024.

INVENTORIES

As at 31 December 2024, the inventories of the Remaining Group recorded HK$57.59 million, which comprised raw materials for the use of renewable energy business (as at 31 December 2023 of the Remaining Group: HK$50.86 million excluding HK$5.15 million for Yichun Water Group).

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENTS

As at 31 December 2024, the fair value of securities investments of the Remaining Group (including held-for-trading investments and held-for-long term investments) was amounted to HK$13.91 million (as at 31 December 2023: HK$13.97 million) representing 0.60% of the total asset value of HK$2,319.17 million as at 31 December 2024. The securities investments of the Remaining Group comprised listed securities in Hong Kong and investment funds in the PRC. The following analysis was of the Remaining Group's investments at the end of the reporting period:

List of stocks in terms of market value as at 31 December 2024

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2024	No. of issued ordinary share as at 31 December 2024	Effective interest held as at 31 December 2024	Initial investment cost HK$'000	Market value as at 31 December 2024 HK$'000	Unrealised/ Realised gain/(loss) for the year ended 31 December 2024 HK$'000	Accumulated unrealised holding gain/ (loss) on revaluation HK$'000	Classification	Dividend received/ receivable during the year HK$'000
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	2,091,500,991	0.30%	5,157	1,552	–	(3,605)	FVOCI	–
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	329	–	(659)	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	0.10%	908	752	–	(156)	FVOCI	–
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							2,633	–	(4,422)		
Name of unlisted investment		**Brief description of the business**									
Guangdong Finance Industry Strategic Fund*		Investment in unlisted equity	N/A		N/A	8,777	11,274	225	2,497	FVPL	157
Sub-total							**11,274**	**225**	**2,497**		**157**
Total							**13,907**	**225**	**(1,925)**	**–**	**157**

Note 1: The functional currency of the investment is RMB. The initial investment cost is RMB8.13 million (equivalent to HK$8.78 million). The market value as at 31 December 2024 is RMB10.44 million (equivalent to HK$11.27 million).

Note 2: Chinese Energy Holdings Limited was delisted from the GEM of the Stock Exchange on 29 December 2023.

FVPL: Financial assets at fair value through profit or loss.

FVOCI: Financial asset at fair value through other comprehensive income.

For the FY2024, the Remaining Group recorded a gain of HK$0.38 million on FVPL (FY2023 of the Remaining Group: HK$1.73 million). During the year under review, amid the ongoing geopolitical and economic tensions, the global economic recovery was characterised by uncertainty, the Board has scaled down short-term investment in equity trading and managed the investment portfolio in accordance with the Remaining Group's investment objectives and policies with a view to gaining good investment yields for our shareholders. In view of the above, the Board will monitor stock market development closely and capture opportunities in a prudent manner so as to balance the investment risks of the Remaining Group.

TRADE AND OTHER RECEIVABLES

As at 31 December 2024, the Remaining Group's trade and other receivables, (net of loss allowance) were approximately HK$893.72 million (as at 31 December 2023 of the Remaining Group: HK$874.37 million excluding HK$60.87 million for Yichun Water Group), which comprised of: (i) net trade receivables of HK$779.14 million, (ii) net other receivables of HK$52.71 million, (iii) net loan receivables of HK$0.59 million, and (iv) net deposits and prepayments of HK$61.28 million.

As at 31 December 2024, trade receivables, (net of loss allowance) of the Remaining Group increased by HK$36.67 million to HK$779.14 million (as at 31 December 2023 of the Remaining Group: HK$734.95 million excluding HK$45.75 million for Yichun Water Group) which was primarily attributable to the addition of government on-grid tariff subsidies, the slowdown in payment of sewage treatment fees, and new contracts awarded resulting in an increase in the revenue in the recycling business of glass and food waste collection, which was partially offset by the depreciation of the exchange rate of RMB and the settlement of property considerations by customers.

(A) Trade receivables

(i) The net trade receivables from the renewable energy business of HK$700.11 million which comprised of: (i) the government on-grid tariff subsidies receivable amounted to HK$686.04 million (as at 31 December 2023: HK$660.64 million) and (ii) the electricity sales receivable from local grid companies of HK$14.07 million (as at 31 December 2023: HK$18.35 million), which in aggregate accounted for 89.86% of net 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 year under review, 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 31 December 2024, the impairment loss on trade receivable relating to the renewable energy business was provided HK$8.60 million for the FY2024 (FY2023: HK$0.67 million).

(ii) The net trade receivables from the sewage treatment services amounted to HK$48.91 million (as at 31 December 2023 of the Remaining Group: HK$45.20 million), representing 6.28% of the net trade receivables of the Remaining Group. The increase of HK$3.71 million was mainly due to the increase in sewage treatment fees as a result of the completion of upgrading and modification work and the slowdown in payment of sewage treatment fees by the related local PRC government. Generally, trade receivables would be written off if the Group is of the view that the recovery of the amount was remote. In view of the historical repayment record, the Group considered the default risk for such balances to be insignificant and, the ECL to be minimal. No impairment loss was recognized on these trade receivables in FY2024 (FY2023: Nil).

(iii) The net trade receivables from the sales of completed properties recorded HK$10.10 million (as at 31 December 2023 of the Remaining Group: HK$13.30 million), representing 1.30% of the net trade receivables of the Remaining Group. The decrease of HK$3.20 million was mainly due to customers using 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 sales and purchase agreements. In the second half of 2022, the property of sales were handed over to customers. Those receivable balances are pending for their mortgage procedures. The Remaining Group considered the default risk for such balances to be insignificant. Accordingly, no impairment loss on this segment was provided for the FY2024 (FY2023: Nil).

(iv) The net trade receivables from the recycling business of glass and food waste collection amounted to HK$12.15 million (as at 31 December 2023 of the Remaining Group: HK$2.40 million), representing 1.56% of the net trade receivables of the Remaining Group. The increase of HK$9.75 million was mainly due to three new contracts, including glass management contracts and a food waste contract granted by the Environmental Protection Department (the "**EPD**") in 2023 and earlier in 2024 respectively. The operation of glass management and food waste collection commenced in October 2023 and March 2024, respectively, resulting in bringing new income to the Remaining Group. The Remaining Group considered the default risk for such balances to be insignificant. For the FY2024, no impairment loss was recognized on these trade receivables (FY2023: Nil).

(B) Net other receivables

As at 31 December 2024, other receivables, (net of loss allowance) of the Remaining Group dropped by HK$6.31 million to HK$52.71 million due to a slight increase in tax recoverable and partially offset by the depreciation of exchange rate of RMB (as at 31 December 2023 of the Remaining Group: HK$46.40 million excluding HK$6.25 million for Yichun Water Group). The balance of net other receivables represented mainly tax recoverable, refundable of legal enforcement fee, security deposit for research and development projects, advances for promotion activities and income receivable from the construction project. For the FY2024, no impairment allowance was recognized (FY2023: HK$1.66 million).

(C) Net loan receivables

As at 31 December 2024, loans receivables, (net of loss allowance) of the Remaining Group decreased by HK$4.52 million to HK$0.59 million (as at 31 December 2023 of the Remaining Group: HK$5.10 million excluding HK$0.29 million for Yichun Water Group) mainly due to the recognition of impairment loss of HK$4.83 million and the depreciation of exchange rate of RMB (FY2023 of the Remaining Group: HK$45.16 million).

As at 31 December 2024, the loans receivables of the Remaining Group mainly comprised of loans to independent private companies in the PRC and/or Hong Kong and an individual merchant in Hong Kong (the "**Borrowers**"). The loans are interest-bearing with rates ranging from 4% to 24% per annum and maturities ranging from 1 month to 12 months. None of the Borrowers has pledged any of their assets to the Remaining Group to secure the loans. The Remaining Group has obtained the personal guarantee provided by the respective guarantors as security for certain loans.

Prior to granting the respective loans to the Borrowers, the Remaining Group conducted a credit assessment on certain Borrowers and/or guarantors, which included (i) conducting background searches on the respective Borrowers and/or guarantors; (ii) obtaining and reviewing information in relation to the financial background of the Borrowers and/or guarantors; and (iii) assessing whether the Borrowers would provide a pledge and/or guarantee in relation to their respective loans.

Once any loans receivable were overdue and/or defaulted, the Remaining Group adopted collection/recovery actions including, but not limited to issuing demand letters, re-negotiating repayment terms and methods with Borrowers and/or guarantors, and consulting with legal advisers to ascertain whether Borrowers have assets in the HK and/or PRC and considering commencing legal proceedings depending on the results of such searches. Recoverability and impairment assessments would also be carried out accordingly.

The Remaining Group has noticed that many Borrowers failed to repay the loans when fall due, with certain Borrowers and/or guarantor went into liquidation. As at 31 December 2024, additional impairment loss was recognized by the Remaining Group on loan receivable amounted to HK$4.83 million, in relation to a loan provided to an individual merchant in Hong Kong, as such loan have been default and the relevant Borrower had been non-responsive to collection activities. After such impairment, the entire gross loan receivables were almost fully impaired as at 31 December 2024. For the FY2024, the impairment loss recognized on loan receivable amounted to HK$4.83 million (FY2023 of the Remaining Group: HK$45.16 million).

(D) Net deposits and prepayments

As at 31 December 2024, deposits and prepayments, (net of loss allowance) of the Remaining Group recorded HK$61.28 million (as at 31 December 2023 of the Remaining Group: HK$86.56 million excluding HK$9.93 million for Yichun Water Group). The balance of net deposits and prepayment represented amortisation of repairing and drilling cost, prepayment relating to advances to suppliers and/or sub-contractors for material procurement and construction works, and consultancy fees for the provision of finance lease arrangements, security deposits paid, including glass management contract, construction service contracts and the finance lease. For the FY2024, impairment loss of HK$0.77 million was recognised on prepayment for material procurement (FY2023 of the Remaining Group: HK$20.71 million).

LIABILITIES AND GEARING

As at 31 December 2024, the Remaining Group's total liabilities (including both current and non-current) amounted to HK$1,264.14 million (as at 31 December 2023 of the Remaining Group: HK$1,394.74 million excluding HK$334.69 million for Yichun Water Group). The decrease of HK$130.60 million was mainly due to the repayment of bank and other borrowings together with finance lease liabilities in 2024. Except for the issuance of bonds and non-financial institution loan denominated in HK$, borrowings were mainly denominated in RMB.

The Remaining Group's gearing ratio as at 31 December 2024 was 54.51% (as at 31 December 2023 of the Remaining Group: 52.93%). The ratio was calculated by dividing total liabilities of the Remaining Group of HK$1,264.14 million (as at 31 December 2023 of the Remaining Group: HK$1,394.74 million excluding HK$334.69 million for Yichun Water Group) over total assets of the Remaining Group of HK$2,319.17 million (as at 31 December 2023 of the Remaining Group: HK$2,635.06 million excluding HK$735.62 million for Yichun Water Group).

As at 31 December 2024, the Remaining Group's total bank and other borrowings were HK$563.05 million (as at 31 December 2023 of the Remaining Group: HK$627.16 million excluding HK$2.15 million for Yichun Water Group). For the maturity profile, refer to the table below:

Debt Analysis

	The Remaining Group*			
	31-Dec-24		31-Dec-23	
Debt Analysis	**HK$ Million**	**%**	HK$ Million	%
Classified by maturity — repayable within one year				
Bank borrowings	**107.76**	**19.14**	124.21	19.81
Other loans	**137.15**	**24.36**	166.71	26.58
	244.91	**43.50**	290.92	46.39
Classified by maturity — repayable more than one year				
Bank borrowings	**257.06**	**45.65**	318.96	50.85
Other loans	**61.08**	**10.85**	17.28	2.76
	318.14	**56.50**	336.24	53.61
Total bank and other borrowings	**563.05**	**100.00**	627.16	100.00
Classified by type of loans				
Secured	**447.05**	**79.40**	493.16	78.64
Unsecured	**116.00**	**20.60**	133.99	21.36
	563.05	**100.00**	627.16	100.00
Classified by type of interest				
Fixed rate	**459.62**	**81.63**	513.15	81.82
Variable-rate	**72.98**	**12.96**	81.92	13.06
Interest free rate	**30.45**	**5.41**	32.09	5.12
	563.05	**100.00**	627.16	100.00

* *The Group excluding Yichun Water Group*

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 the issuance of the Bond to the placees in an aggregate principal amount of HK$20.00 million. As at 31 December 2024, the outstanding Bond amounted to HK$18.54 million and was classified as an other loan (as at 31 December 2023 of the Remaining Group: HK$17.22 million).

2. Loans from related companies

As at 31 December 2024, loans from related companies amounted to approximately of HK$85.00 million (as at 31 December 2023 of the Remaining Group: HK$58.22 million). Details of loans from related companies are set out in the Report of Directors on page 77 to 78.

As at 31 December 2024, the Bond of HK$18.54 million and loans from related companies of HK$85.00 million totalled HK$103.54 million, representing of 52.23% of the other loans, which were utilized as general working capital, repayment of debts, and/or acquisition activities.

TRADE AND OTHER PAYABLES

As at 31 December 2024, the Remaining Group's trade and other payables were approximately HK$385.75 million (as at 31 December 2023 of the Remaining Group: HK$344.37 million excluding HK$120.99 million for Yichun Water Group). The increase in trade and other payables of HK$41.38 million was mainly due to the construction cost and default interest payment arising from the litigation on Swan Heng Chang and the commencement of operation in waste management and recycling business. The credit terms for trade payables vary depending on the terms agreed upon with different suppliers.

BUSINESS REVIEW BY SEGMENT

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

	Revenue				Gross Profit/Loss) (GP)						2024 vs 2023		
	HK$' M 2024	% to the total	HK$' M 2023	% to the total	HK$' M 2024	% to the total	% GP margin	HK$' M 2023	% to the total	% GP margin	Revenue HK$ M	Gross Profit HK$ M	GP Margin %
Water supply business	83.10	15.49	122.77	16.38	25.62	29.40	30.83	43.77	23.98	35.65	(39.67)	(18.15)	-4.82
Sewage treatment business	83.41	15.54	85.20	11.38	35.26	40.47	42.27	34.15	18.71	40.08	(1.79)	1.11	2.19
Construction service business	125.16	23.32	205.87	27.49	30.59	35.11	24.44	62.31	34.14	30.27	(80.71)	(31.72)	(5.83)
Sub-total	291.67	54.35	413.84	55.25	91.47	104.98	31.36	140.23	76.83	33.89	(122.17)	(48.76)	(2.53)
Exploitation and sale of renewable energy business	191.19	35.63	319.94	42.72	(12.75)	(14.63)	(6.67)	43.97	24.09	13.74	(128.75)	(56.72)	(20.41)
Property Development	0.00	0.00	0.00	0.00	0.00	0.00	–	0.00	0.00	–	0.00	0.00	–
Waste Management and Recycling	53.78	10.02	15.19	2.03	8.41	9.65	15.64	(1.68)	(0.92)	(11.06)	38.59	10.09	26.70
Total	536.64	100.00	748.97	100.00	87.13	100.00	16.24	182.52	100.00	24.37	(212.33)	(95.39)	(8.13)

1.1 Water supply business

After completion of the disposal of Yichun Water Group, the Remaining Group will no longer engage in the water supply business in the PRC. Compared with the FY2023, the revenue and gross profit of the Remaining Group recorded the decrease of HK$83.10 million and HK$25.62 million, respectively due to only 9-month operation performance recorded in 2024 but full year recorded in 2023 and the decrease in water supply volume.

The analysis of financial performance by segment was as follows:

		2024 From January to September	2023 From January to December	Variance
Water Supply Business				
Revenue	HK$'million	83.10	122.77	(39.67)
Gross profit	HK$'million	25.62	43.77	(18.15)
Designed daily capacity of water supply	Tonne	260,000	260,000	–

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

Yichun Water Group has held equity interests in two projects, namely Yichun Fangke and Yichun Mingyue Mountain (collectively known as "**Yichun Sewage Treatment Projects**"). Following completion of the disposal of the Yichun Water Company, these projects will cease to provide a contribution to the Group. As at 31 December 2024, the number of sewage treatment projects decreased from five projects to three projects, which are located in Guangdong and Shandong Provinces (FY2023: five projects) and the daily aggregate sewage disposal capacity was approximately 80,000 tonne (FY2023: 240,000 tonne). For the FY2024, the revenue and gross profit of the Remaining Group amounted to HK$47.33 million and HK$21.98 million respectively. During the year, the Remaining Group processed an aggregate of 28.49 million tonne of waste water (FY2023 of the Remaining Group: 28.94 million tonne), representing a decrease of 1.55% over the last corresponding year. Compared with the FY2023, the revenue and gross profit of the Remaining Group increased by HK$8.41 million and HK$7.54 million, respectively. The rise was attributable to the increase in sewage treatment fee as a result of the completion of upgrading and modification work on the Jining Haiyuan project and Jining Haisheng project in December 2024 and January 2024 respectively. The average rates for sewage treatment in the Remaining Group ranged from HK$1.36 to HK$2.10 per tonne (FY2023 of the Remaining Group: HK$1.29 to HK$1.31 per tonne).

The analysis of financial performance by segment was as follows:

	FY2024			FY2023			FY2024 vs FY2023		
	The Group	Yichun Sewage Treatment Projects 9 months	The Remaining Group*	The Group	Yichun Sewage Treatment Projects 12 months	The Remaining Group*	The Group	Yichun Sewage Treatment Projects Group	The Remaining Group*
	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M
Revenue	83.41	36.08	47.33	85.20	46.28	38.92	(1.79)	(10.2)	8.41
Gross profit	35.26	13.28	21.98	34.15	19.71	14.44	1.11	(6.43)	7.54

* *The Group excluding Yichun Water Group*

Analysis of sewage treatment projects on hand is as follows:

Project name		Equity interest held by the Company (%)	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Jining Haiyuan	70	30,000	Shandong	2036
2	Jining Haisheng	100	30,000	Shandong	2049
3	Gaoming Huaxin	70	20,000	Guangdong	2033
Total			**80,000**		

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. Upon completion of the disposal of the Yichun Water Group in September 2024, the financial performance of these segments relating to Yichun Water Group ceased to be consolidated into the Group. During the year, the construction services's revenue and gross profit recorded HK$125.16 million and HK$30.59 million. (FY2023: revenue of HK$205.87 million and gross profit of HK$62.31 million). The decrease was due to only nine months of Yichun Water Group's revenue consolidated into the Group but consolidated full year of Yichun Water Group' revenue in FY2023 and less construction activities in 2024.

The analysis of financial performance by segment was as follows:

	FY2024			FY2023			**FY2024 vs FY2023**		
	The Group	**Yichun Construction Projects 9 months**	**The Remaining Group**	The Group	Yichun Construction Projects 12 months	The Remaining Group	The Group	Yichun Construction Projects Group	The Remaining Group
	HK$ M	**HK$ M**	**HK$ M**	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M
Revenue	**125.16**	**97.24**	**27.92**	205.87	167.28	38.59	(80.71)	(70.04)	(10.67)
Gross profit	**30.59**	**28.64**	**1.95**	62.31	58.44	3.87	(31.72)	(29.80)	(1.92)

1.4 Exploitation and sales of renewable energy business

Up to the date of this report, the Remaining Group has 50 solid waste treatment projects, of which 27 projects are in operation with a total installed capacity of 95.28 MW, 9 projects are under construction with an estimated total installed capacity of 8 MW and 14 projects have discontinued operations since 2023. For the FY2024, the revenue and gross loss of the Remaining Group recorded HK$191.19 million and HK$12.75 million respectively. Compared with the FY2023, the revenue and gross loss of the Remaining Group decreased by HK$128.75 million and HK$56.72 million respectively. The decline in business performance was because (i) the decrease in number of landfill site in operation; (ii) the substantial reduction in the volume of on-grid electricity due to less available new garbage being delivered to the landfill sites for generation of electricity as local incineration projects being in operation; and (iii) most of the operating expenses were non-variable in nature and did not decrease in the same magnitude when revenue decreased. During the year, the Group had 27 projects in operation (FY2023: 35 projects), generating approximately 313,379.26 MWh of on-grid electricity which represented a decrease of 36.12% compared to FY2023 (FY2023: 490,542.24 MWh). As at 31 December 2024, the Group accumulated a total installed capacity of 103.28 MW, representing an decrease of 28.92% compared to the FY2023 (as at 31 December 2023: 145.3 MW). For the FY2024, the average electricity rate of the Group was HK$0.52 per kilowatt-hour and the average CNG rate was HK$2.63 per m^3 (FY2023: average electricity rate HK$0.58 per kilowatt-hour and the average CNG rate HK$2.32 per m^3). Included in revenue was HK$119.10 million (FY2023: HK$203.14 million) and HK$49.35 million (FY2023: HK$81.68 million) derived from the sales of electricity to local grid companies and the government tariff subsidies, respectively, representing 62.29% and 25.81% of the total renewable energy revenue, respectively.

		For the year ended 31 December		
		2024	2023	Variance
Exploitation and sale of renewable energy business				
— Sale of electricity				
Revenue	HK$'million	**170.96**	289.69	(118.73)
Gross (loss)/profit	HK$'million	**(9.47)**	39.71	(49.18)
— Sale of compressed natural gas				
Revenue	HK$'million	**13.34**	11.03	2.31
Gross (loss)/profit	HK$'million	**(2.51)**	3.01	(5.52)
— Service income from collection of landfill gas				
Revenue	HK$'million	**1.68**	18.35	(16.67)
Gross (loss)/profit	HK$'million	**(2.01)**	1.61	(3.62)
— Sale of solid organic fertilizer				
Revenue	HK$'million	**5.21**	0.87	4.34
Gross (loss)/profit	HK$'million	**1.24**	(0.36)	1.60
Total				
Revenue	HK$'million	**191.19**	319.94	(128.75)
Gross (loss)/profit	HK$'million	**(12.75)**	43.97	(56.72)

		2024	% to total	2023	% to total
Summary of revenue					
Government tariff subsidies	HK$'million	49.35	25.81%	81.68	25.53%
The sale of electricity to local grid companies	HK$'million	119.10	62.29%	203.14	63.49%
Other	HK$'million	2.51	1.32%	4.87	1.53%
		170.96	89.42%	289.69	90.55%
Compressed natural gas & service income from collection of landfill gas & sale of solid organic fertilizer	HK$'million	20.23	10.58%	30.25	9.45%
		191.19	100.00%	319.94	100.00%

1.5 Property Investment and development

Yichun Water Group has held equity interests in two property projects namely Wenbifeng Office Building* (文筆峰辦公樓) and 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).

Following completion of the Disposal of the Yichun Water Company, the aforesaid property projects will cease to provide a contribution to the Group. As at 31 December 2024, the number of property projects decreased from four projects to two projects, which are located in Nanjing and Huizhou City (FY2023: four projects) with a total site area of approximately 56,884 square meters.

The development status of the property projects of the Group was as follows:

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Approximate site area (square meters)	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
1	Nanjing Space Big Data Industry Base (南京空間大數據產業基地)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Completed	Mar-22	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	72,853	50 years	100
2	Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction (95%)	Aug-26	Research and development Centre/ Commercial (for sale and/or for lease)	30,544	43,738	50 years	100
						56,884	116,591		

1.6 Waste Management and Recycling

In 2023, Hong Kong Glass Resources Limited ("**Glass Resources**"), an indirect wholly-owned subsidiary of the Company, was awarded two five-year glass management contracts (the "**Glass Management Contracts**") for the Kowloon and New Territories regions by the EPD, with an aggregate contract value of approximately HK$319.00 million. In February 2024, Glass Resources was further awarded a 39-month service contract (the "**Food Waste Contract**") by the EPD to provide food waste collection services in Kowloon West, at a contract sum of approximately HK$87 million.

During the year, the Remaining Group recorded revenues of HK$53.78 million and a gross profit of HK$8.41 million. Compared to FY2023, these figures represent an increase of HK$38.59 million in revenue and HK$10.09 million in gross profit. This growth was attributable to Glass Resources commencing operations under the Glass Management Contracts in October 2023 and the Food Waste Contract in March 2024, both of which have contributed new income streams to the Group.

The analysis of financial performance by segment was as follows:

		For the year ended 31 December		
		2024	2023	Variance
Waste Management and Recycling businesses				
Revenue	HK$'million	**53.78**	15.19	38.59
Gross (loss)/profit	HK$'million	**8.41**	(1.68)	10.09

MATERIAL EVENTS DURING/AFTER THE YEAR UNDER REVIEW

A. Awarded a service contract relating to the provision of food waste collection services in West Kowloon

On 1 February 2024, Glass Resources has been awarded a 39-month service contract (the "**Food Waste Contract**"), by the EPD for a contract sum of approximately HK$87 million. Under the Food Waste Contract, Glass Resources is obligated to deliver the following services: (i) collecting food waste at designated locations in West Kowloon; (ii) delivering the collected food waste to the approved food waste disposal facilities; (iii) organizing community-based promotion activities; and (iv) expanding the collection network to increase the rate of food waste recycling. The operation of food waste collection commenced in March 2024. For details, please refer to the announcement of the Company dated 1 February 2024.

B. (I) Disposal of entire equity interests in Onfar International Limited (the "Onfar")

On 25 March 2024, Haitian Water Group Company Limited* (海天水務集團股份公司) (the "**Purchaser**"), the Company, Billion City Investments Limited (the "**Vendor**"), being a direct wholly-owned subsidiary of the Company, and Shenzhen Haisheng Environmental Sci-Tech Co., Ltd.* (深圳市海晟環保科技有限公司), being an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreement (the "**Agreement**"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 100% equity interests in the Onfar International Limited (the "**Onfar**") and its subsidiaries (the "**Disposal Group**") for a total consideration of RMB270 million (the "**Disposal**"). The Disposal is subject to the approval of the shareholders by way of poll at the extraordinary general meeting. Upon completion, Onfar will cease to be a subsidiary of the Company, and the financial information of the Disposal Group will cease to be consolidated into the consolidated financial statements of the Group. For details, please refer to the announcement of the Company dated 25 March 2024, 9 May 2024 and 17 June 2024.

(II) Freeze 51% equity interest in Onfar

宜春市市政發展有限公司 (for transliteration purpose only, Yichun Municipal Development Co., Ltd.) (the "**Applicant**") has applied to Yichun City Yuanzhou District People's Court of Jiangxi Province (the "**Court**") for the property attachment (the "**Property Attachment**"), which aims to freeze the Vendor's 51% equity interests in the Onfar. The application for the Property Attachment has been accepted by the Court.

The Company received a statement of claim (民事起訴狀) from the Court regarding the claims by the Applicant against (i) the Company, as 1st defendant; (ii) the Purchaser, as 2nd defendant; (iii) Billion City as 3rd defendant; and (iv) Yichun Water, as third party, in respect of the disposal. For details, please refer to the announcement of the Company dated 9 May 2024 and 17 June 2024.

(III) Termination of the disposal of Onfar

On 25 July 2024, Purchaser confirmed in writing that it will not proceed with the transactions contemplated under the Agreement. As the Payment Conditions under the Agreement were not fulfilled or waived by the Purchaser in writing on or before 23 July 2024, the Agreement shall cease and determine and the Disposal has been terminated pursuant to the terms and conditions of the Agreement. On 25 July 2024, following the termination of the Disposal, the Purchaser has issued to the Company a notice of demand for the return of the deposit of RMB54,000,000 (the "**Deposit**") to the Purchaser in full in accordance with the terms of the Agreement. The Deposit was fully refunded to the Purchaser in August 2024. For details, please refer to the announcement of the Company dated 25 July 2024.

(IV) Withdrawal of the civil claim and discharge of the Property Attachment

The Company received a statement of claim (民事起訴狀) from the Yichun Intermediate People's Court of Jiangxi Province relating to withdrawing the civil claim and discharge of the Property Attachment. For details, please refer to the announcement of the Company dated 16 September 2024.

C. Finance Lease Arrangement

On 5 July 2024, Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* (佛山市高明區華信污水處理有限公司) (as lessee), and Greengold Leasing (as lessor) entered into the transfer agreement and finance lease agreement in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of sewage treatment equipment situated at Foshan City, Guangdong Province, the PRC, at the consideration of RMB6,000,000 (equivalent to approximately HK$6,467,000) for a term of 60 months. For details, please refer to the announcement of the Company dated 5 July 2024.

D. The disposal of 51% equity interests in Yichun Water Industry Group Company Limited

On 26 July 2024, Yichun Municipal Development Co., Ltd.* (宜春市市政發展有限公司) (the "**Purchaser**") and Onfar International Limited, an indirect wholly-owned subsidiary of the Company (the "**Vendor**") entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 51% equity interests in Yichun Water Industry Group Co., Ltd* (宜春水務集團有限公司) (the "**Disposal Company**") for a total consideration of RMB195,000,000 (equivalent to approximately HK$211,185,000). The approval of disposal transaction of the Disposal Company was duly passed by the shareholders by way of poll at the EGM on 9 September 2024. For details, please refer to the announcement of the Company dated 26 July 2024, 9 September 2024, 16 September 2024 and the circular dated 23 August 2024.

The aforesaid disposal transaction was completed in September 2024. After completion of the Disposal of the Disposal Company, the Group ceased to engage in the businesses that are operated by Yichun Water Group.

E. The First Requisition for convening an extraordinary general meeting (the "October EGM") by requisitionists

On 9 August 2024, the Company received a written requisition (the "**Requisition Notice I**") from Easy Favor Limited, Mr. Yang Tiansheng and Everwell Development Holding Limited (collectively, the "**Requisitionists I**"), holders of an aggregate of 289,476,000 ordinary shares of the Company, representing approximately 10.07% of the issued share capital of the Company as at the date of deposit of the Requisition Notice I, requesting the board of Directors (the "**Board**") to convene the October EGM pursuant to article 64 of the articles of association of the Company. The resolutions as set out in the October EGM Notice were not passed by the shareholders at the October EGM. For details, please refer to the announcement dated 29 August 2024 and the circular dated 20 September 2024 and the poll results dated 8 October 2024.

The Second Requisition for convening an extraordinary general meeting (the "December EGM") by requisitionists

On 9 October 2024, the Company received a written requisition (the "**Requisition Notice II**") from Easy Favor Limited, Mr. Yang Tiansheng and Everwell Development Holding Limited (collectively, the "**Requisitionists II**"), holders of an aggregate of 289,476,000 ordinary shares of the Company, representing approximately 10.07% of the issued share capital of the Company as at the date of deposit of the Requisition Notice II, requesting the board of Directors (the "**Board**") to convene the December EGM pursuant to article 64 of the articles of association of the Company. The resolutions as set out in the December EGM Notice were not passed by the shareholders at the December EGM. For details, please refer to the announcement dated 29 October 2024 and the circular dated 18 November 2024 and the poll results dated 9 December 2024.

F. Capital Reorganization

(I) share consolidation

The Company completed the share consolidation on the basis that (i) every ten (10) existing shares of par value of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of par value of HK$0.1 each; and (ii) every ten (10) existing preference shares of par value of HK$0.1 each in the unissued share capital be consolidated into one (1) consolidated Preference Share of par value of HK$1.0 each. The share consolidation was approved by the shareholders by way of poll at the EGM on 9 December 2024 and became effective on 11 December 2024.

(II) change in board lot size

The change in board lot size for trading of the Company's shares on the Stock Exchange from 8,000 existing shares to 4,000 consolidated shares which become effective on 11 December 2024,

(III) the rights issue on the basis of one (1) rights share for every one (1) existing shares held on the record date on a non-underwritten basis and the compensatory arrangements

On 22 January 2025, the Company completed a rights issue at a price of HK$0.326 per rights share (the "**Subscription Price**") on the basis of one (1) rights share for every one (1) existing shares held by the qualifying shareholders on the record date (i.e. 20 December 2024) (the "**Rights Issue**") by issuing up to 287,360,964 rights shares.

There were 287,360,964 Rights Shares offered under the Rights Issue, on Friday, 10 January 2025, being the latest time for acceptance, applications of a total of 181,236,446 Rights Shares, representing approximately 63.07% of the total number of the Offered Shares, was received. Accordingly, the Rights Issue was undersubscribed by 106,124,518 Rights Shares, representing approximately 36.93% of the total number of rights shares offered under the Rights Issue. On 20 January 2025, all of the 106,124,518 Unsubscribed Rights Shares under the compensatory arrangements were successfully placed by the placing agent to not less than six independent placees at the price of HK$0.326 per unsubscribed rights share, which was equivalent to the Subscription Price. As all the conditions with respect to the Rights Issue as set out in the prospectus have been fulfilled, the Rights Issue became unconditional at 4:00 p.m. on Wednesday, 22 January 2025.

The gross proceeds from the Rights Issue were amounted to approximately HK$93.68 million and the net proceeds from the Rights Issue, after deducting all relevant expenses for the Rights Issue, amounted to approximately HK$90.10 million of which (i) approximately HK$68.00 million (representing approximately 75% of the net proceeds) for the repayment of debts; and (ii) approximately HK$15.00 million (representing approximately 17% of the net proceeds) for the investment in biomass gas project; and (iii) approximately HK$7.10 million (representing approximately 8% of the net proceeds) for general working capital of the Group (including but not limited to the payment of salaries, rental expenses, professional fees and/or other corporate expenses).

For details, please refer to (i) announcements dated 4 October 2024, 7 October 2024, 6 November 2024, 7 November 2024; (ii) circular dated 15 November 2024; and poll results announcement dated 9 December 2024; and (iii) prospectus dated 23 December 2024; and the announcement dated 14 January 2025 and 28 January 2025 in relation to the acceptance of rights shares and the results of the Rights Issue respectively.

G. The Memorandum of understanding (the "MOU")

(I) on 20 March 2025, the Company entered into a MOU with the regional government of Semarang Regency, Indonesia, (the "**Semarang Regency Government**") in relation to a potential cooperation on the management of a landfill site (the "**Landfill**") situated at Semarang, including but not limited to utilising landfill gas from the Landfill for power generation, operation and management of the Landfill, and leachate treatment. For details, please refer to the announcement dated 20 March 2025.

(II) on 24 March 2025, the Company entered into a MOU with the Sidoarjo Regency Government in relation to a potential cooperation on the implementation the Landfill Gas-To-Energy ("**LFG**") system at a landfill site situated at Sidoarjo. For details, please refer to the announcement dated 24 March 2025.

The signing of the two MOUs with the Semarang Regency Government and Sidoarjo Regency Government respectively, represents significant achievement of the Group in promoting and expanding its landfill and LFG business in overseas.

CONTINGENT LIABILITIES

As at 31 December 2024, the Remaining Group had contingent liabilities in respect of guarantees in the mortgage facilities for certain purchasers of properties in the amount of HK$0.47 million (as at 31 December 2023: HK$1.40 million).

PLEDGE OF ASSETS

(a) The Remaining Group's obligations under finance leases, bank loans and other loans of HK$606.69 million in total as at 31 December 2024 (as at 31 December 2023 of the Remaining Group: HK$823.22 million) were secured by charges over:

  (i) property, plant and equipment in which their carrying amount was HK$182.72 million (as at 31 December 2023 of the Remaining Group: HK$191.73 million);

  (ii) right-of-use assets in which their carrying amount was HK$162.57 million (as at 31 December 2023 of the Remaining Group: HK$254.13 million);

  (iii) investment properties in which their carrying amount was HK$175.05 million (as at 31 December 2023 of the Remaining Group: HK$193.11 million);

  (iv) contractual rights to receive revenue generated by certain of our subsidiaries; and

  (v) equity interests of certain subsidiaries of the Remaining Group.

(b) As at 31 December 2024, the Remaining Group's certain bank deposits of HK$20.33 million (as at 31 December 2023 of the Remaining Group: HK$15.97 million) were pledged to a bank for granting a banking facility of HK$21.00 million (as at 31 December 2023 of the Remaining Group: HK$16.00 million).

NO MATERIAL CHANGE

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

EMPLOYEES

As at 31 December 2024, excluding jointly controlled entities and associates, the Remaining Group had 376 employees (as at 31 December 2023 of the Remaining Group: 592 employees), of which 32 are Hong Kong employees (as at 31 December 2023: 27). During the year, total employee benefit expenses, including Directors' emoluments and provident funds, was HK$91.68 million (FY2023 of the Remaining Group: HK$109.28 million). The drop in staff costs was a result of the cost control measures implemented by the laid-off employees in connection with the closure of landfill sites. During the FY2024, the Group has provided the one-off redundancy payment for the aforesaid purpose. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary, a year-end discretionary bonus and the New Option Scheme, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages of Directors and senior management are normally reviewed as on annual basis by the Remuneration Committee. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potential.

KEY RISKS AND UNCERTAINTIES

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

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

Risk	Description	Key Risk Mitigations	Changes
Liquidity risk	Liquidity risk is the potential that our Remaining Group will be unable to meet its financial obligations when they fall due because of an inability to obtain adequate funding or liquidate assets.	— Actively monitors cash flows and maintains an adequate level of cash and cash equivalents to ensure the ability to finance the Remaining Group's operations and reduce the effects of fluctuations in cash flows. — Disposes of subsidiaries that are not profitable, or not as profitable as expected or disposal of non-core businesses (e.g.,the disposal transaction of Yichun Water Group). — Prepares regularly cash flow forecast for Management to manage the liquidity of each business unit. — The Group is improving capital liquidity through a rights issue plan. — The Group has secured a standby loan facility from the substantial shareholder of the Company. — Proactively negotiate with the banks and lessors regarding the extension and refinancing arrangements for the existing loans and finance lease liabilities, respectively.	Increased

Risk	Description	Key Risk Mitigations	Changes
Operational and pricing risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Additionally, as the Remaining Group has only a limited ability to change/ renegotiate wastewater treatment, if the relevant local government authority rejects the Remaining Group's applications to increase the tariffs to compensate for the increase in actual costs, the Remaining Group might suffer a loss or decrease in profitability.	— Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. — Key functions in our Remaining Group are guided by their standard operating procedures, limits of authority, and reporting framework. — Our management will identify and assess key operational exposures regularly so that appropriate risk responses could be taken. — A monthly management meeting is held with each business unit's head. — A monthly report is prepared and submitted to Management to review the operational status of each business unit.	Slightly increased

Risk	Description	Key Risk Mitigations	Changes
Investment risk	Investment risk can be defined as the likelihood of losses occurring relative to the expected return on any particular investment. A key concern of the investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision- making process.	— A site visit and detailed analysis will be performed to ensure that we only invest in high quality projects. — An Investment Committee has been set up to review and approve investments in projects. — Feasibility assessments (including financial due diligence) are performed and submitted to the Investment Committee for review, and eventually reviewed by the Board. — The Investment Committee determines the scale and pace of investment projects based on prevailing Mainland policy measures, evolving market conditions, and the Remaining Group's capital position, with such determinations being periodically updated and reported to the Board of Directors.	Increased
Manpower and retention risk	Our Remaining Group may face the risk of being unable to attract and retain key personnel and talent possessing the required skills, experience and competencies.	— Encourage internal promotion to attract and retain talents. — Provide an attractive remuneration package (including performance bonuses and equity incentive plans) to suitable candidates and personnel. — Create a positive and work-life balance working environment to avoid staff dissatisfaction. — Regularly review staff benefit packages and compare them to the market. — Establish a clear career path, backup staff plan, and rotate staff regularly, if possible, to reduce the impact of staff departure.	Unchanged

Risk	Description	Key Risk Mitigations	Changes
Legal and regulatory compliance risk	Our business success and operations could be impacted by changes in respective government laws and regulations in the PRC. Any failure to anticipate trends in regulatory changes or comply with relevant requirements may result in non-compliance with local laws or regulations, leading to not only financial loss but also reputational damage to the Remaining Group.	— Actively monitors and pays close attention to the relevant regulatory and legislative developments in the markets in which we operate. — Consults with regulators of those markets on changes that could impact our businesses. — Provide training to staff during new staff orientation. — Provide ongoing training to staff to keep them alert to the latest regulatory requirements.	Unchanged
Expansion risk	The Remaining Group is exposed to expansion risk through its shift of business focus from the provision of water supply to renewable energy and biomass energy. As expansion into a new market requires substantial capital investment and a certain return period, the Remaining Group might suffer from financial loss.	— Conduct market research for the new markets in renewable energy and biomass energy. — Develop a detailed business plan with projections and contingency plans. — Explore different sources of funding to manage the potential liquidity risks during expansion.	Increased
Resource Supply Risk	The Remaining Group's renewable energy business requires combustion of landfill gas to generate on-grid electricity for sales, therefore the Remaining Group is subject to the resource supply risk in maintain sufficient volume garbage in order to produce sufficient landfill gas. In case of drop in garbage supplies, electricity generators may need to cease operation and thus reduce the profitability of the renewable energy business.	— Before expansion of renewable energy relevant investment, conduct assessment for sufficiency of garbage supply in order to achieve the expected electricity generating volume and thus profitability. — Research to increase landfill gas utilization rate in electricity generation to reduce the need to landfill gas input while maintaining routine electricity production activities. — Explore agricultural waste and food processing waste, among other non-government-controlled organic alternative waste materials, as supplemental or alternative sources for landfill gas.	Increased

DIRECTORS

Executive Directors

Mr. Zhu Yongjun ("Mr. Zhu"), aged 58, was appointed as an executive Director of the Company in August 2019. Mr. Zhu has been appointed as the Chairman, an authorised representative, a member of the Remuneration Committee, the chairman of both of the Nomination Committee and the Investment Committee in 8 February 2021. He is the director of various subsidiaries of the Company. He obtained his undergraduate from Hunan University in 1989 and a master degree of business administration in Peking University in the People's Republic of China in 2005. With effect from 9 September 2022, Mr. Zhu was appointed as a non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange. Currently, Mr. Zhu is the chairman of the board and an executive director of the New Concepts Holdings Limited (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. From February 2015 to 6 March 2020, Mr. Zhu was the chairman of the board of Josab Water Solutions AB, a company incorporated under the laws of Sweden, whose shares are listed on the Spotlight Stock Market, a stock exchange in Sweden. Mr. Zhu started his environmental protection career in 2001. From July 2007 to February 2009, Mr. Zhu was an executive director of Softpower International Limited (Stock code: 380) which is listed on the Main Board of the Stock Exchange. From May 2008 to March 2013, Mr. Zhu was an executive Director of EverChina Int'l Holdings Company Limited (Stock Code: 202) which is listed on the Main Board of the Stock Exchange. From January 2009 to May 2015, he was also the chairman of the board of Heilongjiang Interchina Water Treatment Company Limited (Stock Code: 600187) which is listed on the Shanghai Stock Exchange.

Ms. Chu Yin Yin, Georgiana ("Ms. Chu"), aged 54, was appointed as an executive Director and Company Secretary of the Company as well as Financial Controller of the Group in October 2006, November 2006 and November 2019 respectively. Ms. Chu has been appointed as a member of Investment Committee in September 2021. She is the director of various subsidiaries of the Company. Ms. Chu holds a Bachelor's Degree of Accounting and a Master's Degree of Corporate Governance. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of the Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Chu is a fellow member of both of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Chu has over 20 years' extensive experience by working in an international audit firm and other listed companies. With effect from 1 January 2025, Ms. Chu has been appointed as the company secretary and the authorised representative of New Concepts Holdings Limited (Stock code: 2221, a company listed on the main board of Stock Exchange). With effect from 1 March 2024, Ms. Chu has been appointed as a non-executive Director of DeTai New Energy Group Limited (stock code: 559) which is listed on the Main Board of the Stock Exchange. On 28 November 2018, Ms. Chu has resigned as an independent non-executive Director (the "**INED**") and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of Bisu Technology Group International Limited (stock code:1372). On 4 April 2019, Ms. Chu has resigned as an INED, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of Sino Golf Holdings Limited (stock code: 361). Both of the aforesaid companies are listed on the Main Board of the Stock Exchange. As at the date of this report, Ms. Chu was interested in 111,200 shares of the Company, representing approximately 0.02% of the issued share capital of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Wong Siu Keung, Joe ("Mr. Wong"), aged 60, was appointed as an INED of the Company in October 2012. Mr. Wong is a Chairman of both of the Audit Committee and Remuneration Committee and a member of the Nomination Committee. With effect from 31 January 2024, Mr. Wong has been appointed as an independent non-executive Director, the chairman of the audit committee, and a member of the nomination committee and the remuneration committee of Yuk Wing Group Holdings Limited (stock code: 1536) which is listed on the Main Board of the Stock Exchange. With effect from 16 June 2023, Mr. Wong resigned as independent non-executive director of Worldgate Global Logistics Ltd (stock code: 8292) which is listed on the Growth Enterprise Market (GEM) Board of the Stock Exchange. With effect from 14 January 2022, Mr. Wong was appointed as an INED, the Chairman of the Nomination Committee, a member of both of the Audit Committee and the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange. With effect from 25 March 2022, Mr. Wong was appointed as an executive Director of the DeTai New Energy Group Limited (the "**DeTai New Energy**") (Stock code: 559) which is listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as the Company Secretary, the Authorised Representative and the Chief Financial Officer of the DeTai New Energy with effect from 10 January 2022. Mr. Wong is currently an INED of Interactive Entertainment China Cultural Technology Investments Limited (stock code: 8081), which is listed on the GEM of The Stock Exchange. Mr. Wong holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master's Degree of Corporate Governance from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years.

Mr. Lam Cheung Shing, Richard ("Mr. Lam"), aged 66, was appointed as an INED of the Company in August 2019. Mr. Lam has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee in February 2021. Mr. Lam is a fellow member of Hong Kong Institute of Certified Public Accountants and obtained the Master's Degree in Business Administration in the Chinese University of Hong Kong in 2006. He spent over ten years in PricewaterhouseCoopers, an international accounting firm and was promoted to the position of senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Mr. Lam served as Executive Director of Everchina International Holdings Limited ("**Everchina**" stock code: 0202), whose shares are listed on the Main Board of the Stock Exchange, from August 2001 to October 2023 and was designated as Deputy Chairman and CEO of Everchina since 2009 until his retirement in October 2023. Mr. Lam was appointed as a director in various companies whose shares are listed on the main Board of the Stock Exchange during the period from December 2001 to December 2014, namely Eagle Legend Asia Limited (now known as Kaisa Capital Investment Holdings Limited) (stock code: 936), Kai Yuan Holdings Limited (stock code: 1215) and China Pipe Group Limited (stock code: 380). Mr. Lam currently still act as an INED of the following companies whose shares are listed on either the main board or the Gem board of the Stock Exchange; Legend Strategy International Holdings Group Limited (stock code: 1355); Far East Holdings Company Limited (stock code: 0036) and Lajin Entertainment Network Group Limited (stock code: 8172).

Mr. Mak Ka Wing, Patrick ("Mr. Mak"), aged 60, was appointed as an INED of the Company in September 2024. He is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years' legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998. Since July 2017, Mr. Mak has been appointed as an independent non-executive director of Far East Holdings International Limited (a company listed on the main board of the Stock Exchange with stock code: 0036), and since March 2022, Mr. Mak has also been appointed as an independent non-executive director of Macau Legend Development Limited (a company listed on the main board of the Stock Exchange with stock code: 1680). He had been an independent non-executive director of Fresh Express Delivery Holdings Group Co., Limited (a company previously listed on the main board of the Stock Exchange with stock code: 1175, listing of which was canceled on 9 February 2023) from July 2013 to December 2021.

SENIOR MANAGEMENT OF THE GROUP

Mr. Pan Yimin ("Mr. Pan"), aged 48, graduated from Jiangxi University of Finance and Economics with a bachelor's degree in Economics. He was appointed as the Vice President of the Company in March 2021 and is in charge of the legal and risk control department of the Company. In September 2021, he was appointed as a member of the Investment Committee of the Company. Mr. Pan currently is an executive Director of the New Concepts Holdings Limited (the "**New Concepts**") (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. He was the president of Tianjin Dongfang Mingrui Investment Management Co., Ltd* since 2013 prior to joining to the Company. Mr. Pan was the Vice President of Interchina (Tianjin) Water Treatment Co., Ltd.* from April 2011 to March 2013, and a deputy manager of Heilongjiang Interchina Water Treatment from April 2009 to March 2011. Before joining the Company, Mr. Pan worked at a number of reputable domestic investment companies and water companies. For over a decade in the industry, Mr. Pan possesses rich experience in corporate management, financial management, and project and financial investments.

Mr. Tang Po Shing ("Mr. Tang"), aged 32, graduated from School of Economics and Management of Wuhan University in July 2015 with a bachelor's degree in marketing. He obtained a master's degree in entrepreneurship and innovation management from Loughborough University in October 2017. Mr. Tang joined the Group in November 2017. He previously served as an assistant to the general manager of Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司), the deputy general manager of the Investment and Financing Department of the Company, the vice chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司). Mr. Tang was appointed as the Vice President of Company in January 2019 and currently act as the chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited (新中水(南京)再生資源投資有限公司) and a member of Investment Committee.

Mr. Zhong Wei Guang ("Mr. Zhong"), aged 57, was appointed as the Vice President of Company in May 2022. He is a member of the Investment Committee and a director of Swan (Huizhou) Investment Company Limited, a subsidiary of the Group. Currently, he serves as a general manager and deputy general manager in Huizhou Junfeng Investments Limited* (惠州俊峰投資有限公司) and Huizhou City Huixinfu Investment Co., Limited* (惠州市惠新福投資有限公司) respectively. Mr. Zhong was a committee member of 9th, 10th and 11th session of the Huizhou City Political Consultative Conference. He has over 20 years of experience in corporate management in PRC.

OVERVIEW

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

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

For the year ended 31 December 2024, the Company has complied with the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2024 except for the deviation from the code provision B(f) of Part 1 of the CG Code and the code provision C.2.1 of Part 2 of the CG Code.

The Board develops a corporate culture with a commitment to withhold integrity and ethical practices and promotes the value from the top within the Group and reinforces such strategy across all departments of the Group.

A. Directors

A.1 The Board

- The overall management of the Company's business is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have to take decisions objectively in the interests of the Company. The Company has held 20 Board meetings in the year of 2024. Directors have been consulted to advice the agenda of the Board meeting. For the board regular meeting, at least 14 days notice has been given to the Directors.

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

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

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

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

- The Board holds meetings on a regular basis and will meet on other occasions when a board level decision on a particular matter is required. The individual attendance records of each Director including INEDs at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, Investment Committee, extraordinary general meetings ("**EGM**") and annual general meeting ("**AGM**") during the year ended 31 December 2024 are set out below:

Attendance Records

	Number of meetings attended/held						
Name of Directors	Board	Remuneration Committee	Audit Committee	Nomination Committee	Investment Committee	EGM	AGM
Executives Directors:							
Mr. Zhu Yongjun ("**Mr. Zhu**") *(Chairman)*	18/20	2/2	N/A	2/2	1/1	5/5	1/1
Mr. Hu Siyun ("**Mr. Hu**") (Note 1)	7/20	N/A	N/A	N/A	1/1	1/5	N/A
Ms. Chu Yin Yin, Georgiana ("**Ms. Chu**")	20/20	N/A	N/A	N/A	1/1	5/5	1/1
Independent Non-executive Directors:							
Mr. Wong Siu Keung, Joe ("**Mr. Wong**")	20/20	2/2	5/5	2/2	N/A	5/5	N/A
Ms. Qiu Na ("**Ms. Qiu**") (Note 1)	7/20	N/A	2/5	N/A	N/A	1/5	N/A
Mr. Lam Cheung Shing, Richard ("**Mr. Lam**")	18/20	2/2	5/5	2/2	N/A	5/5	1/1
Mr. Mak Ka Wing, Patrick ("**Mr. Mak**") (Note 2)	7/20	N/A	2/5	N/A	N/A	4/5	N/A

N/A: Not applicable

Note 1: Mr. Hu and Ms. Qiu retired on 14 June 2024

Note 2: Mr. Mak was appointed on 3 September 2024.

Apart from the Board meetings, the Chairman also held a meeting with all INEDs without the presence of other Directors.

A.2. Chairman and Chief Executive Officer

- 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 Chief Executive Officer ("**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 (the "**INEDs**") on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

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

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

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

- The Chairman has held one private meeting with INEDs without the presence of other Directors to discuss major events or issues which incurred in 2024 and the Company's business plan to be developed in 2024. The Board believed that INEDs could through this private meeting to voice out their concerns on financial aspects after discussing major events or issues and provide constructive advice on the direction of Group's future development.

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

- The Company does not have an officer with the title "CEO". The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day- to-day operations and execution is vested in the Board itself.

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

A.3 Board Composition

- Up to the date of this report, the Board comprises a total of five members including two executive Directors, and three INEDs, as set out on page 53 of this annual report. Members of the Board have different professional and relevant industry experiences and background so as to bring in valuable contributions and advices for the development of the Group's business.

- Up to the date of this report, the Board comprised three INEDs, all of the INEDs possessed professional qualifications in accounting and financing field as well as legal profession. Mr. Wong and Mr. Lam are certified public accountants. Mr. Mak is a lawyer.

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

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

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

- The names of the directors and their respective biographies are set out on pages 43 to 45 of this annual report.

A.4 Appointment, re-election and removal

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

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

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

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

- For the year ended 31 December 2024, the Company has appointed one INED on 3 September 2024, who had obtained the legal opinion from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules pursuant to the Rule 3.09D of the Listing Rules and the Company has received a statement and commitment from the newly appointed INED confirming his understanding of his responsibilities as Director of the Company.

- Independence of Independent Non-Executive Directors

  The INEDs play a significant role in the Board as they bring an impartial view on the Group's strategies, performance and control, as well as ensuring that the interests of all shareholders of the Company are considered. All INEDs possess appropriate academic, professional qualifications or related financial management experience.

  In addition to the annual meeting among the Chairman and the INEDs only as well as the annual confirmation of independence pursuant to the Rule 3.13 of the Listing Rules as noted above, the Nomination Committee and the Board are committed to review and assess the Directors' independence annually in order to ensure that independent views and input of the INEDs are made available to the Board. Factors taken into account in such independence review include, and are not limited to, the following:

  (1) required character, integrity, perspectives, skills, expertise and experience to fulfill their roles;

  (2) time commitment and attention to the Group's affairs;

  (3) declaration of conflicts of interest (if any) in their roles as INEDs;

(4) to assess the independence of INEDs;

(5) no involvement in the daily management of the Group nor in any relationship or circumstances which would affect the exercise of their independent judgement; and

(6) further reappointment of an INED (including any long-serving INED, where applicable) is subject to a separate resolution to be approved by the shareholders.

The Company has established mechanisms to ensure independent views and input are available to the Board. The Board believes that the INEDs constituting more than one-third of the Board provides adequate checks and balances that safeguard the interests of the shareholders and the Group. All the INEDs are from various different backgrounds with a diverse range of business, financial services, legal and professional experience and possess diversified expertise, skills and experience. Their views and participation in Board meetings and committees' meetings bring independent judgment and advice on issues relating to the Group's strategies, prospects, internal control and conflicts of interest, and ensure that the interests of the shareholders are well taken into account. The Board should review the implementation and effectiveness of the abovementioned mechanisms on an annual basis; and had reviewed the same for the Reporting Period and is of the opinion that those are proper, adequate and effective.

A.5 Nomination Committee

The Nomination Committee comprised an executive Director, namely Mr. Zhu (Committee Chairman), two INEDs, namely Mr. Wong and Mr. Lam. The terms of reference in compliance with paragraph B.3 of the CG code as set out in Appendix C1 of the Listing Rules of the Nomination Committee is available on the Company's website and on the Stock Exchange's website.

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

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

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

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

(d) to assess the independence of INEDs; and

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

- Nomination Policy

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

  — Reputation for integrity;

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

  — Relevant skills and experience to contribute to the Board;

  — Commitment in respect of available time and relevant interest;

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

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

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

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

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

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

- Board Diversity Policy

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

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

  — During the year under review, the Nomination Committee held 2 meetings to review the composition of the Board and its committees as well as the background and experiences of the Board members and evaluate the contributions of the Board members to the Group in 2024. An analysis of the Board's current composition is set out in the following table:

Name of director	Title	Age	Gender	Professional/ Industry experience	Length of service on Board (since)
Mr. Zhu	ED and Chairman	57	Male	Environmental protection and investment	August 2019
Ms. Chu	ED, Company Secretary and Group Financial Controller	54	Female	Accounting, auditing and financing	October 2006
Mr. Wong	INED	60	Male	Accounting, auditing and financing	October 2012
Mr. Richard Lam	INED	66	Male	Accounting, taxation and corporate finance	August 2019
Mr. Mak	INED	60	Male	Legal experience	September 2024

ED: Executive Director
INED: Independent non-executive Director

- The Board currently has one female Director out of five Directors. The Company is of the view that gender diversity in respect of the Board has been achieved. Of the approximately 376 employees excluding Yichun Water Group (including Directors and senior management) of the Group as at 31 December 2024, 96 are female employees which accounted for 25.53% of the total number of employees. Accordingly, the Company considers that gender diversity is also achieved in its workforce generally. In addition, the Group has taken measures to promote diversity at all levels of its workforce. Training and career development are equally opened to all eligible employees without discrimination. During the year ended 31 December 2024, the Board, through the Remuneration and Nomination Committee, has reviewed the implementation and effectiveness of the Board Diversity Policy from time to time and at least on an annual basis and confirm that the Board has an appropriate mix of skills and experience to deliver the Group's strategy. The Board is also of the view that the nomination policy of the Company can ensure there will be a pipeline of potential successors to the Board to maintain gender diversity. For further information about the gender ratio in the workforce, please refers to the Environment, Social and Governance Report in this report.

  The list of Directors is also disclosed on all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The INEDs are expressly identified in all corporate communications of the Company pursuant to the Listing Rules.

- The Nomination Committee review the Policy at least on an annual basis and from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

- During the year, the Nomination Committee held 2 meetings and the attendance of each member is set out in the section headed "A1. The Board" of this report.

A.6 Responsibilities of the Directors

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

- All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors have confirmed that they have complied with code provision C.1.4 of the CG Code for the year ended 31 December 2024. During the year, Company Secretary has provided the updated materials in relation to amendments to the Listing Rules in 2024 and other rules to the Directors.

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

	Type of Continuous Professional Development		
	Training on regulatory development, directors' duties or other relevant topics	Reading on regulatory updates or information relevant to directors' duties and the Company	Courses relating to Corporate Governance/ Accounting/ Financial or other professional skills
Mr. Zhu	X		
Ms. Chu	X	X	X
Mr. Wong	X	X	X
Mr. Lam		X	
Mr. Mak (Note)		X	
Mr. Hu (Note)		X	
Ms. Qiu (Note)		X	

Note: Mr. Mak was appointed on 3 September 2024. Mr. Hu and Ms. Qiu retired on 14 June 2024.

All Directors have participated in appropriate continuous professional development and have provided the Company with their records of training.

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

- Up to the date of this report, Mr. Wong and Mr. Lam both of INEDs, are members of the Audit, Remuneration and Nomination Committees.

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

- The Company has adopted the full set of Model Code set out in Appendix C3 of the Listing Rules as the code of the conduct for securities transactions by Directors (the "**Model Code**"). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors, the Board confirms that the Director of the Company have complied with the Model Code regarding directors' securities transactions during the year and up to the date of this Report.

A.7 Supply of and access to information

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

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

B Remuneration of Directors and Senior Management

The Company has established a Remuneration Committee since 29 June 2005 with written terms of reference in consistence with the CG Code. A majority members of the Remuneration Committee is INEDs.

The Remuneration Committee currently comprises two INEDs, namely Mr. Wong (Committee Chairman), Mr. Lam and Mr. Zhu, an executive Director. On 29 December 2022, the terms of reference of the Remuneration Committee was revised and is available on the Company's website and on the Stock Exchange's website.

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

  i. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

  ii. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

  iii. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

  iv. to make recommendations to the Board on the remuneration of non-executive Directors;

  v. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

  vi. to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

  vii. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

  viii. to ensure that no Director or any of his or her associates is involved in deciding his or her own remuneration;

  ix. to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

  x. to consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.

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

- The details of the remuneration of the Directors are set out in note 43 of the consolidated financial statements of this annual report. The band of the emoluments of senior management personnel and related number of members of senior management personnel are as follows:

Emolument band (HK$)	31 December 2024 Number of individuals	31 December 2023 Number of individuals
Nil to 500,000	1	0
500,001 to 1,000,000	2	3
1,000,001 to 2,000,000	1	2

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

- The Group's share option scheme as described on note 40 of this annual report is adopted as the Group's long-term incentive scheme.

- Remuneration Policy

  The Group's remuneration policies are formulated based on the performance of individual employees and the Group's performance and are reviewed regularly. We have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and our shareholders as a whole. In addition, the Group has retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions. We offer training programmes to our employees which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as regulatory requirements and contractual obligations.

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

C Accountability and Audit

C.1 Financial Reporting

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

- The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024. The Board must ensure that the financial statements of the Group are prepared so as to give a true and fair view of the financial status of the Group.

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

- A statement by the independent auditor of the Company about their reporting responsibilities is included in the Report of the Auditors on pages 123 to 127 of this annual report.

- A separate statement in the Annual Report on pages 12 to 42 containing a discussion and analysis of the Group's performance.

- Executive Directors are provided with a wide range of reports on monthly intervals and are fully aware of the Company's latest performance, position and prospects. All members of the Board are provided with monthly updates by the management in accordance with code provision D.1.2 of the CG code.

C.2 Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review a sound and effective risk management and internal control systems on an ongoing basis as required in paragraph D.2 of the CG code as set out in Appendix C1 of the Listing Rules. An enterprise risk management (ERM) framework is in place to implement risk management and internal control effectively.

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

Risk Management Structure

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

Board Oversight

The Board

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

Audit Committee

- Oversees the evaluation and improvement process of risk management and internal control systems;
- Reviews the Group's risk register;
- Reviews and approves the internal control review plan and review results; and
- Reviews and monitors the external auditors' independence and objectively and the effectiveness of the audit process in accordance with applicable standards.

Internal audit function and external auditors

Internal Audit Function

- Identify and monitor all risks relevant to daily operations of the Group;
- Report to the Board and Audit Committee on the risks identified including strategic, operational, financial, ESG, reporting and compliance risks and its changes during the year;
- Implement, execute and on-going monitor risk management and internal control processes; and
- Develop and execute appropriate action plans to mitigate the risk identified and to resolve material internal control defects.
- Review the effectiveness of the Group's risk management and internal control systems;
- The scope of the internal control review is risk-based and is reviewed by the Audit Committee; and
- Communicate the internal control review result directly to the Audit Committee.

External Auditor

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

Risk Management Process

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

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

Main features of our risk management and internal control systems

Maintain an effective internal control system at operational level

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key position;
- Establish code of conduct, explain the Group's requirements on integrity and ethical value to all staff;
- Establish whistle blowing mechanism, to encourage employees to report incidents of misconduct or fraud;
- Establish anti-corruption policy to prevent incidents of bribery, extortion, fraud, and money laundering and comply with the laws of the place where the business of the Group carries on, to report the issues to the relevant Government authorities;
- Establish appropriate level of information technology access rights, avoid leakage of price sensitive information; and
- Establish insider information disclosure policy, including reporting channels and responsible person of disclosure, unified response to external enquiries and obtain advices from professionals or the Stock Exchange, if necessary.

- Adopt policies in respect of the confidentiality management of the Company's information and the disclosure of insider information, sensitive information or confidential information in accordance with the SFO and the Listing Rules to ensure confidentiality when handling insider information and the publication of relevant disclosures to the public as soon as practicable. Under this policy, the Company disseminates information to specified persons on a need-to know basis, and requires all employees who have access to the insider information to maintain strict confidentiality of the insider information until it is announced. The policy also sets out the procedures for identifying, handling and monitoring insider information or sensitive or confidential information, the scope of insider information and the procedures and precautionary measures for reporting or leakage of insider information of the Group.

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

On-going risk monitoring at risk management level

The Management identifies and mitigates major risks according to the risk management process, the identified risks are summarized in risk register and submitted to the Board and Audit Committee for their review together with annual internal control review plan to enable the Board and Audit Committee effectively monitor major risks of the Group and how the risks are managed. Major risks relevant to the Group are shown on pages 38 to 42 of this Report. Material risks relating to ESG are shown on page 89 in the Environmental, Social and Governance Report.

Independent review

The Group has established an independent risk control department to conduct an internal control review on an annual basis, the scope of review has covered the period from 1 January 2024 to 31 December 2024. The results of the internal control review has been submitted to the Audit Committee.

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

C.3 Audit Committee

The Audit Committee of the Company was established since 29 June 2005 with specific written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG code as set out in Appendix C1 of the Listing Rules. The Audit Committee comprises 3 INEDs, namely Mr. Wong (Committee Chairman), Mr. Mak and Mr. Lam. Mr. Wong and Mr. Lam are certified public accountant for many years. The revised term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

The major duties of the Audit Committee include:

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

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

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

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

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

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

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

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

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

For the year under review, the Audit Committee held 5 meetings included the reviewing of the financial statements, annual report and accounts and interim report. The Group's annual report for the year ended 31 December 2024 and internal audit reports have been reviewed by the Audit Committee. The attendance record of individual members is set out in the section headed "The Board" of this report. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group.

D. Delegation by the Board

D.1 Management functions

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

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

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

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

  — Setting the objectives and targets of the Company;

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

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

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

  — Regularly evaluating businesses and operation performance;

  — Ensuring effective implementation of the Board's decision;

  — Ensuring adequate fundings; and

  — Monitoring performance of the management of the Group.

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

D.2 Board Committees

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

D.3 Corporate Governance Functions

According to code provision A.2 of the CG code, the Board as a whole is responsible for performing the corporate governance duties including:

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

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

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

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

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

E Communication with shareholders and investors

E.1 Effective communication

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

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

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

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

- The updated consolidated version of the Company's Memorandum and A.A. (the "**M&A**") was available on the Company's website and on the Stock Exchange's website respectively and there is no changes made to the M&A.

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

  - Shareholders' Communication Policy

    The Group has established several channels and maintained close communication with shareholders and potential investors through emails, conference calls, one-on-one meetings and non-deal roadshows, to ensure that its shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information and updates about the Company for exercising their rights in an informed manner and engaging actively with the Company. The Group also managed to arrange several physical events for investors and analysts, including inviting them to participate in the Group's trade fairs so as to deepen the capital market's understanding of the Group's business and operations and further enhance corporate transparency. To enhance communications and relationships with its investors, designated Directors or senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. The Company maintains a corporate website (www.chinawaterind.com) as one of the channels to promote effective corporate communication with the investors and the general public. The investors may also visit the Group's website at (www.chinawaterind.com) where the Group's announcements, financial information, stock quotes, press releases and other information are posted. The Board has conducted an annual review of the implementation and effectiveness of the shareholders' communication policy of the Company, and concluded that the policy was implemented effectively during the year under review.

- Dividend Policy

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

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

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

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

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

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

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

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

  h) the Group's expected working capital requirements;

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

  j) any other factors that the Board deem appropriate.

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

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

E.2 Shareholders' rights

- Procedures for Shareholders to Convene an EGM

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

- Procedures for Proposing a Person for Election as a Director

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

- Procedures for Directing Shareholders' Enquiries to the Board

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

- Procedures for making proposals at Shareholders' Meetings

  To put forward proposals at an AGM or EGM, the shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business at Office H, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

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

- At least 14 clear days if the proposal constitutes an ordinary resolution of the Company in an EGM.
- At least 21 clear days if the proposal constitutes a special resolution of the Company in an EGM.
- At least 21 clear days if the resolution of the Company in an AGM.

E.3 Voting by poll

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

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

F. Company Secretary

The Company Secretary has been a full time employee who has knowledge of the Company's affairs. The appointment of the current Company Secretary was approved by the Board in November 2006. The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year pursuant to the relevant training requirements under Rule 3.29 of the Listing Rules. All Directors have access to the advice and services of the Company Secretary.

G. Investment Committee

The Investment Committee of the Company was established since 18 December 2008 with specific terms of reference. On 6 March 2024, the revised term of reference of the Investment Committee is available on the Company's website.

The Committee members consisted of two executive Directors, namely Mr. Zhu (Committee Chairman), Ms. Chu, three Vice Presidents of the Company including Mr. Tang Po Shing, Mr. Zhong Wei Guang, Mr. Pan Yimin, and Mr. Xie Ye, a financial controller of New China Water.

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

- The major duties of the Investment Committee include:

  (a) Review and revise the system of the Investment Committee of the Group;

  (b) Review the relevant information such as the analysis reports and income estimates of the proposed investment projects submitted by business segments and subsidiaries of the Group;

  (c) Evaluate the proposed investment projects submitted by business segments and subsidiaries of the Group, and to make clear investment decisions;

  (d) Carry out continuous monitoring and management of the projects after investment, including but not limited to monitoring the performance and return of the projects after investment (providing review reports to the Board every 6 months for review), and making decisions on major matters affecting the development of the Group (if necessary);

  (e) Other matters authorised by the Board of the Group.

- The Investment Committee held 1 meeting during the year. The attendance record of executive Directors is set out in the section headed "The Board" of this report.

H. Auditors' Remuneration

For the financial year, the remuneration paid and payable to Crowe (HK) CPA Limited, the auditors of the Company, totalled approximately of HK$4.45 million of which HK$2.8 million related to audit services and HK$1.65 million to professional services for special engagements, mainly including the disposal of Yichun Water Group circular and the right issue circular. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of auditor.

COMPLIANCE WITH THE CODE ON THE CORPORATE GOVERNANCE CODE

The Company has complied with the CG Code throughout the financial year ended 31 December 2024 except for the deviation from the code provision C.2.1 in Part 2 and the code provision B(f) in Part 1 of Appendix C1 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, an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

Non-compliance with the Listing Rules for the insufficient number of INEDs

- Code provision B(f) of Part 1 of the CG Code requires the appointment of a sufficient number of INEDs and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. Following the retirement of Ms. Qiu in June 2024, the Company (i) only had two INEDs, which is below the minimum requirement under Rule 3.10(1) of the Listing Rules; (ii) did not have independent non-executive Directors representing at least one-third of the Board, which is below the minimum requirement under Rule 3.10A of the Listing Rules; and (iii) had only two audit committee (the "Audit Committee") members, which is below the minimum requirement under Rule 3.21 of the Listing Rules.

- Immediately following the appointment of Mr. Mak as independent non-executive Director on 3 September 2024, the Company is in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that every board of directors of a listed issuer must include at least three INEDs; (ii) Rule 3.10A of the Listing Rules, which stipulates that a listed issuer must appoint INEDs representing of at least one-third of the board; and (iii) Rule 3.21 of the Listing Rules, which stipulates that the Audit Committee of a listed issuer must comprise a minimum of three members. For details, please refer to the announcement of the Company dated 3 September 2024.

The board of Directors of the Company, present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Details of the activities during the year as required by schedule 5 to the Companies Ordinance, including a description of the key risks and uncertainties facing the Group, an indication of likely future development in the Group's business is set out under the sections of Management Discussion and Analysis on pages 12 to 42, Chairman's Statement on pages 6 to 11 of this Annual Report respectively. An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to sustainable future development. We assess the materiality of various environmental, social and governance ("**ESG**") issues and take measures to control the environmental and social impacts on operations. All our businesses are required to comply with all applicable ESG laws and regulations strictly. Discussion on the Group's ESG initiatives, performance and applicable ESG laws and regulations can be found in the section headed "Environmental, Social and Governance Report" on pages 84 to 122 of this annual report.

SEGMENT INFORMATION

Analyses of the Group's segmental information by businesses for the year ended 31 December 2024 are set out in note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2024 and the state of affairs of the Group and the Company are set out in the financial statements on pages 128 to 282.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2024 (FY2023: nil).

CHARITABLE DONATIONS

During the year, the Group did not make any charitable donations (FY2023: Nil).

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affected the sustainability of our business. Engaging with those stakeholders will not only help us understand the possible risks and opportunities to our business, but also help us to mitigate risk and seize the opportunities in the real market situation. The Group believes that our people are critical success factors to the Group's competitiveness in the market. As such, we had adopted a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. For details of the Share Option Scheme, please refer to page 80. Customer satisfaction with our services and products has a profound effects on our profitability. To provide good quality services to our customers, our dedicated teams are in constant communication with our customers and potential customers to uncover and create customer needs and help customers make informed decisions. Collaborative and mutual beneficial business relationship with our suppliers is of importance to achieve higher levels of efficiency and competitive advantage. The Group evaluate the capabilities of our suppliers to determine if they are able to meet the requirement and needs of the Group from time to time. Developing and maintaining good relationship with various commercial banks and financial institutions always are our main tasks because our capital-intensive projects require on- going funding to maintain continuous growth.

MAJOR CUSTOMERS AND SUPPLIERS

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

	2024	2023
The largest customer	**12.02%**	13.94%
Five largest customers in aggregate	**38.88%**	27.62%
The largest supplier	**14.36%**	17.69%
Five largest suppliers in aggregate	**36.35%**	40.29%

For the year ended 31 December 2024, the percentage of revenue from the five largest customers in aggregate was more than 30% of the Group's total revenue and the percentage of purchase from the five largest suppliers in aggregate was more than 30% of the Group's total purchase.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options of the Company during the year are set out in note 34(b) and note 40 to the consolidated financial statements, respectively.

RESERVES AND DISTRIBUTIVE RESERVE

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

The Company had no reserve available for distribution to shareholders as at 31 December 2024 (31 December 2023: Nil).

BANK BORROWINGS AND BANKING FACILITIES

Particulars of bank loans of the Group as at 31 December 2024 are set out in note 30 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

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

DIRECTORS

The Directors of the Company were:

Executive Directors:

Mr. Zhu Yongjun ("**Mr. Zhu**") *(Chairman)*
Ms. Chu Yin Yin, Georgiana ("**Ms. Chu**")
Mr. Hu Siyun ("**Mr. Hu**") (retired on 14 June 2024)

Independent non-executive Directors:

Mr. Wong Siu Keung, Joe ("**Mr. Wong**")
Mr. Lam Cheung Shing, Richard ("**Mr. Lam**")
Mr. Mak Ka Wing, Patrick ("**Mr. Mak**") (appointed on 3 September 2024)
Ms. Qiu Na ("**Ms. Qiu**") (retired on 14 June 2024)

Pursuant to Article 108(A) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three (3) years.

Further, pursuant to Article 112 of the Articles of Association, any Director appointed by the Board either to fill a causal vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. Such Director to retire at an annual general meeting of the Company shall not be taken into account in determining who are to retire by rotation at such annual general meeting.

At the forthcoming AGM, each of Ms. Chu and Mr. Lam shall retire from office and being eligible, shall offer himself/herself for re-election, each as an executive Director or independent non-executive Director pursuant to Article 108(A) of the Articles of Association. Mr. Mak will retire from office and, being eligible, offer himself for re-election as an independent non-executive Director at the AGM pursuant to Article 112 of the Articles of Association.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 43 to 45 of the Annual Report.

EMOLUMENT POLICY

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

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2024, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations and does not have specific terms of appointment but is subject for retirement and for re-elections at the forthcoming AGM as required by the A.A. of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2024, the interests and short positions of each Director and Chief Executive of the Company, or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the securities and futures ordinance ("**SFO**") which (a) had been notified of the Company and the Stock Exchange pursuant to divisions 7 and 8 of part xv of the SFO (including interests and short positions in which directors have taken or deemed to have under such provisions of the SFO) or which (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code for securities transactions by Directors of listed companies (the "**Model Code**") contained in Appendix 10 to the Listing Rules to be notified to Company and the Stock Exchange were as follows:

Interest in the Shares

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Chu	Beneficial owner	111,200 (L)	0.04%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 287,360,964 shares in issue as at 31 December 2024.

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

Save as disclosed above, as at 31 December 2024, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of part xv of the SFO (including interests and short positions which directors have taken or deemed to have under such provisions of SFO) or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, 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 or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

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	70,782,101 (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 287,360,964 shares in issue as at 31 December 2024.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

KEY RISKS AND UNCERTAINTIES

The Group's key risks and uncertainties are set out under the paragraph headed "Key Risks and Uncertainties" in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 38 to 42 of this annual report.

EQUITY-LINKED AGREEMENTS

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

MANAGEMENT CONTRACTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

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

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2024.

MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group entered into the following material related party and connected transactions:

1. Financial Assistance Received by the Group

A. As at 31 December 2024, the loans including Loan A, Loan B and Loan C due to Kingston Finance Limited was HK$85 million. For the FY2024, the interest expenses incurred for the loans financing were approximately HK$8.31 million. The following is the analysis of the aforesaid loan:

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

Prior to Mrs. Chu becoming the substantial shareholder of the Company, on 19 March 2021, China Water Industry (HK) Limited (the "**Borrower I**"), a wholly-owned subsidiary of the Company entered into loan agreement with the Lender I for HK$80.00 million (the "**Loan A**") at an interest rate of 15% per annum and repayable within one year. The drawdown date for the Loan A was on 19 March 2021. 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. As at 31 December 2024, the remaining principal balance of Loan A recorded HK$50 million which was mutually agreed to be repayable on demand.

On 3 October 2024, the Borrower I entered into a loan agreement with the Lender I for HK$2 million (the "**Loan B**") at an interest rate of 12% per annum and repayable within six months. Loan B was secured by the corporate guarantee provided by the Company.

On 8 November 2024, the Company (the "**Borrower II**"), entered into a loan agreement with Lender I for HK$33 million (the "**Loan C**") at an interest rate of 15% per annum and repayable within six months. Loan C was unsecured. Subsequent to the year ended 31 December 2024, partial repayment of HK$30 million was made.

B. As at 31 December 2024, the loans due to Excellent Point Asia Limited (the "**Lender II**") were fully settled. For the FY2024, the interest expenses incurred for the loans financing were approximately HK$0.52 million. The following is the analysis of the aforesaid loans:

On 24 May 2022, the Borrower II entered into a loan agreement with the Lender II for HK$5.00 million (the "**Loan D**") at an interest rate of 12% per annum and repayable within one year. On 22 December 2022, the Borrower II entered into a loan agreement with the Lender II for HK$4.00 million (the "**Loan E**") at an interest rate of 12% per annum and repayable within one year. Loan D and Loan E were unsecured and unguaranteed. During the year, Loan D and Loan E were fully repaid.

Lender II is wholly owned by Mr. Zhu, who 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 above loan agreements in respect of Loan B, Loan C, Loan D and Loan E (the "**Loans**") constituted connected transactions of the Company as defined under Chapter 14A of the Listing Rules. However, given the aforesaid Loans were made for the benefit of the Group, on normal commercial terms with no security over the assets of the Group. In this regard, the Loans were fully exempt under Rule 14A.90 of the Listing Rules.

2. Rental of premise

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 will be used as the principal office of the Group in Hong Kong. The ultimate beneficial owner of the Landlord is Mrs. Chu, hence the Landlord is a connected person of the Company, the entry into the Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. In accordance with HKFRS 16 "Leases", the Company recognised a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy agreement. Accordingly, the lease transaction under the Tenancy Agreement regarded as an acquisition of asset by the Company for the purpose of the Listing Rules. The audited aggregated value of the right-of-use asset recognised by the Company under the terms of the Tenancy Agreement amounted to approximately HK$2.58 million, which was the present value of total rent payable calculated in accordance with HKFRS 16. As the audited aggregated value of the right-of-use asset below is HK$3.00 million, it was fully exempt under 14A.76(1)(c) of the Listing Rules. During the year, lease payment of approximately HK$0.97 million (FY2023: HK$0.97 million) has been made.

3. Advisory fee

For the FY2024, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was approximately HK$0.65 million (FY2023: HK$0.32 million). Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited. Accordingly, Kingston Corporate Finance Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company. The provision of corporate finance services constituted connected transaction of the Company under Chapter 14A of the Listing Rules but such transaction was fully exempt under Rule 14A.76 (1) of the Listing Rules.

As disclosed above, none of the fully exempted connected transactions as defined under the Listing Rules are required to be disclosed under the Listing Rules. The Company has complied with the disclosure requirement prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year under review. Details of the related party and connected transactions of the Group are also set out in note 45 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of material related party transactions are set out in note 45 to the consolidated financial statements.

MATERIAL LITIGATIONS AND ARBITRATION

Details of material litigation and arbitration are set out in note 44 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, the Company discloses that during the year and up to the date of the report, Mr. Zhu Yongjun ("**Mr. Zhu**") being the chairman and executive Director of the Company, was interested in approximately 5.40% of the issued share capital of New Concepts Holdings Limited (stock code: 2221) ("**New Concepts**"), the issued shares of which are listed on the Main Board of the Stock Exchange and New Concepts is engaged in environmental protection businesses including the provision of kitchen waste treatment related business in the PRC. Mr. Zhu also served as the chairman and executive director of New Concepts. In February 2024, upon the entering into of the service contract between an indirect wholly-owned subsidiary of the Company and the Environmental Protection Department of the Government of Hong Kong, the Group has commenced the business in the provision of food waste collection services in Hong Kong.

Notwithstanding the fact that the Group and New Concepts are both engaged in the provision of food waste related services, the Company considers that there would be no competition between the Company and New Concepts as there is clear geographical delineation in terms of services area of the food waste related services to be provided by the Group and that of New Concepts.

The Board also considers that they are independent from the board of New Concepts ("**New Concepts Board**") as Mr. Zhu does not personally control the Board nor the New Concepts Board and the Group is capable of carrying its food waste collection business independently.

Nevertheless, should the Group have any co-operation with New Concepts in the future, the Group will comply with relevant rules and regulations including but not limited to having relevant directors with interest in any transaction to be approved during a board meeting to abstain from voting on the relevant resolutions(s).

Save as disclosed above, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

SHARE OPTION SCHEME

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

(i) Purpose

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

The scheme mandate limit for the Scheme allows the Company to issue a maximum of 15,965,397 share options after share consolidation, representing 10.00% of the issued share capital of the Company as at the date of the approval of the Scheme.

(iv) Maximum entitlement of each eligible participant

Share options granted to connected person and its associates is subject to the approval of the INEDs. In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5.00 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any eligible participants may not exceed 1% of the shares in issue from time to time in a 12-month period.

(v) Option period

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

(vi) Acceptance of offer

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

(vii) Subscription price

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

(viii) The remaining life of the Scheme

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

Save for the Scheme, the Company did not have any other share option scheme as at 31 December 2024. From the date of the Scheme being adopted up to 31 December 2024, no options had been granted and remained outstanding under the Scheme of the Company.

As at 1 January 2024, the total number of options available for grant under the scheme mandate of the Scheme before share consolidation was 159,653,976, representing 5.56% of the issued share capital of 2,873,609,649 shares of the Company. As at 31 December 2024, the total number of options available for grant under the scheme mandate of the Scheme after share consolidation was 15,965,397, representing 5.56% of the issued share capital of 287,360,964 shares of the Company.

PRE-EMPTIVE RIGHTS

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

PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES

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

RETIREMENT SCHEMES

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

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the year are set out in note 47 to the consolidated financial statements and the section "MATERIAL EVENTS DURING/AFTER THE YEAR UNDER REVIEW" on pages 33 to 36.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

In accordance with the requirements of the Listing Rules, the Group established an Audit Committee comprising three INEDs of the Company. The Audit Committee of the Company has reviewed the audited consolidated financial statements for the year ended 31 December 2024. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report on pages 61 to 62 of this Annual Report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2023 Annual Report required to be disclosed were as follows:

i. the updated biographic details of the Directors are set out on pages 43 to 45 of the Annual Report;

ii. At the conclusion of the annual general meeting (the "**AGM**"), the ordinary resolutions regarding the re-election of Mr. Hu Siyun ("**Mr. Hu**") as executive Director and Ms. Qiu Na ("**Ms. Qiu**") as independent non-executive (the "**INED**") were not passed at the AGM, each of Mr. Hu and Ms. Qiu has retired as an executive Director and INED with effect from 14 June 2024;

iii. Mr. Mak Ka Wing, Patrick ("**Mr. Mak**") has been appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 3 September 2024; and

iv. Ms. Chu Yin Yin Georgiana has been appointed as the company secretary and the authorized representative of New Concepts Holdings Limited which is listed on the Main Board of the Stock Exchange with effect from 1 January 2025.

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

CORPORATE GOVERNANCE

The Company's Corporate Governance principles and practices are set out in the Corporate Governance Report on pages 46 to 70 of this Annual Report.

CONFIRMATION OF INDEPENDENCE

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

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 20 June 2025. Notice of AGM will be published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (www.hkexnews.hk), and will be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine shareholders' eligibility to attend and vote at the forthcoming AGM of the Company to be held on Friday, 20 June 2025, the register of members of the Company will be closed from Tuesday, 17 June 2025 to Friday, 20 June 2025 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for attending and voting at the AGM, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration, not later than 4:00 p.m. on Monday, 16 June 2025.

AUDITORS

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

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

Hong Kong, 28 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Purpose of the Report

China Water Industry Group Limited ("**China Water Industry**", "**the Company**", together with its subsidiaries collectively referred to as "**the Group**" or "**we**") is pleased to release our 11th Environmental, Social and Governance ("**ESG**") Report (the "**Report**"). The Report discloses and highlights our sustainability management approach, strategy, policies, initiatives, and data over the past year, covering the Group's main businesses and areas of significance to stakeholders, with the aim to provide valuable information and the latest sustainability performance for stakeholders, and comprehensively respond to their demands. For information on our corporate governance in 2024, please refer to the section headed "Corporate Governance Report" in this annual report.

Reporting Year and Scope

This Report covers the reporting period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**"). Unless otherwise stated, the scope of this Report covers the Group's core business segments including (i) provision of sewage treatment services; (ii) construction of sewage treatment infrastructure; and (iii) exploitation and sale of renewable energy in the People's Republic of China (the "**PRC**"). The water supply business has been excluded from the reporting scope following the completion of the disposal of Yichun Water Group, after which the remaining Group ceased to engage in such business in the PRC. The reporting boundary is determined by the materiality to our business and operations, as well as the impact on sustainability.

Reporting Standard

This Report adheres to the four reporting principles outlined in the Environmental, Social and Governance Reporting Code (the "**ESG Reporting Code**") under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX**") and complies with the disclosure obligations contained in the ESG Reporting Code. An index of the ESG Reporting Code is appended to this Report for the convenience of stakeholders.

Access to the Report

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

Contact Information

We welcome all stakeholders to provide their feedback and suggestions on the sustainable development performance and the Report of China Water Industry. Please share your feedback with us at info@chinawaterind.com.

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE YEAR 2024

Exploitation and sale of renewable energy business[1]

313,379,262 kWh of green electricity generated

As at 31 December 2024, **27** projects have been in operation

1,900,880 tonnes of CO_2e avoided*

* The amount of CO_2e emitted by the same amount of coal power generation

Sewage treatment business[1]

24,290,637 tonnes of sewage treated

3 sewage treatment projects have been in operation

3,024 tonnes of Chemical Oxygen Demand ("**COD**") reduced

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

1 Covers the overall performance of the respective business segment.

OUR APPROACH TO SUSTAINABILITY

Our Tenet, Vision, Philosophy and Core Value

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

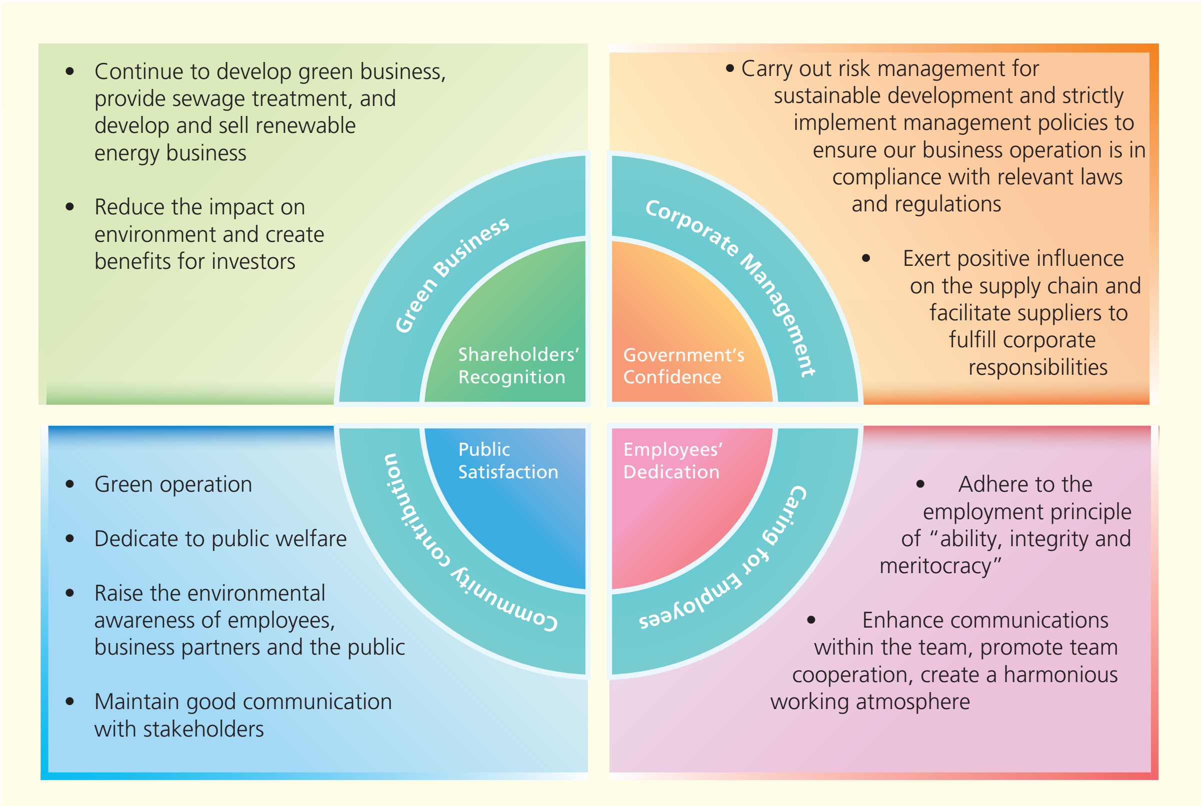
Corporate vision
Revitalize the confidence of the team, work hard, and build a good enterprise with employees' contentment and market respect

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

Core value
Take the company as home, pride in performance, taking unity as harmony and taking hard-working as the foundation

We strive to create mutual benefits for the corporate and the society to fulfill corporate social responsibility and bring long-term and positive impact on the environment and society. Our sustainability strategy covers four key areas, namely green business, corporate governance, caring for employees and community contributions, which comprehensively reflect our core corporate value. We will actively support country development by carrying out environmental protection works, caring for our employees and making contribution to the community, bringing long-term shared value to our stakeholders and society.

Key Areas of Sustainable Development



SUSTAINABILITY GOVERNANCE

The Board upholds the overall responsibilities on the Group's ESG strategy and reporting and oversight of ESG issues. At the operation level, we have established an ESG Working Group ("**Working Group**") and strive to integrate sustainability in our daily operations. Endorsed by the Board, the Working Group oversees the ESG management approaches and regularly provides advice to the Board on the following issues:

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

ESG-RELATED RISK MANAGEMENT

To effectively cope with the ESG-related risks and opportunities in our operation, we have adopted a set of risk management procedures and formulated an ESG risk policy to provide more clear guidance and standards. The Board is responsible for determining the Group's business strategy and risk tolerance, and establishing, maintaining, and assessing the risk management and internal control system. The management is responsible for risk management of business operation and collects internal and external data and opinions of stakeholders through different channels, historical data, forecast, and information about other relevant domestic and overseas companies, so as to identify, evaluate, prioritise, manage and respond to the Group's risks and opportunities, including ESG-related risks.

We have conducted ESG-related risk assessment and identified ESG-related risks that were significant to the Group's business through industry analysis, stakeholder feedback collection and ESG trend analysis. Then, we prioritized the identified key ESG risks by considering their risk level scores in terms of potential impact and likelihood. For higher-level ESG-related risks, the Group will develop corresponding measures, review the effectiveness of the measures regularly, report to the Board on the identified risks and changes, and further propose enhancement measures when necessary.

ESG Risk Policy

Objective Setting	Recognise the importance of ESG material issues to the Group.
Risk Assessment	Identify ESG-related risk and evaluate their significance and frequency to the Group.
Integration of Policies and Measures	Establish strategic policies and measures, and integrate them into the business processes to achieve different objectives.
Stakeholder Communication	Communicate and engage stakeholders in ESG reporting process, collect their opinions to enhance the Group's ESG strategy and long-term value creation.
Board Oversight	The Board (or a commitee delegated) should include competent personnel with delegation of proper authority and responsibilty, and establish proper procedures to oversee long-term ESG strategy and its execution.

Stakeholder Engagement

The Group deeply understands the importance of having regular communication with stakeholders. Therefore, we maintain close communication with different stakeholders to understand their opinions and expectations about the Group. Our key stakeholders include employees, governments, shareholders, business partners, non-governmental organisations, customers, suppliers, communities, etc. We will continue to listen to different voices by setting up diverse channels, to enhance the Group's sustainability strategies and policies and get prepared for future challenges.

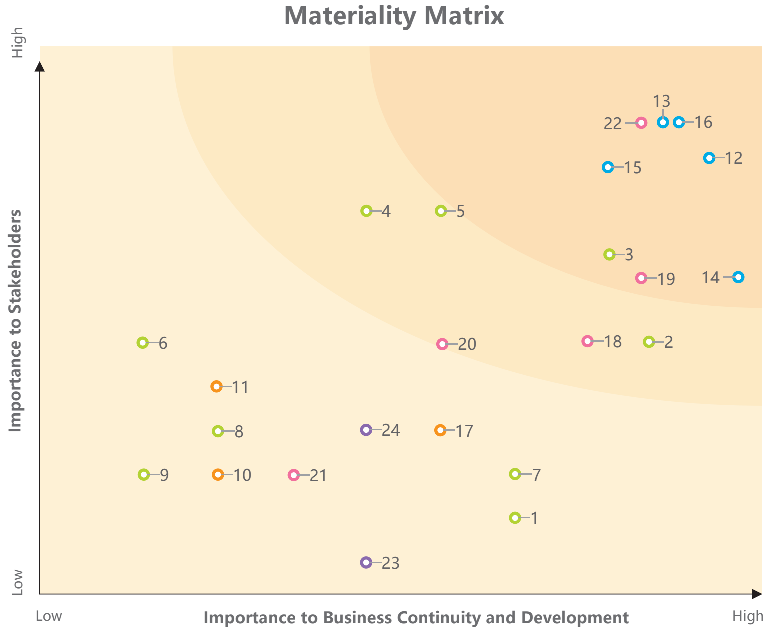
Materiality Assessment

To determine the most relevant ESG issues to the Group and stakeholders, during the Reporting Period, the Group conducted materiality assessment based on the materiality reporting principle set out in the ESG Reporting Code. The procedures of our materiality analysis are summarised as below:

During the Reporting Period, the results of our materiality assessment are set out in the materiality matrix below, with 8 issues in the top-right section being the most important ones for our business and stakeholders which will be highlighted in this report.

Material Issues		Relevant Chapter/section
16. Employment Compliance	➢	Talent Recruitment
13. Equal Opportunity, Diversity and Anti-discrimination	➢	Talent Recruitment
12. Staff Welfare	➢	Employee Benefits
22. Anti-corruption	➢	Business Integrity
15. Staff Development and Training	➢	Talent Training
14. Occupational Health and Safety	➢	Occupational Health and Safety
3. Carbon Emission and Energy	➢	Greenhouse Gas Emissions and Energy Management
19. Customer Service	➢	Optimizing Customer Service

Materiality Matrix



Key Issues Identified

1	Air emissions
2	Waste
3	Carbon Emission and Energy
4	Water Consumption
5	Sewage Discharge
6	Biodiversity and Land Use
7	Climate Change Risk
8	Green Procurement
9	Environmental Risk in Supply Chain
10	Access and Affordability
11	Business Model Resilience

12	Staff Welfare
13	Equal Opportunity, Diversity and Anti-discrimination
14	Occupational Health and Safety
15	Staff Development and Training
16	Employment Compliance
17	Social Risk in Supply Chain
18	Product Assurance, Quality and Safety
19	Customer Service
20	Intellectual Property Rights Management
21	Marketing and Advertising
22	Anti-corruption
23	Community Investment
24	Technological Development and Innovation

CORPORATE GOVERNANCE AND BUSINESS ETHICS

Business Integrity

The Group is committed to maintaining high level of business ethics and corporate governance standards. We strictly comply with the "Provisions of the Criminal Law of the PRC" (《中華人民共和國刑法》), "Company Law of the PRC" (《中華人民共和國公司法》), "Anti-unfair Competition Law of the PRC" (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations, and formulated and implemented a set of internal procedures and guidelines. Some project companies also established "Procurement and Reimbursement Management Measures", "Financial Management System" and internal audit system, and conducted comprehensive audits on management, finance, and operations to prevent illegal acts, such as bribery, extortion, fraud, and money laundering, etc.

Besides, we require our employees to follow our ethical and professional conduct as set out in our employee handbook to ensure they perform job duties based on ethical standards of honesty and integrity and establish long-term and reliable relationship with all business partners. During the Reporting Period, the Group also provided directors and employees with anti-corruption training to raise their awareness on relevant matters, building a business environment with integrity.

If our employees discover any illegal act at workplace, we encourage them to report to us at once. They are required to reject any dishonest offer of money or gift. We ensure the identity of the whistleblower and the information provided remain confidential, ensuring that they will not be subject to unfair dismissal, persecution, or inappropriate disciplinary action. Any misconduct will be taken seriously, and the reported incident will be immediately and thoroughly investigated. Violators will face disciplinary action.

In 2024, the Company was not aware of any significant cases of non-compliance with laws and regulations related to bribery, extortion, fraud, and money laundering involving its business and employees, nor any concluded legal cases regarding corrupt practices brought against the Group or our employees.

Information Protection

We highly value the protection of customer privacy and personal information. As the Group's operations may involve the collection of user information, when signing employment contract, employees are required to sign relevant non-disclosure agreement in respect of customers' information and shall commit to handle confidential documents that contain customers' information with due care and diligence. We have also established information safety management policy as well as relevant data protection and privacy policies to ensure the relevant information are maintained in such office under strict surveillance where its access keys are kept by designated staff. Important computers and files are encrypted with passwords being managed by relevant personnel to ensure protection of customer data. During the Reporting Period, we did not receive any cases of customer privacy infringement or loss of customers' information or relevant confirmed complaints.

Besides, we strictly comply with all laws and regulations concerning intellectual property rights, such as the "Patent Law of the PRC" (《中華人民共和國專利法》). Some of our project company's employee handbook detailed the rules related to protecting commercially confidential information, which included providing legal protection for patent applications, trademark registrations and copyright procedures. Our employees are required to comply with laws and regulations related to intellectual property rights. If any violation against the patent rights of the Group is found, we will carry out thorough investigations immediately and the relevant employees may be subject to disciplinary action or dismissal depending on the seriousness of the case.

Supplier Management

The Group has established supplier management standards, clearly outlining our requirements on company qualifications, technology, quality, reputation, business performance, delivery capacity, and after-sale services, to ensure our project companies can analyze and select suppliers objectively. By visiting the operational locations of suppliers, we regularly evaluate their compliance, and select long-term stable suppliers through continuous investigation, analysis, and screening to establish a List of Qualified Suppliers. Suppliers who repeatedly fail to meet supply requirements will be removed from the list to ensure the quality of raw material and maintain a high-quality supplier management system.

We actively communicate with our business partners in the supply chain and are committed to promoting sustainable development to them. The Group has zero tolerance for child labour and forced labour, and upholds human rights and labour rights. We expect to work with suppliers who shares the same principles to jointly create a harmonious, fair, and sustainable society. On top of that, the Group has conducted an ESG-related risk assessment to identify potential ESG-related risks in our supply chain. We have not identified any ESG-related risks in our supply chain that have been rated as "high risk". The Board will closely monitor the ESG-related risks in our supply chain, regularly evaluate the effectiveness of control measures, and further enhance our ESG practices in terms of supplier management.

To actively support green procurement, the Group gives priority to recruit local suppliers to reduce pollutants and greenhouse gas emissions during transportation process. During the Reporting Period, we cooperated with a total of 384 suppliers (2023: 982), all of which are based in the Mainland China and implemented practices relating to engaging suppliers.

GREEN BUSINESS

As a well-known investment and integrated service provider in the environmental protection industry in Mainland China, the Group actively expands its business to other areas such as the new energy development. Our business covers multiple cities and provinces including Guangdong, Chengdu, and Foshan. We provide comprehensive solutions from multiple dimensions, such as water-related services and environmental new energy resources, and focus our resources on the environmental protection industry development to explore green business opportunities.

Exploitation and sale of renewable energy

The Group is committed to supporting national environmental protection policies, including the "Guidance on Establishment of Target Oriented System for Development and Utilisation of Renewable Energy of National Energy Administration" (《國家能源局關於建立可再生能源開發利用目標引導制度的指導意見》). The Guidance clearly defines the responsibilities and obligations for development and utilisation of renewable energy in different areas to ensure the realization of energy conservation, emission reduction, increasing the proportion of non-fossil energy, and sustainable development goals. It also set out the targets for the proportion of renewable energy in total energy consumption of each province and the proportion of non-hydropower renewable energy in total electricity consumption in China, encouraging the use of renewable energy. The Group will continue to pursue the vision of "creating an environment of blue sky, green land and clear water", strive for economic and social development while maintaining the harmony between human and nature, and practice the idea of "lucid waters and lush mountains are invaluable assets".

Organic matter is a clean and renewable energy source, as it decomposes into flammable biogas in anaerobic environments, which can be converted into energy by using different technologies. The Group's renewable energy projects has installed biogas collection systems to generate electricity which enable the landfill sites to achieve self-sufficiency in electricity and reduce the reliance on fossil fuels for power generation. In addition, the biogas from the landfill site will migrate to the outside through underground pathways, and our biogas collection system can reduce the amount of biogas escaping from the landfill. Collecting and using biogas for power generation can reduce the odour problems caused by landfill gas emissions, thereby reducing the impact on surrounding residents. During the Reporting Period, a total of 205,862,624 m^3 of landfill gas was collected and equivalent to 1,900,880 tonnes of carbon dioxide emission was avoided because of our projects[2].

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

2 Covers the overall performance of the respective business segment.

The following is the accumulated achievement of our renewable energy business since our first waste utilisation project operation commenced in 2014[3]:

Generated
5,040,069,270 kWh
of green electricity

Generated
107,023,885 m^3
of compressed natural gas

Equivalent to
33,431,789 tonnes
of CO_2e avoided

Collected
3,292,531,378 m^3
of landfill gas

Quality Enhancement and Quantity Assurance in Existing Landfill Gas Power Generation Projects

During the Reporting Period, our subsidiary, New China Water (Nanjing) Renewable Resources Investment Company Limited actively advanced comprehensive quality management by systematically enhancing operational efficiency across multiple dimensions, including production processes, equipment maintenance, and personnel management, etc. As of the end of 2024, carbon dioxide emissions are expected to reduce by over 2,000,000 tonnes, and achieving good environmental benefits.

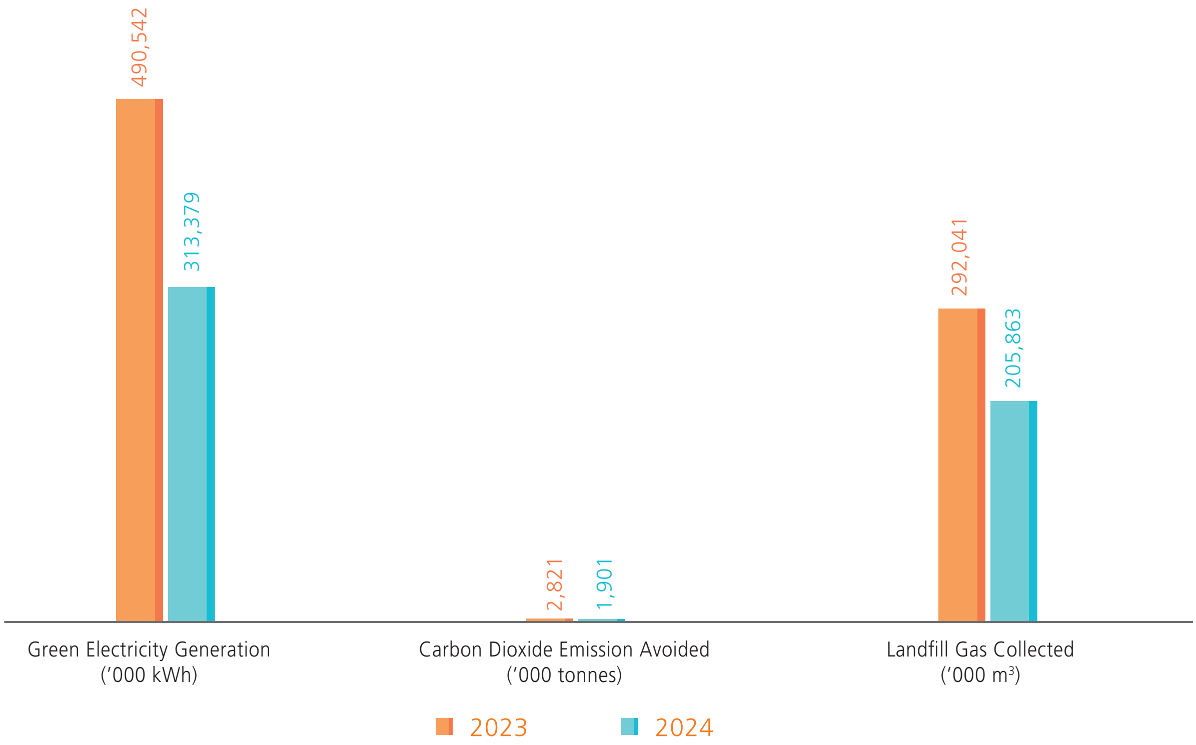
Technological Innovation in Industrial Biogas Purification

During the Reporting Period, our subsidiary, New China Water (Nanjing) Renewable Resources Investment Company Limited continued to maintain its technological leadership in the field of industrial biogas purification. Its key project — The Dezhou Gu Shen Protein Biomass Gas Purification Project — operated with high efficiency and stability throughout the year and maintained a highly efficient and stable operation throughout the year. The project adopted advanced biomass gas purification technology and equipment to purify biogas generated from industrial waste efficiently, converting it into high-quality bionatural gas. It provides customers with stable and reliable clean energy, effectively reducing reliance on traditional fossil fuels, and lowering carbon emissions.

[3] Covers the overall performance of the respective business segment.

As of 31 December 2024, the Group has been operating 27 landfill gas power generation projects in various provinces and municipalities in the PRC to deliver power to urban power grid, and generated a total of 313,379,262 kWh of green electricity throughout the year which increased the proportion of clean energy. In addition, we have been operating 3 compressed natural gas projects which generated a total of 4,999,938 m^3 of compressed natural gas throughout the year.

Exploitation and sale of renewable energy



Sewage treatment

Effluent treatment is one of the key aspects of our sewage treatment business. To lay a solid foundation for the fight against pollution and improve the requirements for national sewage treatment and disposal, the government has formulated the "14th Five-Year Plan for the Development of Urban Sewage Treatment and Resource Utilization" (《「十四五」城鎮污水處理及資源化利用發展規劃》), aimed at comprehensively improving the efficiency of sewage collection and treatment, accelerating the promotion of sewage resource utilization, improving facility operation and maintenance levels, and enhancing residents' quality of life. The Group has 3 sewage treatment projects located in Shandong's Jining and Guangdong's Foshan, committed to serving communities through a sound sewage treatment system.

Here is our performance in the sewage treatment business in 2024[4]:

Daily aggregate sewage disposal capacity is approximately **80,000** tonnes

In 2024, **24,290,637** tonnes of sewage

3,024 tonnes of COD reduced

Accumulated achievement since the commissioning of the first sewage treatment project in 2007:

754,739,317 tonnes of sewage treated

125,553 tonnes of COD reduced

The Group's sewage treatment business strictly adheres to the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and other relevant laws and regulations. All projects have obtained Pollutant Discharge Permit to operate legally. During the Reporting Period, we were not aware of any material violations of applicable laws and regulations.

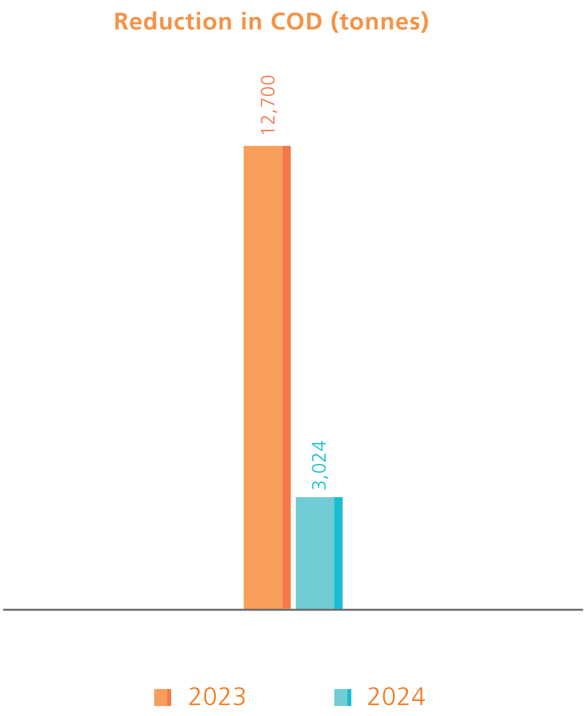
With our internal policies in place, we adopt facilities and treatment technologies based on the sewage properties, including Biolak technology of Germany, Cyclic Activated Sludge System (CASS) technology, and Anaerobic-Anoxic-Oxic (A2/O) technology, combining with biological oxidation tank, magnetic-coagulation separation, ultraviolet irradiation disinfection. The treated domestic sewage from the Gaoming Sewage Treatment Plant in Foshan, Guangdong Province has reached the national class IB standard, and the sewage treated at the remaining sewage treatment plants is discharged in accordance with the national class IA standard of Discharge standard of pollutants for municipal wastewater treatment plant (《城鎮污水處理廠污染物排放標準》) (GB18918-2002), The effluent water quality of Jining City Haisheng Water Treatment Company Limited has been upgraded from national class IA standard to quasi Grade IV standard, to ensure no negative impact on the natural ecology and human health, and only discharge at designated locations specified in the agreement signed with the government.

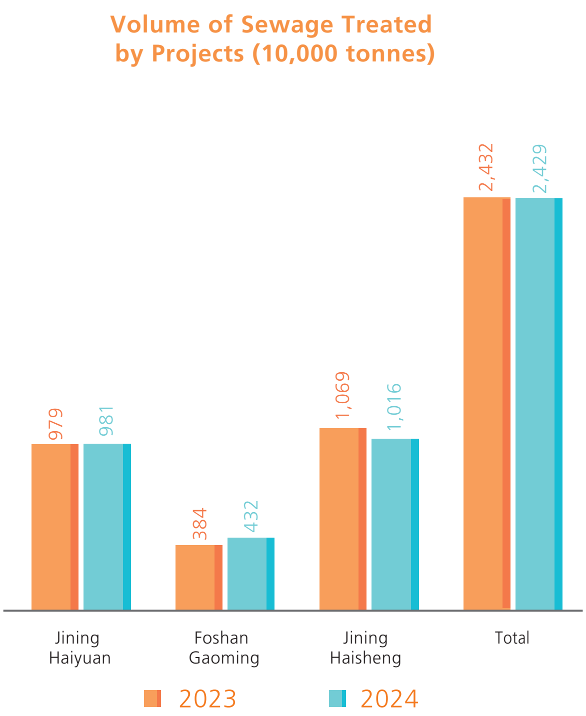
4 Covers the overall performance of the respective business segment.

Our sewage treatment plants have obtained the approval of the "Environmental Assessment of Construction Projects" (《建設項目環境評價》) and the "Environmental Protection Acceptance of Construction Projects" (《建設項目環境保護驗收》), and have met all national environmental protection standards during the construction phase. We do not directly discharge the pollutants specified in the Environmental Protection Tax Law of the People's Republic of China and receive tax exemptions and reductions in accordance with the regulations. During the Reporting Period, all treated wastewater was discharged to rivers, oceans or used for landscaping, amounting to 24,290,637 tonnes in total.

Total volume (tonnes) of treated sludge discharged by various disposal methods as of 31 December 2024[5]:

Incineration	Brick-making	Vermicompost	Total
856	2,557	5,709	9,122





5 The data disclosed in 2024 cannot be directly compared with that of 2023, following the completion of the disposal of Yichun Water Group in 2024.

Optimizing Customer Service

We strive to provide customers with effective and quality service. We adhere to the people-oriented spirit and continuously enhance our service quality. We also set up relevant contingency plans for emergencies such as natural disasters, to give employees clear instructions on how to deal with the issues and to cope with dangerous situation in a calm manner.

During the Reporting Period, we did not receive any material complaint (2023: nil).

OUR ENVIRONMENT

The Group's water related services and renewable energy business are closely related to nature. Therefore, we are committed to reducing environmental impact and managing waste, wastewater, air emissions and noise produced during our operations and achieving green office through information technology. To effectively monitor and manage the impact on environment, our project companies have formulated comprehensive environmental management systems and adopted stringent emission standards. In addition, we have also set a series of additional green targets to enable us to reduce our environmental impact during daily operation.

During the Reporting Period, we were not aware of any material non-compliance with relevant environmental protection laws and regulations by the Group, including but not limited to the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》), the "Environmental Protection Tax Law of the People's Republic of China" (《中華人民共和國環境保護稅法》), the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (《中華人民共和國固體廢棄物污染環境防治法》), the "Law of the People's Republic of China on the Prevention and Control of Water Pollution" (《中華人民共和國水污染防治法》), the "Water Law of the People's Republic of China" (《中華人民共和國水法》), the "Environmental Impact Assessment Law of the People's Republic of China" (《中華人民共和國環境影響評價法》), the "Regulation on the Administration of Construction Project Environmental Protection" (《建設項目環境保護管理條例》) and the "Interim Measures for Environmental Protection Acceptance of Completed Construction Project" (《建設項目竣工環境保護驗收暫行辦法》).

Climate Change

In recent years, more frequent extreme weather events have increased threats and risks faced by humanity, and climate change has become a global issue of concern. We are committed to shouldering the responsibility of addressing climate change. The Group conducted ESG-related risk assessments to identify potential climate-related risks and regularly evaluate the effectiveness of existing countermeasures to enhance our resilience to climate risks. We adhere to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board to manage climate change-related risks and opportunities. We implement relevant risk mitigation measures to address these challenges. We regularly assess the effectiveness of current mitigation measures and actively seek improvement opportunities to enhance the climate resilience of our operations.

Climate-related risks	Our Responses
Physical Risks	
Acute Physical Risk Extreme weather events, such as super typhoons or other incidents causing flooding, building, and infrastructure damage, resulting in asset impairment and increased repair costs	• We provide flexible work arrangements with precautionary measures in place to ensure the safety of our employees. • We strengthen the daily maintenance and inspection of our potential safety hazards, biochemical ponds, sludge drying sheds, wall drains and drainage networks within plants to identify and eliminate safety hazards in a timely manner
Chronic physical risk Long-term changes in climate, such as rising average temperatures and repetitive flooding patterns, which affect normal operations and accelerate the need for equipment replacement	• We closely monitor local weather conditions and strengthen our liaison with the meteorological and water conservancy authorities to keep abreast of weather warnings and ensure the sufficiency of anti-disaster materials and effectively cope with emergency situations such as super typhoons and heavy rainstorms • We provide employees with safety education on lightning prevention knowledge by various means and organize quarterly inspections of lightning protection equipment to check whether the lightning protection facilities are in good condition, and immediately repair such facilities to ensure the normal operation of lightning protection equipment. • We provide heat protection and cooling materials (including heat protection medicine) for those staff working in an extremely hot weather, and place emergency medicine, heat protection medicine and herbal tea in the canteen, office and concierge rooms to enhance employees' ability to protect themselves.
Transition Risks	
More ambitious climate policies and regulations to support national decarbonization efforts, leading to an increase in our operating costs	• We regularly monitor the latest government policies, regulatory updates, and market trends • We review and adjust our climate-related policies

Embracing the Low-carbon Era through Active Carbon Trading

To support the achievement of the national carbon peak and carbon neutrality goals, the Group actively promotes carbon credit trading in response to the "dual carbon" targets. The Group's renewable energy segment companies have actively pursued carbon reduction efforts by investing in renewable energy projects, which not only avoids greenhouse gas emissions from landfill waste but also replaces the use of fossil fuels, reducing greenhouse gas emissions.

During the Reporting Period, we actively engaged in carbon trading with the support of our dedicated carbon reduction team. We reserved approximately 1 million tonnes of Verified Carbon Standard ("VCS")-certified carbon assets and initiated four new VCS projects to further strengthen our carbon asset portfolio. In addition, we collaborated with industry peers to advocate for the inclusion of landfill gas-to-energy projects under the China Certified Emission Reduction (CCER) methodology and participated in pilot programs for green certificate development.

We recognize the importance of addressing climate change risks and opportunities, and have developed ESG policies, including climate change strategies. These policies aim to enhance climate change management and performance. To make our operations more climate-resilient, we have established the following green targets:

Green Targets		Progress
Emissions	• Reduce Scope 1 and Scope 2 greenhouse gas emission intensity by increasing energy efficiency and implementing energy-saving measures	Achieved
Waste	• Minimize waste generation intensity and avoid unnecessary consumption	Achieved
Energy	• Reduce energy consumption intensity by implementing energy-saving measures	Achieved
Water	• Reduce water consumption intensity and improve water efficiency by implementing water-saving measures	Achieved

Greenhouse Gas Emissions and Energy Management

The Group is committed to reducing greenhouse gas emission and electricity consumption through implementing energy saving measures and making good use of renewal resources. Our major source of greenhouse gases is electricity consumption. In addition, the Group's self-owned vehicles, equipment, backup power generation and canteens will also use diesel, gasoline, and natural gas for energy consumption. To reduce our reliance on fossil fuel, we replace traditional fuel use with renewable energy generation, and landfill gas power generation is given priority in landfill gas power generation projects. We will first cover the landfill for deodourisation. The landfill gas collected via gas wells and pipes is purified and utilised to effectively improve the environmental sanitation of the entire landfill, reduce the landfill safety hazards, solve the problem of landfill odour pollution and make good use of renewable resources.

Besides, we implemented a number of energy saving measures to reduce energy consumption in our daily operation, such as optimizing the power system and building design, purchasing imported energy saving production equipment and electrical appliances, and adjusting the sewage treatment equipment according to the quality of inflow water. We encourage our employees to develop the habit of saving electricity, such as turning off lights and controlling air-conditioning temperature. In future, we will explore ways to achieve energy saving and emission reduction in every operational stage.

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

Wastewater Management in Renewable Energy Projects

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

Water Management

The Group is committed to constantly reviewing various water conservation measures, and focuses on reducing water use and recycling wastewater. We have implemented water conservation policies, installed low-flow water-saving devices, and eliminated outdated equipment with high water consumption. During the Reporting Period, we did not have any problems in sourcing water that was fit for purpose.

Noise Management

In our daily operations, the noise we generate mainly comes from the use of large machines such as generators, water pumps, and induction fans. To mitigate the impact of noise on the surrounding residents and ensure that the noise level in the factory area meets the Class II standard of the Emission Standard for Industrial Enterprises Noise at Boundary" (《工業企業廠界環境噪聲排放標準》) (GB12348-2008), we regularly maintain and repair equipment to ensure proper operation, and install mufflers on high-noise equipment. In addition, to reduce the noise generated by mechanical vibration, we install shock-absorbing pads between the equipment and the ground where possible.

Solid Waste Management

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

For general solid waste, we store and dispose of recyclable and non-recyclable general waste according to the "Standard for Pollution Control on the Non-Hazardous Industrial Solid Waste Storage and Landfill" (《一般工業固體廢物儲存、處置場污染控制標準》) (GB18599-2001). Recyclable general waste such as metal, plastic, food waste, waste paper, etc., are sorted and then handed over to qualified recyclers to reduce waste generation. To continuously enhance management policy, our Environmental Management Team will review the waste management semi-annually to ensure proper waste handling.

CARING FOR EMPLOYEES

Employees are a critical pillar in driving our pursuit of excellence in business. To foster mutual growth, we actively cultivate a comfortable and empowering work environment that enables our staff to continuously develop and realize their potential. During the Reporting Period, we were not aware of any violations of laws and regulations related to employment by the Group, including but not limited to the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》), the "Social Insurance Law of the People's Republic of China" (《中華人民共和國社會保險法》) and the "Provisions on the Prohibition of Using Child Labour" (《禁止使用童工規定》).

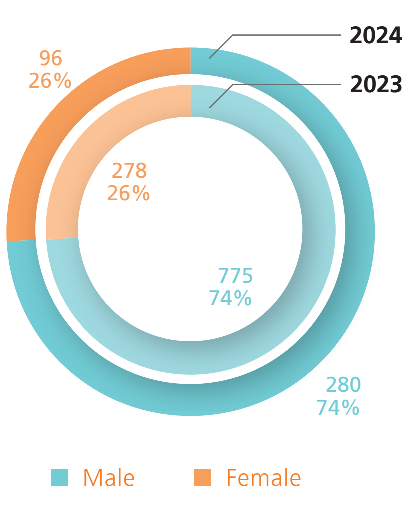
Talent Recruitment

The Group is committed to protecting to the rights and interests of employees, and have developed relevant personnel management policy for each project company according to the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), which clearly stipulate the operation procedures and regulations related to employee recruitment, dismissal, promotion, compensation, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, etc. Also, we adopt a zero-tolerance attitude towards child labour and forced labour, and strictly implement the "Provisions on the Prohibition of Using Child Labour" (《禁止使用童工規定 》) of the State Council. During recruitment, candidates are required to provide their identity documents, and if necessary, their residence registration and photos are required to be verified before further registration. Those candidates who have not obtained ID cards shall hold a certificate of over 16 years old approved by the police station where their residence is registered. Employees shall guarantee the authenticity, legality, and validity of the submitted documents, and shall not borrow or falsify the documents to deceive the Company. Otherwise, they will not be qualified for employment or their labour relationship with the Company will be terminated immediately. If any cases of child labour or forced labour are found, we will claim all the legal responsibilities to those who cause serious consequences. A special team will be set up to ensure the victims are adequately protected, and all their salaries are immediately settled. We will escort the child to his/her original place of residence and obtain the signature of the parent or guardian for confirmation. Our human resources department reviews the recruitment practices regularly to ensure the effectiveness of our existing measures against child and forced labour. During the Reporting Period, we were not aware of any cases of child labour or forced labour within our operations.

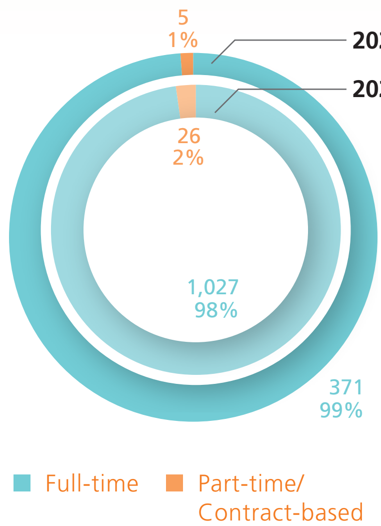
In order to attract talents, the Group recruits talents by various channels, including posting advertisements on newspapers, job boards, job markets, recruitment agencies, talent websites, internal promotions or referrals from co-workers. We hire talents in a fair, open, and transparent manner according to the capability and work experience of candidates, and ensure they are not discriminated in terms of race, religion, gender, marital status, sexual orientation, age, disability, etc. In addition, we sign "Labour Contracts" with all new employees within one month after they join the Company on a willing basis and have their social security paid. We will never recruit employees by forced or deceptive means such as seizing their ID cards or other valid documents. If necessary, the Supplement Agreement to Labour Contract and the "Confidentiality Agreement" will be signed at the same time. The Group's Employee Handbook detailedly stated the corporate management policies, employee compensation, leaves, benefits, etc. If an employee is involved in a serious violation of the regulations, the Company is entitled to terminate the labour relationship with the employee in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and relevant regulations. The employee dismissed by the Company will not be given financial compensation other than wages.

As of 31 December 2024, the Group had 376 employees[6, 7]; 96 are female employees which accounted for 26% of the total number of employees. All our employees are located in China (including Hong Kong).

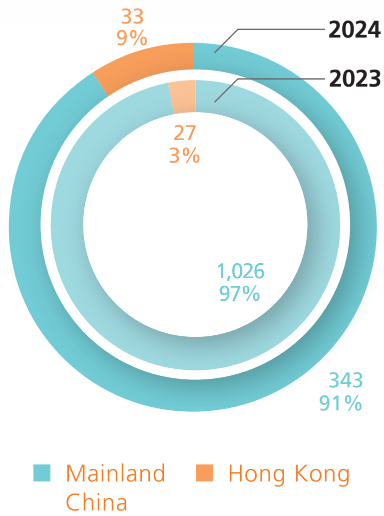
Distribution of Employee By Gender



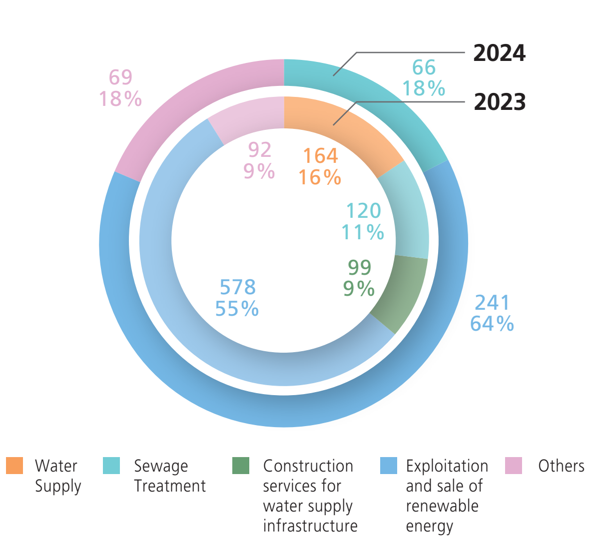
Distribution of Employee By Employee Category



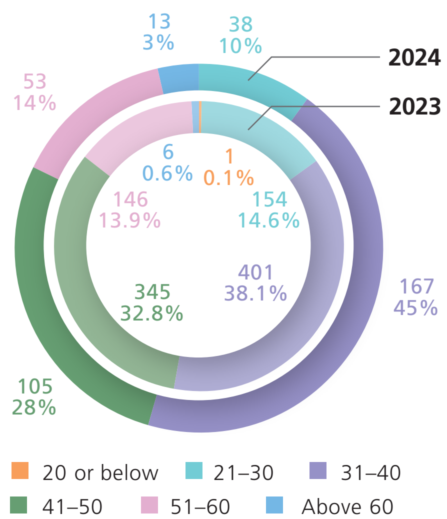
Distribution of Employee By Region



Distribution of Employee By Business Segment



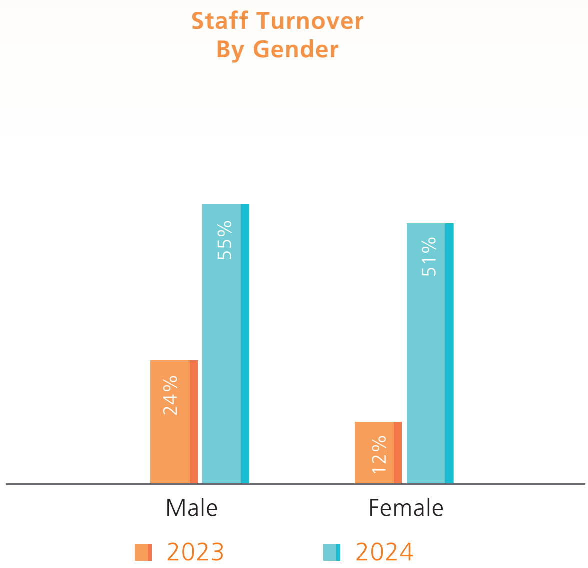
Distribution of Employee By Age Group

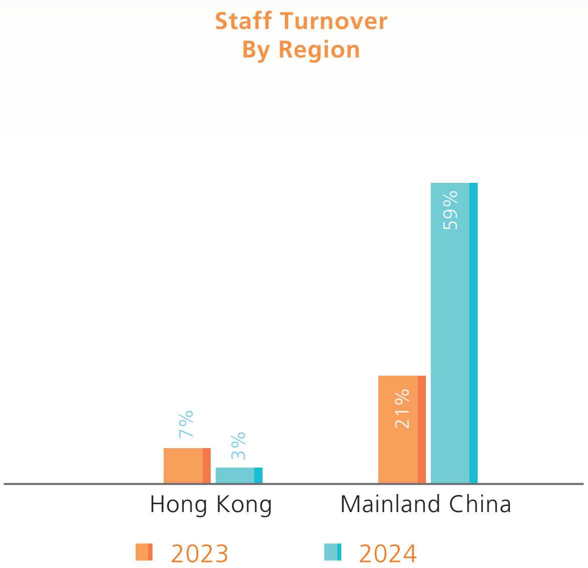


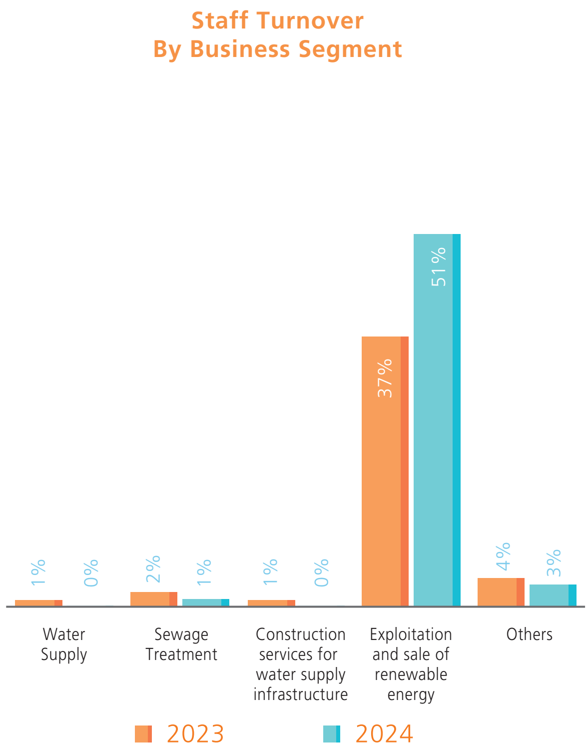
6 The data related to employees covers all employees of the Group and the scope of disclosure is consistent with that of the financial report.

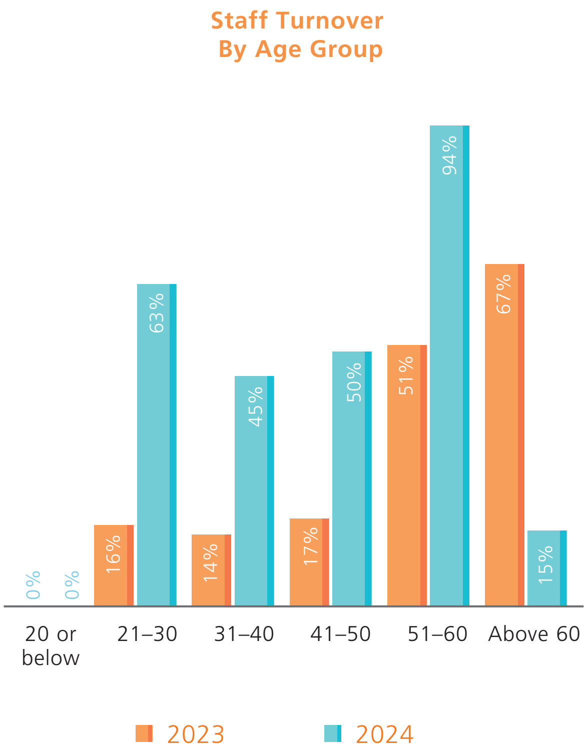
7 The data disclosed in 2024 cannot be directly compared with that of 2023, following the completion of the disposal of Yichun Water Group in 2024.

During the Reporting Period, the staff turnover rate[8] was 54% (2023: 21%).









8 The data disclosed in 2024 cannot be directly compared with that of 2023, following the completion of the disposal of Yichun Water Group in 2024.

Protection for Our Female Employees

The Group is committed to promoting a female-friendly workplace. We have a female employee protection policy to ensure that female employees will not be unreasonably dismissed due to pregnancy, maternity leave, breastfeeding, etc. and be able to get a basic salary on the basis of fair treatment. They will have equal opportunities in salary reviews, promotion, and work arrangements to protect their rights and interests. We will also make the necessary job transfers for pregnant employees to ensure their health and safety are well protected.

Occupational Health and Safety

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

The Group strictly abides by laws and regulations applicable to occupational health and safety, including but not limited to the "Fire Control Law of the People's Republic of China" (《中華人民共和國消防法》), the "Regulations on the Safety Administration of Dangerous Chemicals" (《危險化學品安全管理條例》) and the "Provisions on the Administration of Occupational Health at Workplaces" (《工作場所職業衛生管理規定》). During the Reporting Period, we were not aware of any material non-compliance with laws and regulations related to occupational health and safely. Also, in each of the past three years, there were no work-related fatalities occurred and the lost days due to work injury was 0 days during the Reporting Period (2023: 0 day).

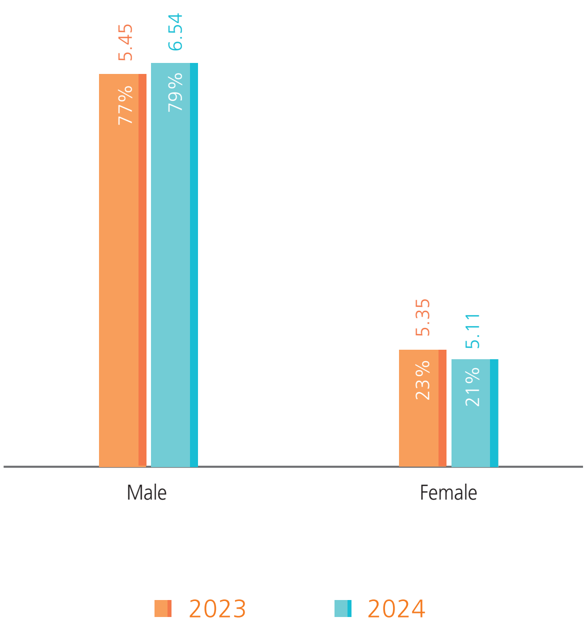
Our project companies have also implemented the following occupational health and safety measures:

- Regularly inspect fire safety equipment to reduce the risk of fire
- Appoint a dedicated person to monitor the use of open flames, welding, and other procedures
- Provide sufficient training to employees, for example, in some project companies, new employees must complete three levels of safety education courses, pass relevant tests, and obtain safety certificates before formal employment
- Require employees in special job categories to obtain special operation certificates
- Install safety warning signs in work areas
- Conduct health check-ups and occupational health examinations for employees at least every two years
- Regularly conduct various safety drills to enhance employees' emergency response capabilities
- Conduct weekly safety inspections to promptly improve problems
- Develop emergency response plans to handle various emergency situations such as chemical spills, electric shocks, gas accidents, equipment operation accidents, natural disasters, major casualties, power supply interruptions, fires, and serious accidents involving employees
- Send employees to external professional training programs in fire safety, hospitals, and other departments to ensure that they can evacuate and handle emergencies in an orderly manner
- Regularly inspect the food and health of the cafeteria, and regularly clean the cafeteria and dormitories to ensure the health of chefs and the freshness of food
- Prevent infectious diseases and control pests to ensure the health and safety of employees' food and drinks

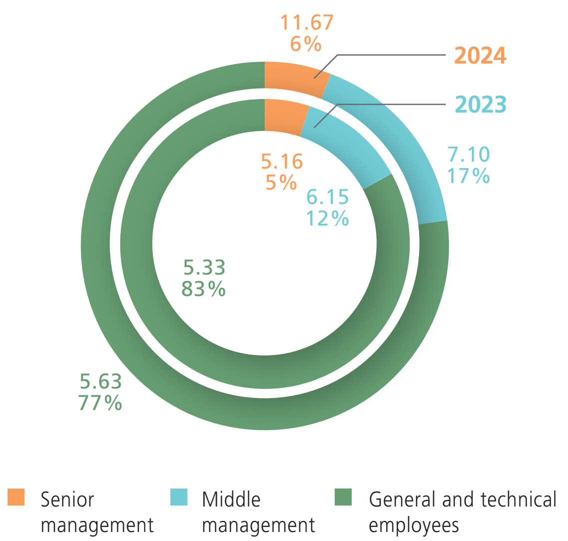
Talent Training

The Group believes that talents are the most important asset of an enterprise. To cultivate and develop a high-level talent team, we hold a diversified training program every year to meet the professional knowledge and skills needs of our employees. Some of our project companies even have online schools, allowing employees to watch training videos anytime and anywhere to learn and review professional knowledge. In addition, we also appoint outstanding talents to participate in professional training institutions and regularly invite external professional trainers to impart different knowledge and skills to our employees. Some of our project companies also encourage employees to participate in external training related to the company's business needs and job nature through funding, promoting employees' self-learning.

Average Training Hours and Percentage of Employees Trained By Gender[9, 10]



Average Training Hours and Percentage of Employees Trained By Employment Category[9, 10]



Mutual Communication

The Group places a high value on communication with its employees. To this end, we have established open channels of communication and regularly conduct employee interviews and surveys to better understand their opinions and views, and enhance their sense of belonging. We also disseminate the latest management policies and operational strategies to all employees via email, meetings, and message releases. In addition, some of our subsidiary companies use WeChat public accounts to share the latest updates and industry news on a regular basis, enabling employees to stay up to date with the Group's latest developments.

9 The disclosed data includes training figures related to employees who left the Group during the Reporting Period, in order to reflect the scale and extent of resources invested in employee training by the Group.

10 The data disclosed in 2024 cannot be directly compared with that of 2023, following the completion of the disposal of Yichun Water Group in 2024.

Employee Benefits

The Group is committed to creating a healthy and safe work environment for our employees. In addition to providing paid annual and statutory leave, we offer full-time employees benefits such as social security plans, maternity leave, bereavement leave, and sick leave, in accordance with legal requirements. Some of our subsidiaries also provide additional benefits such as employee dormitories, holiday allowances, travel allowances, communication allowances, and work meals based on their operations. In terms of salary, we follow the principle of fairness and determine or adjust salary based on factors such as the employee's education, work experience, abilities, qualifications, position, and actual performance. We also purchase commercial insurance for employees, and regularly arrange for employees to undergo health check-ups and special job-related medical examinations to protect their health as the first line of defence.

To promote work-life balance, we do not encourage overtime work. If a department requires employees to work overtime to meet production demands, we have established written regulations specifying that employees must not work more than 60 hours per week, and no more than 36 hours of overtime per month. We also ensure that employees receive at least 24 consecutive hours of rest after working for 6 consecutive days, and are paid overtime compensation in accordance with labour laws. Employees who wish to express their opinions can do so through our suggestion box, phone, or face-to-face meetings, and file complaints or suggestions. To protect the privacy and rights of complainants, all complaints will be kept strictly confidential without the complainant's consent.

Work Life Balance

We take a holistic approach to our employees' physical and mental health, and actively organize various recreational activities to relieve their daily work pressure. We hold an annual meeting and regularly host various recreational activities such as sports events, museum visits, and outdoor activities to strengthen the connection among our employees.

COMMUNITY CONTRIBUTION

We are committed to fulfilling our social and environmental responsibilities as a corporate citizen by utilizing our professional knowledge to serve the community and promote the importance of caring for society. Our contributions mainly focus on volunteer activities, environmental promotion, and community service, with the hope of leading our employees to give back to society through action and creating a harmonious and inclusive community. Here are our major community contribution efforts for the current year:

Promoting Environmental Protection

Chengdu Oasis Renewable Energy Co., Ltd.* actively partnered with schools and communities to organize environmental awareness and waste sorting education programs. Through these initiatives, we promote knowledge on resource recovery and ecological conservation, encouraging broader public participation in environmental protection efforts.

* *The English names are for identification purpose only.*

PERFORMANCE DATA SUMMARY

Environmental[11, 12, 13, 14]

To further monitor our emission reduction efforts, we will continuously evaluate, record, and disclose greenhouse gas emissions and other environmental data related to our main carbon emission sources in our business operations. Using 2023 data as a benchmark, we will appropriately compare it with this year's data to effectively identify areas for improvement.

Indicator	Unit	2024	2023
GHG Emissions			
Total Greenhouse Gas (GHG) Emissions (Scope 1 & 2)	Tonnes of CO_2 equivalent	**4,399.83**	24,013.65
• Direct Emissions (Scope 1)	Tonnes of CO_2 equivalent	**98.44**	413.29
• Energy Indirect Emissions (Scope 2)	Tonnes of CO_2 equivalent	**4,301.38**	23,621.52
• GHG Removal (Tree Plantation) (Scope 1)	Tonnes of CO_2 equivalent	**0**	21.16
• GHG Emissions (Biogenic)[15, 16]	Tonnes of CO_2 equivalent	**85,095.53**	168,001.08
Total GHG Emissions Intensity (Scope 1 & 2)[17]	Tonnes of CO_2 equivalent/ thousand HKD revenue	**0.01**	0.03
Air Emissions			
Nitrogen Oxides (NO_x)	Kg	**116,734.02**	230,616.41
Sulphur Oxides (SO_x)	Kg	**41,254.07**	81,447.95
Particulate Matter (PM)	Kg	**9,869.02**	19,499.85
Energy			
Total Energy Consumption[18]	MWh	**1,203,733.17**	2,403,154.93
• Purchased Electricity	MWh	**7,050.29**	38,717.46
• Petrol	MWh	**271.47**	656.68
• Diesel	MWh	**43.56**	749.81
• Liquified Petroleum Gas	MWh	**17.16**	56.86
• Natural Gas	MWh	**8.47**	11.30
• Landfill Gas[16]	MWh	**1,196,342.21**	2,361,896.05
• Others	MWh	**0**	1,066.78
Total Energy Consumption Intensity	kWh/thousand HKD revenue	**2.24**	3.27

Indicator	Unit	2024	2023
Water			
Total Water Consumption	m^3	**11,887.00**	43,330.00
Total Water Consumption Intensity	m^3/thousand HKD revenue	**0.02**	0.06
Waste			
Hazardous Waste			
Total Hazardous Waste	Tonnes	**119.10**	206.06
• Waste Oil and Waste Containing Oil	Tonnes	**78.59**	122.89
• Waste Drum	Tonnes	**0**	1.16
• Waste Activated Carbon	Tonnes	**7.59**	7.63
• Catalyst	Tonnes	**0**	17.28
• Waste Oil Compartment	Tonnes	**0**	0.13
• Waste Lubricating Oil	Tonnes	**0**	7.36
• Waste Lubricating Oil Drum	Tonnes	**0**	0.08
• Waste Mineral Oil	Tonnes	**23.36**	44.76
• Waste Denitration Catalyst	Tonnes	**9.57**	3.37
• Desulfurization Medium	Tonnes	**0**	1.40
Total Hazardous Waste Intensity	Kg/thousand HKD revenue	**0.22**	0.28
Non-Hazardous Waste			
Total Non-Hazardous Waste	Tonnes	**14.18**	66.14
Recycled			
• Food Waste	Tonnes	**0.57**	16.00
• Paper	Tonnes	**0.02**	0.07
• Other General Refuse	Tonnes	**1.40**	0.30
Disposed			
• Food Waste	Tonnes	**0.08**	36.90
• Paper	Tonnes	**0.01**	0.04
• Other General Refuse	Tonnes	**12.10**	12.83
Total Non-Hazardous Waste Intensity	Kg/thousand HKD revenue	**0.03**	0.09

Note:

[11] Reporting scope of environmental data in this Report includes 3 sewage treatment companies (2023: 4) and 9 renewable energy companies (2023: 9).

[12] Totals may not be the exact sum of numbers shown here due to rounding.

[13] Due to our business nature, no packaging materials have been used.

[14] Our reporting on air and greenhouse gases (GHG) emissions are mainly based on the requirements in "How to prepare an ESG report" published by HKEX and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute. Operational control approach is adopted when defining organisational boundary for the purpose of GHG accounting and reporting. GHG emissions are presented in carbon dioxide equivalent (CO_2 equivalent). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 energy indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased or acquired) and refrigeration internally consumed by the Group.

[15] Included landfill gas consumption for the generation of sold electricity.

[16] Biogenic emission represents GHG emission from landfill gas electricity generation.

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

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

Social[19]

Indicator	Unit	2024	2023
Workforce[20]			
Total workforce	Number of People	376	1,053
By Gender			
Male	Number of People	280	775
Female		96	278
By Employee Category			
Full-time	Number of People	371	1,027
Part-time/Contract-based		5	26
By Business Segment			
Water supply	Number of People	0	164
Sewage treatment		66	120
Construction services for water supply infrastructure		0	99
Exploitation and sale of renewable energy		241	578
Others		69	92
By Age Group			
20 or below	Number of People	0	1
21–30		38	154
31–40		167	401
41–50		105	345
51–60		53	146
Above 60		13	6
By Geographical Region			
Mainland China	Number of People	343	1,026
Hong Kong		33	27
Employee Turnover			
Total turnover rate	%	54	21
By Gender			
Male	%	55	24
Female		51	12
By Business Segment			
Water supply	%	0	1
Sewage treatment		1	2
Construction services for water supply infrastructure		0	1
Exploitation and sale of renewable energy		51	37
Others		3	4

19 The data disclosed in 2024 cannot be directly compared with that of 2023, following the completion of the disposal of Yichun Water Group in 2024.

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

Indicator	Unit	2024	2023
By Age Group			
20 or below	%	0	0
21–30	%	63	16
31–40	%	45	14
41–50	%	50	17
51–60	%	94	51
Above 60	%	15	67
By Geographical Region			
Mainland China	%	59	21
Hong Kong	%	3	7
Health and Safety			
Work-related injuries	Case(s)	0	0
Lost days due to work injury	Day(s)	0	0
Work-related fatality	Number	0	0
Employee Training[21]			
Percentage of Employees Trained			
Total	Hour(s)	3,580	6,910
Percentage of Employees Trained			
Total	%	52	31
By Gender			
Male	%	79	77
Female	%	21	23
By Employee Category			
Senior management	%	6	5
Middle management	%	17	12
General and technical employees	%	77	83
Average Training Hours			
Total	Hour(s)	6.18	5.42
By Gender			
Male	Hour(s)	6.54	5.45
Female	Hour(s)	5.11	5.35
By Employee Category			
Senior management	Hour(s)	11.67	5.16
Middle management	Hour(s)	7.10	6.15
General and technical employees	Hour(s)	5.63	5.33
Supply Chain			
Number of suppliers by geographical region			
Mainland China	Number of Supplier	384	982

21 The calculation of employee training data includes the relevant training data of employees who left the Group during the respective year, reflecting the resources invested in training by the Group.

HKEX ESG REPORTING CODE CONTENT INDEX

Indicator		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Green business Our environment	94-99 100-104
KPI A1.1	The types of emissions and respective emissions data.	Performance data summary	112-114
KPI A1.2	Direct and/or indirect energy greenhouse gas emissions in total (in tonnes) and intensity.	Performance data summary	112-114
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Performance data summary	112-114
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Performance data summary	112-114
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Water Industry Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 128 to 282, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment	
The Group has approximately HK$446,588,000, HK$193,057,000, HK$210,403,000 and HK$81,643,000 of property, plant and equipment, right-of-use assets, operating concession intangible assets and other intangible assets respectively. The Group's assessment of impairment is a judgmental process which requires estimates concerning the estimated future cash flows and associated discount and growth rate based on management's view of future business prospects. We identified impairment assessment as a key audit matter because impairment assessment prepared by management is complex and involves a significant degree of judgment in relation to the key assumptions adopted in the impairment assessment models.	We assessed and challenged the impairment analysis prepared by the board of directors as outlined below: With regard to the overall impairment assessment performed by the board of directors, we evaluated the design of internal controls in place to check that the Group's assets are valued appropriately including those controls in place to determine any asset impairments or impairment reversals. We also reviewed the assets not assessed by management for impairment indicators and no indicators were identified. We assessed the qualification, independence and reputation of the independent external valuation expert engaged by the Group with the assistance of our valuation specialists. We evaluated the reasonableness of the management cash flow forecasts by comparing the assumptions made to internal and external data. We tested these assumptions by reference to third party documentation where available. Furthermore, we obtained evidence to assess adequate historical accuracy in management's forecasting process. We challenged the key assumptions used in each impairment model and performed sensitivity analysis around key drivers of cash flow forecasts, including growth rates, operating costs, and expected life of assets. We challenged the discount rate used to determine the present value by assessing the cost of capital for the Group and comparable organisations.

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

— Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2025

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 HK$'000	2023 HK$'000
Revenue	7	**536,631**	748,973
Cost of sales		**(449,506)**	(566,452)
Gross profit		**87,125**	182,521
Other operating expenses, net	9	**(4,780)**	(7,452)
Gain on disposal of subsidiaries	37	**43,143**	2,961
Selling and distribution expenses		**(29,061)**	(40,872)
Administrative expenses		**(173,144)**	(201,910)
Finance costs	10	**(53,606)**	(46,203)
Change in fair value of investment properties	18	**(14,490)**	(9,298)
Net gain on financial assets at fair value through profit or loss		**382**	1,730
Impairment loss recognised on:			
property, plant and equipment	16	**(62,599)**	(4,784)
goodwill	19	**(21,737)**	–
concession intangible assets	17	**(1,333)**	–
other intangible assets	19	**(9,862)**	–
trade and other receivables, net	26	**(14,210)**	(73,387)
right-of-use assets	16	**(50,760)**	(1,737)
Share of loss of associates, net	22	**(47)**	(912)
Share of profit of joint ventures	23	**131**	1,139
Loss before taxation		**(304,848)**	(198,204)
Income tax	11	**(29,177)**	(15,431)
Loss for the year	12	**(334,025)**	(213,635)
Attributable to:			
Owners of the Company		**(322,282)**	(243,451)
Non-controlling interests		**(11,743)**	29,816
		(334,025)	(213,635)
		HK cents	HK cents (Restated)
Loss per share:	15		
Basic		**(112.15)**	(84.72)
Diluted		**(112.15)**	(84.72)

The notes on pages 137 to 282 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 HK$'000	2023 HK$'000
Loss for the year		**(334,025)**	(213,635)
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations			
Exchange difference arising during the year		**(20,764)**	(24,565)
		(20,764)	(24,565)
Financial assets at fair value through other comprehensive income:			
Net gain/(loss) arising on revaluation of financial assets at fair value through other comprehensive income during the year		**763**	(1,973)
Release of reserve upon disposal of subsidiaries	37	**5,204**	2,764
Release of reserve upon disposal of an associate		**(8)**	–
Release of reserve upon disposal of a joint venture		**223**	–
Share of other comprehensive loss of associates	22	**(5)**	(32)
Share of other comprehensive income/(loss) of joint ventures	23	**111**	(315)
Other comprehensive loss for the year, net of income tax		**(14,476)**	(24,121)
Total comprehensive loss for the year		**(348,501)**	(237,756)
Attributable to:			
Owners of the Company		**(333,183)**	(266,253)
Non-controlling interests		**(15,318)**	28,497
		(348,501)	(237,756)

The notes on pages 137 to 282 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	16	**446,588**	597,683
Deposits paid for acquisition of property, plant and equipment		**130,236**	134,164
Deposits paid for acquisition of right-of-use assets		**–**	8,945
Deposits paid for acquisition of additional interests in a subsidiary	27	**55,878**	55,878
Right-of-use assets	16	**193,057**	317,275
Operating concessions	17	**210,403**	625,296
Receivables under service concession arrangements	17	**6,587**	8,538
Investment properties	18	**175,052**	201,389
Other intangible assets	19	**81,643**	135,937
Financial assets at fair value through other comprehensive income	20	**2,633**	1,870
Interests in associates	22	**1,380**	1,913
Interests in a joint venture	23	**–**	22,336
Deferred tax assets	36	**5,612**	6,764
		1,309,069	2,117,988
Current assets			
Inventories	24	**57,589**	56,008
Receivables under service concession arrangements	17	**1,769**	2,102
Financial assets at fair value through profit or loss	20	**11,274**	12,103
Trade and other receivables	26	**893,724**	935,223
Contract assets	25(a)	**590**	91,323
Cash held by financial institutions	28(a)	**162**	661
Pledged bank deposits	28	**20,334**	15,969
Restricted bank deposits	28	**3,236**	–
Bank balances and cash	28	**21,424**	132,155
Amounts due from associates	33	**–**	5,965
Amount due from a joint venture	33	**–**	1,180
		1,010,102	1,252,689
Current liabilities			
Trade and other payables	29	**359,523**	435,596
Contract liabilities	25(b)	**22,374**	166,854
Bank borrowings	30	**107,755**	124,207
Other loans	31	**137,153**	168,869
Lease liabilities	32	**157,166**	147,528
Amounts due to non-controlling shareholders of subsidiaries	33	**1,598**	2,825
Amount due to an associate	33	**233**	–
Income tax payables		**16,459**	24,322
		802,261	1,070,201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	Note	2024 HK$'000	2023 HK$'000
Net current assets		**207,841**	182,448
Total assets less current liabilities		**1,516,910**	2,300,476
Capital and reserves			
Share capital	34(b)	**28,736**	28,736
Share premium and reserves		**767,468**	1,100,651
Equity attributable to owners of the Company		**796,204**	1,129,387
Non-controlling interests		**258,828**	511,857
TOTAL EQUITY		**1,055,032**	1,641,244
Non-current liabilities			
Trade and other payables	29	**26,226**	29,768
Bank borrowings	30	**257,058**	318,957
Other loans	31	**61,084**	17,279
Lease liabilities	32	**86,885**	205,389
Government grants	35	**1,179**	31,923
Deferred tax liabilities	36	**29,446**	55,916
		461,878	659,232
		1,516,910	2,300,476

Approved and authorised for issue by the board of directors on 28 March 2025.

Mr. Zhu Yongjun
Director

Ms. Chu Yin Yin Georgiana
Director

The notes on pages 137 to 282 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company									
	Share capital HK$'000 (note 34(b))	Share premium HK$'000 (note 34(c))	Revaluation reserve HK$'000 (note 34(c))	Translation reserve HK$'000 (note 34(c))	Reserve fund HK$'000 (note 34(c))	Fair value reserve (non-recycling) HK$'000 (note 34(c))	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023	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 2023:										
Loss for the year	–	–	–	–	–	–	(243,451)	(243,451)	29,816	(213,635)
Release of reserve upon disposal of subsidiaries	–	–	–	2,764	–	–	–	2,764	–	2,764
Other comprehensive income for the year:										
Exchange difference arising on translation	–	–	–	(23,246)	–	–	–	(23,246)	(1,319)	(24,565)
Share of other comprehensive loss of associates	–	–	–	(32)	–	–	–	(32)	–	(32)
Share of other comprehensive loss of a joint venture	–	–	–	(315)	–	–	–	(315)	–	(315)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(1,973)	–	(1,973)	–	(1,973)
Total comprehensive loss for the year	–	–	–	(20,829)	–	(1,973)	(243,451)	(266,253)	28,497	(237,756)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(20,611)	(20,611)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(2,807)	(2,807)
Transfers to reserve fund	–	–	–	–	10,849	–	(10,849)	–	–	–
At 31 December 2023	28,736	1,312,810	1,780	(130,968)	153,264	(5,084)	(231,151)	1,129,387	511,857	1,641,244

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company									
	Share capital HK$'000 (note 34(b))	Share premium HK$'000 (note 34(c))	Revaluation reserve HK$'000 (note 34(c))	Translation reserve HK$'000 (note 34(c))	Reserve fund HK$'000 (note 34(c))	Fair value reserve (non-recycling) HK$'000 (note 34(c))	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2024	**28,736**	**1,312,810**	**1,780**	**(130,968)**	**153,264**	**(5,084)**	**(231,151)**	**1,129,387**	**511,857**	**1,641,244**
Changes in equity for 2024:										
Loss for the year	–	–	–	–	–	–	(322,282)	(322,282)	(11,743)	(334,025)
Release of reserve upon disposal of subsidiaries	–	–	(879)	5,204	–	–	879	5,204	–	5,204
Release of reserve upon disposal of an associate	–	–	–	(8)	–	–	–	(8)	–	(8)
Release of reserve upon disposal of a joint venture	–	–	–	223	–	–	–	223	–	223
Exchange difference arising on translation	–	–	–	(17,189)	–	–	–	(17,189)	(3,575)	(20,764)
Share of other comprehensive loss of associates	–	–	–	(5)	–	–	–	(5)	–	(5)
Share of other comprehensive income of a joint venture	–	–	–	111	–	–	–	111	–	111
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	763	–	763	–	763
Total comprehensive loss for the year	**–**	**–**	**(879)**	**(11,664)**	**–**	**763**	**(321,403)**	**(333,183)**	**(15,318)**	**(348,501)**
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	1,315	1,315
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(2,503)	(2,503)
Disposal of subsidiaries	–	–	–	–	(43,869)	–	43,869	–	(236,523)	(236,523)
Transfers to reserve fund	–	–	–	–	3,508	–	(3,508)	–	–	–
At 31 December 2024	**28,736**	**1,312,810**	**901**	**(142,632)**	**112,903**	**(4,321)**	**(512,193)**	**796,204**	**258,828**	**1,055,032**

The notes on pages 137 to 282 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 HK$'000	2023 HK$'000
Operating activities		
Loss before taxation	**(304,848)**	(198,204)
Adjustments for:		
Depreciation of property, plant and equipment	**63,236**	63,772
Depreciation of right-of-use assets	**41,994**	43,851
Amortisation of concession intangible assets	**45,328**	50,728
Amortisation of other intangible assets	**20,540**	21,293
Impairment loss recognised on:		
— property, plant and equipment	**62,599**	4,784
— goodwill	**21,737**	–
— concession intangible assets	**1,333**	–
— other intangible assets	**9,862**	–
— trade and other receivables, net	**14,210**	73,387
— right-of-use assets	**50,760**	1,737
Write off of:		
— property, plant and equipment	**–**	30,253
Change in fair value of investment properties	**14,490**	9,298
Finance costs	**53,606**	46,203
Interest income	**(1,901)**	(1,987)
Government grant income	**(2,098)**	(5,320)
Loss on disposal of property, plant and equipment, net	**11,905**	24
Net gain on financial assets at fair value through profit or loss	**(382)**	(1,730)
Loss on disposal of concession intangible assets	**9**	17
Share of loss of associates, net	**47**	912
Share of profit of joint ventures	**(131)**	(1,139)
Net gain on disposal of subsidiaries	**(43,143)**	(2,961)
Changes in working capital:		
(Increase)/decrease in inventories	**(8,933)**	10,156
Increase in trade and other receivables	**(57,326)**	(63,111)
Decrease in receivables under service concession arrangements	**2,057**	2,614
Decrease/(increase) in contract assets	**3,160**	(28,910)
Increase/(decrease) in trade and other payables	**42,494**	(35,585)
(Decrease)/increase in contract liabilities	**(523)**	33,194
Cash generated from operations	**40,082**	53,276
Income taxes paid	**(36,662)**	(23,686)
Net cash generated from operating activities	**3,420**	29,590

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 HK$'000	2023 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(26,378)**	(125,194)
Purchase of right-of-use assets	**–**	(16,271)
Deposits paid for acquisition of right-of-use assets	**–**	(8,945)
Deposits paid for acquisition of property, plant and equipment	**(391)**	(66)
Deposits paid for acquisition of additional interests in a subsidiary	**–**	(55,878)
Proceeds from disposal of property, plant and equipment	**5,289**	697
Proceeds from disposal of concession intangible assets	**828**	–
Acquisition of operating concessions	**(59,253)**	(50,784)
Proceeds from disposal of financial assets at fair value through profit or loss	**960**	19,430
Cash inflow from disposal of subsidiaries	**179,387**	21,445
Capital contribution to associates	**(2,633)**	(381)
Interest received	**1,901**	987
Placement of pledged bank deposit	**(4,365)**	(15,969)
Placement of restricted bank deposit	**(3,236)**	–
Advances from/(to) associates	**6,100**	(1,841)
Government grants received	**752**	3,932
Net cash from/(used in) investing activities	**98,961**	(228,838)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 HK$'000	2023 HK$'000
Financing activities		
Proceeds from new bank borrowings and other loans	**13,846**	230,823
Repayment of bank borrowings and other loans	**(83,721)**	(66,859)
Repayment of loans from third parties	**(55,663)**	(90,262)
Repayment of loans from related parties	**(8,217)**	(44,783)
(Decrease)/increase in amounts due to non-controlling shareholders	**(1,184)**	5,711
Capital contribution from non-controlling shareholders	**1,315**	–
Increase in lease liabilities	**21,513**	248,377
Increase in amount due to a joint venture	**(1,284)**	(1,188)
Capital element of lease liabilities paid	**(126,381)**	(178,916)
Interest element of lease liabilities paid	**(20,652)**	(23,610)
Loans from third parties	**45,232**	105,608
Loans from related parties	**35,000**	16,000
Interest paid	**(30,148)**	(28,858)
Dividend paid to non-controlling shareholders	**(2,503)**	(20,611)
Net cash (used in)/generated from financing activities	**(212,847)**	151,432
Net decrease in cash and cash equivalents	**(110,466)**	(47,816)
Cash and cash equivalents at 1 January	**132,816**	184,447
Effect of foreign exchange rates changes	**(764)**	(3,815)
Cash and cash equivalents at 31 December	**21,586**	132,816
Analysis of the balance of cash and cash equivalents		
Cash held by financial institutions	**162**	661
Bank balances and cash	**21,424**	132,155
Cash and cash equivalents at 31 December	**21,586**	132,816

The notes on pages 137 to 282 form part of these consolidated financial statements.

1. GENERAL

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

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group"), the Group's interests in associates and joint ventures. These consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") and Indonesia whose functional currency is Renminbi ("RMB") and Rupiah respectively, the functional currency of the Company and its subsidiaries is HK$.

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

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

The Group has applied the following amendments to HKFRS Accounting Standards and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to these financial statements for the current accounting period for the first time, which are mandatorily effective for the Group's financial annual period beginning on or after 1 January 2024, to the consolidated financial statements for the current accounting year:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The Group has not applied any amendments to HKFRS Accounting Standards that are not yet mandatorily effective for the current accounting period. Except as described below, the application of the new and amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that;

  (i) the classification should not be affected by management intentions or expectations to settle the liability within twelve months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met on or before the end of the reporting period, even if the lender does not test compliance until a later date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation* ("HKAS 32").

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period. The disclosure includes information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments have no material impact on the consolidated financial statements for the current and prior years.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments provide transition relief by not requiring disclosure of comparative information in the first year of application, and also not requiring disclosure of specified opening balances.

The amendments have no material impact on the consolidated financial statements for the current year.

Amendments to HKRS 16 Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

The amendments have no material impact on the consolidated financial statements for the current and prior years.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Basis of preparation of the financial statements

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

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

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

Going concern basis

The consolidated financial statements have been prepared on the going concern basis which assumes the continuity of normal business activity and the settlement of liabilities in the normal course of business. The directors have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

After the end of the reporting period, the Group obtained a standby loan facility of up to HK$150,000,000 from the substantial shareholder of the Company, covering a period up to 31 December 2027. The directors of the Company are also undertaking a number of plans and measures to improve the Group's liquidity and financial position, including, actively negotiating with the existing banks on the terms and financial covenants of loan agreements and communicating with banks on the renewal of existing bank loans and refinancing arrangements; implementing measures to speed up the collection of outstanding receivables; and various strategies to enhance the Group's revenue and financial performance.

The directors have reviewed the cash flow projection of the Group prepared by management covering a period of not less than twelve months from 31 December 2024. The directors of the Company are confident that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 31 December 2024. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

A business is an integrated set of activities and assets which include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("HKAS 37") or HK(IFRIC)-Int 21 Levies ("HK(IFRIC)-Int 21"), in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

Business combinations (Continued)

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

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

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

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

Business combinations (Continued)

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* ("HKFRS 9") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

(d) Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit (or group of cash-generating units) may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash generating units) except that the carrying value of an asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if determinable) and zero.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Goodwill *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

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

(f) Associates and joint ventures

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

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

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The financial statements of an associate and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted to recognise the Group's post-acquisition share of the profit or loss and other comprehensive income of the associate or joint venture and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition date excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment (after reassessment), the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

The Group assesses whether there is any objective evidence that its net investment in the associate or joint venture is impaired. When there is objective evidence of impairment, the entire carrying amount (including goodwill) of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets ("HKAS 36") as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. An impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate or joint venture. Accordingly, any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the net investment subsequently increases.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Associates and joint ventures *(Continued)*

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

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interest in associate or joint venture acquired. Any excess of share of carrying amount of net assets attributable to the additional interest in associate or joint venture acquired over the consideration paid is recognised in the profit or loss in the period in which the additional interest is acquired.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Property, plant and equipment

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

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

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

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of an item of property, plant and equipment.

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss. The cost of those items is measured in accordance with the measurement requirements of HKAS 2 Inventories ("HKAS 2"). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(i) Investment properties

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

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

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

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

(j) Concession intangible assets

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Concession intangible assets *(Continued)*

Consideration given by the grantor

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

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

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

(k) Intangible assets (other than goodwill)

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Operating concessions

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

Exclusive rights

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

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

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

(l) Leasehold land and buildings for own use

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(m) Construction contracts

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

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

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

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

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(n) Classification and subsequent measurement of financial assets

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. All regular way purchases or sales of equity securities are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of equity securities that require delivery of assets within the time frame established by regulation or convention in the market place. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 6(d). These investments are subsequently accounted for as follows, depending on their classification.

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

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

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

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

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

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

All other financial assets are subsequently measured at FVPL.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

Amortised cost and interest income

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

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

Equity investments

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

(o) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

— contract assets as defined in HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15"); and

— financial guarantee contracts, which are not measured at FVPL.

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Measurement of ECLs

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

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

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

— variable-rate financial assets: current effective interest rate; and

— financial guarantee contracts: current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

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

ECLs are measured on either of the following bases:

— 12-month ECLs ("12-m ECL"): these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected life of a financial instrument.

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

— an actual or expected internal credit rating downgrade for the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring; and

— significant changes in the expected performance and behaviour of the borrower.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Significant increases in credit risk *(Continued)*

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For a financial guarantee contract, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

Definition of default

For internal credit risk management, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Basis of calculation of interest income

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Credit-impaired financial assets

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

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

— significant financial difficulty of the debtor;

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

— the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;

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

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

— the disappearance of an active market for that financial asset because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Measurement and recognition of ECLs

ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECLs reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. As for the exposure at default, for financial asset, it is represented by the asset's gross carrying amount at the reporting date; for financial guarantee contract, the exposure includes the amount of guaranteed debt that has been drawn down at the reporting date, together with any additional guaranteed amount expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtor, and other relevant forward-looking information. For financial guarantee contract, this is the maximum contractual period over which the Group has a present contractual obligation to extend credit.

The Group uses a practical expedient in estimating ECLs on trade receivables and contract assets (other than individually significant balances) and lease receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort. ECLs on individually significant trade receivables and contract assets, loans to associate and joint venture, financial guarantees are estimated individually based on all reasonable and supportable information, including that which is forward-looking, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic products and unemployment rates of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical rates based on the expected changes in these factors.

Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in financial assets that are measured at FVOCI (recycling), the loss allowance is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

(ii) Impairment of non-financial assets

Goodwill and intangible assets that are not yet available for use and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Internal and external sources of information is reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

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

— goodwill;

— concession intangible assets;

— other intangible assets;

— deposits and prepayments; and

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

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

— Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis or to the smallest group of cash-generating units if otherwise.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

— Recognition of impairment losses

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

The Group assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment.

— Reversal of impairment losses

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

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

(iii) Credit losses from financial guarantees issued

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

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

Subsequent to initial recognition, the financial guarantee, if not designated as at FVPL and it does not arise from a transfer of a financial asset, is measured at the higher of the amount of ECLs determined and the amount initially recognised as deferred income less the cumulative amount of income recognised in accordance with the principles of HKFRS 15 in profit or loss over the term of the guarantee issued.

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

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

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECLs is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. ECLs on financial guarantee contract for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

(iv) Interim financial reporting and impairment

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

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

(p) Inventories

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

(i) Properties held for/under development for sale

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

(ii) Trading goods

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(q) Contract assets and contract liabilities

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

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

(r) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

(s) Loan receivables

Loan receivable is initially measured at fair value plus, in the case of a financial asset not at FVPL, direct transaction costs. Loan receivable is subsequently measured at amortised cost if both of the following conditions are met:

(a) it is held within a business model whose objective is to hold it in order to collect contractual cash flows and

(b) the contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(t) Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and financial institutions and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 3(o)(i).

Cash at bank excludes bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

(u) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(w) Borrowings

Borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, these borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 3(ag)). Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity service and amortised over the period of the facility to which it relates.

These borrowings are classified as current liabilities unless the Group has the right, at the end of the reporting period, to defer settlement of the liability for at least twelve months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(x) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(o)(iii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(y) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(z) Equity-settled share-based payment transactions

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity (share options reserve). The fair value is measured at grant date, without taking into consideration of all non-market vesting conditions taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. At the end of the vesting period, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving market vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(ii) Share options granted to eligible persons

Share options issued in exchange for services are measured at fair values of services received. The fair values of services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(aa) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

The subsidiaries in the PRC participate in the Central Pension Scheme (the "CPS") operated by the PRC government for all of their staff. The subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Payments to the CPS are recognised as expenses as they fall due in accordance with the rules of the CPS.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(aa) Employee benefits *(Continued)*

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(ab) Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are included in non-current liabilities as deferred government grants in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that compensate for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which it becomes receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(ac) Income tax

Income tax for the year comprises current tax and deferred tax expenses. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant accounts of tax are recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ac) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary difference, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same year as the expected reversal of the deductible temporary difference or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are:

— temporary differences arising from goodwill not deductible for tax purposes,

— temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and do not give rise to equal taxable and deductible temporary differences, and

— temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future and taxable profits will be available.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time, rather than through sale.

In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ac) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if a group entity has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the group entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(ad) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ad) Revenue and other income *(Continued)*

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer at contract inception and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Revenue arising from water supply is recognised based on water supplied as recorded by meter readings during the year.

Revenue from sewage treatment is recognised based on actual sewage treated from meter readings during the year.

Water supply related installation and construction income is recognised when services are rendered and income can be measured reliably.

Revenue from long-term construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (note 3(m)).

Revenue from the construction of water supply and sewage treatment plants under service concession agreements is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from sales of electricity and tariff adjustment from the biogas power plant are recognised when electricity is generated and transmitted. Tariff adjustment represents subsidy received and receivable from the local government authorities in respect of the Group's power generation business. Tariff adjustment is recognised at its fair value where there is reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ad) Revenue and other income *(Continued)*

Sales and distribution of natural gas are recognised when goods are delivered to the customers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 3(q)).

Revenue from solid organic fertilizer is recognised when goods are delivered to the customers.

Service income, consultancy fee, handling charges and cleaning income are recognised when services are provided.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the gross carrying amount of the financial assets. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(o)(i)).

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related asset/ deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ae) Foreign currencies

Foreign currency transactions during the year are translated into the functional currency of a group entity at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of a group entity at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used as effective hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated into the functional currency of a group entity using the foreign exchange rates ruling at the transaction dates and are not re-translated. The transaction date is the date on which a group entity initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign operations are translated at exchange rates prevailing on the reporting date. The results of foreign operations are translated into Hong Kong dollars ("HK$") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions are used. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into the presentation currency of the Group (that is, HK$) at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition of a foreign operation acquired before 1 January 2005 are translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. The resulting exchange difference is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve, except to the extent that the translation difference is allocated to non-controlling interests.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(af) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The Group will reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are subsequently changed. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component(s) and are accounted for by applying other applicable standards.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and do not have a purchase option and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalized at the commencement date of the lease, the lease liability is initially recognised at the present value of the lease payments (less any lease incentives receivables) payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred. Lease payments also include amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date less any lease incentives received , and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, a provision is recognized and measured under HKAS 37 and is reduced by any lease incentives received. Except for that which is classified as investment property and measured at fair value, right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(af) Leases *(Continued)*

(i) As a lessee (Continued)

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

When the Group obtains ownership of the underlying leased asset at the end of the lease term, upon exercising purchase option, the cost of the relevant right-of-use asset and the related accumulated depreciation and impairment loss is transferred to property, plant and equipment.

The initial fair value of refundable rental deposits paid is accounted for separately from the right-of-use asset in accordance with the accounting policy applicable to financial asset measured carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposit is accounted for as additional lease payment made and is included in the cost of right-of-use asset.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate used to determine those payments, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate. When there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate, being the interest rate implicit in the lease for the remainder of the lease term, or the Group's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. When the lease liability is remeasured in either of these ways, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(af) Leases *(Continued)*

(i) As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") and that is not accounted for as a separate lease. In this case, the consideration in the modified contract is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 3(ad).

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(af) Leases *(Continued)*

(ii) As a lessor (Continued)

When the Group is an intermediate lessor, the sub-lease is classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 3(af)(i), then the Group classifies the sub-lease as an operating lease.

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payments, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

(ag) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ah) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The cost of fulfilling a contract comprises the costs that relate directly to the contract, which consist of both the incremental costs of fulfilling that contract (e.g., direct labour and materials); and an allocation of other costs that relate directly to fulfilling contracts — for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling with the contract.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ai) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(aj) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the discrete financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(ak) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Significant accounting judgements

(i) Classification of interests in leasehold land and buildings held for own use

In accordance with HKAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with notes 3(g) and (af).

In making this judgment, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents.

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES *(Continued)*

(b) Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Useful lives and impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment and right-of-use assets are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss.

(ii) Provision of ECLs for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECLs individually. The Group uses provision matrix to calculate ECLs for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

(iii) Estimated impairment loss recognised in respect of other receivables and loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) Estimated impairment loss of operating concession and exclusive rights

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision.

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES *(Continued)*

(b) Key sources of estimation uncertainties *(Continued)*

(v) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

(vi) Revenue from construction contracts

Revenue from construction contracts of certain water supply and sewage treatment of the Group are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. In recognition of profit and loss on the construction contracts, the management makes their best estimation of the future expected revenue from the contracts and future expected cost to complete the job. The estimates are determined by the management based on the current market conditions and expected time cost, material cost, other overhead expense to be incurred, expectations of future changes in the market and experience of similar transactions. Any change in these estimates will have an impact on the amount of contract revenue or contract loss.

(vii) Classification between operating concessions and receivables under service concession arrangements

As explained in note 3(j) to the consolidated financial statements, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at their fair values.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, future guaranteed receipts and non-guaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(viii) Fair value measurement of financial instruments

At 31 December 2024, the Group's investments in unquoted equity instruments amounting to approximately HK$11,274,000 (2023: HK$12,103,000), are measured at fair value determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates and inflationary environment and interest rates hike have resulted in greater market volatility and may affect the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current and prior year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 6(d) for further disclosures.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes various types of borrowings, such as bank borrowings, other loans and amounts due to non-controlling shareholders of subsidiaries, less cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the raise of various types of borrowings, issuance of convertible bonds and new shares.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by equity attributable to owners of the Company. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios as at 31 December 2024 and 2023 are as follows:

	2024	2023
	HK$'000	HK$'000
Bank borrowings	**364,813**	443,164
Other loans	**198,237**	186,148
Amounts due to non-controlling shareholders of subsidiaries	**1,598**	2,825
Amount due to an associate	**233**	–
Lease liabilities	**244,051**	352,917
Total debt	**808,932**	985,054
Less:		
Cash held by financial institutions	**(162)**	(661)
Pledged bank deposits	**(20,334)**	(15,969)
Bank balances and cash	**(21,424)**	(132,155)
Cash and cash equivalents	**(41,920)**	(148,785)
Net debt	**767,012**	836,269
Equity attributable to owners of the Company	**796,204**	1,129,387
Gearing ratio	**96.33%**	74.05%

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The main risks arising from Group's financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's exposure of these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are reputable banks with high credit rating assigned by international credit rating agencies, for which the Group considers to have low credit risk. The Group assessed 12-month ECLs for cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECLs on cash and cash equivalents is to be insignificant and therefore no loss allowance was recognised. The Group does not obtain collateral from counterparties.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-180 days (2023: 0-180 days) from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 98% (2023: 100%) of the total trade receivables at 31 December 2024. The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

The Group used average loss rate of 1.7% (2023: 0.5%). Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's of economic conditions over the expected lives of the receivables and were adjusted for any forward-looking information that was available without undue cost or effort.

The movements in the loss allowances on trade receivables are as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	**8,628**	8,066
Allowance/expected credit loss recognised, net	**8,603**	819
Disposal of subsidiaries	**(2,139)**	–
Exchange realignment	**(172)**	(257)
At 31 December	**14,920**	8,628

Included in the impairment loss are individually impaired trade receivables with an aggregate balance of approximately HK$14,920,000 (2023: HK$8,628,000) which are long outstanding.

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2024:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance;

— increase in days past due of trade receivables resulted in an increase in loss allowance.

At 31 December 2024, included in trade receivables were the government on-grid tariff subsidies of approximately HK$686,034,000 (2023: HK$660,640,000) and electricity sales receivables of approximately HK$14,073,000 (2023: HK$18,352,000) from local grid companies. The tariff subsidies receivables are settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance of the PRC. There is no due date for settlement. Trade receivables from renewable energy business are fully recoverable considering that the background of customers are mainly state-owned enterprises and there were no bad debt experiences in the past. Such tariff subsidies are funded by the PRC government and is only subject to timing of allocation of funds by the PRC government. As the Group considers credit risk for such balances to be insignificant, the expected credit loss is minimal, and included in allowance/expected credit loss recognised for the year amounted to approximately HK$8,603,000 (2023: HK$819,000).

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECLs.

The movement in the loss allowances on other receivables are as follows:

	2024	2023
	HK$'000	HK$'000
At 1 January	**43,898**	43,044
Allowance/expected credit loss recognised	**–**	1,658
Disposal of subsidiaries	**(371)**	–
Exchange realignment	**(632)**	(804)
At 31 December	**42,895**	43,898

Included in the impairment loss are individually impaired other receivables with an aggregate balance of HK$42,895,000 (2023: HK$43,898,000) which are long outstanding.

Loan receivables

Loss allowance in respect of loan receivables are measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loan receivables (Continued)

The movements in the loss allowances on loan receivables are as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	**253,162**	204,992
Allowance/expected credit loss recognised	**4,832**	50,204
Disposal of subsidiaries	**(11,504)**	–
Exchange realignment	**(3,195)**	(2,034)
At 31 December	**243,295**	253,162

Included in the impairment loss are individually impaired loan receivables with an aggregate balance of HK$243,295,000 (2023: HK$253,162,000) which are long outstanding. The Group does not hold any collateral over these balances.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the Group's remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating based on rates current the end of the reporting period) and at the earliest date on which the Group can be required to pay.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2024					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	**359,523**	**26,226**	**–**	**–**	**385,749**	**385,749**
Lease liabilities	**165,828**	**54,405**	**41,403**	**1,053**	**262,689**	**244,051**
Bank borrowings and other loans	**342,255**	**91,845**	**174,659**	**27,148**	**635,907**	**563,050**
Amounts due to non-controlling shareholders of subsidiaries	**1,598**	**–**	**–**	**–**	**1,598**	**1,598**
Amount due to an associate	**233**	**–**	**–**	**–**	**233**	**233**
	869,437	**172,476**	**216,062**	**28,201**	**1,286,176**	**1,194,681**

	2023					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	435,596	29,768	–	–	465,364	465,364
Lease liabilities	157,972	149,640	82,083	1,186	390,881	352,917
Bank borrowings and other loans	338,434	80,053	235,819	36,065	690,371	629,312
Amounts due to non-controlling shareholders of subsidiaries	2,825	–	–	–	2,825	2,825
	934,827	259,461	317,902	37,251	1,549,441	1,450,418

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk

(i) Currency risk

Exposure to currency risk

Other than the subsidiaries established in the PRC and Indonesia whose functional currency is RMB and Rupiah, the Company and its subsidiaries' functional currency is HK$. However, certain bank balances and other receivables are denominated in currencies other than HK$ held by the Company and its subsidiaries established in Hong Kong. Foreign currencies are also used to settle expenses for overseas operations. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currencies which also expose the Group to foreign currency risk.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollar, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$'000)			
	2024		2023	
	USD	**RMB**	USD	RMB
Assets	**211**	**98**	61	93

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the needs arise.

Sensitivity analysis

The following table indicates the impact on the Group's loss after tax (and accumulated losses) and other comprehensive loss that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

	2024		2023	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses HK$'000
Renminbi	**5%**	**(4)**	5%	(4)
	(5%)	**4**	(5%)	4

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk in relation to cash and cash equivalents and bank borrowings, other loans and lease liabilities for the years ended 31 December 2024 and 2023. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's interest-bearing financial liabilities at the end of the reporting period:

	2024		2023	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Bank borrowings	**3.15%–5.80%**	**291,833**	4.70%–5.80%	361,256
Other loans	**0%–18%**	**198,237**	0%–18%	186,148
Lease liabilities	**4.75%–8.64%**	**244,051**	4.75%–8.64%	352,917
		734,121		900,321
Variable rate borrowings:				
Bank borrowings	**3.35%–6.61%**	**72,980**	4.51%–7.84%	81,908
		72,980		81,908
Total borrowings		**807,101**		982,229
Fixed rate borrowings as a percentage of total borrowings		**91%**		92%

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

As 31 December 2024, it is estimated that a general increase/decrease of 50 basis points in interest rates, (2023: 50 basis points) with all other variables held constant, would have increase/decrease the Group's loss after tax and the accumulated losses by approximately HK$274,000 (2023: HK$307,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2023: 50 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis as 2023. Cash and cash equivalents are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate is insignificant.

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities and unlisted fund investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the needs arise.

The Group's unlisted fund investments comprised mainly investments in private equity funds. The Group managed the equity price risk through diversification of investment portfolio. The underlying investments held by these funds include unlisted equity instruments, structured financing products and venture capital deals in various regions in the PRC. The fair values of these investments are affected by the market conditions in the abovementioned sectors, the overall capital market conditions, as well as the performance of individual investees of each of these funds. The investments held in the portfolio may be realised only after several years and their fair values may change significantly.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Market risk *(Continued)*

(iii) Equity price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At 31 December 2024, it is estimated that a general increase/decrease of 100 basis points (2023: 100 basis points) in the fair value of the Group's listed and unlisted equity securities, with all other variables held constant, would have decrease/increase the Group's loss after tax (and accumulated losses) and other comprehensive loss by approximately HK$107,000 (2023: HK$106,000).

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that all other variables remain constant. The analysis is performed on the same basis for 2023.

(d) Fair value measurements recognised in the consolidated statement of financial position

(i) Financial instruments carried at fair value

Fair value hierarchy

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

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

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group takes reference to the fair value of the financial assets based on the net asset value of the financial assets calculated on the last day of each calendar month and reported by the fund manager or engaged third party qualified valuers to perform the valuation. The Company's directors work closely with independent qualified valuers to establish the appropriate valuation techniques and inputs to the model.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(i) Financial instruments carried at fair value (Continued)

Fair value hierarchy *(Continued)*

	Fair value at 31 December 2024 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
— unlisted fund investments	**11,274**	**–**	**–**	**11,274**	**11,274**
Equity investments at FVOCI	**2,633**	**2,633**	**–**	**–**	**2,633**

	Fair value at 31 December 2023 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
— unlisted fund investments	12,103	–	–	12,103	12,103
Equity investments at FVOCI	1,870	1,870	–	–	1,870

During the years ended 31 December 2024 and 2023, there were no significant transfers between instruments levels.

Valuation techniques and inputs used in Level 3 fair value measurements

The Group's unlisted financial assets measured at FVPL categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2024 and 2023.

7. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2024 HK$'000	2023 HK$'000 (Restated)
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated by major products or service lines:		
Water supply services	**83,091**	122,776
Sewage treatment services	**83,413**	85,197
Water supply related installation and construction income	**68,398**	135,880
Water supply and sewage treatment infrastructure construction income	**56,758**	69,993
Sale of electricity	**170,958**	289,691
Sale of compressed natural gas	**13,343**	11,032
Service income from collection of landfill gas	**1,679**	18,353
Sale of solid organic fertilizer	**5,206**	866
Service income from collection and recycling of glass bottles	**34,600**	15,185
Service income from collection of food waste	**19,185**	–
	536,631	748,973

7. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 8.

8. SEGMENT REPORTING

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

During the year ended 31 December 2024, the board of directors of the Company has reassessed the Group's operation and measurement of financial performance assessment and identified waste management and recycling as a separate and reportable segment of the Group. Comparative figures have been reclassified to confirm to the current year's segment presentation 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 sales of renewable energy" segment, which derives revenues primarily from sales of electricity and compressed natural gas from biogas power plants and solid organic fertilizer from comprehensive utilisation of straw and livestock and poultry waste;

(iii) "Property investment and development" segment, which derives revenues primarily from sale of commercial and residential units; and

(iv) "Waste management and recycling" segment, which derives revenue primarily from services income from collection and recycling of glass bottles and service income from collection of food waste.

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

8. SEGMENT REPORTING *(Continued)*

Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition as well as information regarding the Group's reportable and operating segments, are set out below.

For the year ended 31 December 2024

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sale of renewable energy HK$'000	Property investment and development HK$'000	Waste management & recycling HK$'000	Total HK$'000
Reportable segment revenue					
Disaggregated by timing of revenue recognition:					
Point in time	166,504	191,186	–	53,785	411,475
Over time	125,156	–	–	–	125,156
Reportable segment revenue	291,660	191,186	–	53,785	536,631
Reportable segment profit/(loss)	22,371	(269,533)	(21,720)	485	(268,397)
Unallocated corporate expenses					(77,852)
Interest income					34
Interest on fixed coupon bonds					(2,158)
Net gain on financial assets at fair value through profit or loss					382
Gain on disposal of subsidiaries					43,143
Loss before taxation					(304,848)

8. SEGMENT REPORTING *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 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$'000	Waste management & recycling HK$'000	Total HK$'000 (Restated)
Reportable segment revenue					
Disaggregated by timing of revenue recognition:					
Point in time	207,973	319,942	–	15,185	543,100
Over time	205,873	–	–	–	205,873
Reportable segment revenue	413,846	319,942	–	15,185	748,973
Reportable segment profit/(loss)	41,292	(68,449)	(46,289)	(7,428)	(80,874)
Unallocated corporate expenses					(120,583)
Interest income					110
Interest on fixed coupon bonds					(1,548)
Net gain on financial assets at fair value through profit or loss					1,730
Gain on disposal of a subsidiary					2,961
Loss before taxation					(198,204)

8. SEGMENT REPORTING *(Continued)*

Other segment information

For the year ended 31 December 2024

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sales of renewable energy HK$'000	Property investment and development HK$'000	Waste management and recycling HK$'000	Corporate HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	868	231	2	766	34	–	1,901
Interest expenses	(7,086)	(32,630)	(2)	(1,474)	(12,414)	–	(53,606)
Share of profit/(loss) of associates	64	(111)	–	–	–	–	(47)
Share of profit of a joint venture	131	–	–	–	–	–	131
Depreciation of:							
— Property, plant and equipment	(3,243)	(57,849)	(3)	(693)	(1,448)	–	(63,236)
— Right-of-use assets	(1,115)	(35,960)	(585)	(3,124)	(1,210)	–	(41,994)
Amortisation of:							
— Concession intangible assets	(33,162)	(12,166)	–	–	–	–	(45,328)
— Other intangible assets	(5)	(20,535)	–	–	–	–	(20,540)
Gain/(loss) on disposal of property, plant and equipment, net	(15)	(11,892)	–	–	2	–	(11,905)
Gain/(loss) on disposal of:							
— Subsidiaries, net	–	(350)	–	–	–	43,493	43,143
Loss on disposal of concession intangible assets	(9)	–	–	–	–	–	(9)
Impairment loss recognised on:							
— Property, plant and equipment	–	(62,599)	–	–	–	–	(62,599)
— Trade and other receivables, net	–	(9,378)	–	–	(4,832)	–	(14,210)
— Right-of-use assets	–	(50,760)	–	–	–	–	(50,760)
— Concession intangible assets	–	(1,333)	–	–	–	–	(1,333)
— Other intangible assets	–	(9,862)	–	–	–	–	(9,862)
— Goodwill	–	(16,949)	–	–	(4,788)	–	(21,737)
Reportable segment assets	255,480	1,487,216	397,439	56,784	122,252	–	2,319,171
Additions to non-current assets	61,292	25,737	–	2,320	643	–	89,992
Reportable segment liabilities	(104,325)	(622,736)	(261,972)	(34,751)	(216,212)	(24,143)	(1,264,139)

8. SEGMENT REPORTING *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2023

	Provision of water supply, sewage treatment and construction services HK$'000	Exploitation and sales of renewable energy HK$'000	Property investment and development HK$'000	Waste management and recycling HK$'000	Corporate HK$'000 (Restated)	Unallocated HK$'000	Total HK$'000
Interest income	1,090	416	4	367	110	–	1,987
Interest expenses	(4,008)	(28,425)	(35)	(841)	(12,894)	–	(46,203)
Share of profit/(loss) of associates	13	(925)	–	–	–	–	(912)
Share of profit of a joint venture	1,139	–	–	–	–	–	1,139
Depreciation of:							
— Property, plant and equipment	(3,831)	(58,062)	(34)	(176)	(1,669)	–	(63,772)
— Right-of-use assets	(1,775)	(36,916)	(593)	(3,158)	(1,409)	–	(43,851)
Amortisation of:							
— Concession intangible assets	(37,572)	(13,156)	–	–	–	–	(50,728)
— Other intangible assets	–	(20,798)	–	–	(495)	–	(21,293)
Loss on disposal of property, plant and equipment, net	(13)	(6)	–	–	(5)	–	(24)
Gain on disposal of:							
— Subsidiary	–	–	–	–	2,961	–	2,961
Loss on disposal of concession intangible assets	(17)	–	–	–	–	–	(17)
Write off of:							
— Property, plant and equipment	–	(30,253)	–	–	–	–	(30,253)
Impairment loss recognised on:							
— Property, plant and equipment	–	(4,784)	–	–	–	–	(4,784)
— Trade and other receivables, net	(4,894)	(672)	(1,304)	(1,866))	(64,651)	–	(73,387)
— Right-of-use assets	–	(1,737)	–	–	–	–	(1,737)
Reportable segment assets	968,112	1,808,961	428,758	46,233	118,613	–	3,370,677
Additions to non-current assets	83,566	144,751	24,723	1,766	58,701	–	313,507
Reportable segment liabilities	(418,041)	(805,415)	(257,488)	(25,981)	(179,060)	(43,448)	(1,729,433)

8. SEGMENT REPORTING *(Continued)*

Other segment information *(Continued)*

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and other unallocated corporate assets. Segment liabilities include all current liabilities and non-current liabilities with the exception of other unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2023 Nil).

The measure used for reporting segment profit is "adjusted profit before tax". To arrive at adjusted profit before tax, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as interest on overdraft held at financial institutions, change in fair value of financial assets at fair value through profit or loss, directors' and auditors' remuneration and other head office or corporate administration costs.

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical locations of customers refer to the locations at which the customers reside. The geographical locations of property, plant and equipment, right-of-use assets, investment properties and operating concessions are based on the physical locations of the assets or place of operation.

	Revenue from external customers		Non-current asset	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC (country of domicile)	**482,846**	733,788	**1,008,495**	1,721,885
Hong Kong	**53,785**	15,185	**16,604**	19,758
	536,631	748,973	**1,025,099**	1,741,643

8. SEGMENT REPORTING *(Continued)*

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2024 HK$'000	2023 HK$'000
Customer A — revenue from exploitation and sale of renewable energy	**64,501**	102,256
Customer B — revenue from waste management and recycling	**53,666**	–*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

9. OTHER OPERATING EXPENSES, NET

	2024 HK$'000	2023 HK$'000 (Restated)
Interest income on:		
— bank deposits	**993**	757
— loans (note (a))	**908**	1,230
Total interest income on financial assets not at fair value through profit or loss	**1,901**	1,987
Government grants (note 35)	**2,098**	5,320
Consultancy fee income	**320**	7,333
Handling charges	**1,403**	2,399
Repair services income	**3,822**	3,254
Gross rentals from investment properties	**4,499**	4,003
Loss on disposal of property, plant and equipment, net	**(11,905)**	(24)
Loss on disposal of concession intangible assets	**(9)**	(17)
VAT refund	**13,423**	22,471
Revenue from sale of equipment, net	**1,480**	1,567
Revenue from guaranteed project, net	**1,346**	2,771
Sale of carbon emission target income	**2,157**	744
Write off of property, plant and equipment	**–**	(30,253)
Others	**(25,315)**	(29,007)
	(4,780)	(7,452)

Note:

(a) During the year ended 31 December 2024, the Group earned interest income of approximately HK$908,000 (2023: HK$1,230,000) on loans to seventeen (2023: eighteen) unrelated parties (note 26), which bears fixed interest ranging from 4% to 24% (2023: from 4% to 24%) per annum.

10. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on:		
— bank borrowings	**20,282**	16,600
— other loans	**16,682**	18,651
— lease liabilities	**21,527**	23,610
Total borrowing costs	**58,491**	58,861
Less: interest capitalised included in construction in progress	**(4,885)**	(12,658)
	53,606	46,203

Included in construction in progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of approximately HK$4,885,000 (2023: HK$12,658,000) at the capitalisation rate of 6.52% (2023: 6.69%) per annum.

11. INCOME TAX EXPENSE

	2024 HK$'000	2023 HK$'000
Current tax — Hong Kong Profits Tax		
— Provision for the year	**–**	–
Current tax — PRC Enterprise Income Tax ("EIT")		
— Provision for the year	**35,744**	19,218
— Under-provision in respect of prior years	**50**	1,274
Deferred tax (note 36)	**(6,617)**	(5,061)
	29,177	15,431

No provision for Hong Kong profits tax has been made for the years ended 31 December 2024 and 2023 as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profits tax for these years.

11. INCOME TAX EXPENSE *(Continued)*

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

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

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2024	2023
	HK$'000	HK$'000
Loss before taxation	**(304,848)**	(198,204)
Notional tax on profit before taxation, calculated at the rate applicable to profits in the countries concerned	**(79,158)**	(52,305)
Tax effect of share of results of associates	**12**	233
Tax effect of share of results of joint ventures	**(33)**	(285)
Tax effect of expenses not deductible for tax purposes	**84,710**	51,919
Tax effect of income not taxable for tax purposes	**(15,879)**	(12,232)
Effect on tax exemption granted to PRC subsidiaries	**(2,153)**	(10,417)
Tax effect of tax losses and deductible temporary differences not recognised	**41,628**	37,244
Over provision in respect of prior years	**50**	1,274
	29,177	15,431

12. LOSS FOR THE YEAR

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

	2024 HK$'000	2023 HK$'000
Staff costs excluding directors' and chief executive's emoluments		
— Salaries, wages and other benefits	**126,071**	153,744
— Retirement benefits scheme contributions	**13,492**	17,039
Total staff costs	**139,563**	170,783
Amortisation of:		
— concession intangible assets	**45,328**	50,728
— other intangible assets	**20,540**	21,293
Depreciation of: (note 16)		
— owned property, plant and equipment	**63,236**	63,772
— right-of-use assets	**41,994**	43,851
Lease payments not included in the measurement of lease liabilities	**2,149**	4,144
Write off of:		
— property, plant and equipment	**–**	30,253
Loss on disposal of property, plant and equipment, net	**11,905**	24
Loss on disposal of concession intangible assets	**9**	17
Auditor's remuneration		
— audit services	**2,800**	2,700
— other services	**1,650**	10
Cost of inventories	**5,788**	267
Gross rental income from investment properties less direct outgoings of approximately HK$126,000 (2023: HK$206,000)	**(4,373)**	(3,797)

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, two (2023: two) were directors and chief executive whose emoluments are set out in note 43. The aggregate of the emoluments in respect of the other three (2023: three) individual are as follows:

	2024 HK$'000	2023 HK$'000
Salaries and other emoluments	**2,179**	3,977
Retirement scheme contributions	**234**	250
	2,413	4,227

The emoluments of the three (2023: three) individuals (who are not directors of the Company) with the highest emoluments are within the following bands.

	2024 HK$'000	2023 HK$'000
Nil–HK$2,000,000	**3**	3

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

15. LOSS PER SHARE

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

	2024 HK$'000	2023 HK$'000
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	**(322,282)**	(243,451)
	No. of Shares	No. of shares (Restated)
Weighted average number of ordinary shares — basic and diluted	**287,360,964**	287,360,964
	HK cents	HK cents
Loss per share:		
Basic	**(112.15)**	(84.72)
Diluted	**(112.15)**	(84.72)

On 11 December 2024, the share consolidation became effective on the basis that (i) every ten (10) existing shares of par value of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of par value of HK$0.1 each; and (ii) every ten (10) existing preference shares of par value of HK$0.1 each in the unissued share capital be consolidated into one (1) consolidated preference share of par value of HK$1.0 each. (the "Share Consolidation").

Comparative figures of the weighted average number of shares for calculating basic loss per share and diluted loss per share have been adjusted as if the Share Consolidation have been effective from 1 January 2023.

For the years ended 31 December 2024 and 2023, diluted loss per share equals basic loss per share as there was no dilutive potential share.

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in leasehold land and buildings held for own use	Other properties leased for own use	Plant and machinery leased for own use	Buildings	Plant and machinery	Leasehold improvements	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
At 1 January 2023	52,555	45,994	556,179	84,782	322,386	22,109	18,147	354,677	1,456,829
Additions	16,484	1,737	1,248	634	24,817	992	652	114,185	160,749
Additions — interest capitalised	–	–	–	–	–	–	–	7,644	7,644
Transfer	–	–	(78,840)	5,304	171,234	–	–	(97,698)	–
Disposals	–	(17,427)	–	(873)	(6,539)	(161)	(391)	–	(25,391)
Write off	–	–	–	(10,279)	(65,519)	(2,176)	(1,583)	–	(79,557)
Exchange realignment	(843)	(154)	(5,092)	(1,248)	(6,361)	(285)	(182)	(3,597)	(17,762)
At 31 December 2023 and 1 January 2024	**68,196**	**30,150**	**473,495**	**78,320**	**440,018**	**20,479**	**16,643**	**375,211**	**1,502,512**
Additions	**–**	**739**	**319**	**41**	**4,375**	**1,016**	**475**	**20,381**	**27,346**
Additions — interest capitalised	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,499**	**1,499**
Transfer	**–**	**–**	**(30,792)**	**11,924**	**55,807**	**–**	**–**	**(36,939)**	**–**
Disposals	**–**	**(1,577)**	**–**	**(455)**	**(14,564)**	**(337)**	**(1,807)**	**(14,793)**	**(33,533)**
Disposal of subsidiaries	**(27,262)**	**–**	**–**	**(13,311)**	**(28,244)**	**(2,610)**	**(5,295)**	**–**	**(76,722)**
Exchange realignment	**152**	**(293)**	**(9,492)**	**(1,728)**	**(12,129)**	**(358)**	**(204)**	**(5,071)**	**(29,123)**
At 31 December 2024	**41,086**	**29,019**	**433,530**	**74,791**	**445,263**	**18,190**	**9,812**	**340,288**	**1,391,979**

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Ownership interests in leasehold land and buildings held for own use HK$'000	Other properties leased for own use HK$'000	Plant and machinery leased for own use HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment:									
At 1 January 2023	3,320	19,881	277,977	29,572	138,381	11,475	12,041	62,612	555,259
Provided for the year	2,456	5,979	35,416	5,198	48,636	2,260	1,135	6,543	107,623
Eliminated on disposal	–	(17,427)	–	(873)	(6,189)	(144)	(37)	–	(24,670)
Transfer	–	–	(70,903)	–	70,903	–	–	–	–
Impairment	–	–	1,737	1,167	3,602	2	13	–	6,521
Write off	–	–	–	(2,627)	(44,696)	(1,402)	(579)	–	(49,304)
Exchange realignment	(14)	(87)	(3,769)	(430)	(3,129)	(151)	(161)	(134)	(7,875)
At 31 December 2023 and 1 January 2024	**5,762**	**8,346**	**240,458**	**32,007**	**207,508**	**12,040**	**12,412**	**69,021**	**587,554**
Provided for the year	**1,949**	**5,856**	**34,189**	**4,210**	**49,789**	**1,901**	**939**	**6,397**	**105,230**
Eliminated on disposal	**–**	**(861)**	**–**	**(110)**	**(13,542)**	**(295)**	**(1,531)**	**–**	**(16,339)**
Disposal of subsidiaries	**(3,719)**	**–**	**–**	**(3,822)**	**(8,568)**	**(1,909)**	**(4,210)**	**–**	**(22,228)**
Transfer	**–**	**–**	**(25,960)**	**–**	**25,960**	**–**	**–**	**–**	**–**
Impairment	**234**	**–**	**50,526**	**9,091**	**39,057**	**1,973**	**254**	**12,224**	**113,359**
Exchange realignment	**40**	**(218)**	**(6,024)**	**(922)**	**(7,346)**	**(248)**	**(150)**	**(374)**	**(15,242)**
At 31 December 2024	**4,266**	**13,123**	**293,189**	**40,454**	**292,858**	**13,462**	**7,714**	**87,268**	**752,334**
Carrying values									
At 31 December 2024	**36,820**	**15,896**	**140,341**	**34,337**	**152,405**	**4,728**	**2,098**	**253,020**	**639,645**
At 31 December 2023	62,434	21,804	233,037	46,313	232,510	8,439	4,231	306,190	914,958

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Right-of-use assets

The analysis of the net carrying value of right-of-use assets by class of underlying asset is as follows:

	Notes	At 31 December 2024 HK$'000	At 1 January 2023 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in PRC, with remaining lease term of:	(i)		
— between 10 and 50 years		**36,820**	62,434
		36,820	62,434
Other properties leased for own use, carried at depreciated cost	(ii)	**15,896**	21,804
Plant and machinery carried out depreciated cost	(iii)	**140,341**	233,037
		156,237	254,841

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 HK$'000	2023 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**1,949**	2,456
Other properties leased for own use	**5,856**	5,979
Plant and machinery	**34,189**	35,416
	41,994	43,851
Interest on lease liabilities (note 10)	**21,527**	23,610
Lease payments not included in the measurement of lease liabilities	**2,149**	4,144

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Right-of-use assets *(Continued)*

During the year, additions to right-of-use assets were approximately HK$1,058,000 (2023: HK$19,469,000). This amount included the lease of a leasehold property of approximately HK$Nil (2023: HK$16,484,000), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for lease and the maturity analysis of lease liabilities are set out in note 28(b) and 32 respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds land and buildings for its ordinary course of business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

(iii) Other leases

The Group leases production plant, machinery and office equipment under leases expiring from 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(b) The analysis of the classification of property, plant and equipment as follows:

	2024 **HK$'000**	2023 HK$'000
Property, plant and equipment	**446,588**	597,683
Right-of-use assets	**193,057**	317,275
	639,645	914,958

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(c) Impairment loss

The Group has been experiencing significant drop in revenue and gross loss in certain subsidiaries engaged in renewable energy projects as (i) the local incineration projects being developed caused less new garbage being delivered to landfill sites as a result of the volume of landfill gas collected and the electricity generated dropped; and (ii) the operating cost of these projects continued to increase.

The management of the Group therefore performed an impairment review of the recoverable amount related to these subsidiaries. For the purposes of impairment testing, the recoverable amount of property, plant and equipment, including right-of-use assets, of these subsidiaries were allocated to their respective cash-generating unit ("CGU") of collection and utilisation of landfill gas.

In performing the impairment testing, the directors of the Company had also made reference to valuation performed by independent professional valuers.

The recoverable amount was determined on the basis of value-in-use calculations. Value-in-use calculations was based on the discount rate of 8.52%-16.21% (2023: 9.63%-14.32%) and cash flow projections prepared from financial forecasts approved by the management for the next five years. The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth is estimated based on the landfill gas production and budgeted gross margin were determined based on historical performance. Estimated capital expenditure was determined based on historical trends and the Group's future working capital management plans. The cash-generating unit cash flows beyond the 5-year period were extrapolated using a growth rate of 0%-2% (2023: 2%-3%). Other key assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows which included budgeted sales and expected gross margins during the budget period which had been determined based on past performance and management's expectations for the market development.

The directors of the Company engaged AVISTA Valuation Advisory Limited ("AVISTA") and Peak Vision Appraisals Limited ("Peak Vision"), to perform a valuation of these property, plant and equipment in order to provide them with the impairment assessment. Having regard to the future plan of the Group and the valuation performed by AVISTA and Peak Vision, impairment losses of approximately HK$113,359,000 (equivalent to RMB103,468,000) (2023: HK$6,521,000 (equivalent to RMB5,870,000)) was recognised during the years.

Impairment losses of approximately HK$62,599,000 (equivalent to RMB57,137,000) (2023: HK$4,784,000 (equivalent to RMB4,306,000)) and approximately HK$50,760,000 (equivalent to RMB46,331,000) (2023: HK$1,737,000 (equivalent to RMB1,564,000)) have been recognised in property, plant and equipment and right-of-use assets respectively.

17. CONCESSION INTANGIBLE ASSETS

As further explained in the accounting policy for "service concession arrangements" set out in note 3(j) to the consolidated financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under a service concession arrangement) or a combination of both, as appropriate. The following is the summarised information of the intangible asset component (operating concessions) and the financial asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

Operating concessions

	2024 HK$'000	2023 HK$'000
Cost		
At 1 January	**1,005,726**	938,705
Additions	**59,253**	74,943
Additions — interest capitalised	**3,386**	5,014
Disposals	**(2,830)**	(100)
Disposal of subsidiaries	**(736,170)**	–
Exchange realignment	**(3,025)**	(12,836)
At 31 December	**326,340**	1,005,726
Accumulated amortisation and Impairment		
At 1 January	**380,430**	334,318
Provided for the year	**45,328**	50,728
Impairment loss	**1,333**	–
Disposal of subsidiaries	**(308,149)**	–
Eliminated on disposal	**(1,993)**	(83)
Exchange realignment	**(1,012)**	(4,533)
At 31 December	**115,937**	380,430
Carrying values		
At 31 December	**210,403**	625,296

17. CONCESSION INTANGIBLE ASSETS *(Continued)*

Receivables under service concession arrangements

	2024 HK$'000	2023 HK$'000
Receivables under service concession arrangements	**8,356**	10,640
Impairment	**–**	–
	8,356	10,640
Portion classified as current assets	**(1,769)**	(2,102)
Non-current portion	**6,587**	8,538

The subsidiaries of the Group, Yichun Water Industry Group Co., Ltd* ("Yichun Water") entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of water supply plant and were granted with an exclusive operating right for provision of water supply services to the public users for a period of 30 years commencing from the operation of the respective water supply plant. In September 2024, the Group disposed its interests in Yichun Water and Yichun Water ceased to be a subsidiary of the Group (note 37).

The subsidiaries of the Group, Yichun Fangke Sewage Treatment Company Limited* ("Yichun Fangke"), Jining City Haiyuan Water Treatment Company Limited* ("Jining Haiyuan"), Jining City Haisheng Water Treatment Company Limited* ("Jining Haisheng") and Foshan City Gaoming Huaxin Sewage Treatment Company Limited* ("Gaoming Huaxin") entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of sewage treatment plant and were granted with an exclusive operating right for provision of sewage treatment services to the public users for a period ranging from 25 years to 29 years, commencing from the operation of the respective waste treatment plant. In September 2024, the Group disposed its interests in Yichun Fangke and Yichun Fangke ceased to be a subsidiary of the Group (note 37).

The subsidiaries of the Group, Fushun Shifang Bioenergy Limited* ("Fushun Shifang"), Chengdu City Green State Renewable Energy Co., Limited* ("Chengdu City Green State") and Chongqing Camda New Energy Equipment Company Limited* ("Chongqing Camda") entered into the service concession arrangement with the respective local government whereby the above subsidiaries are required to build the infrastructure of electricity plant and were granted with an exclusive operating right for provision of electricity services to the respective local government for a period of 6 years, 10.5 years and 19.5 years respectively commencing from the operation of respective electricity plant.

17. CONCESSION INTANGIBLE ASSETS *(Continued)*

Amortisation for the above concession intangible assets has been provided on a straight-line basis over the remaining terms of the operating rights since commencement of operations. The receipt from these service concession arrangements, are contingent on the extent that public uses the services.

For the year ended 31 December 2024, the Group has recognised service concession construction revenue of approximately HK$59,253,000 (2023: HK$74,943,000) and profit of approximately HK$7,088,000 (2023: HK$8,394,000) during the construction periods of the service concession periods.

Impairment losses of approximately HK$1,333,000 (equivalent to RMB1,217,000) (2023: HK$Nil) have been recognised in concession intangible assets.

The recoverable amounts of the respective CGU is determined by using value-in-use calculation with reference to the valuation performed by AVISTA and Peak Vision. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 11% (2023: 11.00%-13.00%). The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth and budgeted gross margin were determined based on historical performance. Estimated capital expenditure was determined based on historical trends and the Group's future working capital management plans. Cash flows beyond the five-year period have been extrapolated using a steady 2% (2023: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry.

* The English name is for identification purpose only.

18. INVESTMENT PROPERTIES

	2024	2023
	HK$'000	HK$'000
At fair value		
At 1 January	**201,389**	213,679
Disposal of subsidiaries	**(7,956)**	–
Fair value loss recognised for the year	**(14,490)**	(9,298)
Exchange realignment	**(3,891)**	(2,992)
At 31 December	**175,052**	201,389

The Group leases out investments properties under operating leases. The leases typically run for initial periods of 1 to 20 years (2023: 1 to 20 years). None of the leases include variable lease payments.

18. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of properties

(i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements 31 December categorised into		
2024	**Fair value at 31 December HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement				
Investment properties:				
— Commercial — PRC	**175,052**	**–**	**–**	**175,052**

		Fair value measurements 31 December categorised into		
2023	Fair value at 31 December HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
— Commercial — PRC	201,389	–	–	201,389

During the year ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2024 and 2023. The valuations were carried out by AVISTA and Peak Vision who has recent experience in the location and category of properties being valued. The Company's directors have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

18. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of properties *(Continued)*

(i) Fair value hierarchy (Continued)

The fair value of the investment properties has been arrived by adopting the income method by taking into account the net rental income of the property achievable in the existing market with due allowance for the reversionary income potential of the leases. Rental income achievable are analysed in order to arrive at fair capital values.

(ii) Information about Level 3 fair value measurements

	Valuation Techniques	Unobservable input	Range
2024			
Investment properties Commercial — PRC	Income approach (term and reversionary method)	Term and reversionary yield	2%–7%
2023			
Investment properties Commercial — PRC	Income approach (term and reversionary method)	Term and reversionary yield	2%–7%

The fair value of investment properties located in the PRC as at 31 December 2024 and 2023 is determined by using income approach (term and reversionary method) which largely used observable inputs (e.g. market rent, yield, etc) and taking into account on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease. The higher the vacancy rate and term and reversionary yield, the lower the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2024 **HK$'000**	2023 HK$'000
Investment properties — Commercial — PRC		
At 1 January	**201,389**	213,679
Disposal of subsidiaries	**(7,956)**	–
Fair value loss recognised for the year	**(14,490)**	(9,298)
Exchange realignment	**(3,891)**	(2,992)
At 31 December	**175,052**	201,389

Exchange adjustment of investment properties are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

19. OTHER INTANGIBLE ASSETS

	Goodwill	Exclusive rights of collection and utilisation of landfill gas	Technology	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
At 1 January 2023	288,019	327,837	2,621	618,477
Exchange realignment	(4,116)	(7,311)	(37)	(11,464)
At 31 December 2023 and 1 January 2024	**283,903**	**320,526**	**2,584**	**607,013**
Exchange realignment	**(6,072)**	**(6,856)**	**(55)**	**(12,983)**
At 31 December 2024	**277,831**	**313,670**	**2,529**	**594,030**
Accumulated amortisation and impairment				
At 1 January 2023	244,299	212,024	125	456,448
Amortisation	–	20,798	495	21,293
Exchange realignment	(3,491)	(3,168)	(6)	(6,665)
At 31 December 2023 and 1 January 2024	**240,808**	**229,654**	**614**	**471,076**
Amortisation	**–**	**20,051**	**489**	**20,540**
Impairment loss recognised for the year	**21,737**	**9,862**	**–**	**31,599**
Exchange realignment	**(5,461)**	**(5,348)**	**(19)**	**(10,828)**
At 31 December 2024	**257,084**	**254,219**	**1,084**	**512,387**
Carrying values				
At 31 December 2024	**20,747**	**59,451**	**1,445**	**81,643**
At 31 December 2023	43,095	90,872	1,970	135,937

(i) The exclusive rights acquired upon acquisition of subsidiaries were initially recognised at fair value at the acquisition date. The exclusive rights acquired separately were initially recognised at cost. Amortisation expense for the year ended 31 December 2024 was approximately HK$20,540,000 (2023: HK$21,293,000), of which approximately HK$20,051,000 (2023: HK$20,798,000) and approximately HK$489,000 (2023: HK$495,000) were recorded into cost of sales and administrative expenses, respectively.

19. OTHER INTANGIBLE ASSETS *(Continued)*

Impairment test on goodwill

For the purposes of impairment testing, goodwill have been allocated to individual CGU. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2024 and 2023 allocated to the CGU as follows:

	2024 HK$'000	2023 HK$'000
"Exploitation and sales of renewable energy" segment		
Shenzhen City Li Sai Industrial Development Limited* ("Shenzhen Li Sai")	–	11,442
Datang Huayin Chenzhou Environmental Power Company Limited* ("Chenzhou Environmental")	–	–
Datang Huayin Heng Yang Environmental Power Company Limited* ("Heng Yang Environmental")	**123**	126
Baoji City Electric Power Development Co., Limited* ("Baoji")	**1,305**	1,333
Chongqing Camda New Energy Equipment Company Limited* ("Chongqing Camda")	–	2,350
Ningbo Qiyao New Energy Company Limited* ("Ningbo Qiyao")	–	–
Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* ("Datang Huayin Xiangtan")	**1,077**	1,100
Shandong Qiyao New Energy Company Limited* ("Shandong Qiyao")	–	–
Chengdu City Green State Renewable Energy Co., Limited* ("Chengdu City Green State")	**11,359**	11,608
Dongyang Grand Energy Co., Ltd.* ("Dongyang Grand")	**3,077**	5,293
Guangxi Ruirong Energy Technology Co., Limited* ("Guangxi Ruirong")	–	691
Huangshi City Hangwei Intelligence Energy Co., Ltd.* ("Huangshi City Hangwei")	–	–
Fushun Shifang Bioenergy Limited* ("Fushun Shifang")	**16**	17
Zhengzhou Xinguan Energy Development Company Limited* ("Zhengzhou Xinguan")	**1**	1
Taiyuan Yuantong Bioenergy Limited* ("Taiyuan Yuantong")	–	440
Shandong Yixin Water Clean Energy Limited* ("Shandong Yixin")	**92**	94
"Provision of water supply, sewage treatment and construction services" segment		
Jining City Haiyuan Water Treatment Company Limited* ("Jining Haiyuan")	–	–
Anchor Environmental & Energy Technology (Shanghai) Co., Ltd.* ("Anchor")	**3,697**	8,600
	20,747	43,095

* The English translation of the names of the Company's subsidiaries which were registered and incorporated in the PRC are for reference only and the official names of the entities are in Chinese.

19. OTHER INTANGIBLE ASSETS *(Continued)*

Impairment test on goodwill *(Continued)*

The Group tests goodwill annually for impairment, or more frequently when there is indication that the unit may be impaired. In assessing the need for impairment of goodwill, the Group estimates the recoverable amount of respective CGU to which goodwill has been allocated by reference to, amongst other things, the existing operations, and future prospects of the respective CGU. Accordingly, the Group recognised accumulated impairment losses with an aggregate amount of approximately HK$257,084,000 (2023: HK$240,808,000) as at 31 December 2024 in relation to goodwill arising on acquisition of the subsidiaries.

In addition to goodwill, property, plant and equipment, right-of-use assets, concession intangible assets and other intangible assets that generate cash flows together with the related goodwill and are also included in the respective CGU for the purpose of impairment assessment.

The basis of calculation of the recoverable amount of the respective CGU and the major underlying assumptions are summarised below:

Exploitation and sales of renewable energy

The recoverable amount of the respective CGU under the exploitation and sales of renewable energy is determined based on value-in-use calculations with reference to valuation performed by AVISTA and Peak Vision. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth is estimated based on the landfill gas production and budgeted gross margin were determined based on historical performance. Estimated capital expenditure was determined based on historical trends and the Group's future working capital management plans. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2% (2023: 3%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 11.00%–13.00% (2023: 10.00%–13.00%). The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

The recoverable amount of the respective CGU containing goodwill at 31 December 2024 was approximately HK$836,663,000 (RMB774,759,000) (2023: HK$1,545,396,000 (RMB1,400,450,000)).

During the year ended 31 December 2024, the Group has been experiencing significant drop in revenue and gross loss in certain subsidiaries engaged in renewable energy projects as (i) no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators resulting in the cessation of power generation; and (ii) an expected decrease in new garbage delivered to the landfill sites, which caused the volume of landfill gas collected and the electricity generated less than expected; while the operating costs continued to increase.

Based on the assessment, impairment losses of approximately HK$16,948,000 (equivalent to RMB15,470,000) and approximately HK$9,862,000 (equivalent to RMB9,001,000) have been recognised in goodwill under "exploitation and sales of renewable energy" segment and exclusive rights of collection and utilisation of landfill gas respectively during the year ended 31 December 2024.

No impairment arose during the year ended 31 December 2023.

19. OTHER INTANGIBLE ASSETS *(Continued)*

Provision of water supply, sewage treatment and construction services

The recoverable amount of the respective CGU under the provision of water supply, sewage treatment and construction services is determined based on value-in-use calculations with reference to valuation performed by Peak Vision. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth is estimated based on the past performance and budgeted gross margin were determined based on historical performance. Estimated capital expenditure was determined based on historical trends and the Group's future working capital management plans. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2% (2023: 2%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 16.21% (2023: 16.81%). The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

The recoverable amount of the respective CGU containing goodwill at 31 December 2024 was approximately HK$22,394,000 (RMB20,738,000) (2023: HK$29,242,000 (RMB26,499,000)).

During the year ended 31 December 2024, due to the drop in revenue more than expected, impairment losses of approximately HK$4,789,000 (equivalent to RMB4,370,000) (2023: HK$Nil) have been recognised in goodwill under "provision of water supply, sewage treatment and construction services" segment.

No impairment arose during the year ended 31 December 2023.

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

	2024 **HK$'000**	2023 HK$'000
Listed equity securities, at fair value	**2,633**	1,870
Unlisted fund investments, at fair value	**11,274**	12,103
	13,907	13,973
Classified as:		
Financial assets at fair value through profit or loss		
— Current	**11,274**	12,103
Financial assets at fair value through other comprehensive income		
— Non-current	**2,633**	1,870
	13,907	13,973

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

The unlisted fund investments represented investments in funds in the PRC. Details of fair value measurement are set out in note 6(d).

21. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Billion City Investments Limited	British Virgin Islands ("BVI")/ Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Onfar International Limited ("Onfar")	BVI/Hong Kong	US$100	–	100%	Investment holding	Private limited liability company
Nourish Gain Investments Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
China Ace Investment Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Jining City Haiyuan Water Treatment Company Limited ("Jining Haiyuan")	PRC	RMB40,000,000	–	70%	Sewage treatment	Chinese foreign equity joint venture
Swan (Huizhou) Investment Company Limited	PRC	US$33,568,000	–	100%	Investment holding	Wholly-owned foreign enterprise
Huizhou Swan Heng Chang Property Development Company Limited	PRC	RMB50,000,000	–	100%	Property development	Domestic enterprise
China Water Industry (HK) Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding	Private limited liability company
Shenzhen Haisheng Environmental Sci-Tech Company Limited	PRC	RMB15,802,400	–	100%	Installation of water suppliers facilities	Wholly-owned foreign enterprise
Nanjing Feng Shang New Technology Limited Liability Company ("Nanjing Feng Shang")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
New China Water (Nanjing) Renewable Resources Investment Company Limited ("New China Water (Nanjing)")	PRC	US$82,880,000	–	96.13%	Exploitation, generation and sale of renewable energy	Non-wholly-owned foreign enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Changsha New China Water Environmental Technology Limited	PRC	RMB50,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City Li Sai Industrial Development Limited ("Shenzhen Li Sai")	PRC	RMB50,000,000	–	88%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City New China Water Environmental Technology Limited ("Shenzhen New China Water")	PRC	RMB80,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Qingyuan City Greenspring Environmental Technology Limited	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hunan Huiming Environmental Technology Limited ("Hunan Technology")	PRC	RMB18,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hunan Liuyang New China Water Environmental Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Wuzhou City China Water New Renewable Resources Company Limited ("Wuzhou New China Water")	PRC	RMB15,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Chenzhou Environmental Power Company Limited ("Chenzhou Environmental")	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Heng Yang Environmental Power Company Limited ("Heng Yang Environmental")	PRC	RMB4,100,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Baoji City Electric Power Development Co., Ltd ("Baoji")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chongqing Camda New Energy Equipment Company Limited ("Chongqing Camda")	PRC	RMB20,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Camda New Energy Equipment Company Limited ("Hainan Camda")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
New China Water (Nanjing) Energy Company Limited	PRC	RMB53,000,000	–	100%	Property development	Domestic enterprise
New China Water (Hexian) Recycling Resources Technology Limited	PRC	HK$14,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Yichun City New China Water Energy Technology Limited	PRC	RMB15,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City New China Water Electric Power Limited	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Ningbo Qiyao New Energy Company Limited ("Ningbo Qiyao")	PRC	RMB8,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Datang Huayin Xiangtan Environmental Electricity Generation Company Limited ("Datang Huayin Xiangtan")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xinhua New China Water Environmental Technology Limited	PRC	RMB4,050,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Shandong Qiyao New Energy Company Limited ("Shandong Qiyao")	PRC	RMB7,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anqiu City New China Water Environmental Technology Limited	PRC	RMB12,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Jining City Haisheng Water Treatment Company Limited	PRC	RMB19,000,000	–	100%	Sewage treatment	Domestic enterprise
Fengcheng City New China Water Energy Technology Limited	PRC	RMB15,850,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chengdu City Green State Renewable Energy Co., Limited ("Chengdu City Green State")	PRC	RMB47,000,000	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhangjiakou New China Water Energy Technology Limited	PRC	RMB17,100,000	–	70%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hong Kong Food Waste Resources Limited (formerly known as Conquer Asia Development Limited)	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Happy Hour Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Mascot Industries Limited	Hong Kong	HK$2	–	100%	Investment holding	Private limited liability company
Smart Giant Group Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Swift Surplus Holdings Limited	BVI/Hong Kong	US$100	100%	–	Investment holding	Private limited liability company
Mark Profit Group Holdings Limited	Hong Kong	HK$1	–	100%	Investment holding	Private limited liability company
Guangzhou Hyde Environmental Protection Technology Co., Ltd	PRC	HK$12,000,000	–	100%	Investment holding	Wholly-owned foreign enterprise
Foshan City Gaoming Huaxin Sewage Treatment Company Limited ("Gaoming Huaxin")	PRC	RMB10,000,000	–	70%	Sewage treatment	Domestic enterprise
Bonus Raider Investments Limited	BVI/Hong Kong	US$1	100%	–	Investment holding	Private limited liability company
Bloom Profit Investment Limited	Hong Kong	HK$100	–	100%	Investment holding	Private limited liability company
Hong Kong Glass Resources Limited	Hong Kong	HK$100	–	100%	Waste management and recycling	Private limited liability company
Hong Kong Glass Reborn Limited	Hong Kong	HK$5,000,000	–	70%	Glass Recycling	Private limited liability company
South Top Investment Ltd.	Hong Kong	HK$1	100%	–	Provision of administrative services	Private limited liability company
Neutral Crown Holdings Limited	BVI/Hong Kong	US$100	100%	–	Investment holding	Private limited liability company
Victory Strategy Investment Limited	Hong Kong	HK$11,335,246	–	100%	Investment holding	Private limited liability company
PT. CWI Energy Indonesia	Indonesia	IDR55,000,000,000	–	94%	Exploitation, generation and sale of renewable energy	Private limited liability company

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Hainan Sanya New China Water Environmental Technology Limited	PRC	RMB13,995,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chenzhou New China Water Environmental Technology Limited	PRC	RMB1,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Dongyang Grand Energy Co., Ltd.	PRC	RMB10,000,000	–	90%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Haicheng City New China Water Environmental Technology Limited	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anlu City New China Water Environmental Technology Limited	PRC	RMB7,760,000	–	90%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Laizhou City New China Water Environmental Technology Limited	PRC	RMB26,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhijiang Xinzhongshui Chufeng Environmental Protection Technology Co., Ltd.	PRC	RMB8,363,200	–	51%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Guangxi Ruirong Energy Technology Co., Ltd.	PRC	RMB10,990,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Lingao Greenspring Environmental Technology Limited	PRC	RMB9,750,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Gaizhou City New China Water Environmental Technology Limited	PRC	RMB12,214,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Guangzhou China Water Renewable Environmental Technology Limited	PRC	RMB8,140,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhuzhou New China Water Environmental Protection Technology Limited	PRC	RMB6,400,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Ankang New China Water Environmental Protection Technology Limited	PRC	RMB6,360,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Lianyuan City New China Water Environmental Protection Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shanghang Greenspring Environmental Technology Limited	PRC	RMB2,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Dingnan Greenspring Environmental Technology Limited	PRC	RMB2,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Wuping Greenspring Environmental Technology Limited	PRC	RMB2,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Huangshi City Hangwei Intelligent Energy Company Limited	PRC	RMB5,340,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Wafangdian City Greenspring Environmental Protection Technology Company Limited	PRC	RMB12,666,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shaowu City New China Water Environmental Technology Limited	PRC	RMB2,900,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Changting Greenspring Environmental Technology Limited	PRC	RMB2,600,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xiuyuan China Water Biomass Electricity Limited	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise
Jingchuan Reclaimed Water Recycling Environmental Protection Technology Company Limited	PRC	RMB2,580,000	–	100%	Dormant	Domestic enterprise
Xin Ning New China Water Biomass Electricity Limited	PRC	RMB8,530,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Fushun Shifang Bioenergy Limited	PRC	RMB8,120,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xiao Yi City New China Water Environmental Technology Limited	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhengzhou Xinguan Energy Development Limited	PRC	RMB18,170,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Taiyuan Yuantong Bioenergy Limited	PRC	RMB13,060,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shandong Yixin Water Clean Energy Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anchor Environmental & Energy Technology (Shanghai) Co., Ltd.	PRC	RMB20,200,000	–	51%	Environmental protection equipment sales and environmental protection technical services	Domestic enterprise
RELE Environmental & Energy Technology (Shanghai) Co., Ltd.	PRC	RMB50,000,000	–	51%	Environmental protection equipment sales and environmental protection technical services	Domestic enterprise
Shanghai Mebena Membrane Technology Co., Ltd.	PRC	RMB8,000,000	–	51%	Environmental protection equipment sales and environmental protection technical services	Domestic enterprise
Chengwu Ruili Aode Biomass Energy Limited	PRC	RMB6,600,000	–	66%	Dormant	Domestic enterprise
New China Water (Nanjing) Property Management Limited	PRC	RMB1,000,000	–	100%	Property management	Domestic enterprise
Huoqiu Huizhao Renewable Energy Technology Co., Ltd	PRC	RMB25,000,000	–	60%	Comprehensive Treatment of Organic Waste	Domestic enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Kazuo China Water Environmental Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xingcheng New China Water Environmental Technology Limited	PRC	RMB6,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Dashiqiao New China Water Environmental Technology Limited	PRC	RMB6,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Longnan City Greenspring Environmental Technology Limited	PRC	RMB3,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Yunyang County New China Water Environmental Technology Limited	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Jianping County New China Water Environmental Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhangwu County New China Water Environmental Protection Technology Co., Ltd	PRC	HK$8,000,000	–	100%	Exploitation, generation and sale of renewable energy	Wholly-owned foreign enterprise

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2024. The class of shares held is ordinary, unless otherwise stated. *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Chengwu China Water Bole Biomass Energy Limited (formerly known as Shangdong Land Group (Chengwu) Bole Ecological Agriculture Co., Ltd)	PRC	RMB6,600,000	–	100%	Comprehensive Treatment of Organic Waste	Domestic enterprise
Beijing Zhongying Lihua Technology Development Co., Ltd.	PRC	US$10,000,000	–	100%	Dormant	Wholly-owned foreign enterprise
Victory Strategy Green Waste Gas Recovery L.L.C	Dubai	AED100,000	–	80%	Dormant	Private limited liability company
PT Victory Strategy Green Energy	Indonesia	IDR10,000,000	–	100%	Dormant	Private limited liability company

* The English translations of the names of the Company's subsidiaries which were registered and incorporated in the PRC are for reference only and the official names of these entities are in Chinese.

Notes:

None of the subsidiaries has issued any debt securities subsisting at the end of 2024 and 2023 or at any time during the years ended 31 December 2024 and 2023.

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Chengdu City Green State		Yichun Water	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
NCI percentage	**51%**	51%	**–**	49%
Current assets	**286,825**	282,352	**–**	235,999
Non-current assets	**54,767**	71,177	**–**	438,702
Current liabilities	**(21,871)**	(42,820)	**–**	(307,154)
Non-current liabilities	**(11,404)**	(5,239)	**–**	(30,304)
Net assets	**308,317**	305,470	**–**	337,243
Carrying amount of NCI	**157,242**	155,790	**–**	165,249
Revenue	**64,501**	102,257	**216,412**	304,940
Profit/(loss) for the period/year	**13,897**	41,577	**(1,446)**	28,621
Total comprehensive income	**3,687**	19,067	**323**	29,626
Profit allocated to NCI	**7,088**	21,204	**2,118**	19,252
Dividend paid by the subsidiaries	**–**	–	**–**	29,328
Dividend paid to NCI	**2,191**	5,555	**–**	14,634
Cash flows generated from operating activities	**13,036**	18,219	**2,877**	59,369
Cash flows generated from/(used in) from investing activities	**3,510**	(7,716)	**(33,764)**	5,346
Cash flows used in financing activities	**(13,404)**	(1,451)	**(1,458)**	(17,295)

Note:

Yichun Water together with its subsidiaries (together the "Yichun Water Group") was disposed during the year (note 37).

22. INTERESTS IN ASSOCIATES

	2024 HK$'000	2023 HK$'000
Share of net assets	**1,380**	1,913

All the Company's associates are unlisted corporate entity whose quoted market price is not available. All of this associates are accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* 資陽市綠州新中水環保科技有限公司	PRC	Contributed capital	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise

* The English translation of the name of the entity which was registered and incorporated in the PRC are for reference only and the official names of the entity is in Chinese.

Aggregate information of associates that are not individually material:

	2024 HK$'000	2023 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**1,380**	1,913
Aggregate amounts of the Group's share of associate		
Loss for the year	**(47)**	(912)
Other comprehensive loss	**(5)**	(32)
Total comprehensive loss	**(52)**	(944)

Note:

(i) During the year, an associate Jiangxi Kangyue Water Purification Co., Ltd was disposed through Yichun Water Group (note 37).

23. INTERESTS IN A JOINT VENTURE

	2024 HK$'000	2023 HK$'000
Share of net assets	–	22,336

All the Company's joint venture is unlisted corporate entity whose quoted market price is not available. All of this joint venture is accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company Directly	 Indirectly	Principal activities	Legal form
Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd.* 宜春市明月山方科污水處理有限公司	PRC	Contributed capital	–	–	Sewage treatment services	Domestic enterprise

* The English translation of the name of the entity which was registered and incorporated in the PRC are for reference only and the official names of the entity is in Chinese.

Aggregate information of joint venture that is not individually material:

	2024 HK$'000	2023 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	–	22,336
Aggregate amounts of the Group's share of the joint ventures:		
Profit for the year	**131**	1,139
Other comprehensive income/(loss)	**111**	(315)
Total comprehensive income	**242**	824

Note:

(i) During the year, Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd was disposed through Yichun Water Group (note 37).

24. INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials	**57,589**	56,008
	57,589	56,008

The analysis of the amount of inventories recognised as an expense is as follows:

	2024 HK$'000	2023 HK$'000
Carrying amount of inventories sold	**5,788**	267

25. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2024 HK$'000	2023 HK$'000
Contract assets		
Arising from performance under construction contracts	**590**	91,323

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which affect the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits as part of its credit risk management policies. The Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The Group classifies the contract assets as current because the Group expects to realise them within its normal operating cycle.

25. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	2024 HK$'000	2023 HK$'000
Contract liabilities		
Construction contracts		
Billings in advance of performance	**22,374**	166,854
	22,374	166,854

The revenue recognised during the year that was included in the contract liabilities balance of the beginning of the period amounted to approximately HK$44,508,000 (2023: HK$102,246,000).

Typical payment terms which affect on the amount of contract liabilities recognised are as follows:

— *Construction contracts*

When the Group receives a deposit before the construction work commences, this will give rise to contract liability at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

— *Water supply services*

The Group typically receives deposits from clients in respect of the Group's water supply operation. This deposit is recognised as a contract liability until it is utilised.

The Group classifies the contract liabilities as current because the Group expects to settle them within its normal operating cycle.

26. TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	**794,061**	789,326
Less: Loss allowances	**(14,920)**	(8,628)
	779,141	780,698
Other receivables	**95,605**	96,544
Less: Loss allowances	**(42,895)**	(43,898)
	52,710	52,646
Loan receivables (note a)	**243,884**	258,552
Less: Loss allowances	**(243,295)**	(253,162)
	589	5,390
Deposits and prepayments (note b)	**61,284**	96,489
	893,724	935,223

(a) Included in loan receivables as at 31 December 2024 were loan to seventeen (2023: eighteen) unrelated parties, net off loss allowance were HK$589,000 (2023: HK$5,390,000), which bear fixed interest rate ranging from 4% to 24% (2023: 4% to 24%) per annum.

(b) Deposits and prepayments were mainly prepayments and tender deposits paid to independent third parties for construction projects.

The management of the Company expected that the recoverability of prepayment of approximately HK$775,000 (2023: HK$20,706,000) is uncertain. Accordingly, impairment against the balances of prepayment was recognised as at 31 December 2024.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables

The Group allows an average credit period of 0 day to 180 days (2023: 0 day to 180 days) to its customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 6(a).

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

	2024	2023
	HK$'000	HK$'000
Within 90 days	**53,618**	89,340
91 to 180 days	**20,933**	32,382
181 to 365 days	**46,058**	64,591
Over 1 year	**658,532**	594,385
	779,141	780,698

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (note 3(o)(i)).

27. DEPOSITS PAID FOR ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 1 March 2023, China Water Industry (HK) Limited ("China Water (HK)"), an indirect wholly-owned subsidiary of the Company, and the Company (collectively, as Purchasers) entered into the equity transfer agreement ("Equity Transfer Agreement") with 廣東粵財中小企業股權投資基金合夥企業(有限合夥) (for transliteration purpose only, Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)) ("Guangdong Yuecai") and 珠海横琴依星伴月投資合夥企業(有限合夥) (for transliteration purpose only, Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)) ("Zhuhai Hengqin") (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 ("Aggregate Sale Capital") in the following manner: (i) Guangdong Yuecai has agreed to transfer 3.8451% of the equity interest in New China Water (Nanjing) (the "Sale Capital A") to China Water (HK); and (ii) Zhuhai Hengqin has agreed to transfer 0.0269% of the equity interest in New China Water (Nanjing) (the "Sale Capital B") to China Water (HK). 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 agreement dated 27 December 2019 entered into among 深圳前海粵財節能環保投資基金管理有限公司 (for transliteration purpose only, SZQH Energy-saving Environmental Protection Investment Fund Management Co., Ltd), China Water (HK) and New China Water (Nanjing) in relation to the investment of RMB60,000,000 (equivalent to approximately HK$68,286,000) into New China Water (Nanjing) and the investment agreement dated 27 March 2020 entered into among Zhuhai Hengqin, China Water (HK) and New China Water (Nanjing) in relation to the investment of RMB420,000 (equivalent to approximately HK$478,000) by Zhuhai Hengqin into New China Water (Nanjing). During the year ended 31 December 2023, the Group paid RMB50,346,000 (equivalent to approximately HK$55,878,000) to the Vendors. Upon completion, New China Water (Nanjing) will become an indirect wholly-owned subsidiary of the Company.

28. PLEDGED BANK DEPOSIT AND RESTRICTED BANK DEPOSIT AND CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

(a) Cash held by financial institutions by the Group represents amounts deposited in financial institutions in Hong Kong carry interest rate ranging from 0% to 0.001% (2023: 0% to 0.001%) per annum.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Pledged bank deposit represented deposit pledged to government to tender a government project. The pledged deposits at 31 December 2024 carried interest at 3.3%-3.34% per annum (2023: 5.05%) and with maturity within 3 months.

At 31 December 2024, the restricted bank deposits represent certain balances frozen by the relevant local bureau in the PRC amounted to approximately HK$3,236,000 (2023: Nil).

The Group did not recognize any provision as a result of the Frozen Bank Accounts as at 31 December 2024 as the management of the Group is still in the process of understanding the incidents resulted in Frozen Bank Accounts and cannot estimate the corresponding financial impacts.

	2024 **HK$'000**	2023 HK$'000
Cash held by financial institutions	**162**	661
Cash at bank and on hand	**21,424**	132,155
Cash and cash equivalents in the consolidated cash flow statement	**21,586**	132,816

The overdrafts are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the financial institutions should be entitled, without notice to the Group, to close the account and/or dispose of any or all securities held for or on behalf of the Group to settle all outstanding amounts owing to financial institutions (note 20). Total amount of approximately HK$162,000 (2023: HK$661,000) was held by the financial institutions.

At 31 December 2024, cash and cash equivalents situated in the PRC amounted to approximately HK$18,453,000 (2023: HK$128,991,000). Remittance of funds out of the PRC is subject to relevant rules and regulations of foreign exchange control.

28. PLEDGED BANK DEPOSIT AND CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings HK$'000	Other loans HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Amount due (from)/ to NCI HK$'000	Total HK$'000
At 1 January 2023	284,357	201,025	5,672	284,515	(2,889)	772,680
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	230,823	–	–	–	–	230,823
Increase in lease liabilities	–	–	–	248,377	–	248,377
Repayment of bank borrowings and other loans	(66,859)	–	–	–	–	(66,859)
Loans from third parties	–	105,608	–	–	–	105,608
Repayment of loans from third parties	–	(90,262)	–	–	–	(90,262)
Increase in amounts due to non-controlling shareholders	–	–	–	–	5,711	5,711
Loans from related parties	–	16,000	–	–	–	16,000
Repayment of loans from related parties	–	(44,783)	–	–	–	(44,783)
Capital element of lease liabilities paid	–	–	–	(178,916)	–	(178,916)
Interest element of lease liabilities paid	–	–	–	(23,610)	–	(23,610)
Interest paid	–	–	(28,858)	–	–	(28,858)
Total changes from financing cash flows	163,964	(13,437)	(28,858)	45,851	5,711	173,231
Exchange adjustments	(5,157)	(1,440)	(1,591)	(4,257)	3	(12,442)
Other changes:						
Increase in lease liabilities from entering into new lease during the year	–	–	–	3,198	–	3,198
Finance charges on leases liabilities	–	–	–	23,610	–	23,610
Interest expenses	–	–	35,251	–	–	35,251
Total other changes	–	–	35,251	26,808	–	62,059
At 31 December 2023	443,164	186,148	10,474	352,917	2,825	995,528

28. CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank borrowings HK$'000	Other loans HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Amount due (from)/ to NCI HK$'000	Total HK$'000
At 1 January 2024	443,164	186,148	10,474	352,917	2,825	995,528
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	13,846	–	–	–	–	13,846
Increase in lease liabilities	–	–	–	21,513	–	21,513
Repayment of bank borrowings and other loans	(83,721)	–	–	–	–	(83,721)
Loans from third parties	–	45,232	–	–	–	45,232
Repayment of loans from third parties	–	(55,663)	–	–	–	(55,663)
Decrease in amounts due to non-controlling shareholders	–	–	–	–	(1,184)	(1,184)
Loans from related parties	–	35,000	–	–	–	35,000
Repayment of loans from related parties	–	(8,217)	–	–	–	(8,217)
Capital element of lease liabilities paid	–	–	–	(126,381)	–	(126,381)
Interest element of lease liabilities paid	–	–	–	(20,652)	–	(20,652)
Interest paid	–	–	(30,148)	–	–	(30,148)
Total changes from financing cash flows	(69,875)	16,352	(30,148)	(125,520)	(1,184)	(210,375)
Exchange adjustments	(8,476)	(2,096)	(2,717)	(5,931)	(43)	(19,263)
Other changes:						
Increase in lease liabilities from entering into new lease during the year	–	–	–	1,058	–	1,058
Finance charges on leases liabilities	–	–	–	21,527	–	21,527
Interest expenses	–	–	36,964	–	–	36,964
Disposal of subsidiaries	–	(2,167)	–	–	–	(2,167)
Total other changes	–	(2,167)	36,964	22,585	–	57,382
At 31 December 2024	364,813	198,237	14,573	244,051	1,598	823,272

29. TRADE AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**143,779**	205,878
Receipts in advance	**23,164**	23,832
Construction payables	**32,983**	42,922
Interest payables	**14,573**	10,474
Accrued expenses	**14,593**	20,000
Guarantee deposits from a subcontractor	**–**	788
Sewage treatment fees received on behalf of certain government authorities	**–**	718
Other payables	**156,657**	160,752
	385,749	465,364
Analysed as:		
Non-current	**26,226**	29,768
Current	**359,523**	435,596
	385,749	465,364

The aging analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2024 HK$'000	2023 HK$'000
Within 30 days	**10,852**	5,833
31 to 90 days	**8,161**	60,917
91 to 180 days	**7,785**	11,594
181 to 365 days	**29,268**	58,948
Over 1 year	**87,713**	68,586
	143,779	205,878

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the time frame agreed with the respective suppliers.

30. BANK BORROWINGS

At 31 December 2024, the bank borrowings were repayable as follows:

	2024 HK$'000	2023 HK$'000
Within one year or on demand	**107,754**	124,207
More than one year but within two years	**80,112**	69,469
More than two years but within five years	**152,648**	191,638
Over than five years	**24,299**	57,850
	364,813	443,164
Less: Amount due within one year shown under current liabilities	**(107,755)**	(124,207)
Amount due from one year shown under non-current liabilities	**257,058**	318,957
Secured	**364,813**	443,164
Unsecured	**–**	–
	364,813	443,164

The exposure of the Group's loans is as follows:

	2024 HK$'000	2023 HK$'000
Fixed-rate loans	**291,833**	361,256
Variable-rate loans	**72,980**	81,908
	364,813	443,164

30. BANK BORROWINGS *(Continued)*

The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

All of the bank loans, including amounts repayable on demand, are carried at amortised cost.

Of the total bank borrowings as at 31 December 2024 and 2023, approximately HK$95,229,000 (equivalent to RMB88,183,000) (2023: HK$102,386,000 (equivalent to RMB92,783,000)) was secured by the Group's property, plant and equipment and right-of-use assets with total carrying amount of approximately HK$182,719,000 (2023: HK$191,727,000), approximately HK$23,916,000 (2023: HK$25,027,000) and approximately HK$175,052,000 (2023: HK$193,113,000) respectively.

Notes:

(i) At 31 December 2024, bank borrowings of approximately RMB216,603,000 (equivalent to HK$233,909,000) (2023: RMB264,773,000 (equivalent to HK$292,176,000)) is secured by corporate guarantees from twenty (2023: twenty) non-wholly owned subsidiaries of the Company. During the year, the Group failed to comply with a restrictive financial covenants. The Group is actively negotiating the bank on the financial covenants and subsequent to the end of reporting period, the Group successfully obtained waivers from the non-compliance of a restrictive financial covenants and therefore, the bank borrowings would only be due for repayment in accordance with the original repayment terms. It carries fixed interest rate at 5.08% and 4.78% (2023: 5.08% and 4.78%) per annum.

(ii) At 31 December 2024, bank borrowings of approximately RMB7,500,000 (equivalent to HK$8,099,000) is secured by a corporate guarantee from the Shenzhen New China Water, a non-wholly owned subsidiary of the Company and personal guarantee from Executive director of the company. It carries variable interest rate at 4.00% per annum.

(iii) At 31 December 2024, bank borrowings of approximately RMB51,500,000 (equivalent to HK$55,615,000) (2023: RMB52,700,000 (equivalent to HK$58,154,000) is secured by investment properties with carrying amount of approximately HK$175,052,000 (2023: HK$193,113,000) and a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries fixed interest rate at 5.8% per annum.

(iv) Bank borrowings of approximately RMB1,837,000 (equivalent to HK$1,984,000) (2023: RMB2,963,000 (equivalent to HK$3,270,000)) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at 6.3% (2023: 6.5%) per annum.

(v) Bank borrowings of approximately RMB1,600,000 (equivalent to HK$1,728,000) (2023: RMB4,000,000 (equivalent to HK$4,414,000)) is secured by a corporate guarantee from the Shenzhen New China Water, a non-wholly owned subsidiary of the Company and non-controlling shareholders of a subsidiary, personal guarantees from management of a subsidiary, property, plant and equipment with total carrying amount of approximately HK$6,950,000 (2023: HK$9,681,000). It carries variable interest rate at 6.10% (2023: 6.10%) per annum.

(vi) At 31 December 2024, bank borrowings of approximately RMB60,000 (equivalent to HK$65,000)(2023: RMB180,000 (equivalent to HK$199,000)) is secured by a personal guarantee from management of subsidiary. It carries fixed interest rate at 6.61% per annum.

30. BANK BORROWINGS *(Continued)*

Notes: *(Continued)*

(vii) At 31 December 2024, bank borrowings of approximately RMB1,500,000 (equivalent to HK$1,620,000) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at 3.35% per annum.

(viii) At 31 December 2024, bank borrowing of approximately RMB20,000,000 (equivalent to HK$21,598,000)(2023: RMB31,000,000 (equivalent to HK$34,209,000)) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at above-five-year LPR published by the People's Bank of China minus 0.14% per annum.

(ix) Bank borrowings of approximately RMB35,083,000 (equivalent to HK$37,886,000) (2023: RMB36,083,000 (equivalent to HK$39,817,000)) is secured by corporate guarantees from the Company, the Swan (Huizhou) Investment Company Limited and China Ace Investment Limited, wholly owned subsidiaries of the Company, Ms. Deng Xiaoting, the property, plant and equipment and right-of-use assets with total carrying amount of approximately HK$175,770,000 and HK$23,916,000 (2023: HK$182,046,000 and HK$25,027,000) respectively and wholly owned subsidiary of the Company equity interest in Swan (Huizhou) Investment Company Limited. It carries variable interest rate at 6.32% (2023: 7.84%) per annum. As at 31 December 2024, the total outstanding principal amount approximately RMB7,224,000 (equivalent to HK$7,801,000) (31 December 2023: Not applicable) was in default. The first hearing for claims was held in January 2025. Up to the date of this report, the PRC legal proceedings is still ongoing.

(x) At 31 December 2024, bank borrowing of approximately RMB2,138,000 (equivalent to HK$2,309,000) is secured by Shanghai Administration Center of Policy Financing Guarantee Fund for SMEs. It carries variable interest rate at 3.15% per annum.

31. OTHER LOANS

	2024 HK$'000	2023 HK$'000
Other loans comprise of:		
Government loans (note i)	**–**	2,156
Loans from unrelated parties (note ii)	**94,696**	108,551
Loan from related party (note 45(a))	**85,000**	58,217
Fixed coupon bonds (note iii)	**18,541**	17,224
	198,237	186,148
Analysed as:		
Secured	**82,237**	50,000
Unsecured	**116,000**	136,148
	198,237	186,148

At 31 December 2024, the other loans were repayable as follows:

	2024 HK$'000	2023 HK$'000
Overdue	**–**	–
On demand or within one year	**137,153**	168,869
More than one year but within two years	**61,084**	17,279
More than two years but within five years	**–**	–
More than five years	**–**	–
	198,237	186,148
Less: Amount due within one year shown under current liabilities	**(137,153)**	(168,869)
Amount due from one year shown under non-current liabilities	**61,084**	17,279

Notes:

(i) At 31 December 2024, government loans of approximately HK$Nil (2023: HK$1,003,000) and HK$Nil (2023: HK$1,153,000) are fixed-rate borrowing and interest-free borrowings, respectively. The fixed-rate borrowings carried interest at Nil% (2023: 5.2%) per annum.

(ii) Loan from unrelated individuals of approximately HK$5,503,000 (2023: HK$4,983,000) are fixed-rate borrowings carrying interest at 0% to 18% (2023: 0% to 18%) per annum and due for repayment on or before 31 December 2025 (2023: on or before 31 December 2024).

31. OTHER LOANS *(Continued)*

Notes: (Continued)

(iii) Bond IV

On 18 January 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent placees to subscribe for the bonds up to aggregate principal amount of HK$100,000,000 within the placing period. Subsequent to the year ended 31 December 2018, the Company entered into the supplemental agreement with the placing agent to extend the placing period from 365 days to 730 days. Bond IV with the aggregate principal amount of HK$20,000,000 were issued during the year ended 31 December 2018. The bonds will mature in 7.5 years from the date of issuance. The interest rate is 6% per annum, and payable annually in arrears.

The placing of Bond IV has been completed on 17 January 2021 in an aggregate principal amount of HK$20,000,000.

At 31 December 2024, the outstanding Bond IV amounted to approximately HK$18,541,000 (2023: HK$17,224,000).

32. LEASE LIABILITIES

At 31 December 2024, the lease liabilities were repayable as follows:

	2024	2023
	HK$'000	HK$'000
Within 1 year	**157,166**	147,528
After 1 year but within 2 years	**50,427**	141,059
After 2 years but within 5 years	**35,613**	63,399
After 5 years	**845**	931
	86,885	205,389
	244,051	352,917

At 31 December 2024 and 2023, the Group entered into financing arrangements for purchase machineries with independent third party leasing companies, in the form of sale and leaseback transactions which result in finance leases and the Group bears repurchase options. As the repurchase prices are set at RMB100 which is minimal compared to the expected fair values of the underlying assets at the end of the lease periods and the Group is certain that it will exercise the repurchase options, and considering the amounts of the lease payments to be paid on the selling prices, the above financing arrangements are accounted for as collateralised borrowings at amortised cost using effective interest method.

The finance lease of approximately HK$221,041,000 (equivalent to approximately RMB204,687,000) (2023: HK$209,529,000 (equivalent to approximately RMB189,877,000)) is secured by contractual rights to receive the revenue generated by certain subsidiaries of the Company. During the year, certain subsidiaries of the Company failed to repay the outstanding finance lease and the leasing companies filed lawsuits with the court. Up to the date of this report, the subsidiaries are in the course of negotiating with leasing companies and the relevant legal proceedings are still ongoing (see note 44(g) and 44(h)).

33. AMOUNTS DUE (FROM)/TO ASSOCIATES, A JOINT VENTURE AND NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts were unsecured, interest-free and repayable on demand.

34. CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share Capital HK$'000	Share premium HK$'000	Fair value reserve (non-recycling) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	28,736	1,312,810	(3,111)	(521,853)	816,582
Changes in equity for 2023:					
Loss for the year	–	–	–	(41,748)	(41,748)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	(1,973)	–	(1,973)
Total comprehensive loss for the year	–	–	(1,973)	(41,748)	(43,721)
At 31 December 2023	28,736	1,312,810	(5,084)	(563,601)	772,861
At 1 January 2024	**28,736**	**1,312,810**	**(5,084)**	**(563,601)**	**772,861**
Changes in equity for 2024:					
Profit for the year	**–**	**–**	**–**	**55,846**	**55,846**
Fair value gain on financial assets at fair value through other comprehensive income	**–**	**–**	**763**	**–**	**763**
Total comprehensive income for the year	**–**	**–**	**763**	**55,846**	**56,609**
At 31 December 2024	**28,736**	**1,312,810**	**(4,321)**	**(507,755)**	**829,470**

34. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2024		2023	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares				
At 1 January (note i)	**200,000,000**	**2,000,000**	200,000,000	2,000,000
Share consolidation (note iii)	**(180,000,000)**	**–**	–	–
At 31 December	**20,000,000**	**2,000,000**	200,000,000	2,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 (2023: HK$0.01)				
At 1 January	**2,873,610**	**28,736**	2,873,610	28,736
Share consolidation (note iii)	**(2,586,249)**	**–**	–	–
At 31 December	**287,361**	**28,736**	2,873,610	28,736

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Convertible preference shares do not carry the right to vote and not be entitled to any dividend payment or any distribution of the Company. No right for return of capital in liquidation is available for distribution among the holders of Convertible Preference Shares.

(iii) On 11 December 2024, the share consolidation became effective on the basis that (i) every ten (10) existing shares of par value of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of par value of HK$0.1 each; and (ii) every ten (10) existing preference shares of par value of HK$0.1 each in the unissued share capital be consolidated into one (1) consolidated preference share of par value of HK$1.0 each. (the "Share Consolidation").

34. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(ae).

(iii) Reserve fund

Reserve fund arises from (i) Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital; and (ii) premium paid for capital injection in relation to the additional of equity interest of a subsidiary.

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in (note 3(g)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 3(n)).

35. GOVERNMENT GRANTS

	2024 **HK$'000**	2023 HK$'000
At 1 January	**31,923**	33,784
Additions	**752**	3,932
Recognised as other income for the year	**(2,098)**	(5,320)
Disposal of subsidiaries	**(29,505)**	–
Exchange realignment	**107**	(473)
At 31 December, classified as non-current liabilities	**1,179**	31,923

35. GOVERNMENT GRANTS *(Continued)*

Certain subsidiaries of the Group received government grants subsidising construction of water supply facilities. There are no unfulfilled conditions and other contingencies attaching to the government grants. The government grants were accounted for as non-current liabilities and amortised over the useful lives of the relevant water pipeline network and water plant assets. During the year, certain projects related to the construction of water pipeline network has been completed and being used in the year. Deferred government grants of approximately HK$2,098,000 (2023: HK$5,320,000) was amortised and recognised in the consolidated statement of profit or loss.

36. DEFERRED TAX (ASSETS)/LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profits HK$'000	Service concession arrangements HK$'000	Exclusive rights HK$'000	Revaluation on investment property/ resumption property HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Property, plant and equipment transfer to Investment properties HK$'000	Government grants HK$'000	Total HK$'000
At 1 January 2023	13,214	7,919	31,940	330	–	–	964	(300)	54,067
Charged/(credited) to profit or loss for the year	–	(524)	(1,958)	–	3,933	(4,187)	(2,325)	–	(5,061)
Arising from acquisition of subsidiary	–	–	145	–	–	–	–	–	145
Exchange realignment	–	36	(35)	–	–	–	–	–	1
At 31 December 2023 and 1 January 2024	**13,214**	**7,431**	**30,092**	**330**	**3,933**	**(4,187)**	**(1,361)**	**(300)**	**49,152**
Charged/(credited) to profit or loss for the year	**–**	**38**	**(3,069)**	**–**	**(976)**	**924**	**(3,534)**	**–**	**(6,617)**
Disposal of subsidiaries	**–**	**–**	**(18,201)**	**–**	**–**	**–**	**(392)**	**–**	**(18,593)**
Exchange realignment	**–**	**111**	**(308)**	**–**	**–**	**–**	**89**	**–**	**(108)**
At 31 December 2024	**13,214**	**7,580**	**8,514**	**330**	**2,957**	**(3,263)**	**(5,198)**	**(300)**	**23,834**

36. DEFERRED TAX (ASSETS)/LIABILITIES *(Continued)*

Reconciliation to the consolidated statements of financial position

	2024 HK$'000	2023 HK$'000
Deferred tax assets	**(5,612)**	(6,764)
Deferred tax liabilities	**29,446**	55,916
	23,834	49,152

At 31 December 2024, the Group had unused tax losses of approximately HK$484,302,000 (2023: HK$557,789,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. At 31 December 2024, no tax losses can be carried forward indefinitely and tax losses of approximately HK$484,302,000 (2023: HK$557,789,000) will expire in five years' time.

At 31 December 2024, the Group also has other deductible temporary differences of approximately HK$474,408,000 (2023: HK$266,430,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be recognised.

Under the EIT law of PRC, withholding tax is imposed on dividend declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5%-10% will be applied. Deferred tax has been provided for in respect of the temporary difference attributable to such profits amounting to approximately HK$198,526,000 (2023: HK$427,922,000).

37. DISPOSAL OF SUBSIDIARIES

2024

The gain on disposal of Yichun Water Group of HK$43,401,000, gain on disposal of other subsidiaries of HK$3,000 and net loss on disposal for deregistration of subsidiaries of HK$261,000 is included in the loss for the year.

On 26 July 2024, Yichun Municipal Development Co., Ltd. (宜春市市政發展有限公司) (the "Purchaser") and Onfar International Limited, an indirect wholly-owned subsidiary of the Company (the "Vendor") entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 51% equity interests in Yichun Water Industry Group Co., Ltd* (宜春水務集團有限公司) (the "Disposal Company") for a total consideration of RMB195,000,000 (equivalent to approximately HK$211,185,000). The approval of disposal transaction of the Disposal Company was duly passed by the shareholders by way of poll at the EGM on 9 September 2024. The aforesaid disposal transaction was completed in September 2024. After completion of the Disposal of the disposal Company, Yichun Water Industry Group Co., Ltd and its subsidiaries ceased to be consolidated into the consolidated financial statements of the Group.

The net assets of Yichun Water Group at the date of disposal were as follows:

Consideration received:

	HK$'000
Cash received	**211,185**

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

2024 *(Continued)*

Analysis of assets and liabilities over which control was lost:

	HK$'000
Non-current assets	
Property, plant and equipment	30,951
Deposits paid for acquisition of property, plant and equipment	801
Right-of-use assets	23,543
Operating concessions	428,021
Investment properties	7,956
Interests in an associate	3,026
Interests in a joint venture	22,578
	516,876
Current assets	
Inventories	6,219
Trade and other receivables	80,143
Contract assets	87,975
Bank balances and cash	31,798
Amount due from an associate	314
Amount due from a joint venture	2,482
	208,931
Current liabilities	
Trade and other payables	(123,903)
Contract liabilities	(144,166)
Other loans	(2,167)
Income tax payables	(8,370)
	(278,606)
Non-current liabilities	
Government grants	(29,505)
Deferred tax liabilities	(18,593)
	(48,098)
Net assets disposed of	399,103
Gain on disposal of Yichun Water Group:	
Consideration received and receivable	211,185
Net assets disposed of	(399,103)
Non-controlling interests	236,523
Release of reserve upon disposal	(5,204)
Gain on disposal	43,401

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

2024 *(Continued)*

	HK$'000
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	**211,185**
Cash and cash equivalents disposed of	**(31,798)**
	179,387

* The English name is for identification purpose only.

2023

On 29 June 2018, New China Water (Nanjing), a non-wholly-owned subsidiary of the Group and 南京屹信航天科技有限公司 (the "Purchaser"), entered into a sale and purchase agreement whereby New China Water (Nanjing) agreed to sell its 100% equity interest in New China Water Carbon at an initial consideration of RMB72,860,000. 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. On 13 June 2023, the Purchaser entered into a supplementary agreement to adjust final consideration of New China Water Carbon is HK$75,413,000 (equivalent to RMB68,890,000). Completion of the disposal of New China Water Carbon took place on 16 June 2023. Accordingly, New China Water Carbon ceased to be a subsidiary of the Company, and the financial information of New China Water Carbon ceased to be consolidated into the consolidated financial statements of the Group.

The net assets of New China Water Carbon at the date of disposal were as follows:

Consideration received:

	HK$'000
Cash received	21,445
Deposit received for disposal of a subsidiary	53,968
Total consideration received	75,413

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

2023 *(Continued)*

Analysis of assets and liabilities over which control was lost:

	30/6/2023
Current assets	4,279
Non-current assets	68,226
Current liabilities	(10)
Net assets disposed of	72,495
Gain on disposal of a subsidiary:	
Consideration received and receivable	75,413
Net assets disposed of	(72,495)
Non-controlling interests	2,807
Release of reserve upon disposal	(2,764)
Gain on disposal	2,961

The gain on disposal is included in the loss for the year.

	HK$'000
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	–
	–

* The English name is for identification purpose only.

38. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2024	2023
	HK$'000	HK$'000
Contracted but not provided for:		
— Acquisition of concession intangible assets and property, plant and equipment	**1,484**	68,275

39. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was approximately HK$4,499,000 (2023: HK$4,003,000) (note 9).

Undiscounted lease payments receivable on leases of investment properties (note 18) are as follows:

	2024	2023
	HK$'000	HK$'000
Within one year	**3,420**	3,857
After one year but within five years	**1,625**	5,197
After five years	**–**	–
	5,045	9,054

40. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The 2011 Scheme

On 3 June 2011, the Company has adopted new share option scheme (the "2011 Scheme") to replace the 2002 Scheme.

Further details are set out in the announcement of the Company dated 29 April 2011. The 2011 Scheme is valid and effective for a period of 10 years after the date of adoption.

Under the terms of the 2011 Scheme, the Directors of the Company may, at their discretion, grant options to the employees, executive or non-executive Directors, business associate, person or entity that provides research, development or other technological support to any shareholder of any member of the Group or any invested entity, any adviser or consultant to any owner of business or business development of any member of the Group or any invested entity (the "Eligible Participants").

A nominal consideration of HK$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 10 years commencing on the date of acceptance of the option at a price at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option.

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the 2011 Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any Eligible Participants may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

The 2011 Scheme was terminated by the shareholders by way of poll at the AGM on 2 June 2021.

40. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

The 2021 Scheme

On 2 June 2021, the Company has adopted new share option scheme (the "2021 Scheme") to replace the 2011 Scheme.

Further details are set out in the announcement of the Company dated 29 April 2021. The 2021 Scheme is valid and effective for a period of 10 years after the date of adoption. In respect of any particular option, such period commencing on the date of grant or such later date as the Directors may decide and expiring on such date as the Directors may determine, such period not to exceed 10 years from the date of grant.

Under the terms of the 2021 Scheme, the Directors of the Company may, at their discretion, grant options to the any directors, whether executive or non-executive and whether independent or not, of the Group, full time or part time employees of the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group (the "Eligible Participants").

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

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

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

At 31 December 2024 and 2023, no options had been granted and remained outstanding under the share option scheme of the Company.

41. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and its employees each contribute 5% of relevant payroll costs to the scheme. Effective from 1 June 2014, the cap of monthly relevant income was $30,000.

The employees of the Group's subsidiaries in the PRC are required to participate in the Central Pension Scheme ("CPS") CPS operated by the local municipal governments. These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the CPS. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the CPS.

The total cost charged to the consolidated statement of profit or loss of approximately HK$13,536,000 (2023: HK$17,039,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Financial assets at fair value through other comprehensive income		**2,633**	1,870
Investment in subsidiaries		**2**	2
		2,635	1,872
Current assets			
Other receivables		**708**	3
Deposits and prepayments		**356**	5,226
Amounts due from subsidiaries		**883,709**	801,729
Cash held by financial institutions		**971**	630
Bank balances and cash		**132**	1,276
		885,876	808,864
Current liabilities			
Other payables		**7,499**	12,434
Other loans		**45,673**	8,217
		53,172	20,651
Net current assets		**832,704**	788,213
Total assets less current liabilities		**835,339**	790,085
Capital and reserves	34		
Share capital		**28,736**	28,736
Reserves		**800,734**	744,125
Total equity		**829,470**	772,861
Non-current liabilities			
Other loans		**5,869**	17,224
		835,339	790,085

Approved and authorised for issue by the board of directors on 28 March 2025:

Mr. Zhu Yongjun
Director

Ms. Chu Yin Yin Georgiana
Director

43. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The emoluments paid or payable to each of the 7 (2023: 7) directors and chief executive were as follows:

	2024				
Name	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	2024 Total HK$'000
Executive Directors					
Zhu Yongjun	–	960	–	18	978
Chu Yin Yin, Georgiana	–	960	–	18	978
Hu Siyun (note ii)	–	164	–	8	172
	–	2,084	–	44	2,128
Independent Non-Executive Directors					
Wong Siu Keung, Joe	180	–	–	–	180
Qiu Na (note iii)	82	–	–	–	82
Lam Cheung Shing Richard	180	–	–	–	180
Mak Ka Wing, Patrick (note iv)	60	–	–	–	60
	502	–	–	–	502
	502	2,084	–	44	2,630

43. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

	2023				
Name	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	2023 Total HK$'000
Executive Directors					
Zhu Yongjun	–	960	111	18	1,089
Chu Yin Yin, Georgiana	–	960	–	18	978
Hu Siyun	–	360	–	18	378
Deng Xiao Ting (note (i))	–	277	–	9	286
	–	2,557	111	63	2,731
Independent Non-Executive Directors					
Wong Siu Keung, Joe	180	–	–	–	180
Qiu Na	180	–	–	–	180
Lam Cheung Shing Richard	180	–	–	–	180
	540	–	–	–	540
	540	2,557	111	63	3,271

Notes:

(i) Ms. Deng Xiao Ting resigned as the Executive Director of the Company on 16 June 2023.

(ii) Mr. Hu Siyun resigned as the Executive Director of the Company on 14 June 2024.

(iii) Ms. Qiu Na resigned as the Independent Non-Executive Directors of the Company on 14 June 2024.

(iv) Mr. Mak Ka Wing, Patrick appointed as Independent non-executive director of the Company on 3 September 2024.

There was no arrangement under which directors and chief executive have waived or agreed to waive any emoluments during the two years ended 31 December 2024 and 2023.

There was no amount paid to the Directors and chief executive as an inducement to join or upon joining the Group, or as compensation for the loss of office.

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

44. 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 assets of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited ("Galaxaco") to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional of liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the "Appointment") pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco ("Creditors"). On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators ("Liquidators"). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

44. LITIGATIONS AND ARBITRATION *(Continued)*

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

On 16 July 2015, the Zhaoqing Intermediate People's Court adjudged that the Final Judgment recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("PRC Judgment"). On 27 January 2016, the PRC Judgment was announced on the website of The People's Court Announcement for 60 days ("Announcement Period"). If Top Vision has not appealed for the PRC Judgment within 30 days after the Announcement Period, the PRC Judgment will be automatically effective thereafter, the Company can enforce the PRC Judgment. On 10 August 2016, Sihui City People's Court* (四會市人民法院) accepted to execute the PRC Judgment in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. On 28 June 2020, Sihui City People's Court accepted the "resumption implementation application" which was submitted by Swift Surplus to resume the execution of the final judgement and continued to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2022.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings.

On 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 a statutory demand against Tai Heng. If Tai Heng fails to reply, the Liquidators may further pursue a 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 these 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

44. LITIGATIONS AND ARBITRATION *(Continued)*

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

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. In March 2024, Swift Surplus had submitted the application to Sihui City People's Court again for the purpose of continuing to freeze all equity interests in Sihui Sewage. The Sihui City People's Court ruled to freeze all equity interest in Sihui Sewage for an additional two years for the period from June 2024 to June 2026. On 17 May 2024, the Zhaoqing Intermediate People's Court failed to locate any executable assets from Sihui Sewage and ruled to terminate the execution of the case. The court stated that it would resume the execution in accordance with the law if any executable assets are identified in the future. On 6 September 2024, the Shenzhen Intermediate People's Court recognized and confirmed the arbitration award against the enforcement guarantors, Yang Weihua and Yang Weiguang, in China. On 17 October 2024, the Shenzhen Intermediate People's Court issued the arbitration ruling against the guarantors Yang Weihua and Yang Weiguang. Subsequently, on 21 February 2025, the Shenzhen Intermediate People's Court failed to locate any executable assets from Yang Weihua and ruled to terminate the execution. The court noted that the execution would resume in accordance with the law upon discovering any executable assets. 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.

44. 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.

44. 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 has not yet decided whether to accept the case after the hearing on the bankruptcy liquidation of Yunnan Chaoyue Gas. 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), indirect wholly-owned subsidiary 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. The disposal of New China Water Carbon was completed in June 2023.

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.

44. LITIGATIONS AND ARBITRATION *(Continued)*

(c) New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司), indirect wholly-owned subsidiary 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. The Xuanwu People's Court ruled to terminate the execution of the case. 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

(i) 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 I") 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.

44. 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)*

(i) (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 ("Huicheng District People's Court") 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 an other 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. According to the civil mediation letter, the default payment including interest in total of RMB11.38 million recorded as an other payable during the year. Up to the date of this report, the parties are negotiating the settlement agreement and the relevant legal proceeding is still in process.

44. 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)*

(ii) In July 2021, Swan Heng Chang entered into a construction contract for construction works (the "Construction Contract II") with Shenzhen Zhongrongyu Construction Engineering Limited* (深圳市中榮煜建築工程有限公司) ("Zhongrongyu Construction"), pursuant to which Zhongrongyu Construction shall act as the construction contractor of the construction project of Honghu Square developed by Swan Heng Chang.

Zhongrongyu Construction and Swan Heng Chang are recently in dispute of certain construction payments in respect of the Construction Contract II and Zhongrongyu Construction has filed a lawsuit with the Huicheng District People's Court of Huizhou City against Swan Heng Chang and Swan Investment as co-defendants, claiming for the settlement of the construction payments and liquidated damages. In December 2024, the Huicheng District People's Court of Huizhou City ruled that: 1. Swan Heng Chang shall pay construction costs amounting to RMB15.67 million (the "Construction Cost"), along with liquidated damages and appraisal fees. 2. Swan Investment shall bear joint and several liability for the debt. 3. Zhongrongyu Construction holds a priority right to compensation within the scope of Construction Cost for the completed construction work at the project of Honghu Blue Valley Wisdom Square project, whether through negotiated sale or auction proceeds. Such Construction Cost recorded as an other payable during the year. Up to the date of this report, the PRC legal proceeding is still ongoing.

(iii) In March 2019, Swan Heng Chang entered into a loan agreement and a mortgage and guarantee agreement with Huicheng Sub-branch of Huizhou Rural Commercial Bank Co., Ltd. (the "Huicheng Sub-branch"), pursuant to which Swan Heng Chang borrowed RMB45,000,000 (the "Loan") from Huicheng Sub-branch. To secure the Loan, Swan Investment entered into a share pledge agreement with Huicheng Sub-branch, while Swan Investment, China Ace Investment Limited ("China Ace"), the Company, and Ms. Deng Xiaoting ("Ms. Deng") entered into a guarantee agreement with Huicheng Sub-branch. Recently, Huicheng Sub-branch filed a lawsuit with the Huicheng District People's Court of Huizhou City against Swan Heng Chang, Swan Investment, China Ace, the Company, and Ms. Deng (collectively referred to as the "Co-Defendants"), demanding repayment of the outstanding loan balance of approximately RMB36,080,000 and related interest which recorded as the bank loan during the year. As at the date of this report, the legal proceedings in the PRC remain ongoing.

(e) China Water Industry Group Limited (中國水業集團有限公司*), the Company, Billion City Investments Limited and Onfar International Limited (安發國際有限公司), subsidiaries of the Company

On 25 March 2024, 海天水務集團股份公司 (for transliteration purpose only, Haitian Water Group Company Limited*) ("Haitian Water"), as purchaser, Billion City Investments Limited, as vendor and the Company entered into an equity transfer agreement in relation to the transfer of equity interests in the Vendor (the "Previous Disposal").

Yichun Municipal Development Co., Ltd.* (宜春市市政發展有限公司) (the "Plaintiff") has subsequently applied to Yichun City Yuanzhou District People's Court of Jiangxi Province (the "Court") for the property attachment (the "Property Attachment"), which aims to freeze the Vendor's 51% equity interests in the Disposal Company. The application for the Property Attachment has been accepted by the said court.

44. LITIGATIONS AND ARBITRATION *(Continued)*

(e) China Water Industry Group Limited (中國水業集團有限公司*), the Company, and Onfar International Limited (安發國際有限公司), an indirect wholly-owned subsidiary of the Company *(Continued)*

As disclosed in the announcement of the Company dated 17 June 2024, the Company has received a statement of claim (民事起訴狀) from the Court regarding the civil claim by the Plaintiff against (i) the Company, as 1st defendant; (ii) Haitian Water, as 2nd defendant; (iii) the vendor, as 3rd defendant; and (iv) the Disposal Company, as third party, in respect of the Previous Disposal.

On 26 July 2024, the Plaintiff has given an undertaking in favour of the Vendor that it will, following the execution of the Equity Transfer Agreement and prior to the handover procedures and Registration of equity transfer, file with the Intermediate People's Court of Yichun City to withdraw the civil claim and discharge the property attachment.

The Company has recently received a civil judgement (民事裁定書) from the Intermediate People's Court of Yichun City approving to discharge the Property Attachment. For details, please refer to the announcement of the Company dated 16 September 2024.

(f) China Water Industry Group Limited (中國水業集團有限公司) and China Water Industry (HK) Limited (中國水業(香港)有限公司), an indirect wholly-owned subsidiary of the Company

In December 2019, the Company, China Water Industry (HK) Limited (the "China Water (HK)"), New China Water (Nanjing) Renewable Resources Investment Company Limited* (the "New China Water Nanjing"), SZQH Energy-saving Environmental Protection Investment Fund Management Company Limited* (深圳前海粵財節能環保投資基金管理有限公司) ("SZQH") entered into an investment agreement, pursuant to which SZQH agreed to invest RMB60,000,000 for 3.8462% of equity interests in New China Water Nanjing. SZQH has subsequently assigned all its rights and obligations under the investment agreement to 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)) ("Guangdong Yuecai"), being an associate of SZQH. For details, please refer to the announcements of the Company dated 27 December 2019 and 1 March 2023.

In March 2020, the Company, China Water Industry (HK), New China Water Nanjing, 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)) ("Zhuhai Hengqin", together with Guangdong Yuecai, the "Investors") entered into an investment agreement, pursuant to which Zhuhai Hengqin agreed to invest RMB420,000 for 0.0269% of equity interests in New China Water Nanjing.

In March 2023, the Company received the repurchase notice from the Investors, requiring China Water (HK) and the Company (collectively, the "Purchasers") to repurchase an aggregate of 3.872% equity interests (the "Aggregate Sale Capital") of New China Water Nanjing. On the same date, the Purchasers and Investors entered into the equity transfer agreement, pursuant to which the Investors have agreed to sell, and the Purchasers have agreed to purchase, the Aggregate Sale Capital, at a total consideration of RMB81,340,955 (the "Repurchase Equity Consideration"). For the details, please refer to the announcement of the Company dated 1 March 2023.

Each of the Investors have filed a lawsuit with the Shenzhen Qianhai Cooperation District People's Court against the Company and China Water (HK) as co-defendants, claiming for the repayment of the outstanding balance of the Repurchase Equity Consideration in the aggregate sum of approximately RMB22,900,000 and the underlying interest. Up to the date of this report, the PRC legal proceedings is still ongoing.

44. LITIGATIONS AND ARBITRATION *(Continued)*

(g) Changsha New China Water Environmental Technology Company Limited, Qingyuan City Greenspring Environmental Technology Company Limited, Shenzhen City New China Water Environmental Technology Company Limited and Hainan Camda New Energy Company Limited, all being indirect non-wholly owned subsidiaries of the Company

In February 2023, each of Changsha New China Water Environmental Technology Company Limited* (長沙新中水環保科技有限公司) ("Changsha New China Water"), Qingyuan City Greenspring Environmental Technology Company Limited* (清遠市青泓環保科技有限公司) (the "Qingyuan City Greenspring"), Shenzhen City New China Water Environmental Technology Company Limited* (深圳市新中水環保科技有限公司) ("Shenzhen City New China Water"), all being indirect non-wholly owned subsidiaries of the Company, entered into a finance lease agreement with Guoyao Ronghui Financial Leasing Co., Ltd.* (formerly known as Sinopharm Holding (China) Finance Leasing Co., Ltd) (國耀融匯融資租賃有限公司(前稱國藥控股(中國)融資租賃有限公司) ("Rosino Leasing"), pursuant to which (i) Rosino Leasing shall purchase the respective landfill gas power generating facilities from Changsha New China Water, Qingyuan City Greenspring and Shenzhen City New China Water for the purchase price of RMB30 million, RMB14 million and RMB29 million respectively; and (ii) Rosino Leasing shall lease back the same to Changsha New China Water, Qingyuan City Greenspring and Shenzhen City New China Water respectively. In March 2023, Hainan Camda New Energy Company Limited* (海南康達新能源有限公司) ("Hainan Camda"), being an indirect non-wholly owned subsidiary of the Company, entered into the finance lease agreement with Rosino Leasing, pursuant to which (i) Rosino Leasing shall purchase landfill gas power generating facilities for the purchase price of RMB7 million and then lease back the same to Hainan Camda. For details, please refer to the announcements of the Company dated 24 February 2023 and 8 March 2023.

In August 2024, Changsha New China Water, Qingyuan City Greenspring, Shenzhen City New China Water and Hainan Camda (collectively known as "Lessees") together with the relevant guarantors (the "Guarantors") under the respective finance lease agreements had reached settlement agreements with Rosino Leasing through the mediation by the Shanghai Pudong New Area People's Court (the "Pudong Court"). The Pudong Court issued civil mediation agreements (the "Civil Mediation Agreements"), which required Changsha New China Water, Qingyuan City Greenspring, Shenzhen City New China Water and Hainan Camda shall repay Rosino Leasing the outstanding balance of lease consideration of RMB18.70 million, RMB8.73 million, RMB18.08 million and RMB4.37 million respectively. In November 2024, as the Lessees and the Guarantors failed to repay the outstanding sums in accordance with the Civil Mediation Agreements, Rosino Leasing had applied to Pudong Court for the enforcement of the Civil Mediation Agreements. In December 2024, the case was terminated due to statutory reasons. The aforesaid outstanding lease consideration recorded as the lease liabilities during the year. Up to the date of this report, the Lessees and the Guarantors are in the course of negotiating with Rosino Leasing in respect of the settlement of the outstanding sums and the relevant legal proceedings are still ongoing.

44. LITIGATIONS AND ARBITRATION *(Continued)*

(h) Anqiu City New China Water Environmental Technology Limited, Datang Huayin Xiangtan Environmental Electricity Generation Company Limited, Datang Huayin Heng Yang Environmental Power Company Limited, Baoji City Electric Power Development Co., Limited, Wuzhou City New China Water New Renewable Resources Company Limited, Hunan Liuyang New China Water Environmental Technology Limited, all being indirect non-wholly owned subsidiaries of the Company

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"), 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"), 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"), 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"), Wuzhou City New China Water New Renewable Resources Company Limited* (梧州市中水新能源科技有限公司) (the "Lessee E"), 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"), (collectively known as " Lessees"), all being indirect non-wholly owned subsidiaries of the Company, entered into the respective finance lease agreements 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 (the "Leased Assets") from the Lessees and then shall lease back the Leased Assets to them. The purchase price for the respective lease assets offered by Haiton Leasing to Lessee A, Lessee B, Lessee C, Lessee D, Lessee E and Lessee F were RMB20 million, RMB20 million, RMB15 million, RMB15 million, RMB10 million and RMB10 million, respectively. For details, please refer to the announcement of the Company dated 2 August 2023.

Haitong Leasing has filed lawsuits with the Shanghai Huangpu District People's Court and the Shenzhen Qianhai Cooperation Zone People's Court against Lessee A, Lessee B, Lessee C, Lessee D, Lessee E and Lessee F and the guarantors, demanding repayment of outstanding principal amounts of RMB14 million, RMB14 million, RMB11 million, RMB11 million, RMB7 million and RMB7 million, respectively, along with related interest. The aforesaid outstanding principal amounts recorded as the lease liabilities during the year. Up to the date of this report, the Lessees are In the course of negotiating with Haitong Leasing in respect of the settlement of the outstanding sums and the legal proceedings in the PRC remain ongoing.

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 costs and debts liabilities have been recorded in the total liabilities of the Group.

45. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related party

The details of the balance with related party have been disclosed in note 31. In addition to those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following balances with its related parties as at the year ended.

	2024 HK$'000	2023 HK$'000
Loan payable to an related party (note (i))	**85,000**	50,000
Loan payable to an related party (note (ii))	**–**	8,217
Lease liabilities to an related party (note (iv))	**479**	1,402
Other payable to an related party (note (v))	**5,419**	–

(b) Related party transactions

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

Name of related party	Relationship	Nature of transaction	2024 HK$'000	2023 HK$'000
Kingston Finance Limited	Note (i)	Interest expenses of loan financing	**8,312**	9,829
Excellent Point Asia Limited	Note (ii)	Interest expenses of loan financing	**517**	2,056
Kingston Corporate Finance Limited	Note (iii)	Advisory fee of corporate services	**650**	320
Star Wing International Limited	Note (iv)	Lease payment	**967**	966
United Swift Limited	Note (v)	Service fee	**16,883**	–

45. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 43, is as follows:

	2024	2023
	HK$'000	HK$'000
Short-term employee benefits	**4,645**	7,185
Post-employment benefits	**290**	313
	4,935	7,498

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

Notes:

(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 and on 10 May 2021, China Water Industry (HK) Limited (the "Borrower I"), a wholly-owned subsidiary of the Company entered into two loan agreements with the Lender for HK$80,000,000 (the "Loan A") and HK$30,000,000 (the "Loan B"), interest-bearing at a rate of 15% per annum and repayable within one year. Loan A was secured by the shares of two subsidiaries of the Company and corporate guarantee provided by the Company. Loan B was secured by the corporate guarantee provided by the Company. Loan B was fully settled on 24 February 2022 and the remaining balance of Loan A of HK$50,000,000 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 H") at an interest rate of 12% per annum and repayable within three months. The drawdown date for Loan H was on 7 June 2023. Loan H was secured by the corporate guarantee provided by the Company and a wholly-owned subsidiary of the Company. Loan H was fully settled on 4 September 2023.

On 3 October 2024, the Borrower I entered into a loan agreement with the Lender I for HK$2,000,000 (the "Loan I") at an interest rate of 12% per annum and repayable within six months. Loan I was secured by the corporate guarantee provided by the Company.

On 8 November 2024, the Company (the "Borrower II"), entered into a loan agreement with Lender I for HK$33,000,000 (the "Loan J") at an interest rate of 15% per annum and repayable within six months. Loan J was unsecured.

45. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel *(Continued)*

Notes: *(Continued)*

(ii) On 24 January 2022, the Company (the "Borrower II"), entered into a loan agreement with Excellent Point Asia Limited (the"Lender II") for HK$33,000,000 (the "Loan E") , 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 F") 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 G") at an interest rate of 12% per annum and repayable within one year. Both Loan E, Loan F and Loan G were unsecured and unguaranteed. Loan E was fully settled on 18 December 2023. On 18 December 2023, partial repayment of approximately HK$783,000 in respect of the principal of Loan F had been made. The remaining principal balance of Loan F and Loan G were mutually agreed to be repayable on demand. Lender II is wholly-owned by Mr. Zhu Yongjun ("Mr. Zhu"). Mr. Zhu is the Chairman and an Executive Director of the Company. Loan F and Loan G were fully settled on 5 August 2024.

(iii) During the year, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was approximately HK$650,000 (2023: HK$320,000). Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited.

(iv) 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 occupied as the principal office of the Group in Hong Kong. The Landlord is wholly-owned by Mrs. Chu. During the year, lease payment of approximately HK$967,000 (2023: HK$966,000) has been made.

(v) Hong Kong Glass Resources Limited ("HK Glass Resources"), a wholly-owned subsidiary of the Company, entered into a food waste collection services consulting agreement (the "Agreement") with United Swift Limited ("United Swift"), an indirectly wholly-owned subsidiary of New Concepts Holdings Limited (stock code: 2221) ("New Concepts") which is listed on the Main Board of the Stock Exchange. Mr. Zhu was interested in approximately 5.40% of the issued share capital of New Concepts up to the date of this report. The effective date of the Agreement commenced on 26 April 2024. Mr. Zhu, being the chairman and executive Director of the Company, is also a director of each of HK Glass Resources, United Swift and New Concepts. For the year of 2024, HK Glass Resources paid a service fee amounted to HK$16.88 million (2023: Nil) to United Swift for the food waste collection consultancy and related services provided by United Swift to HK Glass Resources.

46. COMPARATIVE FIGURES

As mentioned in note 8, the Group identified waste management and recycling as a separate and reportable segment a result of the reassessment of the Group's operations and measurement of financial performance, certain comparative figures, including revenue, cost of sales, other operating income and expenses have been reclassified to confirm current year's performance and to provide comparative amounts in respect of items disclosed.

47. EVENTS AFTER THE REPORTING PERIOD

(i) On 22 January 2025, the Company completed a rights issue at a price of HK$0.326 per rights share (the"Subscription Price") on the basis of one (1) rights share for every one (1) existing shares held by the qualifying shareholders on the record date (i.e. 20 December 2024) (the "Rights Issue") by issuing up to 287,360,964 rights shares. There were 287,360,964 Rights Shares offered under the Rights Issue on 10 January 2025, being the latest time for acceptance, applications of a total of 181,236,446 Rights Shares, representing approximately 63.07% of the total number of the Offered Shares, was received. Accordingly, the Rights Issue was undersubscribed by 106,124,518 Rights Shares, representing approximately 36.93% of the total number of rights shares offered under the Rights Issue. On 20 January 2025, all of the 106,124,518 Unsubscribed Rights Shares under the compensatory arrangements were successfully placed by the placing agent to not less than six independent placees at the price of HK$0.326 per unsubscribed rights share, which was equivalent to the Subscription Price.

The gross proceeds from the Rights Issue were amounted to approximately HK$93,680,000 and the net proceeds from the Rights Issue, after deducting all relevant expenses for the Rights Issue, were amounted to approximately HK$90,100,000.

(ii) On 20 March 2025, the Company entered into the Memorandum of understanding (the "**MOU**") with the regional government of Semarang Regency, Indonesia, (the "**Semarang Regency Government**") in relation to a potential cooperation on the management of a landfill site (the "**Landfill**") situated at Semarang, including but not limited to utilising landfill gas from the Landfill for power generation, operation and management of the Landfill, and leachate treatment.

(iii) On 24 March 2025, the Company entered into a MOU with the Sidoarjo Regency Government in relation to a potential cooperation on the implementation the Landfill Gas-To-Energy ("**LFG**") system at a landfill site situated at Sidoarjo.

48. POSSIBLE IMPACT OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of approval for issue of these consolidated financial statements, the HKICPA has issued a number of new and amendments to HKFRS Accounting Standards which are not yet effective for the year ended 31 December 2024:

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
Annual Improvements to HKFRS Accounting Standards 2024 — Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The Group has not applied the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

中國水業集團有限公司
CHINA WATER INDUSTRY GROUP LIMITED