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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors (the "**Board**") of China Water Industry Group Limited (the "**Company**") hereby announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2013 together with comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*4*	**510,959**	327,885
Cost of sales		**(310,272)**	(197,898)
Gross profit		**200,687**	129,987
Other operating income		**40,467**	76,530
Waiver of loan interest and interest payables		**59,748**	4,219
Reversal of impairment loss recognised on trade and other receivables		**21,071**	16,810
Change in fair value of investment property		**3,054**	504
Selling and distribution expenses		**(23,309)**	(12,857)
Administrative expenses		**(100,053)**	(81,912)
Other operating expenses		**–**	(1,114)
Finance costs	*6*	**(15,352)**	(31,744)
Change in fair value of derivative financial instruments		**(7,621)**	–
Gain (loss) on disposal of available-for-sale investments		**6,823**	(1,554)
Impairment loss recognised on:–			
– trade and other receivables		**(30,590)**	(4,361)
– property, plant and equipment		**–**	(35)
– prepaid lease payments		**–**	(584)
– concession intangible assets		**–**	(6,118)
Share of losses of associates		**(2,268)**	(5,851)

	Note	2013 HK$'000	2012 HK$'000
Profit before taxation		**152,657**	81,920
Income tax	*7*	**(46,697)**	(35,998)
Profit for the year	*8*	**105,960**	45,922
Attributable to:			
Owners of the Company		**61,419**	22,016
Non-controlling interests		**44,541**	23,906
		105,960	45,922
Earnings per share (HK cents):	*10*		
Basic		**5.53**	3.96
Diluted		**5.53**	3.96

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	**105,960**	45,922
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of overseas subsidiaries:–		
Exchange difference arising during the year	**16,647**	4,820
Available-for-sale investments:		
Net gain arising on revaluation of available-for-sale investments during the year	**9,147**	1,110
Reclassification adjustments relating to available-for-sale investments disposed of during the year	**(1,110)**	–
	8,037	1,110
Share of other comprehensive income of associates	**2,117**	720
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of investment property upon transfer from property, plant and equipment	**–**	9,290
Deferred tax liability arising on gain on revaluation of properties	**–**	(2,323)
	–	6,967
Other comprehensive income for the year, net of income tax	**26,801**	13,617
Total comprehensive income for the year	**132,761**	59,539
Attributable to:		
Owners of the Company	**79,960**	30,434
Non-controlling interests	**52,801**	29,105
	132,761	59,539

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Note	2013 HK$'000	2012 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**161,433**	111,733
Deposits paid for acquisition of property, plant and equipment		**272**	5,663
Deposits paid for acquisition of prepaid lease payments		**40,701**	–
Prepaid lease payments		**41,381**	41,629
Concession intangible assets		**622,630**	530,591
Investment property		**21,037**	17,390
Other intangible assets		**59,763**	10,292
Available-for-sale investments		**95,781**	68,439
Interest in associates		**32,680**	32,831
Deposit paid for acquisition of additional interest of a subsidiary		**–**	3,589
Deferred tax assets		**1,226**	–
		1,076,904	822,157
Current assets			
Inventories		**24,581**	67,954
Trade and other receivables	*11*	**108,364**	89,113
Prepaid lease payments		**1,307**	1,252
Amounts due from customers for contract works		**8,790**	2,755
Cash held by financial institutions		**8,797**	38,045
Bank balances and cash		**241,767**	201,204
		393,606	400,323
Current liabilities			
Trade and other payables	*12*	**157,459**	206,991
Amounts due to customers for contract works		**11,693**	20,913
Bank borrowings		**42,116**	45,953
Other loans		**65,722**	54,473
Amounts due to non-controlling shareholders of subsidiaries		**3,803**	4,108
Loan from an associate		**3,178**	2,931
Convertible bonds		**107,352**	–
Tax payables		**41,508**	24,084
		432,831	359,453
Net current (liabilities) assets		**(39,225)**	40,870
Total assets less current liabilities		**1,037,679**	863,027

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Capital and reserves		
Share capital	**555,166**	555,166
Share premium and reserves	**(11,492)**	(90,223)
Equity attributable to owners of the Company	**543,674**	464,943
Non-controlling interests	**282,827**	219,904
TOTAL EQUITY	**826,501**	684,847
Non-current liabilities		
Bank borrowings	**26,710**	34,532
Other loans	**52,619**	34,572
Government grants	**95,980**	90,319
Deferred tax liabilities	**35,869**	18,757
	211,178	178,180
	1,037,679	863,027

Notes:

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 are presented in Hong Kong dollars ("**HK$**"). Other than those subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currency is Renminbi ("**RMB**"), the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**") is HK$.

The Group is principally engaged in provision of water supply and sewage treatment as well as construction services in the People's Republic of China (the "**PRC**").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(i) The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Revised HKAS 19	Employee Benefits
Revised HKAS 27	Separate Financial Statements
Revised HKAS 28	Investments in Associates and Joint Ventures

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period with the exception of the amendments to HKAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*, which modify the disclosure requirements for impaired non-financial assets. The amendments are effective for annual periods beginning on or after 1 January 2014, but as permitted by the amendments, the Group has adopted the amendments early.

Annual improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other HKFRS. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Since the Group considers that the restatements as detailed in note 3 to the financial statements do not have a material impact on the financial position as at 1 January 2012, an additional statement of financial position as at 1 January 2012 has not been presented in these financial statements.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** *(continued)*

(i) *(continued)*

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly.

In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

Amendments to HKFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31 Interests in Joint Ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(i) *(continued)*

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(ii) Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 July 2014.
4 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. **CORRECTION OF PRIOR YEAR ERRORS**

During the course of preparing the Group's financial statements for the year ended 31 December 2013, it has come to the attention of the directors of the Company that the prior year financial statements of the Group and the Company contained errors.

Certain inventories were erroneously classified as amounts due from customers for contract works at 31 December 2012 (HK$10,008,000), certain amounts due from customers for contract works were erroneously classified as amounts due to customers for contract work at 31 December 2012 (HK$2,755,000) and certain contract revenues collected prior to 31 December 2011 were erroneously accounted for and remained as amounts due from contract works at 31 December 2012. The following tables are details of the adjustments that have been made in order to rectify the above errors to each of the line items in the consolidated statement of financial position as previously reported for the year ended 31 December 2012.

Consolidated statement of financial position

As at 31 December 2012

	2012 (as previously reported) *HK$'000*	Reclassification of inventories, amount due from customers for contract works and amount due to customers for contract works *HK$'000*	Incorrect accounting for contract revenues collected prior to 31.12.2011 *HK$'000*	2012 (as restated) *HK$'000*
Inventories	57,946	10,008	–	67,954
Amounts due from customers for contract works	29,713	(7,253)	(19,705)	2,755
Amounts due to customers for contract works	(18,158)	(2,755)	–	(20,913)
Share premium and reserves	80,173	–	10,050	90,223
Non-controlling interests	(229,559)	–	9,655	(219,904)

Consolidated statement of profit and loss and other comprehensive income

For the year ended 31 December 2012

	2012 (as previously reported) *HK$'000*	Incorrect accounting for contract revenues collected prior to 31.12.2011 *HK$'000*	2012 (as restated) *HK$'000*
Exchange difference on translation of financial statements of overseas subsidiaries	5,023	(203)	4,820
Attributable to:			
Owners of the Company	30,538	(104)	30,434
Non-controlling interests	29,204	(99)	29,105

4. REVENUE

Revenue represents revenue arising from the provision of water supply services, sewage treatment services, water supply related installation and construction income, and water supply and sewage treatment infrastructure construction income for the year.

An analysis of the Group's revenue for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Water supply services	**133,595**	118,903
Sewage treatment services	**47,035**	38,006
Water supply related installation and construction income	**222,295**	144,817
Water supply and sewage treatment infrastructure construction income	**102,369**	26,159
Others	**5,665**	–
	510,959	327,885

Others represented sales of electricity to a provincial power grid company and tariff adjustment received and receivable from a relevant government authority.

5. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the board of directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of the performance of the Group's various lines of business and geographical locations. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group manages its businesses by divisions, which are organised by business lines. The Group's revenue and contribution to profit are mainly derived from provision of water supply and sewage treatment as well as construction services primarily in the PRC, which is regarded as a single reportable operating segment in a manner consistent with the way in which information is reported internally to the Group's board of directors for purposes of resources allocation and performance assessment. Accordingly, no segment analysis is presented.

No geographical information is presented as the Group's business is principally carried out in the PRC (country of domicile) and the Group's revenue from external customers and non-current assets are in the PRC. No geographical information for other country is of a significant size to be reported separately.

For the years ended 31 December 2013 and 2012, the Group does not have any single significant customer with the transaction value over 10% of the turnover.

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on:		
– convertible bonds	**3,481**	20,899
– bank borrowings wholly repayable within five years	**10,620**	7,470
– other loans wholly repayable within five years	**3,371**	2,327
– other loans wholly repayable after five years	**–**	904
– loan from an associate	**154**	144
Total borrowing cost	**17,626**	31,744
Less: interest capitalised included in construction in progress	**(2,274)**	–
	15,352	31,744

Included in construction-in-progress under concession intangible assets is accumulated interest capitalised of HK$2,274,000 at the capitalisation rates ranging from 2.33% to 20% per annum.

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("**EIT**") for the current year	**41,345**	32,039
Over-provision of EIT in respect of prior years	**(557)**	–
Deferred tax	**5,909**	3,959
	46,697	35,998

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company did not have assessable profits subject to Hong Kong Profits Tax for both years.

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

Gaoming Huaxin and Nanjing Feng Shang are engaged in sewage treatment and provision of electricity supply, respectively. They are entitled to tax concessions whereby the profit for the first three financial years beginning with the first profit-making year is exempted from EIT and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate. The first profit-making year of Gaoming Huaxin and Nanjing Feng Shang were 2011 and 2012, respectively. Accordingly, Gaoming Huaxin is exempted from PRC income tax from 1 January 2011 to 31 December 2013 and is entitled to a 50% exemption of income tax from 1 January 2014 to 31 December 2016. Nanjing Feng Shang is exempted from PRC income tax from 1 January 2012 to 31 December 2014 and is entitled to a 50% exemption of income tax from 1 January 2015 to 31 December 2017.

7. **INCOME TAX EXPENSE** *(continued)*

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**152,657**	81,920
Tax at the domestic income tax rate of 25% (2012: 25%)	**38,164**	20,480
Tax effect of share of results of associate	**567**	1,463
Tax effect of expenses not deductible for tax purposes	**8,035**	10,201
Tax effect of income not taxable for tax purposes	**(511)**	(6,553)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,447**	1,330
Effect of tax exemption granted to PRC subsidiaries	**(3,713)**	(104)
Tax effect of tax losses and deductible temporary differences not recognised	**2,522**	7,199
Utilisation of tax losses previously not recognised	**(4,383)**	–
Deferred tax liabilities arising on undistributed profit of PRC subsidiaries	**4,126**	1,982
Over provision in respect of prior years	**(557)**	–
	46,697	35,998

8. **PROFIT FOR THE YEAR**

Profit for the year has been arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Staff costs excluding directors' and chief executive's emoluments		
– Salaries, wages and other benefits	**72,532**	41,404
– Retirement benefits scheme contributions	**10,022**	5,133
Total staff costs	**82,554**	46,537
Amortisation of:–		
– Prepaid lease payments	**1,286**	1,247
– Concession intangible assets (included in cost of sales)	**29,451**	23,562
– Other intangible assets	**583**	–
Concession intangible assets written off	**82**	155
Depreciation of property, plant and equipment	**10,634**	6,847
(Gain) loss on disposal of property, plant and equipment and prepaid lease payment	**(2,569)**	44
Impairment loss recognised on available-for-sale investments	**–**	1,114
(Gain) loss on disposal of available-for-sale investments	**(6,823)**	1,554
Auditors' remuneration – audit services	**800**	900
Minimum lease payments under operating leases	**3,336**	2,880
Cost of inventories	**81,728**	57,617

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

10. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Profit for the purposes of basic and diluted earnings per share	**61,419**	22,016
	'000	*'000*
Weighted average number of ordinary shares – basic and diluted	**1,110,332**	556,123

Diluted earnings per share were the same as the basic earnings per share for the years ended 31 December 2013 and 2012, as the effect of conversion of the Company's outstanding convertible bonds would result in an increase in earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**40,790**	28,445
Less: Allowance for doubtful debts	**(7,604)**	(6,733)
	33,186	21,712
Other receivables	**38,273**	13,657
Less: Allowance for doubtful debts	**(9,090)**	(9,453)
	29,183	4,204
Loans receivables	**81,844**	95,549
Less: Allowance for doubtful debts	**(54,844)**	(67,549)
	27,000	28,000
Deposits and prepayments *(note)*	**18,995**	35,197
	108,364	89,113

Note: Included in deposits and prepayments of approximately HK$12,719,000 (2012: HK$29,599,000) was the tender deposits paid to one independent third parties (2012: two) for bidding the construction project. The amount is unsecured, interest-free and repayable within one year.

The Group allows an average credit period of 30 days to 180 days to its customers.

11. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**22,512**	15,738
91 to 180 days	**6,483**	4,192
181 to 365 days	**3,890**	1,189
Over 1 year	**301**	593
	33,186	21,712

Trade receivables are due within 180 days from the date of billing.

An aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**28,995**	19,930
Overdue by:		
Within 90 days	**3,133**	887
91 to 180 days	**757**	302
181 to 365 days	**–**	593
Over 1 year	**301**	–
	33,186	21,712

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

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.

11. TRADE AND OTHER RECEIVABLES *(continued)*

The movements in the allowance of doubtful debts on trade receivables are as follows:

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**6,733**	8,531
Impairment loss recognised	**2,303**	540
Reversal of impairment loss	**(1,654)**	(2,420)
Exchange realignment	**222**	82
At 31 December	**7,604**	6,733

Included in the impairment loss are individually impaired trade receivables with an aggregate balance of HK$7,604,000 (2012: HK$6,733,000) which are long outstanding.

The movements in the allowance of doubtful debts on other receivables are as follows:

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**9,453**	5,595
Impairment loss recognised	**287**	3,821
Reversal of impairment loss	**(339)**	–
Uncollectible amounts written off	**(376)**	–
Exchange realignment	**65**	37
At 31 December	**9,090**	9,453

Included in the impairment loss are individually impaired other receivables with an aggregate balance of HK$9,090,000 (2012: HK$9,453,000) which are long outstanding. The Group does not hold any collateral over these balances.

The movements in the allowance of doubtful debts on loans receivables are as follows:

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**67,549**	81,939
Impairment loss recognised	**28,000**	–
Reversal of impairment loss	**(19,078)**	(14,390)
Uncollectible amounts written off	**(21,627)**	–
At 31 December	**54,844**	67,549

Included in the impairment loss are individually impaired loans receivables with an aggregate balance of HK$54,844,000 (2012: HK$67,549,000) which are long outstanding. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER RECEIVABLES *(continued)*

Loans to Top Vision

As at 31 December 2010, loans receivables included HK$68,206,000 due from Top Vision Management Ltd ("**Top Vision**"). Prior to 1 January 2012, part of the aforesaid loan balance of HK$15,500,000 was used to set off the consideration paid to Top Vision for the acquisition of 70% equity interest in Gaoming Huaxin. In addition, another part of the loan balance of approximately HK$9,108,000 was assigned from Top Vision to Gaoming Huaxin upon the Group's acquisition of Gaoming Huaxin. On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("**Swift Surplus**") (collectively the "**Lenders**") entered into another supplementary agreement with Top Vision, pursuant to which the outstanding balance carried interest rate of 4% per annum plus Hong Kong Interbank Offered Rate ("**HIBOR**"), repayable on or before 31 December 2012 and the settlement was guaranteed by 5 independent third parties. As at 31 December 2012, the remaining balance of HK$43,598,000 has not yet been settled. In the opinion of the directors of the Company, the possibility of the recovery of HK$15,598,000 out of the remaining balance of HK$43,598,000 was remote, therefore an allowance of approximately HK$15,598,000 in respect of the loan receivable was made as at 31 December 2012.

On 22 March 2013, the Lenders have entered into supplemental deeds with Top Vision together with its respective guarantors, pursuant to which, approximately HK$18.03 million of the remaining loan receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014. 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 the remaining loan receivables and underlying interests.

On 14 May 2013, the Company instructed its legal counsel to file the writ of summons to the High Court of Hong Kong Special Administrative Region (the "**High Court**") to recover the outstanding loan 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**"). Up to the date of this annual announcement, Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. 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 will undertake recovery actions including but not limited to legal actions taken in PRC to collect the outstanding loan balance.

As at December 31, 2013, a further impairment loss of approximately HK$28 million regarding the loan receivables from Top Vision has been provided. The Board determined to fully impair the remaining carrying amount of HK$28 million as it seems remote that the outstanding balance could be recovered from the actions taken against Top Vision.

Other loans receivables

Also included in loans receivables brought forward from 1 January 2012 were amounts advanced to seven independent third parties amounting to HK$10,000,000 ("**Borrower A**"), HK$2,513,000 ("**Borrower B**"), HK$42,446,000 ("**Borrower C**"), HK$9,575,000 ("**Borrower D**"), HK$5,720,000 ("**Borrower E**"), HK$24,412,000 ("**Borrower F**") and HK$14,647,000 ("**Borrower G**"), of which an allowance of HK$10,000,000, HK$600,000, HK$40,746,000, HK$9,275,000 and HK$5,720,000, respectively, was made on the respective loans. During the year ended 31 December 2012, a total of HK$14,390,000 was collected on these loans, and a reversal of impairment loss of the same amount was recognised.

As at 31 December 2012, outstanding balances from Borrower A, Borrower B, Borrower C and Borrower E were HK$10,000,000, HK$526,000, HK$40,705,000 and HK$720,000 respectively. These balances were fully impaired at 31 December 2012. The outstanding balance from Borrower D, Borrower F and Borrower G were fully settled during the year ended 31 December 2012.

11. TRADE AND OTHER RECEIVABLES *(continued)*

In September 2013, the Company agreed to take one-half haircut on the debt plus any accrued interests owed by Borrower C. The Company recovered a total of HK$27 million (representing loans receivable of HK$19,078,000 and interest income of HK$7,922,000) in February 2014 pursuant to this agreement. As such, the Company recorded an interest income of HK$7,922,000, reversed impairment loss of HK$19,078,000 and wrote off the remaining balance of HK$21,627,000 in 2013.

Outstanding balances from Borrower A, Borrower B, Borrower C and Borrower E at 31 December 2013, after write off and including accrued interests, totalled HK$38,246,000, of which HK$11,246,000 were impaired at 31 December 2013.

12. TRADE AND OTHER PAYABLES

	2013 ***HK$'000***	2012 *HK$'000*
Trade payables	**22,302**	13,701
Other tax payables	**3,796**	3,219
Receipt in advance	**60,434**	67,646
Construction payables	**8,882**	10,001
Interest payables	**16,013**	84,224
Investment cost payable	**5,107**	–
Other payables	**40,925**	28,200
	157,459	206,991

The following is an aged analysis of trade payables at the end of reporting period, based on invoice date:

	2013 ***HK$'000***	2012 *HK$'000*
Within 30 days	**11,922**	1,618
31 to 90 days	**2,436**	3,531
91 to 180 days	**758**	196
181 to 365 days	**2,213**	3,469
Over 1 year	**4,973**	4,887
	22,302	13,701

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 timeframe agreed with the respective suppliers.

13. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of land	**52,784**	–
– Acquisition of concession intangible assets, plant and equipments	**83,768**	5,681
	136,552	5,681

14. LITIGATIONS AND ARBITRATION

(i) Technostore Limited (in liquidation), an indirect non-wholly-owned subsidiary of the Company

On 30 May 2007, a Petition was filed under sections 168A and 177 of the Company Ordinance (Cap. 32) to windup Technostore Limited ("**Technostore**"), a company in which the Company held 50.01% of the issued shares. The Petition was commenced by Mr. Mao Chi Fai ("**Mr. Mao**"), the minority shareholder holding 49.99% of the issued shares of Technostore. Following court hearings regarding the winding-up proceeding in the preceding year, on 29 August 2008, the court made an order to appoint Kenny Tam & Company ("**Liquidator**"), Certified Public Accountant as a liquidator of Technostore and Happy Hour Limited and Mr. Mao to become members in the committee of inspection. In October 2009, all stocks of Technostore with costs valued at approximately HK$2.2 million transferred by the Official Receiver's Office to the Liquidator were disposed at the consideration of around HK$0.62 million by public tender. Preferential and ordinary dividends were distributed in November 2010. Further, a sum of less than HK$1,000 was realised from the bank accounts of Technostore.

On 25 August 2011, the Liquidator indicated that no additional assets of Technostore have been realised and it anticipates that there will be no further assets for realisation. The Liquidator has further indicated that it will apply to the Court for his release as the liquidator of Technostore after the determination of a validation order.

On 29 February 2012, the Liquidator further advised that there was no additional assets realisation since 25 August 2011. The Liquidators also advised that they are preparing an application for validation order and will file their release application pending sanction of the validation order by the Court. On 11 August 2012, the Liquidator also advised that they are in the course of preparing the application of the validation order. As at 11 August 2012, the Liquidator advised that the amount of the said validation order should be within HK$0.4 million.

On 9 March 2013, the Liquidator advised that the said application of the validation order will not be pursued as there is no benefit to the creditors for taking further action on the same time. The Liquidator also advised that, as a consequence, there will be no further outstanding assets to be handled and the Liquidator will proceed to make an application to the court for his release. As at 16 August 2013, the Liquidator informed the Company that it is presently not in position to make an application to the High Court to release the duty of Liquidator as the necessary documents from Mr. Mao not yet to receive. The directors of the Company believe that no material future outflows resources from the Group is expected and sufficient provision on assets related to Technostore have been provided. It is unlikely that there will be a material adverse financial impact of the Group.

14. LITIGATIONS AND ARBITRATION *(continued)*

(ii) 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 (the "**Deposit**") to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project (the "**Project**").

Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessful 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 Deposit was classified as loan receivable and fully impaired in 2011.

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission (the "**Commission**") for arbitration on 24 February 2012. The Commission accepted the case and started a trial on 5 June 2012. After the trial, the arbitration tribunal ruled an award on 12 June 2012, adjudging that:

(1) Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and

(2) The arbitration fees should be borne by Yunnan Chaoyue Gas.

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 PRC. As Yunnan Chaoyue Gas has not performed repayment obligation under the award on time, Guangzhou Hyde applied to Kunming Intermediate People's Court for civil enforcement on 21 July 2012, and Kunming Intermediate People's Court has accepted such application. Up to the date of this annual announcement, this case is still in the process of execution by Kunming Intermediate People's Court.

The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

Save as disclosed in this note and note 11, the Company is not aware of any other significant proceedings instituted against the Company.

Extract of Independent Auditor's Report

The following is an extract from the report issued by Crowe Horwath (HK) CPA Limited on the consolidated financial statements of the Group for the year ended 31 December 2013:

Basis for Qualified Opinion

(1) The Group had an investment in listed equity securities in Hong Kong with a carrying value of HK$29,898,000 as at 31 December 2013.

The trading of the listed equity investments was suspended during the years ended 31 December 2013 and 2012. The directors of the Company considered that there was no material change in the fair value of the listed equity investments. However, we are unable to obtain sufficient appropriate audit evidence or to carry out satisfactory audit procedures to satisfy ourselves the basis upon which the directors of the Company have formed their opinion. We were unable to ascertain the fair value of the available-for-sale investments stated in the consolidated statement of financial position as at 31 December 2013. Consequently, we were unable to determine whether any adjustments to the fair value were necessary.

(2) The Group had loans receivables of approximately HK$43,598,000, before the provision of impairment losses of approximately HK$15,598,000, as at 31 December 2012. The predecessor auditors have not been provided with sufficient evidence to satisfy themselves as to the recoverability of the loan receivable and as to whether the impairment loss of the loan receivable determined by the directors of the Company against the carrying amount of the loan receivable were fairly stated as at 31 December 2012. There are no other satisfactory audit procedures which the predecessor auditors could adopt to ascertain the carrying amount of the loan receivable as at 31 December 2012 being fairly stated in the consolidated financial statements for the year ended 31 December 2012.

Any adjustments found to be necessary to the opening carrying amount of the loan receivables as at 31 December 2012 would have a consequential effect on the Group's and the Company's net assets as at 31 December 2012, the Group's profit for the year ended 31 December 2013 and related disclosures in these financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

RESULTS

Financial Results

The Group recorded a consolidated net profit of HK$105.96 million for the year ended 31 December 2013. In comparison with the same period of year 2012 with a consolidated net profit of HK$45.92 million, there is a significant increase of HK$60.04 million. The board of directors ("**Board**") considers that the significant increase was mainly attributable to: (i) substantial growth in the gross profit primarily from the construction services for water supply; (ii) waiver of loan interest from a lender; and (iii) reduction in the imputed interest charged on the convertible bonds.

Revenue and Gross Profit

The Group had achieved a substantial growth in revenue and gross profit for the year 2013, which amounted to HK$510.96 million and HK$200.69 million respectively. These represent a growth of 55.83% in revenue and 54.39% in gross profit from the previous year. The substantial growth in revenue and gross profit were contributed by the increase of construction services for water supply. The main contributors were Yichun Water Industry Co., Ltd ("**Yichun Water**") and Yingtan Water Supply Co., Ltd ("**Yingtan Water**"). Collectively, they accounted for 59.85% of the revenue and 74.83% of the gross profit. The summary of revenue and gross profit is as follows:

	Revenue				**Gross Profit**			
	2013		2012		**2013**		2012	
	HK$'M	*%*	*HK$'M*	*%*	***HK$'M***	*%*	*HK$'M*	*%*
Water supply business	**133.60**	**26.15**	118.90	36.26	**49.32**	**24.58**	43.71	33.63
Sewage treatment business	**47.03**	**9.20**	38.00	11.59	**23.07**	**11.50**	14.68	11.29
Construction services business	**324.66**	**63.54**	170.98	52.15	**124.42**	**61.99**	71.59	55.08
Biogas power generation business	**5.67**	**1.11**	–	–	**3.88**	**1.93**	–	–
Total	**510.96**	**100**	327.88	100	**200.69**	**100**	129.98	100

Water supply business

The water supply business was supported by 6 water supply plants located in the Provinces of Jiangxi, Auhui, Shandong and Hainan. The daily aggregate water supply capacity was approximately 1.94 million tonne (including the capacity of 1.50 million tonne of our associated company) generating an annual revenue of HK$133.60 million, representing 26.15% of the Group's total revenue in 2013. The gross profit ratio was 36.92% (2012: 36.76%). The rates for the water supply ranged from HK$1.62 to HK$2.31 per tonne. During the year, Hainan Danzhou Tap Water Company Limited* (海南儋州自來水有限公司) (formerly known as Danzhou Qingyuan Water Industry Company Limited*.) and Yingtan Water were also approved by the relevant government authorities to increase water tariffs.

Sewage treatment business

The sewage treatment business was supported by 3 treatment plants located in the Provinces of Jiangxi, Guangdong and Shandong. The daily aggregate sewage disposal capacity was approximately 130,000 tonne generating an annual revenue of HK$47.03 million, representing 9.20% of the Group's total revenue. The gross profit ratio was 49.05% (2012: 38.63%). The rates for sewage treatment ranged from HK$0.70 to HK$1.65 per tonne.

Construction services business for water supply and sewage treatment infrastructure

Construction services included water meter installation, and pipeline construction and repair. These were the Group's major sources of revenue contributing HK$324.66 million, representing 63.54% of the Group's annual revenue. The gross profit ratio was 38.32% (2012: 41.87%).

Biogas power generation business

In recent years, green economy and environmental protection have become the core focuses of China's future economic reforms and long-term development. To capture these potential opportunities, the Group had been considering a new market expansion strategy by actively exploring in the areas of environmental friendly renewable energy businesses. During the year, the Group successfully acquired Nanjing Feng Shang New Technology Company Limited ("**Nanjing Feng Shang**") 南京豐尚新能源科技有限公司 which is mainly engaged in the generation of biogas power from domestic waste, and the exploitation, generation and sales of renewable energy. The facilities of Nanjing Feng Shang are designed to process approximately 0.58 million tonne of household waste annually. The existing biogas extraction from the household waste is approximately 14.53 million m^3 annually, which in turn can generate approximately 26.44 million kilowatt of on-grid electricity. The average electricity rate is RMB0.636 per kilowatt. As the acquisition of Nanjing Feng Shang was completed on 31 October 2013, there were only two months of revenue and gross profit contribution to the Group. The revenue of HK$5.67 million was from selling electricity to a provincial power grid company and receiving tariff adjustment from a relevant government authority. The gross profit ratio was 68.43% in 2013 (2012: Nil).

Other Operating Income

For the year ended 31 December 2012, other operating income was HK$40.47 million (2012: HK$76.53 million). The decrease of HK$36.06 million was mainly due to wavier of the government loan and underlying interest of HK$37.77 million granted by the Hainan Province Finance Bureau and Danzhou Province Finance Bureau was recognised in 2012. The income in 2013 included mainly interest income of HK$26.10 million, income of government subsidy of HK$3.22 million, gain on disposal of fixed assets of HK$2.57 million, service handling fees of HK$1.21 million and rental income of HK$1.32 million from investment property.

Selling and distribution costs and administrative expenses

Selling and distribution costs together with administrative expenses were collectively increased by HK$28.59 million to HK$123.36 million (2012: HK$94.77 million). The rise was mainly due to the increase in number of PRC staff, increment of PRC staff salaries and related benefits and depreciation. These expenses in 2013 mainly consisted of staff cost including directors' emoluments of HK$66.41 million, depreciation and amortisation of HK$12.53 million, entertainment and travelling of HK$10.37 million, legal and professional fees of HK$5.11 million, office supplies of HK$4.32 million, motor car expenses of HK$3.28 million and rent and rates of HK$3.34 million.

Finance costs

The finance costs of the Group were HK$15.35 million, representing a decrease of HK$16.39 million from HK$31.74 million for the same period of last year. The decrease was due to the reduction of imputed interest charged on the convertible bonds ("**CB**"), since the old CB was fully converted in 2012, and the new CB of Series A bonds ("**Series A Bonds**") bearing interest at 7.5% per annum was issued on 30 October 2013, resulting in only 2 months of imputed interest for the year. The finance costs for the year were mainly contributed by the imputed interest of CB of HK$3.48 million and the interest of HK$14.14 million on loans, net of interest capitalised of HK$2.27 million included in construction in progress.

Wavier of loan interest and interest payables

For the year ended 31 December 2013, the waiver of loan interest recorded HK$59.75 million, representing an increase of HK$55.53 million from HK$4.22 million for corresponding year of 2012. The increase was due to ABC Bank agreed to waive a substantial portion of the interest payment and release the pledged assets once the Group settles the aggregate amount of the principal and the remaining portion of the interest payment in the amount of approximately RMB31.38 million. The aforesaid waived interest of HK$59.75 million was recorded as an income in 2013. Details of which are provided in the section headed "Litigations and arbitration" of this announcement.

Gain on disposal of available-for-sale investments

Included in the available-for-sale investments were the equity investment in three listed equity securities in Hong Kong. During the year, the disposal of these three listed equity securities were on-market transactions through The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and recorded a gain of HK$6.82 million (2012: loss of HK$1.55 million).

Reversal of impairment loss recognized on trade and other receivables

The reversal of impairment losses of HK$21.07 million comprised HK$19.08 million on loan receivables (2012: HK$14.39 million) and HK$1.99 million on trade and other receivables (2012: HK$2.42 million). In October 2013, the Company agreed to take one-half haircut on the debt plus any accrued interests owed by Birmingham International Holdings Limited (the "**BIHL**"). The Company recovered a total of HK$27 million (representing loans receivable of HK$19.08 million and interest income of HK$7.92 million) in February 2014 pursuant to the settlement agreement. As such, the Company reversed the impairment loss of HK$19.08 million which had been provided in previous years. Details of which are provided in the section headed "Repayment of Loan by BIHL "of this announcement.

Impairment loss recognized on trade and other receivables

Included in impairment loss of HK$30.59 million (2012: HK$4.36 million) was mainly provided for loan receivable of HK$28 million advanced to Top Vision Management Limited ("**Top Vision**"). As advised by the legal counsels, the possibility of recovery the loan receivables through taken the legal actions against Top Vision is thin and remote, thus a further impairment loss of approximately HK$28 million has been provided in 2013. Details of which are provided in the section headed "Litigations and arbitration" of this announcement.

Share of results from associates

The Group had two associated companies, which held 35% equity interests in Jinan Hongquan Water Production Co., Ltd ("**Jinan Hongquan**") 濟南泓泉制水有限公司 and 10% equity interests in Yu Jiang Hui Min Small Sum Loan Company Limited* ("**Yu Jiang Hui Min**") 余江惠民小額貸款股份有限公司. As at 31 December 2013, the Group shared the loss results of HK$2.27 million (2012: loss of HK$5.85 million) which was mainly from the loss of HK$3.46 million from Jinan Hongquan and the profit of HK$1.19 million from Yu Jiang.

Income tax

For the year ended 31 December 2013, income tax had increased substantially by HK$10.70 million to HK$46.70 million (2012: HK$36.00 million). Certain subsidiaries in the PRC enjoyed the tax concession benefits for the exemption to pay PRC income tax for three years from the first profit making year, followed by a 50% reduction for the next three years. For the year ended 2013 and 2012, the PRC standard income tax rate was at 25%. The expiration of the full tax exemption made certain subsidiaries in the PRC had started to pay the PRC income tax and the increase of operating profits were also leading to the rise of income tax.

Profit attributable to Owners of the Company

For the year ended 31 December 2013, profit attributable to owners of the Company was approximately HK$61.41 million (2012: HK$22.02 million), an increase of HK$39.40 million due to substantial growth in operating results of the businesses and income from waiver of loan interest contributed by an indirect wholly-owned subsidiary of the Company.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group recorded cash and bank balances including cash held at financial institutions of HK$250.56 million (compared with HK$239.25 million on 31 December 2012). There was only a slight increase of HK$11.31 million even though the Company issued the Series A Bonds and experienced the significant business growth in the construction services for water supply. The proceeds from the Series A Bonds and the business income were mainly utilized for the financing and investing activities including (i) the repayment of loan owed to ABC Bank, (ii) the establishment of property development company and investment company in Yingtan City and Nanjing respectively, (iii) the acquisition of new businesses and (iv) the investment in equity securities. The cash and bank balances were denominated in Hong Kong dollars and Renminbi.

The net current liabilities for the Group in 2013 were HK$39.23 million (2012: net current assets of HK$40.87 million). The current ratio (current assets over current liabilities) was 0.91 times (2012: 1.11 times). The deteriorative current liquidity position of the Group was mainly attributable to the issuance of the Series A Bonds and the increase of cash used in the financing and investing activities as stated above. The current portion of the Series A Bonds amounting to HK$107.35 million represented 24.69% of the total current liabilities. To meet the debt obligations, the Board had been considering various fund raising alternatives to strengthen the capital base of the Company. The Board is confident that the Group will be able to meet its financial obligation as and when they fall due and has sufficient working capital to support future operational needs.

Net asset value was HK$826.50 million (2012: HK$684.85 million). Net asset value per share was HK$0.74 (2012: HK$0.62), increased by 19.35% from the end of 2012.

The Group's consolidated non-current assets increased by HK$254.75 million to HK$1,076.91 million (2012: HK$822.16 million). The increase was mainly attributable to (i) acquisition of Nanjing Feng Shang, (ii) acquisition of concession intangible assets (iii) prepaid lease payments relating to the land use rights over a parcel of land in Yingtan, Jiangxi Province, the PRC, and (iv) investment in equity securities.

The total liabilities of the Group as at 31 December 2013 were HK$644.01 million (compared with HK$537.63 million on 31 December 2012). The increase was mainly due to the issuance of the Series A Bonds in October 2013. The liabilities mainly comprised of bank and other borrowings of HK$187.17 million (2012: HK$169.53 million), Series A Bonds of HK$107.35 million (2012: Nil), government grants of HK$95.98 million (2012: HK$90.32 million) and trade and other payables of HK$157.46 million (2012: HK$206.99 million). They were mainly denominated in Renminbi.

As at 31 December 2013, the Group's total bank and other borrowings increased to HK$187.17 million (2012: HK$169.53 million), mainly due to the working capital requirement of operations. For the maturity profile, refer to the table below:

Debt Analysis

	31 December 2013		31 December 2012	
	HK$'000	***%***	*HK$'000*	*%*
Classified by maturity				
– repayable within one year				
Bank borrowings	**42,116**	**22.50**	45,953	27.11
Other loans	**65,722**	**35.11**	54,473	32.13
	107,838	**57.61**	100,426	59.24
Classified by maturity				
– repayable more than one year				
Bank borrowings	**26,710**	**14.27**	34,532	20.37
Other loans	**52,619**	**28.12**	34,572	20.39
	79,329	**42.39**	69,104	40.76
Total bank and other borrowings	**187,167**	**100**	169,530	100
Classified by type of loans				
Secured	**75,186**	**40.17**	86,652	51.11
Unsecured	**111,981**	**59.83**	82,878	48.89
	187,167	**100**	169,530	100
Classified by type of interest				
Fixed rate	**77,471**	**41.39**	57,334	33.82
Variable-rate	**61,899**	**33.07**	88,497	52.20
Interest free rate	**47,797**	**25.54**	23,699	13.98
	187,167	**100**	169,530	100

The Group's gearing ratio as at 31 December 2013 was 43.80% (2012: 43.98%). The ratio was calculated by dividing total liabilities of HK$644.01 million over total assets of the Group of HK$1,470.51 million.

Trade and other receivables

As at 31 December 2013, the Group's trade and other receivables were approximately HK$108.36 million (31 December 2012: HK$89.11 million). These comprised of: (i) trade receivables of HK$33.19 million, (ii) other receivables of HK$29.18 million, (iii) loan receivables of HK$27 million, and (iv) deposits and prepayments of HK$19.00 million. During the year, the trade receivables increased by HK$11.48 million to HK$33.19 million (31 December 2012: HK$21.71 million), which was mainly due to the increase of operating activities in the construction services business. The average turnover period of the trade receivables as at 31 December 2013 were 25 days (2012: 21 days). The Group allows a credit period of 30 to 180 days to its customers. The average turnover period of the trade receivables were shorter than this credit period. The deposits and prepayments decreased by HK$16.20 million to HK$19.00 million (2012: HK$35.20 million) mainly due to the deposits refundable by the relevant local government in the PRC for unsuccessful tender bid. Included in the deposits was mainly tender deposits paid by Jiangxi Shunda Construction Engineering Limited* ("**Jiangxi Shunda**") for bidding the construction projects of approximately HK$12.72 million (2012: HK$29.60 million). The loan receivable of HK$27 million due from BIHL (2012: HK$28 million) was paid in February 2014.

Trade and other payables

As at 31 December 2013, the Group's trade and other payables were approximately HK$157.46 million (31 December 2012: HK$206.99 million). The decrease was mainly caused by repayment and waiver of interest payables in 2013. The credit terms of trade payables vary according to the terms agreed with different suppliers.

CAPITAL RAISING AND USE OF PROCEEDS

On 14 December 2012, the Company entered into the top-up placing and subscription agreement with existing shareholder and placing agent, pursuant to which, the Company had through placing agent to place out 138,000,000 new ordinary shares at placing price of HK$0.51 each to independent third parties. The transaction was completed on 19 December 2012 and 27 December 2012. The net proceeds of HK$68.29 million was intended to use as to approximately 80% for future business development and as to approximately 20% for general working capital of the Group respectively. During the year, the aforesaid net proceeds has been utilized by the Group as to (i) approximately HK$51.50 million for the acquisition of the entire share equity interest in Nanjing Feng Shang as announced by the Company on 5 July 2013 and (ii) approximately HK$16.79 million for general working capital of the Group including office operating expenses and repayment of debts.

On 16 October 2013, the Company and Prosper Talent Limited, the Subscriber entered into the Subscription Agreement in respect of the issue of and subscription for the CB to be issued in two tranches in an aggregate principal amount of HK$200 million in cash, comprising of the Series A Bonds and the Series B Bonds. Assuming full conversion of the CB at the Initial Conversion Price of HK$1.65 per Share, a total of 121,212,120 Shares will be allotted and issued under the general mandate. The purpose of use of proceed is for investment in, establishment and operation of water supply companies, sewage treatment companies and solid waste treatment companies only. Series A Bonds and Series B Bonds were issued on 30 October 2013 and 14 January 2014 respectively. The maturity date of CB will be expired of one year from the date of issue of the CB. Thus, the maturity falling for Series A Bonds and Series B Bonds will be due on 30 October 2014 and 14 January 2015 respectively, bears annual interest at 7.5% and, on maturity, the bond will be redeemed at an aggregate price of 100% of the outstanding principal amount plus an interest of 12% per annum, less the interest amount already paid on the bond. The net proceeds of approximately HK$197 million have been raised from the issue of the CB. There was approximately HK$70.51 million utilised by the Company as to (i) approximately HK$50.71 million, for the establishment of a wholly-owned investment company in Nanjing to acquire waste power generation business; and (ii) approximately HK$19.80 million for the increase in the registered share capital of a wholly-owned subsidiary of the Company in Shenzhen which engages in the business of water supply and sewage treatment. The Company intends to use the unutilized net proceeds of HK$126.49 million as to (a) the approximately HK$76.71 million for the proposed acquisition of 88% of the share equity interest of Shenzhen City Li Sai Industrial Development Limited* (the "**Shenzhen Li Sai**")（深圳市利賽實業發展有限公司）as announced by the Company on 23 January 2014; and (b) approximately of HK$49.78 for the proposed acquisitions including Hunan Huiming Environmental Technology Limited* (the "**Huiming Technology**")（湖南惠明環境科技有限公司，Hunan Feng Ming Energy Technology Limited* (the "**Feng Ming Technology**")（湖南豐銘能源科技有限公司）and the formation of JV Company in Changsha, PRC as announced by the Company on 21 March 2014. The unutilized net proceeds are held in bank for future use as intend. Up to the announcement date, none of the CB is converted into shares by the Subscriber.

Save as disclosed above, the Company has not conducted any equity fund raising activities during the year.

During the year, the Group incurred capital expenditures amounting to HK$103.96 million (2012: HK$31.01 million) for acquisition of concession intangible assets.

MAJOR EVENTS DURING THE YEAR UNDER REVIEW

Repayment of Loan by BIHL

On 20 August 2012, the Company instructed its legal counsel to issue a statutory demand letter ("**Demand Letter 1**") to the borrower, BIHL whose shares with the stock code 2309 are listed on the main board of The Stock Exchange. After various rounds of negotiation, an in-principle agreement was reached on 11 September 2012 on the issuing of CB by BIHL to the Company, subject to the parties' execution of formal documentation. Subsequently the Company withdrew the Demand Letter 1 on the same day. In December 2012, BIHL informed the Company that it was in discussions with various buyers for the Birmingham City Football Club plc, ("**Intended Sales**") and proposed that upon completion of the said Intended Sale, BIHL would repay the loan due to the Company. In light of this, the Company agreed to consider withholding steps to enforce its claim whilst BIHL was in discussions for the Intended Sale, but in any event this withhold action would only be effective until 14 March 2013. As the debt remained outstanding on 14 March 2013, the Company instructed its legal counsel to issue a fresh Demand Letter ("**Demand Letter 2**") to BIHL on 25 March 2013. On 27 March 2013, BIHL replied that they will endeavor to close the sale of the football club, and the progress of the resumption in trading of its shares seems positive. Under these circumstances, BIHL would enter into the negotiation of a proposal for the loan repayment with the Company once a sale deposit is received from the potential buyer of the football club. If the sale of the football club cannot complete within 5 months but after resumption in trading, BIHL is willing to propose to issue CB or shares to the Company for the settlement consideration. In this connection, the Company withdrew the Demand Letter 2 in May 2013. Further the aforesaid settlement offer, BIHL provided the new repayment proposal suggesting the Company taking a two-thirds haircut on the total outstanding debts (inclusive of interest) ("**Debts**") and accept one-third of the Debts to be payable fully in cash by no later than 12 months from the proposal date of 16 August 2013 but this proposal was rejected by the Company on 18 September 2013. On 2 October 2013, the Company agreed the settlement agreement proposed by BIHL of one-half haircut on the Debts (inclusive of interest calculating up to 2 October 2013) of approximately HK$54.56 million on condition that the balance of one-half Debts of HK$27.28 million will be paid in cash fully by no later than the date falling 3 months from the date of resumption in the trading in the shares of the BIHL. On 24 February 2014, BIHL and the Company came to a settlement of the Debts by accepting HK$27 million in full and final settlement of all liabilities and obligations due to the Company. For the year ended 31 December 2011, impairment loss of approximately HK$40.75 million had been provided. As one-half of Debts were recovered, reversal of impairment loss of HK$19.08 million and wrote off the remaining in 2013.

Disposal of shares of Chinese Energy Holdings Limited

On 18 December 2012 and 30 January 2013, Bonus Raider Investments Limited ("**Bonus Raider**"), a wholly owned subsidiary of the Company, had through Astrum Capital Management Limited ("**Agent**") to sell 96,244,700 Shares in total of Chinese Energy Holdings Limited (the "**Chinese Energy**") to 4 independent third parties at cash consideration of HK$21.41 million. Immediately after the completion of the disposals, the Group was not interested in any Chinese Energy Shares. The net proceeds of the disposals was utilized approximately HK$20.50 million of general working capital including office operating expenses and repayment of debts. The remaining of HK$0.91 million is held at the bank.

Termination of acquisition of Dongguan Kedi Environment Protection Science and Technology Co. Ltd.

On 21 February 2013, the Company entered into a framework agreement with Guangdong Sincody Science Technology Co. Ltd* (廣東新科迪環保科技有限公司) ("**Vendor**") for the purpose of acquiring 51% of the entire equity interest of Dongguan Kedi Environment Protection Science and Technology Co., Ltd* (東莞市科迪環保科技有限公司) ("**Target Company**") at a consideration not more than RMB40.80 million. The acquisition will be proceeded once the Vendor injects all assets and liabilities of the power plant into the Target Company and have satisfied the requirement of due diligence investigation. The power plant generates power by burning biogas from garbage landfill and has been planned to commence power generation in February 2013. On 21 August 2013, the Company and the Vendor have unanimously agreed to extend the long stop date from 20 August 2013 to 31 December 2013 ("**Long Stop Date**") by entering into the extension agreement. After several rounds of negotiation following the Long Stop Date, the Company and the Vendor considered that there had not been any substantial progress in the transaction and therefore determine not to proceed with the acquisition on 7 January 2014 (the "**Termination**"). The directors of the Company are of the view that the Termination does not have any material adverse impact on the financial position and business operation of the Company and its subsidiaries.

Acquisition of Nanjing Feng Shang New Technology Limited Liability Company

On 5 July 2013, China Water Industry (HK) Limited, an indirect wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with Mr. Li Jian Ping* (李建平), Mr. Li Kun* (李鵾) and Mr. Yin Qin* (殷勤) (collectively known as "**Vendors**") to acquire the 100% Sale Shares of Nanjing Feng Shang for a cash consideration of RMB39,600,000. Nanjing Feng Shang is principally engaged in (i) biogas power generating from garbage landfill; (ii) the exploitation, generation and sales of renewable energy; (iii) the sales of biogas power generation machines; and (iv) the sales of electromechanical appliances. On 31 October 2013, all conditions for completion had been fulfilled by the Vendors and the acquisition has been completed accordingly. There were two months of revenue and profit contributed by Nanjing Feng Shang consolidated into the Group in 2013.

Formation of Joint Venture Company and acquisition of land use right

On 6 August 2013, Jiangxi Shunda and Mr. Zhou Ping Hua* 周平華 ("**Mr. Zhou**") entered into the JV Agreement to establish the JV Company for the acquisition of the Land and to cooperate in the development of the Land. Pursuant to the JV Agreement, the total investment in the JV Company is approximately RMB80 million, RMB40.80 million, representing 51% of the total investment will be contributed by Jiangxi Shunda in cash and the balance of RMB39.2 million, representing 49% of the total investment, will be contributed by Mr. Zhou by way of cash. On 15 August 2013, the Yingtan City Land Resource Bureau, Mr. Zhou and the JV Company entered into the Contract Amendment Agreement, in which the land use rights of the Land was acquired by the JV Company in place of Mr. Zhou as in the Land Use Right Transfer Contract. The total consideration for the land use rights of the Land is RMB73.5 million. The Land is located at 鷹潭市信江新區緯二路以南、緯三路以北、信江路以西 (Yingtan City Xin Jiang Xin District Wei Er Road South, Wei San Road North, Xin Jiang Road West*) with an estimated total area of 16,171.32 square meters. The land use rights of the Land will be for a term of 40 years from the date of completion of the acquisition of the Land for commercial use. The Land is intended to be used by the JV Company for the construction of new commercial buildings for sale. During the year, the JV Company was established namely Yingtan Xiang Rui which is engaged mainly in property trading and investment as well as project management. The construction on the Land has commenced in February 2014 and is expected to complete on or before 30 December 2015.

MAJOR EVENTS AFTER THE YEAR UNDER REVIEW

Acquisition of Shenzhen City Li Sai Industrial Development Limited

On 23 January 2014, the Greenspring (Nanjing) Recycling Resources Investment Co., Ltd. (the "**Greenspring**"), an indirect wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with Mr. Huang Han Jian* (黃漢健) and Ms. Xiao Ying* (肖瑛) (collectively known as "**Vendors**") for the purpose of acquiring approximately 88% of the issued share capital of the Shenzhen Li Sai Industrial Development Limited* (the "**Shenzhen Li Sai**") (深圳市利賽環保科技有限公司) at an aggregate consideration of RMB59,840,000. Shenzhen Li Sai is principally engaged in the (i) investment holding; (ii) environmental technology development and related technical services; (iii) treatment of domestic waste water, pollution and noise from the commercial and industrial sectors; and (iv) engineering design of environmental pollution controls. Shenzhen Li Sai has been granted the license to operate environmental pollution control facilities (limited to Class B industrial waste water with an expiry date to April 2014). Up to the announcement date, the Group has not paid any consideration due to the conditions for completion have not been fulfilled by the Vendors. The acquisition is not yet completed.

Acquisition of Yingtan City Run De Property Company Limited

On 19 March 2014, Jiangxi Shunda entered into the Sale and Purchase Agreement with Mr. Dong Gao Zhong* (董高忠) and Mr. Chen Su Jiang* (陳蘇江) (collectively known as "**Vendors**") for the purpose of acquiring approximately 80% of the issued share capital of the Yingtan City Run De Property Company Limited* (the "**Run De Property**") (鷹潭市潤德置業有限公司) for an aggregate consideration of RMB30,000,000. The Run De Property is principally engaged in the property development and sales of the "Xinduhui" Real Estate Project* (the "**Project**") ("新都滙房地產項目") in Guixi, the PRC. The development of the Project has been divided into two phases. The first phase of the Project has basically been completed and start to pre-sale and the second phase of the Project is currently under construction. Pre-selling of units in second phase is expected to be commenced in July 2014 and the construction of second phase is expected to be completed in December 2015. Up to the announcement date, the RMB15,000,000 representing 50% of consideration has paid to the Vendors upon the signing of Sale and Purchase Agreement. The remaining balance RMB15,000,000 representing 50% of consideration will be paid upon completion of the change of registration regarding the transfer of the Sale Shares from the name of the Vendors to the name of the Jiangxi Shunda. Accordingly, the acquisition has not been completed.

Acquisition of Hunan Huiming Environmental Technology Limited

On 21 March 2014, Greenspring entered into the Sale and Purchase Agreement with Hunan Huiming Environmental Energy Limited* (the "**Hunan Huiming**") 湖南惠明環保能源有限公司 and Mr. Huang Jian Xin* (黃建新) (collectively known as "**Vendors**") to acquire the entire issued share capital of Huiming Technology for a consideration of RMB15,000,000. Huiming Technology is principally engaged in (i) the development of eco-products; (ii) the research, production, and sales of urban roads mechanized cleaning equipment; and (iii) the development and utilization of environmental energy sources. Huiming Technology currently possesses of a waste landfill biogas resource utilization project in Zhuzhou (the "**Zhuzhou Biogas Project**") and have the right for the exclusive use of all the biogas resources from the waste landfill sites in the city of Zhuzhou for a period until 1 October 2023. The existing annual power production output for the Zhuzhou Biogas Project is approximately 15,750,000 kilowatt and the average electricity price is RMB0.695 per kilowatt. Up to the announcement date, the conditions for completion have not been fulfilled by the Vendors. The Group has not paid any consideration and the acquisition is not yet completed.

Acquisition of Hunan Feng Ming Energy Technology Limited

On 21 March 2014, Greenspring entered into the Sale and Purchase Agreement with Hunan Huiming and Mr. Huang Jian Xin* (黃建新) (collectively known as "**Vendors**") to acquire the entire issued share capital of Hunan Feng Ming for an aggregate consideration of RMB3,000,000. Feng Ming Technology is principally engaged in (i) the development of eco-products; (ii) research and development of new energy sources. Feng Ming Technology currently possesses of a solid waste disposal sites biogas resource utilization project in Liuyang (the "**Liuyang Biogas Project**"). Feng Ming Technology has not yet commenced business. The estimated annual purified landfill gas output for Liuyang Biogas Project is approximately 3,520,000 m^3. Up to the announcement date, the conditions for completion have not been fulfilled by the Vendors. The Group has not paid any consideration and the acquisition is not completed.

Formation of Joint Venture Company in Changsha, PRC

On 21 March 2014, Greenspring and Hunan Huiming entered into the JV Agreement pursuant to which Greenspring and Hunan Huiming have agreed to establish the JV Company which will be owned as to 91% by Greenspring and as to 9% by Hunan Huiming. Pursuant to the terms of the JV Agreement, the registered capital of the JV Company will be RMB30,000,000. Pursuant to the Changsha Contracts, Hunan Huiming has been granted the exclusive rights to operate and utilize the landfill gas collected from the solid wastes in the Changsha Landfill Site for an exclusivity period of 35 years expiring on 10 October 2039 (the "**Expiration Date**"). Apart from the landfill gas resources which has been exploited for the operation of the Power Plant owned by Hunan Huiming, other landfill gas resources in the Changsha Landfill Site are not yet exploited and utilized (the "**Unexploited Landfill Gas Resources**"). The JV Company will be established for carrying out the purification process and exploitation of the Unexploited Landfill Gas Resources (the "**Purification Project**"). Hunan Huiming agreed to transfer the exclusive rights relating to the operation and utilization the Unexploited Landfill Gas Resources to the JV Company at RMB23,000,000. Up to the announcement date, the JV Company has not been established.

Disposal of shares of BIHL

As at 31 December 2013 and 2012, the Group had an investment in equity securities of BIHL with carrying value of HK$29.90 million. The trading of BIHL's shares was suspended in the Stock Exchange since 30 June 2011. In view of the continuous loss marking performance and financial difficulties of BIHL, the Company disposed all of its investment in BIHL's shares on market transaction through the Stock Exchange at a consideration of HK$46.39 million after the resumption of trading of BIHL's shares in February 2014. The Board believed that the disposal will not cause any material adverse impact to the Group.

LITIGATIONS AND ARBITRATION

i. Technostore Limited (in liquidation), a subsidiary of the Company

On 30 May 2007, a Petition was filed under sections 168A and 177 of the Company Ordinance (Cap. 32) to wind-up Technostore Limited ("**Technostore**"), a company in which the Company held 50.01% of the issued shares. The Petition was commenced by Mr. Mao Chi Fai ("**Mr. Mao**"), the minority shareholder of Technostore holding 49.99% of the issued shares. Following court hearings regarding the winding-up proceeding in the preceding year, on 29 August 2008, the court made an order to appoint Kenny Tam & Company ("**Liquidator**"), Certified Public Accountant as a liquidator of Technostore and Happy Hour Limited and Mr. Mao to become members in the committee of inspection. In October 2009, all stocks of Technostore with costs valued at approximately HK$2.2 million transferred by the Official Receiver's Office to the Liquidator were disposed at the consideration of around HK$0.62 million by public tender. Preferential and ordinary dividends were distributed in November 2010. Further, a sum of less than HK$1,000 was realized from the bank accounts of Technostore. On 25 August 2011, the Liquidator indicated that no additional assets of Technostore have been realized and it anticipates that there will be no further assets for realization. The Liquidator has further indicated that it will apply to the Court for his release as the liquidator of Technostore after the determination of a validation order. On 29 February 2012, the Liquidator further advised that there was no additional assets realization since 25 August 2011. The Liquidators also advised that they are preparing an application for validation order and will file their release application pending sanction of the validation order by the Court. On 11th August 2012, the Liquidator also advised that they are in the course of preparing the application of the validation order. As at 11th August 2012, the Liquidator advised that the amount of the said validation order should be within HK$0.4 million. On 9th March 2013, the Liquidator advised that the said application of the validation order will not be pursued as there is no benefit to the creditors for taking further action on the same time. The Liquidator also advised that, as a consequence, there will be no further outstanding assets to be handled and the Liquidator will proceed to make an application to the court for his release. As at 16 August 2013, the Liquidator informed the Company that it is presently not in position to make an application to the High Court to release the duty of Liquidator as the necessary documents from Mr. Mao not yet to receive. On 30 January 2014, advised by the Liquidator that the High Court will approve the application of releasing Liquidator and dissolution of Technostore within the next three months. The directors of the Company believe that no material future outflows resources from the Group is expected and sufficient provision on assets related to TechnoStore have been provided. It is unlikely that there will be a material adverse financial impact of the Group.

ii. Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("**Swift Surplus**") (collectively as the "**Lenders**") entered into repayment agreements (the "**Repayment Agreements**") with the Sihui Sewage Treatment Co. Ltd.* (四會市城市污水處理有限公司) and Top Vision Management Limited ("**Top Vision**") (collectively as the "**Borrowers**") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58.43 million together with interest accrued thereon (the "**Loan Receivables**"). HK$5 million of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK$5 million of the Loan Receivables. However, the Remaining Loan Receivables of HK$53.43 (the "**Remaining Loan Receivables**") and underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK$18.03 million of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the "**Partial Payment of the Remaining Loan Receivables**"). Nevertheless, the Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK$35.40 million of the Remaining Loan Receivables and underlying interests (the "**Outstanding Balance**").

Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the "**Writ**") to the High Court of Hong Kong Special Administrative Region (the "**High Court**") to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the "**Final Judgement**"). Up to the date of announcement, Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision.

As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company will undertake recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables. As advised by the PRC lawyer, the Final Judgment relating to the settlement of HK$35.40 million by Top Vision to Swift Surplus could not be executed in Mainland China because the Repayment Agreements stated that "Parties of the Repayment Agreements irrevocably consent that the Courts of the HKSAR will have the non-exclusive jurisdiction to solve any disputes which may be caused or are caused by the Repayment Agreements". The PRC lawyer considers that the non-exclusive jurisdiction stated in the Repayment Agreement does not comply with PRC law. Therefore, the PRC lawyer further reckons that the Final Judgment will be neither recognized nor executed by Zhaoqing Intermediate People's Court. Subsequent to the year, the Company will undertake the arbitration in Hong Kong to chase back the Partial Payment of the Remaining Loan Receivables.

For the financial year ended 31 December 2009 and 31 December 2011, impairment loss of approximately HK$16.32 million regarding the Loan Receivables had been provided. The Board has assessed the Remaining Loan Receivables and believes that the Company will have difficulties in recovering the sums indicated through taken the legal actions against Top Vision, thus a further impairment loss of approximately HK$28 million has been provided in 2013.

iii. Super Sino Investment Limited, an indirect wholly-owned subsidiary of the Company

On 6 November 2007, the People's Government of Danzhou City and Super Sino Investment Limited (the "**Super Sino**") entered into net assets and liabilities transfer agreement, pursuant to which the assets and liabilities of Danzhou City Water Company Limited* (海南儋州市自來水公司) ("**Danzhou City Water**") were transferred to Super Sino. On 26 June 2008, Agricultural Bank of China Danzhou Branch (the "**ABC Bank**") instituted proceedings with the First Intermediate People's Court of Hainan Province (the "**Court**") against Danzhou City Water, Super Sino, Danzhou Urban Development Corporation and the People's Government of Danzhou City regarding the abovementioned transfer of the relevant liabilities, claiming for the principal of RMB26 million and the underlying interest thereon repayable by Danzhou City Water and Super Sino. On 13 November 2009, the Court issued a civil verdict, pursuant to which Super Sino was ordered to fully repay the loan principal of RMB26 million together with the interest thereon. On 17 December 2009, the ABC Bank made an appeal to the Higher People's Court of Hainan Province seeking the fulfillment of the guarantee responsibility of Danzhou Urban Development Corporation. On 15 December 2010, Higher People's Court of Hainan Province issued the verdict, pursuant to which all the shares of Danzhou Qingyuan Water Industry Co. Ltd. (formerly known as Danzhou City Water) owned by Super Sino (the "**Shares**") had been frozen from 15 December 2010 to 14 December 2012. On 6 December 2012, the court issued another verdict, pursuant to which the frozen period is further extended to 14 December 2013. The Company cannot transfer or dispose of the Shares during the period. According to the legal advice, the directors of the Company are of the opinion that the verdict will not impair the control of the Group over Danzhou City Water due to the following reason:

(1) Super Sino is still the legal owner of Danzhou City Water from 15 December 2010 to 14 December 2013.

(2) As Danzhou City Water is engaged in the business of provision of water in the PRC, it requires a special license through the approval of the various local government authorities. The procedures to change the shareholding are complicated and time consuming. As such, the change of shareholding will not materialize for the period in concern. On 28 December 2012, the Group entered into a settlement agreement (the "**Settlement Agreement 1**") with ABC Bank, pursuant to which, ABC Bank conditionally agreed to waive interest payment of approximately RMB60.62 million and release the pledged assets if the Group could fulfill the following conditions:

    (1) the Group has to settle the principal of RMB15 million and the litigation costs of RMB0.49 million on or before 31 December 2012; and

    (2) the Group has to settle the principal of RMB11 million and the interest of RMB4,890,000 on or before 31 December 2013.

On 28 January 2013, the Group further entered into a supplemental settlement agreement (the "**Settlement Agreement 2**") with ABC Bank, pursuant to which, it superseded of the conditions stated in the Settlement Agreement 1. According to Settlement Agreement 2, ABC Bank agreed to waive a substantial portion of the interest payment and release the pledged assets once the Group settle the aggregate amount of the principal and the remaining portion of the interest payment of in the amount of approximately RMB31.38 million (the "**Debt**") on or before 30 June 2013. On 18 April 2013, ABC Bank received moneys from the Company to settle all Debt and agreed to waive the interest payment as mentioned before. On 6 May 2013, ABC Bank submitted the application to the Court to revoke the freezing of the Shares as the Debt had been settled. On 4 June 2013, the Court had accepted the application and made a final and conclusive judgement to release the pledged assets. Following the effective of the waiver of interest payment and the release of pledged assets, the Company recorded a total amount of HK$59.75 million as an income in 2013. As the Debt has been fully settled, the Company has no further obligation and liability in respect thereof to ABC Bank.

(iv) 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 Deposit was classified as loan receivable and fully impaired in 2011. 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:

(1) Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and

(2) The arbitration fees should be borne by Yunnan Chaoyue Gas.

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 Intermediate People's Court has accepted such application. On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the "**Repayment Plan**") to Guangzhou Hyde. Owing to without information of the assets owned by Yunnan Chaoyue Gas and Repayment Plan, Kunming Court has stopped to execute the civil enforcement. Notwithstanding, the Company has reserved its right to petition the Kunming Intermediate People's Court to resume the enforcement proceeding once locating any assets owned by Yunnan Chaoyue Gas in PRC. Up to the announcement date, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan. For the financial year ended 31 December 2011, impairment loss of approximately HK$10 million regarding the Deposit had been provided. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

Save and except for this, the Company is not aware of any other significant proceedings instituted against the Company.

PROSPECTS

2013 was a successful year for the Group. Not only did we achieve a stronger performance growth in the traditional water supply business, we have also successfully entered a new energy industry, waste-to-energy. The achievements have laid a sound foundation for the future development of the Company.

The management formulated a 3-year development plan for the Company at the end of 2011:

2012 **Clean-up and rectification, laying a firm foundation, strengthening management, preserving profits**

2013 **Expanding business and coverage, increasing profitability, maintaining growth**

2014 **Innovative development, economies of scale, enhancing the brand image, sustainability**

While we continued to clear up long-standing problems left by the Company in 2013, we also needed to ensure satisfactory growth in the Company's performance. We are proud to say that we perfectly attained this goal of performance growth.

Yingtan Water has always been an outstanding member of the Group, which successfully completed the adjustment of the water tariffs and put it into practice in 2013. The Company achieved excellent performance on its waterworks business. Apart from the investment in waterworks, the Company is also accomplished in investments in other aspects, such as property development and small amount guaranteed loans which have yielded generous return.

Danzhou Qingyuan Water Industry Company Limited* ("**Danzhou Qingyuan**") had been a burden to the Group. Due to historical debts, Danzhou Qingyuan was once insolvent and on the verge of bankruptcy. Through our efforts, debts have been successfully restructured and all bank loans have been settled. Radical changes took place in Danzhou Qingyuan. In 2013, the Company was renamed Danzhou City Water Company and completed the adjustment of the price of running water. It has now become one of the outstanding members of the Group and will have a better performance in the future.

According to the requirements for expansion in business and coverage, we have been seeking new projects actively. After repeated verifications, the Group has decided that the integrated treatment of power generation from garbage landfill gas and urban refuse would be the next major investment made by the Company. The official acquisition of the waste-to-power project of Nanjing Feng Shang in 2013 marked the start of the Group's business in the field of solid waste treatment.

In 2013, the Group established the headquarters in Nanjing and incorporated a foreign-invested company named Greenspring. The Company will be the major investment of the new energy company of the Group in the future and will carry out resources integration in respect of the landfill gas industry with the aim of expanding and consolidating the Company.

Greenspring has already signed a contract for the acquisition of 88% equity interest of Shenzhen Li Sai. In 2014, we will utilize garbage resources in Shenzhen Xia Ping Landfill by collecting garbage landfill gas in order to produce compressed natural gas for vehicles or units which make use of natural gas.

Changsha garbage landfill gas project will be a major project of the Group. Changsha Heimifeng Garbage Landfill is the only garbage landfill in Changsha. Refuse being dumped amounts to over 5,000 tons each day. The Group will cooperate with Hunan Huiming in maintaining the existing 10MW of generating capacity while launching the compressed natural gas project. It is hoped that the cooperation will bring good performance in 2014.

Regarding the integrated utilization of garbage resources, we also signed a contract for the acquisition of the Hunan Zhuzhou and Liuyang waste-to-power and natural gas projects. The Group will continue to merge and acquire or invest in new waste-to-power or compressed natural gas projects. Our goal is to become the leading enterprise in terms of integrated utilization of garbage resources within two years.

Landfill gas, which can generate power with zero emission, is a renewable and recyclable resource beneficial to both the nation and its people and received great support from the nation. Following the launch of the domestic carbon emission trading, the revenue from waste-to-power would increase further and further. Therefore, it is likely that waste-to-power will become the new profit growth point of the Group. Our plan is that in 2014 the profit from waste-to-power would be able to account for 40% of the total profit of the Company and 65% in 2015.

In 2014, subsidiaries of the Group, including Yichun Water and Yichun Fangke Sewage Treatment Company Limited*, may adjust the water tariffs. There shall be continued growth in the Group's water supply and sewage water treatment business.

Currently Jinan Hongquan and Dang Shan Water Industry Company Limited*, which have sustained loss over a long period of time, is still a burden to the Group. Due to long-standing problems, it is very difficult to operate them. We have reached a consensus with the Government which is willing to make an acquisition. The issue is under negotiation. Nonetheless, we have not yet reached any agreement with the Government. We expect that the Government would complete the acquisition in the first half of 2014. If this acquisition could be completed, the Group's high-quality assets would increase and the operation would be better.

In 2014, our mission is to achieve greater economies of scale and to expand the scale of the integrated utilization of garbage resources through resources integration, mergers and acquisitions as well as cooperation in order to ensure that every project is profitable and that every project will bring continued growth.

“Smog” is the major concern in China in 2013 and the key word which is the most frequently mentioned by Chinese. The Report on the Work of the Government delivered by Premier Li Keqiang introduces eight measures regarding environmental work and proposes more supporting measures in terms of new energies. These measures will offer the Group more opportunities for our future development and have enhanced our confidence in the investments in environmentally friendly projects and new energies and the relevant development. Therefore, the Group has a new vision, “a clearer sky, a greener city and cleaner water”.

PURCHASES, REDEMPTIONS OR SALES OF COMPANY’S LISTED SECURITIES

There were no purchases, redemptions or sales of the Company’s listed securities by the Company or any of its subsidiaries during the year.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

CORPORATE GOVERNANCE

The board 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.

During the year, in accordance with the new amendments of the Listing Rules, the Board adopted the Board Diversity Policy with a view to achieving a sustainable and balanced development. The Board believed that the Company has complied with the code provisions of Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the year ended 31st December 2013, except for deviations from the CG Code A.2.1, A.4.1 and A.6.7 as below:

- Pursuant to the Code Provision of A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer (the “**CEO**”) of the Company should be separate and should not be performed by the same individual. On 19 July 2012, Mr. Wang De Yin (“**Mr. Wang**”), currently is the Chairman of the Company, was appointed as a CEO. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Wang, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group’s business strategies and maximizes the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

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

- Pursuant to code provision A.6.7 of the CG Code, the independent non-executive Directors and other non-executive Directors should attend general meetings. At the AGM of the Company held on 29 May 2013 ("**2013 AGM**"), save as Mr. Guo Chao Tian, an independent non-executive Director who was unable to attend due to his business engagement in China, all Directors of the Company had attended the 2013 AGM, at which the Directors had communicated with and developed a balanced understanding of the views of the Shareholder

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

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risk is minimal as most of the Group's subsidiaries operate in the PRC and most of the transactions, assets and liabilities are denominated in Renminbi. Accordingly, the Group does not have derivative financial instruments to hedge its foreign currency risks.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group has the capital commitments contracted but not provided for acquisition of land approximately HK$52.8 million (2012: nil), and acquisition of property, plant and equipment approximately HK$83.8 million (2012: HK$5.70 million).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: Nil).

PLEDGE OF ASSETS

The Group's bank loans and other loans of HK$75.19 million in total as at 31 December 2013 (2012: HK$86.65 million) were secured by:

i. Charges over property, plant and equipment in which their carrying amount was HK$1.03 million (2012: HK$2.15 million);

ii. Charges over prepaid lease payments in relation to land use right in which their aggregate carrying amount was HK$nil (2012: HK$10.42 million); and

iii. Charges over concession intangible assets in relation to exclusive operating rights for provision of water supply and sewage treatment service to the public users in which their aggregate carrying amount was HK$nil (2012: HK$18.44 million).

EMPLOYEES

As at 31 December 2013, excluding jointly controlled entities and associates, the Group had 1,138 (2012: 1008) employees, of which 9 (2012: 13) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$88.93 million (2012: HK$46.54 million). The increase was mainly due to the fact that the number of the Group's employees has increased and their salary together with related benefits have risen. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages are normally reviewed as an annual basis by the Remuneration Committee. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2013.

NO MATERIAL CHANGE

Save as disclosed above, during the year ended 31 December 2013, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2012.

AUDIT COMMITTEE

The Audit Committee of the Company was established since 29 June 2005 with written terms of reference. The Audit Committee comprises 3 independent non-executive Directors, namely Mr. Wong Siu Keung, Joe ("**Mr. Wong**") (Committee Chairman), Mr. Li Jian Jun and Mr. Guo Chao Tian. Mr. Wong is certified public accountants. The Audit Committee acts as an important link between the Board and the Company's auditors in matter within the scope of the group audit. The duties of Audit Committee are to review the Group's interim and annual reports and accounts, to oversight the internal control system and to provide advices to the Board. The Committee discusses regularly with the management and the external auditors on the accounting principles and practices adopted by the Group. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the final results of the Group for the year ended 31 December 2013. The Company has received from each of the independent non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee since 29 June 2005 with written terms of reference. The members of Remuneration Committee comprised Mr. Wong Siu Keung, Joe (independent non-executive Director) who acts as Committee Chairman, Mr. Li Jian Jun (independent non-executive Director) and Mr. Liu Feng (executive Director). The Remuneration Committee is mainly responsible for making recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management and ensuring the remuneration offered is appropriate for the duties in line with market practice.

NOMINATION COMMITTEE

The Nomination Committee was established on 19 January 2012 with written term of reference and comprising a majority of independent non-executive Directors. The Nomination Committee currently comprises an executive Director, namely Mr. Wang De Yin (Committee Chairman), two independent non-executive Directors, namely Mr. Wong Siu Keung, Joe and Mr. Li Jian Jun. The Nomination Committee is mainly responsible for reviewing the Board composition, advising the Board on the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

INVESTMENT COMMITTEE

The Investment Committee of the Company was established since 18 December 2008 with written terms of reference. The Committee members currently consist of three executive Directors, namely Mr. Wang De Yin (Committee Chairman), Mr. Lin Yue Hui, Mr. Liu Feng and two Deputy General Managers, namely Mr. Tang Hui Ping and Mr. Liu Hui Quan. The role of Investment Committee is to oversee the Company's strategic and investment policy on a regular basis and to advise the Board on the investment of the Company including asset allocation and new investment proposal.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.chinawaterind.com). The annual report will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By Order Of The Board
China Water Industry Group Limited
Wang De Yin
Chairman and Chief Executive Officer

Hong Kong, 27 March 2014

As at the date of this announcement, the Board comprises Mr. Wang De Yin, Mr. Liu Feng, Mr. Lin Yue Hui, Ms. Chu Yin Yin, Georgiana and Ms. Deng Xiao Ting, all being executive Directors, and Mr. Guo Chao Tian, Mr. Li Jian Jun and Mr. Wong Siu Keung, Joe, all being independent non-executive Directors.

* *for identification purpose only*