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

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

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Change
	HK$'000	*HK$'000*	*%*
	(Unaudited)	(Audited)	
Financial Result			
Revenue	**1,189,201**	1,008,002	17.98%
Gross Profit	**497,152**	404,156	23.01%
Profit for the year	**178,726**	65,582	172.52%
Profit attributable to owners of the Company	**115,617**	6,646	1,639.65%
Earnings per share (HK cents) – Basic and diluted	**7.24**	0.42	1,623.81%
EBITDA *(Note)*	**488,904**	303,241	61.23%

	2019	2018	Change
	HK$'000	*HK$'000*	*%*
Financial Position			
Net asset value	**1,896,397**	1,762,410	7.60%
Equity attributable to owners of the Company	**1,284,897**	1,219,396	5.37%
Equity attributable to owners of the Company per share (HK$)	**0.80**	0.76	5.26%

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

The board (the "**Board**") of Directors (the "**Directors**") of China Water Industry Group Limited (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 together with the audited comparative figures for the year ended 31 December 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Note	**2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Audited) (Restated)
Revenue	*3*	**1,189,201**	1,008,002
Cost of sales		**(692,049)**	(603,846)
Gross profit		**497,152**	404,156
Other operating income and expenses		**87,779**	69,854
Reversal of impairment loss recognised on trade and other receivables		**3,077**	–
Gain on disposal of associates		**110,847**	–
Gain on disposal of subsidiaries		**692**	–
Selling and distribution expenses		**(51,372)**	(40,325)
Administrative expenses		**(270,260)**	(237,013)
Finance costs	*5*	**(68,757)**	(47,559)
Change in fair value of investment properties		**5,216**	12,476
Net loss on financial assets at fair value through profit or loss		**(39,573)**	(26,778)
Impairment loss recognised on:			
property, plant and equipment		**(4,035)**	(4,950)
goodwill		**(1,351)**	(8,587)
other intangible assets		**(4,861)**	(10,093)
trade and other receivables		**(14,416)**	(6,513)
right-of-use assets		**(1,588)**	–
Share of profits of associates		**2,181**	2,689
Share of loss of joint ventures		**(2,717)**	(124)
Profit before taxation		**248,014**	107,233
Income tax	*6*	**(69,288)**	(41,651)
Profit for the year		**178,726**	65,582
Attributable to:			
Owners of the Company		**115,617**	6,646
Non-controlling interests		**63,109**	58,936
		178,726	65,582
Earnings per share (HK cents):	*9*		
Basic		**7.24**	0.42
Diluted		**7.24**	0.42

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Profit for the year		**178,726**	65,582
Other comprehensive (loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations			
Exchange difference arising during the year		**(30,866)**	(99,250)
		(30,866)	(99,250)
Financial assets at fair value through other comprehensive income:			
Net loss arising on revaluation of financial assets at fair value through other comprehensive income during the year		**(21,761)**	(10,508)
Share of other comprehensive loss of associates		**(704)**	(4,955)
Share of other comprehensive loss of a joint venture		**(375)**	(479)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of investment properties upon transfer from property, plant and equipment		**13,531**	11,115
Deferred tax liability arising on gain on revaluation of investment properties		**(3,383)**	(2,779)
		10,148	8,336
Other comprehensive loss for the year, net of income tax		**(43,558)**	(106,856)
Total comprehensive income/(loss) for the year		**135,168**	(41,274)
Attributable to:			
Owners of the Company		**65,501**	(86,003)
Non-controlling interests		**69,667**	44,729
		135,168	(41,274)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019** **HK$'000** **(Unaudited)**	2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**632,020**	907,612
Deposits paid for acquisition of property, plant and equipment		**6,506**	16,806
Deposits paid for acquisition of subsidiaries		**–**	3,416
Deposits paid for acquisition of right-of-use assets		**82,606**	–
Right-of-use assets		**516,226**	–
Prepaid lease payments		**–**	169,861
Operating concessions		**763,285**	636,312
Receivables under service concession arrangements		**19,218**	23,290
Investment properties		**89,114**	73,348
Other non-current assets		**–**	19,753
Other intangible assets		**224,280**	247,920
Financial assets at fair value through other comprehensive income		**9,193**	54,583
Interests in associates		**7,116**	6,133
Interests in joint ventures		**14,588**	11,721
Deferred tax assets		**8,574**	9,173
Deposit and prepayments	*10*	**59,000**	2,277
		2,431,726	2,182,205
Current assets			
Inventories		**636,239**	187,568
Receivables under service concession arrangements		**3,616**	4,158
Financial assets at fair value through profit or loss		**51,435**	84,015
Trade and other receivables	*10*	**1,130,014**	625,844
Prepaid lease payments		**–**	4,191
Contract assets		**52,240**	15,490
Cash held by financial institutions		**6,792**	2,371
Bank balances and cash		**404,593**	403,045
Amount due from joint ventures		**15,896**	228
		2,300,825	1,326,910
Assets held for sale		**27,178**	51,597
		2,328,003	1,378,507

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Current liabilities			
Overdraft held at financial institutions		**20,479**	55,550
Trade and other payables	*11*	**571,950**	285,374
Contract liabilities		**951,731**	309,371
Bank borrowings		**45,242**	55,362
Other loans		**167,029**	40,319
Lease liabilities		**122,624**	–
Obligations under finance leases		**–**	91,500
Amounts due to non-controlling shareholders of subsidiaries		**17,433**	695
Deposit received from disposal of associates		**–**	86,352
Amount due to associates		**–**	2,070
Deposit received from disposal of a subsidiary		**–**	5,693
Tax payables		**33,061**	20,508
		1,929,549	952,794
Liabilities directly associated with the assets held for sale		**–**	2,985
		1,929,549	955,779
Net current assets		**398,454**	422,728
Total assets less current liabilities		**2,830,180**	2,604,933
Capital and reserves			
Share capital		**798,270**	798,270
Share premium and reserves		**486,627**	421,126
Equity attributable to owners of the Company		**1,284,897**	1,219,396
Non-controlling interests		**611,500**	543,014
TOTAL EQUITY		**1,896,397**	1,762,410
Non-current liabilities			
Other payables	*11*	**13,097**	11,991
Bank borrowings		**79,040**	57,915
Other loans		**572,529**	544,725
Lease liabilities		**149,719**	–
Obligations under finance leases		**–**	117,167
Government grants		**28,243**	30,721
Deferred tax liabilities		**91,155**	80,004
		933,783	842,523
		2,830,180	2,604,933

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**"). Its principal place of business is located at Room 1207, 12th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000* (Unaudited)
Operating lease commitments at 31 December 2018	21,802
Less: Commitments relating to leases exempt from capitalisation: – short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,829)
	19,973
Less: total future interest expenses	(1,486)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	18,487
Add: obligation under finance lease recognised as at 31 December 2018	208,667
Total lease liabilities recognised at 1 January 2019	227,154

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease**	**Reclassification**	**Carrying amount at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Right-of-use assets	–	18,487	403,730	422,217
Property, plant and equipment	907,612	–	(229,678)	677,934
Prepaid lease payment (non-current)	169,861	–	(169,861)	–
Total non-current assets	2,182,205	18,487	4,191	2,204,883
Prepaid lease payment (current)	4,191	–	(4,191)	–
Total current assets	1,378,507	–	(4,191)	1,374,316
Lease liabilities (current)	–	(7,019)	(91,500)	(98,519)
Obligations under finance lease	(91,500)	–	91,500	–
Current liabilities	(955,779)	(7,019)	–	(962,798)
Net current assets	422,728	(7,019)	(4,191)	411,518
Total assets less current liabilities	2,604,933	11,468	–	2,616,401
Lease liabilities (non-current)	–	(11,468)	(117,167)	(128,635)
Obligations under finance lease	(117,167)	–	117,167	–
Total non-current liabilities	(842,523)	(11,468)	–	(853,991)
Net assets	1,762,410	–	–	1,762,410

3. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated by major products or service lines:		
Water supply services	**174,157**	162,595
Sewage treatment services	**49,731**	47,771
Water supply related installation and construction income	**285,474**	242,719
Water supply and sewage treatment infrastructure construction income	**171,525**	63,757
Sale of electricity	**443,087**	386,774
Sale of compressed natural gas	**28,327**	19,520
Service income from collection of landfill gas	**31,501**	27,030
Sale of properties	**5,399**	57,836
	1,189,201	1,008,002

Sales of electricity to provincial power grid companies included tariff adjustment received and receivable from the relevant government authorities.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 4.

4. SEGMENT REPORTING

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

During the year ended 31 December 2019, the Board of the Company has reassessed the Group's operations and measurement of financial performance assessment and identified property investment and development as a separate and reportable segment of the Group. Comparative figures have been adjusted to conform to the current year's segment of the Group. Comparative figures have been adjusted to conform to the current year's segment presentation.

The Group has identified the following reportable segments:

(i) "Provision of water supply, sewage treatment and construction services" segment, which derives revenues primarily from the provision of water supply and sewage treatment operations and related construction services; and

(ii) "Exploitation and sale of renewable energy" segment, which derives revenues primarily from sale of electricity and compressed natural gas from biogas power plants.

(iii) "Property investment and development" segment, which derives revenues primarily from sale of commercial and residential units.

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

Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition as well as information regarding the Group's reportable and operating segments, are set out below.

For the year ended 31 December 2019

	Provision of water supply, sewage treatment and construction services *HK$'000* (Unaudited)	Exploitation and sale of renewable energy *HK$'000* (Unaudited)	Property investment and development *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	**223,889**	**502,915**	**5,399**	**732,203**
Over time	**456,998**	**–**	**–**	**456,998**
Reportable segment revenue	**680,887**	**502,915**	**5,399**	**1,189,201**
Reportable segment profit	**187,512**	**164,592**	**(25,700)**	**326,404**
Unallocated corporate expenses				**(126,836)**
Interest income				**10,805**
Interest on overdraft held at financial institutions				**(3,148)**
Interest on fixed coupon bonds				**(31,177)**
Net loss on financial assets at fair value through profit or loss				**(39,573)**
Gain on disposal of associates				**110,847**
Gain on disposal of subsidiaries				**692**
Profit before taxation				**248,014**

For the year ended 31 December 2018

	Provision of water supply, sewage treatment and construction services *HK$'000* (Audited)	Exploitation and sale of renewable energy *HK$'000* (Audited)	Property investment and development *HK$'000* (Audited)	Total *HK$'000* (Audited)
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	232,244	433,324	57,836	723,404
Over time	284,598	–	–	284,598
Reportable segment revenue	516,842	433,324	57,836	1,008,002
Reportable segment profit	130,532	107,738	(11,454)	226,816
Unallocated corporate expenses				(72,482)
Interest income				21,696
Interest on overdraft held at financial institutions				(4,256)
Interest on fixed coupon bonds				(37,763)
Net loss on financial assets at fair value through profit or loss				(26,778)
Profit before taxation				107,233

Other segment information

For the year ended 31 December 2019

	Provision of water supply sewage treatment and construction services *HK$'000* (Unaudited)	Exploitation and sale of renewable energy *HK$'000* (Unaudited)	Property investment and development *HK$'000* (Unaudited)	Corporate *HK$'000* (Unaudited)	Unallocated *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Interest income	**3,805**	**100**	**321**	**10,805**	**–**	**15,031**
Interest expenses	**(3,453)**	**(17,850)**	**(38)**	**(47,416)**	**–**	**(68,757)**
Share of profit/(loss) of associates	**3,078**	**(630)**	**–**	**(267)**	**–**	**2,181**
Share of loss of joint venture	**(473)**	**–**	**(1,871)**	**(373)**	**–**	**(2,717)**
Depreciation of:					**–**	
– Property, plant and equipment	**(4,385)**	**(44,212)**	**(539)**	**(4,759)**	**–**	**(53,895)**
– Right-of-use assets	**(1,215)**	**(30,584)**	**(2,899)**	**(7,295)**	**–**	**(41,993)**
Amortisation of:					**–**	
– Concession intangible assets	**(34,486)**	**(14,435)**	**–**	**–**	**–**	**(48,921)**
– Other intangible assets	**–**	**(27,324)**	**–**	**–**	**–**	**(27,324)**
Gain/(loss) on disposal of property, plant and equipment and prepaid lease payments	**3,208**	**(2,632)**	**–**	**196**	**–**	**772**
Gain on disposal of:						
– Associates	**–**	**–**	**–**	**110,847**	**–**	**110,847**
– Subsidiaries	**–**	**–**	**–**	**692**	**–**	**692**
Loss on disposal of concession intangible assets	**(2,350)**	**–**	**–**	**–**	**–**	**(2,350)**
Impairment loss recognised on:						
– Property, plant and equipment	**–**	**(4,035)**	**–**	**–**	**–**	**(4,035)**
– Goodwill	**–**	**(1,351)**	**–**	**–**	**–**	**(1,351)**
– Other intangible assets	**–**	**(4,861)**	**–**	**–**	**–**	**(4,861)**
– Trade and other receivables	**(2,296)**	**(1,453)**	**(124)**	**(10,543)**	**–**	**(14,416)**
– Right-of-use assets	**(1,588)**	**–**	**–**	**–**	**–**	**(1,588)**
Reportable segment assets	**1,753,892**	**1,497,042**	**1,106,719**	**393,502**	**8,574**	**4,759,729**
Additions to non-current assets	**213,540**	**129,554**	**78,471**	**794**	**–**	**422,359**
Reportable segment liabilities	**(1,349,792)**	**(526,110)**	**(283,441)**	**(654,300)**	**(49,689)**	**(2,863,332)**

For the year ended 31 December 2018

	Provision of water supply sewage treatment and construction services *HK$'000* (Audited)	Exploitation and sale of renewable energy *HK$'000* (Audited)	Property investment and development *HK$'000* (Audited)	Corporate *HK$'000* (Audited)	Unallocated *HK$'000* (Audited)	Total *HK$'000* (Audited)
Interest income	3,294	116	48	21,648	–	25,106
Interest expenses	(1,389)	(8,407)	–	(37,763)	–	(47,559)
Share of profit/(loss) of associates	2,719	(30)	–	–	–	2,689
Share of loss of joint venture	(124)	–	–	–	–	(124)
Depreciation of:						
– Property, plant and equipment	(4,333)	(60,443)	(47)	(5,562)	(3,544)	(73,929)
– Right-of-use assets	–	–	–	–	–	–
Amortisation of:						
– Prepaid lease payments	(1,133)	(22)	(1,477)	(630)	–	(3,262)
– Concession intangible assets	(26,238)	(13,313)	–	–	–	(39,551)
– Other intangible assets	–	(31,707)	–	–	–	(31,707)
Gain/(loss) on disposal of property, plant and equipment and prepaid lease payments	(119)	(322)	–	(45)	–	(486)
Loss on disposal of concession intangible assets	(17)	(731)	–	–	–	(748)
Impairment loss recognised on:						
– Property, plant and equipment	–	(4,950)	–	–	–	(4,950)
– Goodwill	–	(8,587)	–	–	–	(8,587)
– Other intangible assets	–	(10,093)	–	–	–	(10,093)
– Trade and other receivables	(1,498)	(3,580)	–	(1,435)	–	(6,513)
Reportable segment assets	1,004,654	1,425,340	398,947	604,592	127,179	3,560,712
Additions to non-current assets	76,070	336,915	84,897	113,609	2,277	613,768
Reportable segment liabilities	(508,540)	(608,936)	(50,391)	(341,299)	(289,136)	(1,798,302)

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and other unallocated corporate assets. Segment liabilities include all current liabilities and non-current liabilities with the exception of overdraft held at financial institutions and other unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2018: nil).

The measure used for reporting segment profit is "adjusted profit before tax". To arrive at adjusted profit before tax the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as interest on overdraft held at financial institutions, change in fair value of financial assets at fair value through profit or loss, net loss on disposal of investments, directors' and auditors' remuneration and other head office or corporate administration costs.

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

For the years ended 31 December 2019 and 2018, the Group does not have any single significant customer with the transaction value of 10% or more of the revenue.

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest on:		
– bank borrowings	**7,508**	6,230
– other loans	**61,488**	45,794
– overdraft held at financial institutions	**4,347**	4,258
– lease liabilities	**21,413**	–
Finance charges on obligations under finance leases	**–**	10,034
Total borrowing cost	**94,756**	66,316
Less: interest capitalised included in construction in progress	**(25,999)**	(18,757)
	68,757	47,559

Included in construction-in-progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of HK$25,999,000 (2018: HK$18,757,000) at the capitalisation rate of 9.21% (2018: 7.63%) per annum.

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax – Hong Kong Profits Tax		
– Provision for the year	**–**	–
Current tax – PRC Enterprise Income Tax ("**EIT**")		
– Provision for the year	**67,189**	45,930
– Over provision in respect of prior years	**(3,058)**	(1,247)
Deferred tax	**5,157**	(3,032)
	69,288	41,651

No provision for Hong Kong profit tax has been made for the years ended 31 December 2018 and 2019 as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profit tax for these 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% on the estimated assessable profits for both years, except disclosed as follows.

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

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Staff costs excluding directors' and chief executive's emoluments		
– Salaries, wages and other benefits	**198,006**	173,547
– Retirement benefits scheme contributions	**19,228**	16,870
Total staff costs	**217,234**	190,417
Amortisation of:		
– Prepaid lease payments	**–**	3,262
– Concession intangible assets	**48,921**	39,551
– Other intangible assets	**27,324**	31,707
Depreciation charge		
– owned property, plant and equipment	**53,895**	73,929
– right-of-use assets	**41,993**	–
Total minimum lease payments for lease previously classified as operating leases under HKAS 17	**–**	8,990
Lease payments not included in the measurement of lease liabilities	**1,804**	–
(Gain)/loss on disposal of property, plant and equipment and prepaid lease payment	**(772)**	486
Loss on disposal of concession intangible assets	**2,350**	748
Auditors' remuneration		
– audit services	**2,800**	3,475
– other services	**120**	924
Cost of inventories sold	**191,741**	178,941
Gross rental income from investment properties less direct outgoings of approximately HK$1,013,000 (2018: HK$637,000)	**3,583**	3,924

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

9. 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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit attributable to the owners of the Company, used in the basic and diluted earnings per share	**115,617**	6,646
	No. of shares	No. of shares
	'000	*'000*
Weighted average number of ordinary shares – basic and diluted	**1,596,540**	1,596,540
Earnings per share (HK cents):		
Basic	**7.24**	0.42
Diluted	**7.24**	0.42

For the year ended 31 December 2019 and 2018, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**474,394**	189,870
Less: Loss allowances	**(4,764)**	(3,651)
	469,630	186,219
Other receivables	**122,557**	116,643
Less: Loss allowances	**(10,862)**	(7,886)
	111,695	108,757
Loan receivables	**243,395**	133,424
Less: Loss allowances	**(63,262)**	(56,279)
	180,133	77,145
Deposits and prepayments	**427,556**	256,000
	1,189,014	628,121
Amounts due within one year included under current assets	**1,130,014**	625,844
Amounts due after one year included under non-current assets	**59,000**	2,277
	1,189,014	628,121

Trade receivables

The Group allows an average credit period of 0 day to 180 days to its customers.

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**132,932**	143,374
91 to 180 days	**195,387**	23,181
181 to 365 days	**51,238**	11,166
Over 1 year	**90,073**	8,498
	469,630	186,219

11. TRADE AND OTHER PAYABLES

	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Trade payables	**186,109**	101,222
Property sales received in advance	**1,207**	–
Construction payables	**129,112**	69,001
Interest payables	**14,312**	14,016
Accrued expenses	**62,484**	27,004
Guarantee deposits from a subcontractor	**19,006**	2,276
Sewage treatment fees received on behalf of certain government authorities	**4,936**	1,231
Other payables	**167,881**	82,615
	585,047	297,365
Amounts due within one year included under current liabilities	**571,950**	285,374
Amounts due after one year included under non-current liabilities	**13,097**	11,991
	585,047	297,365

The ageing analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Within 30 days	**32,780**	22,728
31 to 90 days	**72,565**	39,988
91 to 180 days	**21,570**	16,727
181 to 365 days	**24,014**	10,985
Over 1 year	**35,180**	10,794
	186,109	101,222

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the time frame agreed with the respective suppliers.

12. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
– Acquisition of concession intangible assets, property, plant and equipment *(note)*	**14,125**	337,929
– Investment in an associate	**–**	2,220
	14,125	340,149

13. LITIGATIONS AND ARBITRATION

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

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("**Swift Surplus**") (collectively as the "**Lenders**") entered into repayment agreements (the "**Repayment Agreements**") with the Sihui Sewage Treatment Co. Ltd.* (四會市城市污水處理有限公司) and Top Vision Management Limited ("**Top Vision**") (collectively as the "**Borrowers**") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58.43 million together with interest accrued thereon (the "**Loan Receivables**"). HK$5 million of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK$5 million of the Loan Receivables. However, the remaining Loan Receivables of HK$53.43 million (the "**Remaining Loan Receivables**") plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK$18.03 million of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the "**Partial Payment of the Remaining Loan Receivables**"). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK$35.40 million of the Remaining Loan Receivables and underlying interests (the "**Outstanding Balance**"). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the "**Writ**") to the High Court of Hong Kong Special Administrative Region (the "**High Court**") to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the "**Final Judgment**"). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited ("**Galaxaco**") to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional of liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the "**Appointment**") pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco ("**Creditors**"). On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators ("**Liquidators**"). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

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

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. On 29 March 2019, HKIAC has appointed a sole arbitrator for this arbitration proceedings.

On 6 March 2018, Liquidators informed Creditors that Top Vision sold its entire shareholding in Top Vision Huizhou to Tai Heng Construction Holding Ltd. ("**Tai Heng**") without payment of purchase consideration of RMB1 million. The Liquidator obtained a judgement from the High Court under the action of HCA 2448/2017 on 7 January 2019 against Tai Heng in favour of Top Vision, under which Tai Heng should repay approximately HK$3.90 million being principal and interest, and the Court further awarded judgement interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the "**Judgement Debts**"). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue statutory demand against Tai Heng. If Tai Heng fail to reply, the Liquidators may further pursue winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as "**Evidence**") to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company will apply to the Tribunal to arrange the arbitral hearing. Up to the date of this announcement, the arbitration proceeding is in the process and no substantial assets have yet been preserved or recovered. As at 31 December 2018 and 31 December 2019, the loan receivables from Top Vision of HK$43.60 million were fully impaired.

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the Loan Receivables has been provided. It is unlikely that there will be a material adverse financial impact of the Group.

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

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

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

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

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

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

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the "**Guarantors**") entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the "**Settlement Agreement**"). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, Kunming Court adjudged Yunnan Chaoyue Gas and the related parties to pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests together with the relevant arbitration fees within 10 days from the date of this award. Up to the date of this announcement, Yunnan Chaoyue Gas has not settled the outstanding debts according to the aforesaid Court's award. Except for this, there was no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net profit for the year

Net profit for the year ended 31 December 2019 (the "**FY2019**") was HK$178.73 million, representing a year-on-year increase of 172.52% over HK$65.58 million for the year ended 31 December 2018 (the "**FY2018**"). Profit attributable to owners of the Company for the FY2019 was HK$115.62 million (FY2018: HK$6.65 million), a substantial increase of HK$108.97 million primarily due to more profit generated from renewable energy projects and gain on disposal of associates. Basic profit per share from operations for the FY2019 was at HK7.24 cents when compared with basic profit per share of HK0.42 cents recorded for the FY2018.

Revenue and gross profit

The Group's total revenue generated from operations increased by 17.98% from HK$1,008.01 million for the FY2018 to HK$1,189.20 million for FY2019. The increase was mainly due to the steady progress of a number of projects under construction couple with the aggregate volume of on-grid electricity of projects in operation continued to rise, contributing to a significant increase in revenue from the operation services.

During the year under review, the renewable energy business segment become the principal source of the Group's revenue which contributed HK$502.92 million (FY2018: HK$433.32 million). Construction services business segment became the second largest revenue generator of the Group which achieved a revenue of HK$456.99 million (FY2018: HK$306.48 million).

The Group's gross profit in 2019 was HK$497.15 million, up by 23.01% compared to HK$404.16 million in 2018. The overall gross profit margin for the FY2019 was a slightly increase of 1.72% in gross profit ratio to 41.81% (FY2018: 40.09%), primarily due to the enhanced gross profit margins of the renewable energy business.

Other operating income and expenses

For the FY2019, other operating income and expenses amounted to HK$87.78 million, (FY2018: HK$69.85 million) rose by HK$17.93 million. Included in the other operating income was primarily of interest income of HK$15.03 million, project management income of HK$28.16 million relating to building construction, government grants of HK$10.04 million to subsidise certain renewable energy and waste treatment projects in the PRC, VAT refund of HK$17.26 million and rental income of HK$4.60 million from investment properties. The increase was mainly due to the provision of management service to building construction projects during the year.

Selling and distribution expenses and administrative expenses

For the FY2019, selling and distribution expenses together with administrative expenses ("**Total Expenses**") collectively increased by HK$44.29 million to HK$321.63 million (FY2018: HK$277.34 million). The rise was primarily attributable to the acquisition and establishment of new companies for the business of renewable energy and property development in the PRC which caused the increment of staff costs and associated operating expenses. Total Expenses mainly consisted of staff costs of HK$164.12 million, legal and professional fee of HK$12.94 million, repair and maintenance of HK$14.69 million and depreciation of HK$21.29 million. The ratio of Total Expenses for the FY 2019 represented 27.05% of revenue, dropped by approximately 2.14% from 29.19% for the FY2018.

Finance costs

Finance costs are mainly interests on fixed coupon bonds. For the FY2019, the finance costs were HK$68.76 million (FY2018: HK$47.56 million), an increase of HK$21.20 million as compared to that of last year. The increase was mainly due to the increase of other loan and lease liabilities over last year.

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

Included in net loss on financial assets at fair value through profit or loss ("**FVPL**") comprised (i) HK$16.03 million for the fair value loss on listed equity securities; and (ii) HK$23.54 million for the loss on disposal of listed equity securities. For the FY2019, net loss on FVPL recorded HK$39.57 million, an increase of HK$12.79 million from the loss of HK$26.78 million for the FY2018. The change in fair value on securities trading is determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

For the FY2019, the impairment loss on other intangible assets, goodwill and PPE recorded HK$4.86 million (FY2018: HK$10.09 million), HK$1.35 million (FY2018: HK$8.59 million) and HK$4.04 million (FY2018: HK$4.95 million) respectively, which were provided for Nanjing Feng Sheng New Technology Limited Liability Company* (南京豐尚新能源科技有限公司) ("**Nanjing Feng Sheng**") and Shangdong Qiyao New Energy Company Limited* (山東齊耀新能源有限公司) ("**Shangdong Qiyao**"). Nanjing Jiaozishan Project and Shangdong Qiyao Project are operated by Nanjing Feng Sheng and Shangdong Qiyao respectively. The reasons of impairment loss provided due to reduce new garbage delivered to the landfill sites which caused the volume of landfill gas collected and the electricity generated less than expected resulting in the recoverable amounts less than the carrying amount of both projects.

Impairment loss recognised on trade and other receivable

For the FY2019, the impairment loss on trade and other receivable recorded HK$14.42 million (FY2018: HK$6.51 million). The Group applies HKFRS9 simplified approach to measure the expected credit loss ("**ECL**"), which permits the use of lifetime expected loss provision for all trade and other receivable. In assessing the ECL of the Group's trade and other receivable including contract assets, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information, credit risk characteristics including forward-looking information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics and business nature. In determining the default risk, factors including but not limited to, the past default history, the duration of the underlying receivables, the existence and valuation of the collaterals, the possibility of adverse change in the debtor's business environment and the debtor's financial position, would be considered.

Gain on disposal of associates

For the FY2019, the Group disposed of 35% equity interest in Jinan Hongquan Water Production Co. Ltd and 30% equity interest in Super Sino Investment Limited ("**Super Sino**"), resulting in a gain on disposals of HK$110.85 million (FY2018: Nil).

Share of results from associates

For the FY2019, the Group shared the profit of HK$2.18 million (FY 2018: HK$2.69 million) which was mainly from the profit of HK$3.08 million from Super Sino. As at 31 December 2019, the Group has three associated companies, including 10% equity interests in Yu Jiang Hui Min Small-Sum Loan Company Limited* (余江惠民小額貸款股份有限公司) ("**Yu Jiang Hui Min**"), 25% equity interests of Yingtan Yuanda Construction Industry Co., Ltd.* (鷹潭市遠大建築工業有限公司) ("**Yingtan Yuanda**") and 49% equity interests of Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (資陽市綠洲新中水環保科技有限公司) ("**Ziyang Oasis**").

Share of results from joint venture companies

For the FY 2019, the Group shared the loss of HK$2.72 million (FY 2018: loss of HK$0.12 million) which was mainly from the loss of HK$1.87 million from Jiangxi Yuehe Real Estate Co., Ltd.* ("**Jiangxi Yuehe**") (江西越和置業有限公司). As at 31 December 2019, the Group has three joint venture companies, including 40% equity interests in Jiangxi Yuehe, 65% equity interest in Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd. * (宜春市明月山方科污水處理有限公司) ("**Yichun Mingyue Mountain**") and 30% sharing interest in the result performance of Shenzhen Ganglong Obstetrics and Gynecology Hospital* – Ophthalmology Project（深圳港龍婦產科醫院－眼科項目）.

Income tax

For the FY2019, the income tax increased by HK$27.64 million to HK$69.29 million in line with the good performance of the Group (FY2018: HK$41.65 million). No provision for Hong Kong Profits Tax has been made in the financial statements for the FY2019 and FY2018 as the Group's operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the year, certain renewable energy companies in PRC are subject to tax concessions under the relevant tax rules and regulation.

Exposure to Fluctuations in Exchange Rates

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

TREASURY MANAGEMENT

For the FY2019, there had been no material change in the Group's funding and treasury policies. The Group generally finances its business operations and capital expenditure with internally generated cash flow, bank facilities and other borrowings mainly from the issuance of bonds. To support medium to long term funding requirements, the Group also considers via accessing to funding from capital markets, subject to market conditions. On the other hand, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. It has been the policy of the Group to maintain adequate liquidity at all times to meet its obligations and commitments as and when they fall due. The Group's financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining substantial long term funding sources, with diversifying term structures and funding instruments. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank and other borrowings, the Group will consider new financing while maintaining an appropriate level of gearing.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the FY2019, the Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Group recorded cash and cash equivalents of HK$390.91 million (FY2018: HK$349.87 million) including cash held at financial institutions of HK$6.79 million (FY2018: HK$2.37 million) and an overdraft held at financial institutions of HK$20.48 million (FY2018: HK$55.55 million). The increase in cash and bank balance of the Group was mainly due to the net cash flow from operating activities. With the steady operating cash flows, the Group should have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HK$ and RMB.

The net current assets for the Group in 2019 were HK$398.45 million (FY2018: HK$422.73 million). The current ratio (current assets over current liabilities) is 1.21 times as at FY2019 (FY2018: 1.44 times).

Net asset value was HK$1,896.40 million (FY2018: HK$1,762.41 million). Net asset value per share was HK$1.19 (FY2018: HK$1.10).

As at FY2019, the Group's consolidated non-current assets increased by HK$249.52 million to HK$2,431.73 million (FY2018: HK$2,182.21 million) was mainly due to the acquisition of land, the reconstruction and expansion plants for sewage treatment projects and the construction of water meter and pipeline for water supply projects which made the operating concession to increase.

INVESTMENT PROPERTIES

For the FY2019, the Group held the following investment properties for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	The Group's interest (%)
1 **Xiabu Centre** Xiabu Water Plant Control Centre No.1 Qilin East Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC	Commercial	15,609.88	Long	96.89%	51%
2 **Yuehu Property** No.8 Shengli West Road, Yuehu District, Yingtan City, Jiangxi Province	Commercial	944.74	Long	86.81%	51%
3 **Yihai International Building** Room C-103, Yihai International Street, 200 meters south of Phoenix Street and Lanting Road, Hedong District, Linyi City, Shandong Province, the PRC	Commercial	151.96	Long	100%	60%
4 **Yichun Properties** No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	100%	51%

For the FY2019, the carrying value of investment properties recorded HK$89.11 million (FY2018: HK$73.35 million) including HK$63.92 million of the Xiabu Centre, HK$1.77 million of Yihai International Building, HK$6.52 million of Yichun Properties and HK$16.90 million of Yuehu Property. The increase was due to the revaluation of fair value of investment properties and addition of a new property of Yuehu Property, bringing in extra rental income. For the FY2019, the gross rental income from investment properties less direct outgoing recorded HK$3.58 million (FY2018: HK$3.92 million) and recognised fair value gain on investment properties of HK$5.22 million (FY2018: HK$12.48 million).

INVENTORIES

As at 31 December 2019, inventories of HK$636.24 million (31 December 2018: HK$187.57 million) mainly comprised of properties held for sale of HK$101.39 million (31 December 2018: HK$102.62 million) and properties under development of HK$485.27 million for the construction of premises for Sanshui Guobinfu in Jiangxi Province and Nanjing Sapce Big Data in Nanjing, Jiangsu Province, the PRC (31 December 2018: HK$42.81 million).

Properties held for sale represented the construction of new commercial and residential buildings by Xiang Rui Property at Yingtan City, Jiangxi Province, the PRC which is entirely owned by Yingtan Water. The properties namely Yu Jing No. 1* (御景壹號) located at No. 8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC has been completed in July 2017 with a total saleable area of 35,370 sq.m., which comprised of 372 residential apartments, 105 retail shops and 131 car parks. The pre-sales of the project had commenced since October 2014. As at 31 December 2019, there were 356 residential apartments and 7 retail shops being sold (31 December 2018: 352 residential apartments and 6 retail shops).

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 31 December 2019, the fair value of securities investments of the Group including held-for-trading investment and held-for-long term investment recorded HK$60.63 million (FY2018: HK$138.60 million) representing 1.27% of the total assets value of HK$4,759.73 million as at FY2019 (FY2018: total assets value of HK$3,560.70 million). The securities investments of the Group comprised listed securities in Hong Kong and investment in fund in PRC. The following analysis was the Group's top 10 investments at the end of reporting period:

	Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 Dec 2019	Effective interest held as at 31 Dec 2019	Initial investment cost *HK$'000*	Market value as at 31 Dec 2019 *HK$'000*	Realised gain/ (loss) for the year ended 31 Dec 2019 *HK$'000*	Accumulated unrealised holding gain/ (loss) on revaluation *HK$'000*	Percentage to total assets value of the Group as at 31 Dec 2019	Classification	Dividend received/ receivable during the year *HK$'000*
1	Aidigong Maternal & Child Health Limited	286	Healthcare investment management businesses, natural health food businesses and advantage growth businesses for children; provision of life healthcare services; investment and financing.	64,526,000	1.68%	52,148	35,489	(195)	(16,659)	0.75%	FVPL	–
2	China Best Group Holding Ltd	370	Manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities	32,210,000	0.63%	5,351	5,862	(7,809)	511	0.12%	FVOCI	–

	Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 Dec 2019	Effective interest held as at 31 Dec 2019	Initial investment cost *HK$'000*	Market value as at 31 Dec 2019 *HK$'000*	Realised gain/ (loss) for the year ended 31 Dec 2019 *HK$'000*	Accumulated unrealised holding gain/ (loss) on revaluation *HK$'000*	Percentage to total assets value of the Group as at 31 Dec 2019	Classification	Dividend received/ receivable during the year *HK$'000*
3	Hong Kong Finance Investment Holding Group Ltd	7	Trading of electronic products, financial business and property investment	2,800,000	0.07%	2,660	2,268	(585)	(392)	0.05%	FVPL	–
4	HK Life Sciences and Technologies Group Ltd ("HK Life Sciences")*	8085	Anti-aging and stem cell technology businesses; trading business; money lending business; and securities investment.	169,100,000	2.97%	11,945	1,691	–	(10,254)	0.04%	FVOCI	–
5	Ms Concept Ltd	8447	Provision of catering services in Hong Kong	28,500,000	2.85%	8,045	1,226	(524)	(6,819)	0.03%	FVPL	596
6	Fy Financial (Shenzhen) Co., Ltd. – H Shares	8452	Financial lesing, provision of factoring and advisory services and the trading of medical equipment in the PRC	1,352,000	1.50%	1,583	1,028	(684)	(556)	0.02%	FVOCI	230
7	Ming Lam Holdings Limited	1106	Manufacturing and sale of packaging products; Securities trading and other investing activities; Tourism and travel business; Money lending business and Storage and logistic service business	44,500,000	0.30%	5,294	979	(3,527)	(4,315)	0.02%	FVPL	–
8	China Tangshang Holdings Limited	674	Exhibition related business, money lending business, food and beverages, property sub-leasing, development and investment business.	3,580,000	0.33%	908	612	(498)	(296)	0.01%	FVOCI	–

	Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 Dec 2019	Effective interest held as at 31 Dec 2019	Initial investment cost *HK$'000*	Market value as at 31 Dec 2019 *HK$'000*	Realised gain/ (loss) for the year ended 31 Dec 2019 *HK$'000*	Accumulated unrealised holding gain/ (loss) on revaluation *HK$'000*	Percentage to total assets value of the Group as at 31 Dec 2019	Classification	Dividend received/ receivable during the year *HK$'000*
9	Hong Kong ChaoShang Group Limited	2322	Engaged in voyage chartering in PRC and Southeast Asia region; Trading of goods in the PRC; loan and factoring financing in Hong Kong and the PRC and Finance leasing	504,000	0.01%	583	252	–	(331)	0.01%	FVPL	–
	Name of unlisted investment		**Brief description of the business**									
10	Guangdong Finance Industry Strategic Fund **		Investment in unlisted equity	N/A	3.45	11,163	11,163	–	–	0.23%	FVPL	–
	Total					99,680	60,570	(13,822)	(39,111)	1.27%	–	826

* HK Life Sciences has been suspended its trading in shares since 5 July 2019. Subsequent to the year-end, the securities of HK Life Sciences were disposed to independent third party at a consideration of HK$1.69 million.

** The English name is for identification purpose only.
粵財信託新興戰略行業股權投資集合資金信託計劃

FVPL: Financial asset at fair value through Profit or loss

FVOCI: Financial asset at fair value through other comprehensive income

The above top 10 securities investments in aggregate of HK$60.57 million represented 99.90% of the total market value of the portfolio investments.

The Board acknowledges that the performance of securities are affected by the negative effect of the US-China trade war and the recent outbreak of coronavirus across different regions, as well as the fluid outlook of interest rates. The Group recorded net loss of HK$39.57 million on FVPL for the year 2019. Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

TRADE AND OTHER RECEIVABLES

As at 31 December 2019, the Group's trade and other receivables were approximately HK$1,189.02 million (31 December 2018: HK$625.84 million). These comprised of: (i) trade receivables of HK$469.63 million, (ii) other receivables of HK$111.70 million, (iii) loan receivables of HK$180.13 million and (iv) deposits and prepayments of HK$427.56 million.

(A) Trade Receivable:

As at 31 December 2019, trade receivables increased by HK$283.41 million to HK$469.63 million which was in line with the increase of revenue. (31 December 2018: HK$186.22 million). The balance mainly included the government on-grid tariff subsidies of HK$248.39 million and electricity sales receivables of HK$33.59 million from local grid companies, representing 60.04% of the trade receivables. The tariff subsidies receivables are settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance of the PRC. There is no due date for settlement. The trade receivables from renewable energy business are fully recoverable considering there were no bad debt experiences with the local grid companies in the past and such tariff subsidies are funded by the PRC government. As the Group considers credit risk for such balances to be insignificant, the expected credit loss is minimal. In respect of the debtor balances due from the water supply and the sewage treatment and related construction service projects, these trade receivables have been grouped based on shared credit risk characteristics and the ageing portfolio to measure the expected credit loss. During the year, the impairment loss recognized on trade receivable recorded HK$1.41 million (FY2018: HK$27,000).

The average turnover period of the trade receivables as at 31 December 2019 were 100 days (31 December 2018: 84 days). The Group allows a credit period of 0 day to 180 days to its customers. The average turnover period of the trade receivables fell within stipulated credit period.

(B) Other receivable

As at 31 December 2019, other receivables increased by HK$2.94 million to HK$111.70 million (31 December 2018: HK$108.76 million) primarily due to payment in advance for repair and maintenance and tax recoverable. At the reporting date, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness, available supportive forward looking information and the collection statistics. The impairment loss recognised on other receivable was HK$3.17 million (FY2018: Nil).

(C) Loan receivable

As at 31 December 2019, loans receivables increased by HK$102.98 million to HK$180.13 million (31 December 2018: HK$77.15 million) represented loans to unrelated parties which are interest-bearing at rates ranging from 4% to 24% per annum and maturity ranging from 1 month to 60 months. The Group has obtained certain security for some of the loans including corporate and asset guarantee provided by the guarantors. The management of the Group made credit assessment from time to time individually with reference to borrowers' financial background, past collection history and evaluation of loan return performance, as well as impairment review of loan receivables. During the year, the impairment loss recognised on loans receivable amounted to HK$9.84 million (FY2018: HK$1.44 million). Subsequent to the year-end, HK$50.47 million received for the settlement of loans.

(D) Deposits and prepayments

As at 31 December 2019, deposits and prepayments increased by HK$171.56 million to HK$427.56 million (31 December 2018: HK$256.00 million) which mainly represented prepayment relating to the material procurement for building construction projects and the acquisition of projects, deposits paid including glass management contract and the finance lease.

LIABILITIES AND GEARING

As at 31 December 2019, the Group's total liabilities (including both current and non-current) recorded HK$2,863.33 million (31 December 2018: HK$1,798.30 million). The increase of HK$1,065.03 million was attributable to (i) the issuance of new bonds, (ii) addition loan facilities from non-financial institution (iii) acquiring more electricity power generators for the expansion of renewable energy business by entering into finance lease arrangements with leasing companies; (iv) received deposits from customers relating to the sale of properties under development; and (v) the expansion of building construction projects. Except for the issuance of bonds and non-financial institution loan denominated in HK$, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 31 December 2019 was 60.16% (31 December 2018: 50.50%). The ratio was calculated by dividing total liabilities of HK$2,863.33 million (31 December 2018: HK$1,798.30 million) over total assets of the Group of HK$4,759.73 million (31 December 2018: HK$3,560.71 million).

As at 31 December 2019, the Group's total bank and other borrowings were HK$863.84 million (31 December 2018: HK$698.32 million). For the maturity profile, refer to the table below:

Debt Analysis

	31 December 2019		31 December 2018	
	HK$'000	*%*	*HK$'000*	*%*
Classified by maturity				
– repayable within one year				
Bank borrowings	**45,242**	**5.24**	55,362	7.93
Other loans	**167,029**	**19.33**	40,319	5.77
	212,271	**24.57**	95,681	13.70
Classified by maturity				
– repayable more than one year				
Bank borrowings	**79,040**	**9.15**	57,915	8.30
Other loans	**572,529**	**66.28**	544,725	78.00
	651,569	**75.43**	602,640	86.30
Total bank and other borrowings	**863,840**	**100**	698,321	100
Classified by type of loans				
Secured	**118,700**	**13.74**	113,277	16.22
Unsecured	**745,140**	**86.26**	585,044	83.78
	863,840	**100**	698,321	100
Classified by type of interest				
Fixed rate	**506,451**	**58.63**	435,758	62.40
Variable-rate	**286,475**	**33.16**	200,460	28.71
Interest free rate	**70,914**	**8.21**	62,103	8.89
	863,840	**100**	698,321	100

BONDS AND NON-EQUITY FINANCING

Bond I

On 25 October 2017, the Company entered into the Placing Agreement (the "**Placing Agreement I**") with Well Link Securities Limited (the "**Placing Agent I**"), pursuant to which the Placing Agent I on a best effort basis arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100 million ("**Bond** I"), within 70 days from the date of the Placing Agreement I. On 13 December 2017, the Company has completed the issuance of the Bond I to the placee(s) in an aggregate principal amount of HK$100 million. As at 31 December 2019, the outstanding Bond I amounted to HK$96.93 million and was classified as an other loan (31 December 2018: HK$98.36 million).

Bond II

On 4 December 2017, the Company entered into the Placing Agreement (the "**Placing Agreement II**") with Ayers Alliance Securities (HK) Limited, Mayfair & Ayers Financial Group Limited (formerly known as "**Mayfair Pacific Financial Group Limited**") and Sincere Securities Limited (the "**Placing Agents II**"), to use its reasonable endeavors to procure independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount not less than HK$100 million (the "**Bond II**"). As at 31 December 2019, the outstanding Bond II amounted to HK$195.04 million and was classified as an other loan (31 December 2018: HK$157.54 million). Up to the date of this announcement, the Company has issued of the Bond II to the placees in an aggregate principal amount of HK$208.10 million. The placing of Bond II has been completed on 30 May 2019.

Bond III

On 11 January 2018, the Company entered into a Placing Agreement (the "**Placing Agreement III**") with Prior Securities Limited (the "**Placing Agent III**") pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100 million ("**Bond III**"). As at 31 December 2019, the outstanding Bond III amounted to HK$18.52 million and was classified as an other loan (31 December 201: HK$12.78 million). Up to the date of this announcement, the Company has issued of the Bond III to the placees in an aggregate principal amount of HK$20 million. The placing of Bond III has been completed on 10 January 2020.

Bond IV

On 18 January 2018, the Company entered into a Placing Agreement (the "**Placing Agreement IV**") with Placing Agent III pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK$100 million ("**Bond IV**"). As at 31 December 2019, the outstanding Bond IV amounted to HK$15.39 million and was classified as an other loan (31 December 2018: HK$15.81 million). Up to the date of this announcement, the Company has issued of the Bond IV to the placees in an aggregate principal amount of HK$20 million. The placing of Bond IV has been completed on 17 January 2020.

Bond V

On 24 August 2018, the Company entered into the Placing Agreement (the "**Placing Agreement V**") with Mayfair & Ayers Financial Group Limited (the "**Placing Agent V**"), to use its reasonable endeavors to procure independent placees to subscribe for 5% coupon unlisted bonds with a term of one year in aggregate principal amount not less than HK$100 million (the "**Bond V**"). As at 31 December 2019, the outstanding Bond V amounted to HK$13.04 million and was classified as an other loan (31 December 2018: HK$19.42 million). Up to the date of this announcement, the outstanding principal amounts of Bond V is HK$13.10 million. The placing of Bond V has been completed on 30 August 2019.

Bond VI

On 15 January 2019, the Company entered into the Placing Agreement (the "**Placing Agreement VI**") with the Placing Agent III pursuant to which the Placing Agent III on a best effort basis, to arrange independent Placees to subscribe for 5% per annum for Bonds (A) and 5.5% per annum for Bonds (B) (the "**Bond VI**") with a term of one year and two year respectively, up to an aggregate principal amount of HK$200 million. As at 31 December 2019, the outstanding Bond VI amounted to HK$1.94 million and was classified as an other loan (31 December 2018: Nil). Up to the date of this announcement, the Company has issued of the Bond VI for Bonds (B) to the placees in an aggregate principal amount of HK$2.00 million. The placing of Bond VI has been completed on 14 January 2020.

Other bonds

Except for the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers in an aggregate principal amount of HK$45 million at a fixed coupon rate in range of 5% to 6% with a term ranging from 2 to 3 years. As at 31 December 2019, the outstanding other bonds amounted to HK$35.98 million and was classified as an other loan (31 December 2018: Nil).

As at 31 December 2019, the aggregate bonds including Bond I, Bond II, Bond III, Bond IV, Bond V, Bond VI and Other bonds recorded in aggregate of HK$376.84 million which were utilized as general working capital, repayment of debts and/or acquisition activities (31 December 2018: HK$303.91 million).

TRADE AND OTHER PAYABLES

As at 31 December 2019, the Group's trade and other payables were approximately HK$585.05 million (31 December 2018: HK$297.37 million). Increase of HK$287.68 million in trade and other payable was mainly due to the expansion of property development and building construction projects. The credit terms of trade payables vary according to the terms agreed with different suppliers.

CAPITAL RAISING AND USE OF PROCEEDS

The Company has not conducted any equity fund raising activities during the year.

During the FY2019, the Group incurred capital expenditures amounting to HK$171.96 million (FY2018: HK$119.26 million) for acquisition of concession intangible assets.

BUSINESS REVIEW

During the year under review, the Group is engaged in three business segments: (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy; and (iii) property investment and development. For the FY2019, the Group recorded a steady growth in its city water supply operation and construction and environment protection segments. For the year under review, the revenue and the segment net profit of the Group amounted to HK$1,189.20 million, and HK$251.14 million respectively, representing an increase of 17.98% and 36.39% over the corresponding period of 2018.

The analysis of financial performance by segments is as follows:

	Revenue				**Gross Profit**			
	2019		2018		**2019**		2018	
	HK$'M	***% to total***	*HK$'M*	*% to total*	***HK$'M***	***G.P.%***	*HK$'M*	*G.P.%*
Water supply business	**174.16**	**14.65**	162.60	16.13	**64.60**	**37.09**	61.5	37.82
Sewage treatment business	**49.73**	**4.18**	47.77	4.74	**14.60**	**29.36**	14.52	30.40
Construction services business	**456.99**	**38.43**	306.48	30.40	**180.44**	**39.48**	140.02	45.69
sub-total	**680.88**	**57.26**	516.85	51.27	**259.64**	**38.13**	216.04	41.80
Exploitation and sale of renewable energy business	**502.92**	**42.29**	433.32	42.99	**236.62**	**47.05**	180.69	41.70
Property development	**5.40**	**0.45**	57.84	5.74	**0.89**	**16.48**	7.43	12.85
Total	**1,189.20**	**100.00**	1,008.01	100.00	**497.15**	**41.81**	404.16	40.09

	Segment net profit/(loss)			
	2019		2018	
	HK$'M	***% to total***	*HK$'M*	*% to total*
Provision of water supply, sewage treatment and constrcution services	**126.90**	**47.49**	87.1	47.30
Exploitation and sale of renewable energy business	**166.30**	**62.23**	108.5	58.92
Property development	**(25.97)**	**(9.72)**	(11.46)	(6.22)
	267.23	**100.00**	184.14	100.00

1.1 Water supply business

There are three city water supply projects of the Group after the completion of disposal of 35% equity interest of Jinan Hongquan and 30% equity interest of Super Sino (the "**Disposals**"). These projects are well spread in Jiangxi and Shandong provinces. PRC (FY2018: five water supply projects). The daily aggregate water supply capacity was approximately 0.39 million tonne (FY 2018: 1.99 million tonne). Following the Disposals, the number of water supply projects and daily aggregate water supply capacity will be further reduced to three and 390,000 tonne respectively. Total water supply to the Jiangxi and Shandong during the year recorded 89.45 million tonne (FY 2018: 80.59 million tonne), increasing by 10.99% over 2018. For the FY2019, the revenue and gross profit from water supply business amounted to HK$174.16 million and HK$64.60 million respectively, representing 14.65% and 12.99% of the Group's total revenue and total gross profit respectively. Compared with the FY 2018, the revenue and gross profit increased by HK$11.56 million and HK$3.10 million, the improvement was due to the increase in water tariff in Yichun Water and the increase in volume of water sold. The average rates for the water supply ranged from HK$1.75 to HK$2.51 per tonne (2018: from HK$1.78 to HK$2.57 per tonne).

Analysis of water supply projects on hand is as follows:

Project name		Equity interest held by the Company (%)	Designed daily capacity of water supply (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Yichun Water	51	240,000	Jiangxi	2034
2	Yingtan Water	51	100,000	Jiangxi	2038
3	Linyi Fenghuang	60	50,000	Shandong	2037
	Total		390,000		

1.2 Sewage treatment business

There are three sewage treatment projects of the Group located in Jiangxi, Guangdong and Shandong provinces (FY 2018: three sewage treatment projects). The daily aggregate sewage disposal capacity was approximately 190,000 tonne (FY 2018: 170,000 tonne) generating a revenue of HK$49.73 million and gross profit of HK$14.60 million respectively, representing 4.18% and 2.94% of Group's total revenue and total gross profit respectively. The increase in disposal capacity was the completion of second phase of sewage treatment plant in Yichun Fangke. Compared with the FY2018, the revenue and gross profit slightly increased by HK$1.96 million and HK$0.08 million respectively. During the year under review, the Group processed in aggregate of 58.52 million tonne of waste water (FY 2018: 57.49 million tonne), increasing by 1.79% over 2018. Upon the completion of Mingyue Mountain Project and Jinxiang Project, the number of sewage treatment plants will increase to five projects and the daily aggregate sewage disposal capacity will increase by 50,000 tonne to 240,000 tonne. The construction of Mingyue Mountain Project and Jinxiang Project are expected to be completed in June 2020 and in April 2020 respectively. The average rates for sewage treatment ranged from HK$0.68 to HK$1.27 per tonne (FY2018: from HK$0.67 to HK$1.33 per tonne).

Analysis of sewage treatment projects on hand is as follows :

Project name		Equity interest held by the Company %	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Jining Haiyuan	70	30,000	Shandong	2036
2	Gaoming Huaxin	70	20,000	Guangdong	2033
3	Yichun Fangke	54.33	140,000	Jiangxi	2035
	Total		190,000		

1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Group's second major sources of revenue and gross profit contributing HK$456.99 million and HK$180.44 million respectively, representing 38.43% and 36.29% of the Group's total revenue and total gross profit respectively. Compared with the FY2018, the revenue and gross profit increased by HK$150.51 million and HK$40.42 million respectively. The increase in revenue and gross profit was due to the infrastructure construction work for sewage treatment projects and increase of construction activities during the year.

	Revenue				Gross Profit (G.P. ratio)			
	2019	**%**	2018	%	**2019**	**G.P.**	2018	G.P.
	HK$M	***to total***	*HK$M*	*to total*	***HK$M***	**%**	*HK$M*	%
Water supply related installation and construction income	**285.47**	**62.47**	242.72	79.2	**160.72**	**56.30**	134.66	55.48
Water supply and sewage treatment infrastructure construction income	**171.52**	**37.53**	63.76	20.8	**19.72**	**11.50**	5.36	8.41
	456.99	**100**	306.48	100	**180.44**	**39.48**	140.02	45.69

1.4 Exploitation and sale of renewable energy business

Up to the date of this announcement, the Group has 39 solid waste treatment projects, of which 32 have commenced operation with a total installed capacity of 137.3 MW, the remaining 7 are under construction, with an estimated total installed capacity of 16.5 MW. During the year, the Group secured 5 new projects in Nanning, Hainan Sanya, Lingao, Gaizhou and Lianyuan, with an estimated total installed capacity is 16.5 MW.

For the FY2019, the revenue and gross profit recorded HK$502.92 million and HK$236.62 million respectively. Compared with the FY2018, the revenue and gross profit substantial increased by HK$69.60 million and HK$55.93 million respectively. Included in revenue was HK$143.18 million (2018: HK$115.90 million) and HK$298.93 million (2018: HK$234.09 million) derived from the government tariff subsidies and the sale of electricity to local grid companies respectively, representing 28.47% and 59.44% of the total renewable energy revenue respectively. During the year under review, the Group had 29 projects in operation (2018: 25 projects), generating approximately 708,075.2MWh of on-grid electricity which represented an increase of 24.32% over 2018(2018: 569,536.8MWh). As at 31 December 2019, the Group accumulated a total installed capacity of 150.8 MW, representing an increase of 11.70% compared to FY2018 (FY2018: 135 MW).The average electricity rate was HK$0.58 per kilowatt-hour and the average CNG rate was HK$1.91 per m^3 (FY2018: average electricity rate HK$0.60 per kilowatt-hour and the average CNG rate was HK$1.86 per m^3).

	Revenue				Gross Profit/Loss (G.P)			
	2019	**%**	2018	%	**2019**	**G.P.**	2018	G.P.
	HK$'M	***to total***	*HK$'M*	*to total*	***HK$'M***	**%**	*HK$'M*	%
Exploitation and sale of renewable energy business								
– Sale of electricity	**443.09**	**88.10**	386.77	89.26	**225.54**	**50.90**	169.38	43.8
– Sale of compressed natural gas	**28.33**	**5.63**	19.52	4.5	**6.64**	**23.44**	(3.09)	N/A
– Service income from collection of landfill gas	**31.50**	**6.27**	27.03	6.24	**4.44**	**14.10**	14.4	53.27
Total	**502.92**	**100**	433.32	100	**236.62**	**47.05**	180.69	41.7

Analysis of renewable energy projects on hand is as follows:

	Project name	Provincial cities in PRC/ Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
1	Nanjing Jiaozishan	Jiangsu	Power generation	100	October 2013	June 2025
2	ZhuZhou Biogas	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	*Note 1*
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	–	May 2014	October 2039
11	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	CNG: December 2015 Power generation: October 2017	
12	Shenzhen Xiaping Landfill Site	Guangdong	CNG/Power generation	88	CNG: July 2015 Power generation: January 2018	April 2030
13	Liuyang Biogas	Hunan	CNG/Power generation	100	CNG: July 2016 Power generation: September 2017	October 2038
14	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	CNG: May 2016 Power generation: October 2016	July 2024
15	He County	Anhui	Operation of landfill	100	2020	February 2036
16	Yichun South Suburban	Jiangxi	Power generation	100	July 2017	September 2026
17	Ningbo Qiyao	Zhejiang	Power generation	100	February 2017	June 2028
18	Shandong Qiyao	Shandong	Power generation	100	May 2017	November 2029
19	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
20	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
21	Xinhua	Hunan	Power generation	100	November 2017	December 2026
22	Zhangjiakou	Hebei	Power generation	70	October 2018	*Note 1*
23	Fengcheng	Jiangxi	Power generation	100	January 2018	March 2032
24	Anqiu City	Shandong	Power generation	100	March 2018	*Note 1*
25	Danzhou	Hainan	Power generation	100	January 2021	*Note 1*
26	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
27	Haicheng	Liaoning	Power generation	100	August 2019	*Note 1*
28	Anlu	Hubei	Power generation	90	January 2019	February 2030
29	Laizhou	Shandong	Power generation	100	May 2019	February 2028
30	Jakarta TPST	Jakarta	Power generation	94	February 2018	December 2023
31	Guangzhou Huadu	Guangdong	Power generation	100	January 2020	June 2023
32	Zhijiang	Hubei	Power generation	51	December 2020	*Note 1*
33	Nanning	Guangxi	Power generation	100	March 2020	April 2028
34	Ziyang	Sichun	Power generation	49	March 2020	November 2026
35	Hainan Sanya	Hainan	Power generation	100	March 2019	January 2029

	Project name	Provincial cities in PRC/ Indonesia	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
36	Lingao	Hainan	Power generation	100	September 2020	*Note 1*
37	Gaizhou	Liaoning	Power generation	100	2021	*Note 1*
38	Lianyuan	Hunan	Power generation	100	December 2020	May 2034
39	Liling	Hunan	Power generation	100	October 2021	January 2027

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

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

1.5 Property Investment and development

For the FY2019, property development recorded the revenue and gross profit of HK$5.40 million and HK$0.89 million respectively (FY2018: the revenue and gross profit of HK$57.84 million and HK$7.43 million) which was the sale of properties in Yu Jing No. 1 Project* (御景壹號). During the year, there were only 4 residential units and 1 retail shop being sold (FY2018: 180 residential units and 1 retail shop being sold).

In recent years, the Board has been exploring appropriate diversification business opportunities and/or investments to expand the revenue sources and enhance the long-term growth potential of the Group. In 2013, the Group had acquired its first land as a trial run project in Yingtan city, Jiangxi Province, the PRC for the property development of Yu Jing No. 1 Project. With a view to broadening the revenue base and improving the profitability of the Group, in 2018, the Group has changed its investment strategy by acquiring two pieces of lands in cities including Nanjing and Huizhou for the development of Nanjing Space Big Data Industry Base and Honghu Blue Valley Wisdom Square project respectively. The premises of these projects are research and development centers and office buildings, of which part of the development will be leased out to other tenants as investment properties or sold as property development depending on the then property market condition of the related respective cities. In replenishing land reserves, the Group had acquired a property project company named Jiangxi Deyin. All these projects are still under construction or yet to develop. During the year, the Group has continued to acquire premium land reserves by acquiring three pieces of lands in Shangrao City, Jiangxi Province, the PRC for the development of Sanshui Guobinfu Project, Sanshui California Sunshine Real Estate Project and Sanshui Jinlin House project. The Group has launch two projects to the market for pre-sale and gained a good response from the market. This is the new starting point of the Group to step into the property industry. With the optimistic view of the property development market in Mainland China together with the Group's past experience in real estate projects, the Board expected that the property development will contribute considerable profits and cashflow for the Group and we will capture any capital appreciation from the investment property projects as and when opportunities arise. Having considered of these, the Board has determined to classify the property investment and development business as one of the Group's principal business activities in this reporting period.

Land acquisition for the development of property projects

At present, the Group has acquired 7 land projects in the PRC with total site area of approximately 268,136 square meters. The development status of the property projects of the Group is as follows:

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Approximate site area (square meters	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
1.	Nanjing Space Big Data Industry Base (南京空間大數據產業基地)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Under construction	March 2020	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	72,853	50	100
2.	Sanshui Guobinfu project* (三水•國賓府項目)	East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province	Under construction	March 2021	Residential and commercial/ for sale	30,742	129,103	70 years for Residential and 40 years for commercial	100
3.	Sanshui California Sunshine Real Estate* (三水加州陽光房地產	East of Gai Zao Yu Ting Avenue, south of Siya Road B18-03, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC	Under construction	August 2022	Residential and commercial/ for sale	10,076	40,940	70 years for Residential and 40 years for commercial	40
4.	Sanshui Jinlin House* (三水金麟府)	Western part of Yugan County, south of Century Avenue, east of Xiwu Road, and west of production and living land of Yanxi Village, Yugan County, Shangrao City, Jiangxi Province, the PRC	Yet to develop	March 2023	Residential and commercial/ for sale	68,449	–	70 years for Residential and 40 years for commercial	40

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Approximate site area (square meters	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
5.	Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction	June 2020	Research and development Centre／Commercial (for sale and/ or for lease)	30,544	54,794	50 years	100
6.	Jiangxi Deyin * (江西德銀)	East of Jingqi Road and Dongsan Road, Zhongtong Town, Yujiang District, Jiangxi Province, the PRC	Yet to develop	–	Residential and Commercial (for sale)	88,648	–	50 years	51
7.	Water Supply Company Datang Water Quality Monitoring and Control Building Construction* (供水公司大樓水質化驗調度大樓建設)	North side of Xiujiang East Road, Yuanzhou District, Yichun City, Jiangxi Provision, east of Li Yuan Primary School	Yet to develop	December 2020	Other	13,337	40,412.62	50 years	51

ACQUISITION AND/OR FORMATION OF RENEWABLE ENERGY PROJECTS DURING THE YEAR UNDER REVIEW

I. Sanya City Project

On 16 January 2019, Sanya City Garden Environmental Protection Administration* (the "**Sanya City Administration**") (三亞市園林環境衛管理局) and Shenzhen City New China Water Environmental Protection Technology Ltd.* (深圳市新中水環保科技有限公司) ("**Shenzhen New China Water**") entered into the landfill gas harmless collection and combustion power generation utilization agreement for a term of 10 years. Sanya City Administration granted the right to Shenzhen New China Water to neutralize and collect all the landfill gas produced at Sanya landfill site in return of generating profit from the sale of electricity and carbon emission. Shenzhen New China Water will invest RMB15.00 million (equivalent to approximately HK$17.41 million) to form the project company for the construction of the relevant facilities in relation to the operation in the Sanya City Garbage Disposal Site Project ("**Sanya City Project**"). The project company was formed in December 2017.

II. Lingao County Landfill Project

On 5 March 2019, Lingao County Municipal Garden Administration* ("**Lingao Administration**") (臨高縣市政園林管理局) and Shenzhen New China Water entered into an agreement on the neutralized collection and power generation of land fill gas. The collection period of landfill gas is until the volume of landfill gas generated from Lingao County landfill reduced to the level of which could not be further utilized. Shenzhen New China Water will invest RMB16.00 million (equivalent to approximately HK$18.72 million) to form the project company for the construction of the relevant facilities in relation to the operation in the Lingao County Domestic Waste Landfill Gas Power Generation Project (the "**Lingao County Landfill Project**"). Lingao Administration allowed this project company to neutralize and collect all the landfill gas produced at Lingao County landfill. Project company shall be responsible for the project construction and collection landfill gas in return of profit from the sale of electricity and carbon emission. The total power generation capacity is amounting to 2,000 kilowatt per hour and an estimated on-grid electricity price RMB0.637 per kilowatt hour. The project company has been established in March 2019.

III. Gaizhou City Project

On 22 April 2019, Shenzhen New China Water entered into a landfill gas harmless collection and combustion power generation utilization agreement with Gaizhou City Household Garbage Site* (蓋州市生活垃圾處理場). Shenzhen New China Water proposed to invest RMB39.40 million payable into two instalments, RMB28.40 million and RMB11.00 million respectively to develop Gaizhou City Domestic Waste Landfill Site Landfill Gas Power Generation Project (the "**Gaizhou City Project**"). At present, it has taken some domestic garbage from the city of Bayuquan. The daily disposable garbage capacity is 900 tonnes. With the expansion of urban area for the collection of garbage, it is expected that the daily disposable capacity will be increased to 1,200 tonnes. The daily disposable garbage capacity will be further increased to 1,500 tonnes once the construction of second phase of landfill gas plant being completed. The total power generation capacity is amounting to 6,000 kilowatt per hour, 4,000 kilowatt per hour for the first phase and 2,000 kilowatt per hour for the second phase. The exclusive right for the collection period of landfill gas is until the volume of landfill gas generated from Gaizhou landfill reduced to the level of which could not be further utilized. The on-grid electricity price is RMB0.607 per kilowatt hour. The project company has been established in May 2019.

IV. Lianyuan City Project

On 20 May 2019, New China Water (Nanjing) Renewable Resources Investment Co., Ltd.* (新中水(南京)再生資源投資有限公司) ("**New China Water (Nanjing)**"), an indirect wholly-owned subsidiary, entered into a landfill gas power generation utilization agreement with Lianyuan City Environmental Protection Administration* (漣源市市容環境衛生管理局). New China Water (Nanjing) proposed to invest RMB13.40 million with the usage of existing idle machineries to develop Lianyuan City Domestic Waste Landfill Biogas Power Generation Project (the "**Lianyuan City Project**"). No resource fee is required to pay for the first two years' operation. From the third year of operation onwards, there is 3% of annual electricity income payable to local government as a resource fee. The exclusive right for the collection period of landfill gas is 15 years from the effective date of operational agreement. The daily disposable garbage capacity is 350 tonnes. The total power generation capacity is amounting to 2,000 kilowatt per hour with the on-grid electricity price of RMB0.634 per kilowatt hour. Up to the date of this announcement, the project company has been established in October 2019.

FORMATION OF RENEWABLE ENERGY PROJECT AFTER THE YEAR UNDER REVIEW

V. Liling Yingfeng Project

On 19 January 2020, New China Water (Nanjing) entered into a landfill gas harmless collection and power generation utilization agreement with Liling Yingfeng Zhonglian Environmental Industry Co., Ltd.* (醴陵市盈峰中聯環境產業有限公司). New China Water (Nanjing) proposed to invest RMB15 million to develop Liling Yingfeng Waste Landfill Site Landfill Gas Power Generation Project (the "**Liling Yingfeng Project**"). The daily disposable garbage capacity is 500 tonnes. The exclusive right for the collection period of landfill gas is seven years from the date of this agreement. The total power generation capacity is amounting to 1,780 kilowatt per hour with the on-grid electricity price is RMB0.634 per kilowatt hour. As at the date of this announcement, the project company has been established in March 2020.

OTHER MATERIAL EVENT DURING THE YEAR UNDER REVIEW

A. Acquisition of Water Intake Facilities

On 28 February 2019, the Yingtan Municipal Housing and Urban-Rural Development Bureau* (鷹潭市住房和城鄉建設局) (the "**Development Bureau**") and Yingtan Water Supply entered into the agreement in relation to the construction of the water intake Facilities, pursuant to which the Development Bureau will procure the construction of the water intake facilities and Yingtan Water Supply shall acquire from the Development Bureau the water intake facilities by installment payments in cash over eight years' time, commencing from the subsequent month after water connection. The cost of construction shall not exceed RMB420.0 million (equivalent to HK$491.4 million). The water intake facilities comprised of water supply pipelines and its ancillary facilities for i) the section from the Huaqiao Reservoir Luotang River Water Distribution Plant* (花橋水庫羅塘河配水站) to the intake of the Jiangnan Water Plant* (江南水廠), and ii) the intake section of the Xiabu Water Plant* (夏埠水廠) and the renovation of the Guiye Water Intake Pumping Station* (貴冶取水泵房泵站) (the "**Water Intake Facilities**"). The construction of Water Intake Facilities was completed in August 2019.

B. Disposal of 30% equity-interest of Super Sino

On 8 June 2018, Billion City Investments Limited, a direct wholly-owned subsidiary of the Company (the "**Vendor**"), the Company as Guarantor and Guangdong Water Group (H.K.) Limited, a subsidiary of Guangdong Investment Limited (the "**Purchaser**") entered into the sale and purchase agreement (the "**Agreement**") pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 30% of the entire issued share capital of the Super Sino Investment Limited (the "**Target Company**"), and the Sale Loan due to the Vendor by the Target Company amounted to RMB27.48 million as at the date of the Agreement, at a consideration of RMB81.00 million (equivalent to approximately HK$95.78 million). The Vendor received RMB40.50 million as a deposit (equivalent to approximately HK$48.93 million), representing 50% of consideration from the Purchaser. On 28 August 2019, Vendor, Purchaser and Guarantor signed the supplement agreement. The second consideration payment will be paid within 10 days after the execution of supplemental agreement. The disposal of Target Company has been completed in August 2019.

C. Sanshui Guobinfu Project

(i) On 3 June 2019, Yingtan Hongzhu Trading Co., Ltd.* ("**Yingtan Hongzhu**") (鷹潭市宏築貿易有限公司) entered into the Land Use Rights Grant Contract ("**Contract A**") with Yugan County Natural Resources Bureau for the acquisition of the land use rights of the Land at a total consideration of RMB300.08 million (equivalent to approximately HK$351.09 million). The land is located at the East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province* (江西省上饒市余干縣棚戶區改造玉亭大道以東，世紀大道以北B18-02) with parcel No. DEI2019035 (the "**Land A**"). The Land A has a total gross area of approximately 30,742 square meters with approximately 24,593 square meters to be of residential use and approximately 6,149 square meters to be of retail and commercial use. The terms of the land use rights of the Land A for residential use is 70 years and retail and commercial use for 40 years, respectively. According to the Contract A, the Land A shall be utilized for the development of residential, retail and commercial properties and shall commence construction on or before 31 August 2019 and all development shall be completed by 31 August 2022. On 3 June 2019, the Land A had been transferred to Jiangxi Hanhe Corporate Development Company Limited* (江西漢和企業發展有限公司) (the "**Project Company**"), a wholly-owned subsidiary of Yingtan Hongzhu. The construction of premises is planned to be completed in March 2021.

(ii) On 19 July 2019, the Project Company, Yingtan Sanrun Consultancy Company Limited* (鷹潭市三潤諮詢有限公司) (the "**Investor**") and Yingtan Hongzhu, entered into the Co-Operation Agreement in relation to the development and operation of the Sanshui Guobinfu Project* ("**Property Development Project**") situated on the Land A. Pursuant to which the Investor will invest RMB49.5 million (or approximately HK$56.4 million) to the Project Company and would then be interested in 30% of the risk and return of the Property Development Project.

D. Sanshui Jinlin House Project

On 23 December 2019, Yingtan Xiang Rui Property Limited* (鷹潭祥瑞置業有限公司) ("**Yingtan Property**") and Yingtan Sanhao Trading Company Limited* (鷹潭三浩貿易有限公司), Mr. Zhang Qing Bang* (章青邦) and Mr. Li Wei Han* (李衛漢) (collectively known as "**JV Partners**") entered into the JV Agreement pursuant to which Yingtan Property and the JV Partners have agreed to establish the JV Company for the cooperation of carrying out the Sanshui Jinlin House Project (the "**Property Development Project**"). The JV Company will be owned as to 40% by Yingtan Property and in aggregate as to 60% by the JV Partners. Pursuant to the terms of the JV Agreement, the total investment amount would be RMB309 million (equivalent to approximately HK$346.08 million) and will be contributed by Yingtan Property and the JV Partners pursuant to their respective equity interest in the JV Company. On 25 December 2019, Yingtan Property and the JV Partners has successful auction of land use right of the land with total consideration of RMB267.10 million. The JV Company will carry out the Property Development Project which comprise of a plots of land located in Yugan County, the PRC, with total area of 68,448.45 m^2 ("**Land B**"). The Land B is located at the western part of Yugan County, south of Century Avenue, east of Xiwu Road, west of the production and living land of Yanxi Village* (余干縣城西片區，世紀大道以南、西五路東側、嚴溪村生產生活用地西側)with parcel No. DEI2019085. The terms of Land B for residential use is 70 years and commercial use is for 40 years. The Property Development Project will comprise both residential properties and commercial properties. The construction of premises is planned to be completed in May 2023.

E. The deemed disposal of 3.8462% equity interest in New China Water (Nanjing) Renewable Resources Investment Company Limited

On 27 December 2019, the Company, China Water Industry (HK) Limited (the "**Current Shareholder**"), New China Water (Nanjing) (the "**Target Company**"), and SZQH Energy-saving Environmental Protection investment fund management Co., Ltd. * (深圳前海粵財節能環保投資基金管理有限公司) (the "**Investor**") (as the case maybe) entered into the Investment Agreement and the Profit Guarantee Agreement pursuant to which the Investor will invest RMB60 million to the Target Company and in return the registered capital of the Target Company will increase from US$82.88 million to US$86.1952 million. A profit guarantee will also be provided by the Company and Current Shareholder for the three years ending 31 December 2019, 2020 and 2021. After Completion, the Investor will be interested in 3.8462% of the enlarged equity interest in the Target Company and the Target Company will become an indirect non-wholly-owned subsidiary of the Company. On 31 December 2019, the Investor had transferred its rights and obligations in whole under the Investment Agreement and Profit Guarantee Agreement to its associate namely Guangdong Yuecai SME Equity Investment Fund Partnership (Limited Partnership)* 廣東粵財中小企業股權投資基金合夥企業(有限合夥). As at the date of this announcement, the transaction of capital injection has not been completed.

EVENT AFTER THE YEAR UNDER REVIEW

Impact of Novel Coronavirus Outbreak to the Group

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, saved as disclosed below, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Due to certain travel restrictions in force in parts PRC to combat the outbreak of a severe respiratory disease associated with a novel infectious agent namely COVID-19, the auditing process for FY2019 Annual Results have not been completed as at the date of this announcement and is expected to be continued to be carried out by the auditors of the Company beyond 31 March 2020. The Company is in ongoing discussions with its auditors on the audit works on the FY2019 Annual Results, and was informed that the progress of the relevant audit field works in the PRC has been affected by the on-going uphold of certain travel restrictions imposed due to the outbreak of COVID-19. As such, there would be a delay in publishing the audited annual results as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2019 Interim Report required to be disclosed were as follows:

- Mr. Zheng Wei Guang, currently an executive Director of the Company, was appointed as the Chief Operating Officer with effect from 1 November 2019; and

- Ms. Chu Yin Yin Georgiana, currently an executive Director and Company Secretary of the Company, was appointed as the Group Financial Controller with effect from 7 November 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders' expectation and comply with relevant standards. The Board believed that the Company has complied with the code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2019 except for the following deviation:

Pursuant to the code provision of A.2.1 of the CG code, the roles of Chairman and the CEO of the Company should be separated and should not be performed by the same individual. Mr. Lin Yue Hui ("**Mr. Lin**") currently is a CEO, Chairman and an executive Director of the Company. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Lin, the Board was of the opinion that it was appropriate and in the best interest of the Company 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 ("**INEDs**") of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Company's Article of Association.

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

CHAIRMAN'S STATEMENT FOR THE YEAR 2019

In 2019, there was a substantial slowdown in the growth of global economy and trading. Under the pressure of economic downturn, all industries in the PRC faced substantial challenges. With the growth deceleration of traditional industries, certain industries underwent over-capacity and were in struggle. Environmental issues such as global warming, water pollution and disturbance of ecological balance, have acquired high awareness. The environmental industry entered into an era of in-depth policy cultivation from the era of policy seeding, forcing the industry to accelerate the development. As a major force of the environmental protection troop, China Water Industry Group strictly followed the government policy and faced the economic winter head-on while constantly searching for a relief strategy. In 2019, the three principal businesses of the Group made substantial development. Meanwhile, financial institutions such as Hitachi (China) (日立中國) and BOC & UTRUST (中銀粵財) reached strategic cooperation with the Group in facilitating our corporate development.

MARKET REVIEW:

After experiencing the "First Policy Year" in 2015, the sky-rocketing industrial development in 2016, the critical point of the "13th Five-year Plan" in 2017 and the immense change of the environmental protection development from 2018 to 2019, the "Decision" of the Fourth Plenary Session of the 19th National People's Congress of the Communist Party expressly specified the "implementation of the philosophy of lucid waters and lush mountains being invaluable assets, and persistence in the basic national policy of resources conservation and environmental protection". 2019 was a critical year for "determination to fight the battle of pollution prevention and treatment" and also the year of formulating the "framework of modern environmental treatment system". Along with the transition from "point" to "surface" of environmental treatment and the progression from single project treatment to large scale project treatment, the mass monitoring layout of water, land, solid waste and exhaust was formed. In the new layout, the environmental protection industry entered an era of comprehensive and in-depth cultivation of policy from the era of policy seeding.

At the National Financial Work Conference in 2019, it was explicitly mentioned to enhance the investment in environmental protection and put further focus on three environmental protection battles, namely blue sky, clear water and clean land. In the future, the investment in environmental protection will keep growing. Currently, the investment in the solid waste treatment industry accounts for less than 15% of the overall investment in the environmental industry in the PRC. Consolidating the development prospect of the solid waste industry, the industry and market prospects are still promising whether it is for demands for storage or demands for volume increase.

Under the general strategy of national environmental treatment, the period where traditional water businesses are driven by capital scale is over. The construction of "smart water business" that aims to manage the maximum utilization of water and the effective usage of water is the most important goal for the current water management work. The return of water service era and the arrival of smart water business have a significant meaning for the actualization of sustainable urban development and enhancement of comprehensive urban competitiveness.

BUSINESS REVIEW:

(I) Results of Water Sector Exceeding the Expected Growth while Business Development Entered a New Stage

Each company of the water sector maintained safe production throughout the year. As we unremittingly fulfil the responsibility of ensuring safe water for the use by residents, we conscientiously provide services at the front-line of urban water supply and sewage treatment. In 2019, all companies not only overachieved the performance target for the beginning of the year, but also continued to improve the service philosophy on the existing basis and enhanced the use of intelligent water services while implementing business diversification, thereby enabling the overall business of the water sector to enter a new stage.

Yingtan Water Supply Group Co., Ltd. ("**Yingtan Water Supply**") successfully took over Yingtan Railway Water Plant (鷹潭鐵路水廠) and adopted a new safe water supply system, "Three Plants Linkage" (三廠聯動). With the total water supply volume increased from 7,000 tons/day to 15,000 tons/day and the expansion items of water quality inspection stations being 69, the water quality inspection capability was enhanced effectively. We widely promoted NB-IOT smart water meters, while cooperating with Hangzhou Guode Company (杭州國德公司) to develop the "one picture (一張圖)" dispatching and controlling system. The upgrade of 6,000 smart water meters was completed, which basically actualized a full coverage of intellectualization of water meters below DN20. The upgrade of large diameter smart water meters with DN40 and above was initiated. It received a supporting fund of RMB1.04 million from the province 03 special projects. Yichun Water Industry Group Co., Ltd. (宜春水務集團有限公司) has successfully explored new areas of water supply business with substantial breakthroughs in the management of secondary water supply facilities, 11 small communities signing trust agreements and charging water fees from individual users for drinkable water. In September 2019, a water affairs group named "Yichun Water Industry Group Co., Ltd." (宜春水務集團) was established, with Yichun Water Industry Co., Ltd as the parent company. At the same time, in the "Report on the Evaluation of the Business Environment of Yichun City and the Work Evaluation of 'Assessment of Authorities and Positions' by Enterprises and the Public in 2019" (《關於2019年宜春市營商環境評價暨企業、群眾「評機關、評崗位」工作評議情況的通報》) issued by the Office of the People's Government of Yichun City, it acquired the first place of the responsible units (service sector) for optimizing the business environment of the whole city. Yichun Fangke Sewage Treatment Company Limited* (宜春市方科污水處理有限公司) successfully signed a BOT concession right supplementary contract with the local government. The construction for upgrading, reconstruction and capacity expansion projects of the sewage treatment plants in the town center for domestic sewage was completed smoothly, and was inspected and put into operation with sewage treatment volume of 140,000 tons/day and the effluent quality reaching the National Class IA Standard. Moreover, we applied for the national special environmental protection funds of RMB16 million and local special loans of RMB20 million in 2019 to alleviate the financial pressure on the construction of upgrading and capacity expansion projects and ensure the financial stability of the Company. The construction of engineering projects of Linyi Fenghuang Water Industry Co. Ltd. developed rapidly, attaining new highs in operating income. The major engineering and facility installment of Jinxiang sewage treatment projects of Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) had all been commissioned and were waiting for inspection. Jining City Haiyuan Water Treatment Company Limited* (濟寧市海源水務有限公司) and Foshan City Gaoming Huaxin Sewage Treatment Company Limited* (佛山市高明區華信污水處理有限公司) optimized the treatment techniques which could complete the sewage treatment with the same quality and quantity and lowered costs, and ensure the effluent can meet the quality standards 100%.

II. The results of new eco-energy segment reaching new highs and strong combination of strategic cooperation and internal driving force

The new eco-energy segment achieved transcendental development. The on-grid power generation of New China Water companies was 708 million kWh, representing a year-on-year growth of 24.32%, and the results reached a historical high. In the first half of the year, the development of 3 projects, namely, Lingao Hainan, Gaizhou Liaoning and Lianyuan Hunan, was completed, and 6 projects, namely Hainan Sanya, Hubei Anlu, Shandong Laizhou, Liaoning Haicheng, Dongyang Project and Guangzhou Huadu, commenced operation with newly added power generation totaling 18MW. As of the end of December 2019, New China Water companies had a total of 37 domestic waste landfill gas resource utilization projects with a total designed power generation installed capacity of 147.8MW, maintaining its industrial leading position.

In 2019, New China Water companies explored potentials internally and externally while reducing costs and enhancing efficiency. Financial leases such as Qianhai Xingbang (前海興邦), Ping An Leasing (平安租賃), Agricultural Bank of China, Jiangsu Financial Leasing (江蘇金融租賃), Hitachi (China) (日立中國), etc. were introduced and a strategic cooperation with BOC & UTRUST (中銀粵財) was reached, which provided positive capital cycle for the project development. In respect of internal management, point-to-point revitalization of idle equipment and promotion of unified procurement of frequently-used machine parts and fuel for the project were carried out, and they established their own drilling teams and a pre-processing equipment system, which substantially reduced the expenditure for equipment of new construction projects, procurement unit cost and construction costs.

III. City-industry integration segment leaping in terms of breakthrough and growth speed

Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) project in Huizhou closely encompassed the planned key points and hot spots of Guangdong-Hong Kong-Macau Greater Bay Area. Leveraging on Huizhou Federation of Young Entrepreneurs as the channel and with government support by industrial policies, it actualized "promoting cities with industries, prospering industries with cities and city-industry integration". With team strategy and team effort, the impact on project construction caused by original contractors was broken through. Engineering audit and settlement were carried precisely and efficiently. All kinds of unresolved engineering problems were resolved rapidly and breakthroughs were achieved on project marketing and sales.

As a cluster area for the space big data industry, Nanjing Space Big Data Industry Park (南京空間大數據產業園) project pioneered the introduction of park management service platform and actualized efficient and scientific management of the intellectual park through the informatized management on the platform. The subject constructions of projects in December all reached the cap with marketing and sales target achievement rate reaching 112% and return target achievement rate reaching 81.5%.

In addition, the businesses of Zhongkuang Group (中曠集團), Hongzhu Trading (宏築貿易), Xiang Rui Property (祥瑞置業) under Yingtan Water Supply Group made steady progress with stable growth of business results throughout the year. In which, Zhongkuang Group (中曠集團) changed from the original joint venture development model to self-operation model and acquired remarkable results. Xiang Rui Property (祥瑞置業) successfully upgraded from Class 4 to Class 3 of Qualifications of Property Developers, laying a solid foundation for the real estate business of the company. In April 2019, Yingtan Water Supply Group invested in the development and construction of 2 real estate projects in Yugan County, namely Sanshui Guobinfu Project and Sanshui California Sunshine Project. In merely 8 months, the real estate business team in Yingtan demonstrated their efficiency and professionalism from land bidding and construction to sales and return. Sanshui Guobinfu Project and Sanshui California Sunshine Real Estate Project in Yugan County achieved the stage operation targets with satisfying sales results. As of the end of December, sell-through rate and return ratio both exceeded 70%.

OUTLOOK AND FUTURE PLANS:

During Spring Festival in 2020, novel coronavirus pneumonia (COVID-19) epidemic spread rapidly across the Greater China area. The central government and the local government waged an epidemic prevention battle racing against time. The Ministry of Ecology and Environment successively published relevant policy documents in respond to this epidemic. The epidemic imposed a greater challenge on the international situation which was rather unpromising to begin with, and caused impact on the PRC. Enterprises in the environmental protection industry also encountered new challenges. To proactively response to the requirements of national and local government policies, the Group thoroughly implemented the epidemic prevention mechanism and adhered to the principle of ensuring the safety and health of all employees to the maximum extend by adjusting the timeline of work resumption, making early preparation work for production resumption, reasonably arranging employees to take leaves or work from home, and endeavoring to safeguard the stable development of three major business segments, namely water service, new eco-energy and city-industry integration, in order to minimize the impact of the epidemic on the Group's business and thereby ensure normal operation. We believe that opportunities lie within the crisis. As long as we persist in our fundamental conception with unwavering determination, we can eventually triumph in this battle. To continue the Group's development, the following future plans will continue to be implemented:

1. Expanding along the upstream and downstream of industrial chain and moving towards the new era of the water supply industry

The water supply segment, as a public utility, is a policy-oriented industry. Currently, the development of water supply industry tends to be saturated, and the management system of water resources is strict. The industry has entered into a stage of stable development. Driven by the acceleration of urbanization, the total volume of sewage discharge has been increasing every year, and the sewage treatment industry has entered into a stage of rapid growth. In the face of challenges, the traditional operation model of water supply proactively expands along the upstream and downstream of industrial chain. The realization of strategic corporate transformation is the only way to move towards the new era of the water supply industry.

1. To strongly support the companies in the water supply segment to develop industries other than their principal activities, and to strengthen the construction of the reconstruction works of water supply pipeline network and related ancillary works for water supply and water connection projects;

2. To continue the implementation of smart water service, to apply a series of smart water supply facilities such as smart water meter, smart manhole cover, smart fire hydrant, smart pump room, etc., and to realize district metering of water supply and implementation of online business. In reliance on the "One Picture (一張圖)" dispatching system which was launched online, to actualize the establishment of the education base for smart water supply service jointly by Yingtan Water Supply and Sanchuan Wisdom (三川智慧);

3. In recent years, under the State's "One belt, One road" initiative and the establishment of various cooperation mechanisms on the national level, we also identify the immense market potentials in the water supply industry. While keeping its foothold of existing smart water service technologies and maintaining international perspective, the Group will deeply explore the market demand for water treatment in the various countries along the route and keep making innovations. To strive for its slice of "cake" in the trend of international production capacity cooperation, the Group utilized its extensive experience in management and implementation of overseas projects in order to develop in a win-win situation.

2. Consolidating existing business resources and steadily promoting overseas environmental protection business

In recent years, the overall direction of the relevant policies launched in the solid waste industry revolves around the "three actions" principle, namely, reduction of volume, recycling of resources and harmless treatment, which specify the direction of the acceleration of marketization. Currently, the volume of solid waste generation remains high, and there is still a relatively large gap for the treatment of general industrial solid wastes, hazardous wastes and municipal household wastes, and thus the future of the solid waste industry will remain prosperous.

1. Consolidating and developing the existing domestic business resources and steadily promoting overseas environmental protection business;

2. Keeping its foothold in environmental protection and explore other businesses in the environmental protection industry in order to expand its scope of business;

3. Broadening the financing channels while introducing new strategic investments.

3. Sustaining city-industry integration development and exploring the value of urban spaces

In the present, the city-industry integration model, which takes the city as the carrier and industry as the safeguarding basis, has gained growing concern. City-industry integration does not only drive the value enhancement of urban spaces but also provides new ideas for coordination development of industry, city and residents.

1. To expedite the main construction of the Huizhou Honghu Blue Valley Wisdom Square (惠州鴻鵠藍谷智慧廣場) project, expand customers in the market through the conception of the sales of single buildings or the whole complex; speed up subsequent business promotion and sales works of the Nanjing Space Big Data Industry Park (南京空間大數據產業園) project;

2. By gathering its institutional advantages, Zhongkuang Construction Group (中曠建設集團) devotes great effort to develop markets in Guangdong-Hong Kong-Macau Greater Bay Area. It plans to undertake at least 2 influential engineering projects in Nanchang and Northeast Jiangxi area in order to achieve breakthrough progress; build a team of outstanding contractors, project managers and quality suppliers and formulate preferential policies for joining the team in order to attract more construction talents to join the Company; continue to strengthen the development of self-employed model to carry out the project co-investment model for the core management personnel of the Company in order to renew and expand the ways of self-employment and achieve flexibility and diversity;

3. To complete the construction of Yugan Sanshui Guobinfu Project and Sanshui California Sunshine Project, to actualize the refund delivery of all properties and shops; to facilitate the smooth progress of the construction of Yugan Jinlin house (余干金麟府) Project. Based on the successful examples of real estate projects in Yugan, to foster the development and investments of real estate projects in surrounding counties and towns in order to stimulate the vitality of urban industries, enhance city function and improve living environment.

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

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

The Group will always be committed to achieving its business philosophy of "gaining government confidence, citizen satisfaction, shareholders' recognition and staff contentment". In 2020, the Group is full of confidence to overcome difficulties and steadily develop its three major businesses in water supply, new eco-energy and city-industry integration. Meanwhile, it will proactively develop other businesses in the upstream and downstream of water supply and environmental protection industries as well as overseas businesses in order to optimize its strength and expand its scale and to break new ground for China Water Industry Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group has no material contingent liabilities (31 December 2018: Nil).

PLEDGE OF ASSETS

The Group's obligations under finance leases, bank loans and other loans of HK$293.72 million in total as at 31 December 2019 (31 December 2018: HK$257.12 million) were secured by charges over:

(i) property, plant and equipment in which their carrying amount was HK$375.67 million (31 December 2018: HK$263.81 million); and

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

NO MATERIAL CHANGE

Save as disclosed in this announcement, during the year, 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 2018.

EMPLOYEES

As at FY2019, excluding jointly controlled entities and associates, the Group had 1,406 (2018: 1,332) employees, of which 20 (2018: 13) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$233.04 million (2018: HK$202.64 million). The increase was caused by the development of property projects and the further expansion of renewable energy projects in 2019. 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.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 31 December 2019 amounted to HK$798.27 million divided into 1,596,539,766 ordinary shares of HK$0.50 each.

DIRECTORS'RIGHTS TO ACQUIRES OR DEBENTURES

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

SHARE OPTION SCHEME

At the annual general meeting (the "**2011 AGM**") of the Company held on 3 June 2011, the shareholders of the Company approved the adoption of the Company's New Share Option Scheme (the "**Scheme**"). From the date of the Scheme being adopted up to 31 December 2019, no share options have been granted. The purpose of the Scheme is to enable the Company to grant options to selected Participants as incentive and/or rewards for their contribution and support to the Group and any Invested Entity and/or to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity. The Scheme will remain in force for 10 years and expire on 2 June 2021.

PRE-EMPTIVE RIGHTS

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

SUFFICIENT OF PUBLIC FLOAT

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee comprises 3 independent non-executive Directors ("**INEDs**") of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Guo Chao Tian and Ms. Qiu Na, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited FY2019 Annual Results. The term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

FURTHER ANNOUNCEMENT(S)

Reference is made to the profit alert announcement of the Company dated 18 March 2020, the Board estimated that the Group may record an unaudited consolidated net profit in the range of approximately HK$130.00 million to HK$150.00 million for the FY2019. Owing to the change of certain circumstances, the Board revised the assessment in certain provision of impairment loss which resulted in the unaudited consolidated net profit for the FY2019 amounted to HK$178.73 million.

The FY2019 Annual Results have neither been audited nor reviewed by the Company's auditor. In addition, the FY2019 Annual Results have yet been agreed by the Company's auditor as required under Rule 13.49(2) of the Listing Rules due to delay in the audit procedures resulting from the outbreak of COVID-19 in the PRC, in particular delay in obtaining certain confirmations from banks in the PRC and postponement of the auditor's field works. Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited FY2019 Annual Results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2020.

PUBLICATION OF ANNUAL REPORT

This unaudited FY2019 Annual Results announcement is published on the websites of The Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

The financial information contained herein in respect of the FY2019 Annual Results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to my fellow Directors, management and employees for their contributions and dedication to the development of the Group and deep thanks to our shareholders, customers, suppliers and business partners for their continued supports.

By order of the Board
China Water Industry Group Limited
Lin Yue Hui
Chairman and CEO

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Lin Yue Hui (Chairman and CEO), Mr. Zhong Wei Guang (COO), Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana, Ms. Deng Xiao Ting, Mr. Ho Chi Ho and Mr. Zhu Yongjun, all being executive Directors, and Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian, Ms. Qiu Na and Mr. Lam Cheung Shing, Richard, all being independent non-executive Directors.

* *For identification purpose only*