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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1129)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	Change
	HK\$'000	HK\$'000	%
Financial Result			
Revenue	1,101,791	1,129,548	(2.46%)
Gross Profit	420,530	480,300	(12.44%)
Profit for the year	25,547	120,466	(78.79%)
(Loss)/profit attributable to owners of the Company	(44,020)	11,094	(496.79%)
(Loss)/earnings per share (HK cents)			
— Basic and diluted	(2.76)	0.69	(500.00%)
EBITDA (Note)	333,467	439,706	(24.16%)
	2021	2020	
	HK\$'000	HK\$'000	
Financial Position			
Gearing ratio	50.13%	60.90%	
Current ratio	1.13 times	1.13 times	
Cash and cash equivalents	291,358	432,654	
Net asset value	1,925,866	2,200,949	
Equity attributable to owners of the Company	1,370,239	1,407,592	
Equity attributable to owners of the Company per share (HK\$)	0.86	0.88	

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

The board (the “**Board**”) of Directors (the “**Directors**”) of China Water Industry Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	1,101,791	1,129,548
Cost of sales		<u>(681,261)</u>	<u>(649,248)</u>
Gross profit		420,530	480,300
Other operating income and expenses		79,056	133,088
Loss on disposal of an associate		(38,405)	–
Gain on disposal of subsidiaries		45,712	–
Selling and distribution expenses		(46,722)	(55,529)
Administrative expenses		(227,283)	(241,449)
Finance costs	5	(66,431)	(79,746)
Change in fair value of investment properties		36	2,778
Net gain/(loss) on financial assets at fair value through profit or loss		15,895	(13,441)
Impairment loss recognised on:			
property, plant and equipment		(30,799)	(19,024)
goodwill		(7,715)	(76)
other intangible assets		(4,913)	(3,582)
trade and other receivables, net		(69,404)	(18,526)
right-of-use assets		(13,097)	(49)
Share of profit/(loss) of associates		32,411	(1,803)
Share of profit/(loss) of joint ventures		640	(2,155)
Profit before taxation		89,511	180,786
Income tax	6	(63,964)	(60,320)
Profit for the year		25,547	120,466
Attributable to:			
Owners of the Company		(44,020)	11,094
Non-controlling interests		69,567	109,372
		25,547	120,466
(Loss)/earnings per share (HK cents):	9		
Basic		(2.76)	0.69
Diluted		(2.76)	0.69

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		811,682	824,286
Deposits paid for acquisition of property, plant and equipment		5,708	7,659
Deposits paid for acquisition of subsidiaries		19,790	290
Deposits paid for acquisition of right-of-use assets		–	87,927
Right-of-use assets		424,584	477,504
Operating concessions		606,271	791,129
Receivables under service concession arrangements		14,481	17,056
Investment properties		12,280	94,331
Other intangible assets		177,770	207,509
Financial assets at fair value through other comprehensive income		4,071	3,370
Interests in associates		2,852	17,376
Interests in joint ventures		23,831	22,521
Deferred tax assets		739	8,730
Deposits and prepayments	<i>10</i>	18,960	59,000
		2,123,019	2,618,688
Current assets			
Inventories		278,729	900,818
Receivables under service concession arrangements		3,076	3,401
Financial assets at fair value through profit or loss		16,687	23,946
Trade and other receivables	<i>10</i>	1,050,110	1,444,674
Contract assets		42,908	62,650
Cash held by financial institutions		147	135
Bank balances and cash		291,211	437,125
Amounts due from associates		4,585	104,659
		1,687,453	2,977,408
Assets held for sale		51,395	32,700
		1,738,848	3,010,108

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Current liabilities			
Overdraft held at financial institutions		–	4,606
Trade and other payables	11	577,073	638,529
Contract liabilities		373,170	1,427,114
Bank borrowings		73,833	53,998
Other loans		365,733	340,151
Lease liabilities		117,501	108,961
Amounts due to non-controlling shareholders of subsidiaries		329	320
Deposits received from disposal of equity interest in subsidiary		12,231	28,517
Amounts due to joint ventures		–	7,647
Tax payables		22,216	51,286
		<u>1,542,086</u>	<u>2,661,129</u>
Liabilities directly associated with the assets held for sale		<u>11</u>	<u>5,644</u>
		<u>1,542,097</u>	<u>2,666,773</u>
Net current assets		<u>196,751</u>	<u>343,335</u>
Total assets less current liabilities		<u>2,319,770</u>	<u>2,962,023</u>
Capital and reserves			
Share capital		798,270	798,270
Share premium and reserves		571,969	609,322
Equity attributable to owners of the Company		<u>1,370,239</u>	<u>1,407,592</u>
Non-controlling interests		555,627	793,357
TOTAL EQUITY		<u>1,925,866</u>	<u>2,200,949</u>
Non-current liabilities			
Bank borrowings		105,886	97,813
Other loans		15,844	388,827
Lease liabilities		171,060	158,990
Government grants		38,382	28,092
Deferred tax liabilities		62,732	87,352
		<u>393,904</u>	<u>761,074</u>
		<u>2,319,770</u>	<u>2,962,023</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

China Water Industry Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interests in associates and joint ventures. These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). Other than those subsidiaries established in the People’s Republic of China (the “**PRC**”) and Indonesia, whose functional currencies is Renminbi (“**RMB**”) and Rupiah respectively, the functional currency of the Company and its subsidiaries 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 amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Accounting Standards (“**HKASs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) to these consolidated financial statements for the current accounting period:

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

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

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

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

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

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

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

3. REVENUE

Disaggregation of revenue

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

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated by major products or service lines:		
Water supply services	155,293	175,993
Sewage treatment services	83,093	64,876
Water supply related installation and construction income	233,011	352,176
Water supply and sewage treatment infrastructure construction income	47,299	38,605
Sale of electricity	514,097	459,699
Sale of compressed natural gas	21,269	6,958
Service income from collection of landfill gas	33,828	27,596
Sales of property investment and development	13,901	3,645
	<u>1,101,791</u>	<u>1,129,548</u>

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 three reportable segments. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has identified the following reportable segments:

- (i) “Provision of water supply, sewage treatment and construction services” segment, which derives revenues primarily from the provision of water supply and sewage treatment operations and related construction services; and
- (ii) “Exploitation and sale of renewable energy” segment, which derives revenues primarily from sale of electricity and compressed natural gas from biogas power plants; and
- (iii) “Property investment and development” segment, which derives revenues primarily from sale of commercial and residential units.

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

Segment revenue and results

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

For the year ended 31 December 2021

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	238,386	569,194	13,901	821,481
Over time	280,310	–	–	280,310
Reportable segment revenue	518,696	569,194	13,901	1,101,791
Reportable segment profit	132,692	104,809	(7,298)	230,203
Unallocated corporate expenses				(136,673)
Interest income				1,166
Interest on fixed coupon bonds				(28,387)
Net gain on financial assets at fair value through profit or loss				15,895
Loss on disposal of an associate				(38,405)
Gain on disposal of subsidiaries				45,712
Profit before taxation				89,511

For the year ended 31 December 2020

	Provision of water supply, sewage treatment and construction services <i>HK\$'000</i>	Exploitation and sale of renewable energy <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	240,869	494,253	3,645	738,767
Over time	390,781	–	–	390,781
Reportable segment revenue	631,650	494,253	3,645	1,129,548
Reportable segment profit	211,928	126,600	(23,882)	314,646
Unallocated corporate expenses				(75,091)
Interest income				1,023
Interest on overdraft held at financial institutions				(827)
Interest on fixed coupon bonds				(45,524)
Net loss on financial assets at fair value through profit or loss				(13,441)
Profit before taxation				180,786

Other segment information

For the year ended 31 December 2021

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	4,721	110	47	1,166	–	6,044
Interest expenses	(4,141)	(19,264)	(370)	(42,656)	–	(66,431)
Share of profit/(loss) of associates	32,299	196	(34)	(50)	–	32,411
Share of profit/(loss) of joint ventures	1,407	–	(390)	(377)	–	640
Depreciation of:						
— Property, plant and equipment	(1,833)	(48,051)	(2,509)	(3,811)	–	(56,204)
— Right-of-use assets	(2,724)	(38,366)	(1,256)	(2,685)	–	(45,031)
Amortisation of:						
— Concession intangible assets	(35,459)	(15,703)	–	–	–	(51,162)
— Other intangible assets	–	(25,128)	–	–	–	(25,128)
Gain/(loss) on disposal of property, plant and equipment, net	4	(464)	–	88	–	(372)
Gain/(loss) on disposal of:						
— Associate	–	–	–	(38,405)	–	(38,405)
— Subsidiaries	–	–	–	45,712	–	45,712
Loss on disposal of concession intangible assets	(405)	–	–	–	–	(405)
Impairment loss recognised on:						
— Property, plant and equipment	–	(29,582)	–	(1,217)	–	(30,799)
— Goodwill	–	(7,715)	–	–	–	(7,715)
— Other intangible assets	–	(4,913)	–	–	–	(4,913)
— Trade and other receivables, net	1,289	(3,961)	(461)	(66,271)	–	(69,404)
— Right-of-use assets	–	(13,097)	–	–	–	(13,097)
Reportable segment assets	<u>1,054,081</u>	<u>1,837,544</u>	<u>755,355</u>	<u>214,148</u>	<u>739</u>	<u>3,861,867</u>
Additions to non-current assets	<u>81,969</u>	<u>64,692</u>	<u>95,863</u>	<u>3,963</u>	<u>–</u>	<u>246,487</u>
Reportable segment liabilities	<u>(429,156)</u>	<u>(576,103)</u>	<u>(505,908)</u>	<u>(374,398)</u>	<u>(50,436)</u>	<u>(1,936,001)</u>

For the year ended 31 December 2020

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	3,976	59	701	1,023	–	5,759
Interest expenses	(3,010)	(16,186)	(4)	(60,546)	–	(79,746)
Share of profit/(loss) of associates	980	335	(2,993)	(125)	–	(1,803)
Share of loss of joint ventures	(608)	–	(1,343)	(204)	–	(2,155)
Depreciation of:						
— Property, plant and equipment	(3,981)	(47,542)	(243)	(5,127)	–	(56,893)
— Right-of-use assets	(1,237)	(34,148)	(1,643)	(5,774)	–	(42,802)
Amortisation of:						
— Concession intangible assets	(40,332)	(13,243)	–	–	–	(53,575)
— Other intangible assets	–	(25,905)	–	–	–	(25,905)
Gain/(loss) on disposal of property, plant and equipment, net	1,073	(445)	–	(4)	–	624
Loss on disposal of concession intangible assets	(219)	–	–	–	–	(219)
Impairment loss recognised on:						
— Property, plant and equipment	–	(19,024)	–	–	–	(19,024)
— Goodwill	–	(76)	–	–	–	(76)
— Other intangible assets	–	(3,582)	–	–	–	(3,582)
— Trade and other receivables, net	(415)	(1,040)	(149)	(16,922)	–	(18,526)
— Right-of-use assets	–	(49)	–	–	–	(49)
Reportable segment assets	<u>1,966,628</u>	<u>1,732,588</u>	<u>1,559,872</u>	<u>357,608</u>	<u>12,100</u>	<u>5,628,796</u>
Additions to non-current assets	<u>53,246</u>	<u>64,030</u>	<u>162,257</u>	<u>5,311</u>	<u>–</u>	<u>284,844</u>
Reportable segment liabilities	<u>(712,273)</u>	<u>(547,688)</u>	<u>(1,280,299)</u>	<u>(834,436)</u>	<u>(53,151)</u>	<u>(3,427,847)</u>

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

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2020: Nil).

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

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

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A — revenue from exploitation and sale of renewable energy	<u>131,568</u>	<u>115,842</u>

5. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on:		
— bank borrowings	3,958	3,481
— other loans	59,580	72,692
— overdraft held at financial institutions	—	827
— lease liabilities	<u>21,106</u>	<u>20,625</u>
Total borrowing costs	84,644	97,625
Less: interest capitalised included in construction in progress	<u>(18,213)</u>	<u>(17,879)</u>
	<u>66,431</u>	<u>79,746</u>

Included in construction in progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of approximately HK\$18,213,000 (2020: HK\$17,879,000) at the capitalisation rate of 8.87% (2020: 8.51%) per annum.

6. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax — Hong Kong Profits Tax		
— Provision for the year	—	—
Current tax — PRC Enterprise Income Tax (“EIT”)		
— Provision for the year	67,098	68,918
— Under/(over) provision in respect of prior years	239	(2,904)
Deferred tax	<u>(3,373)</u>	<u>(5,694)</u>
	<u>63,964</u>	<u>60,320</u>

No provision for Hong Kong profit tax has been made for the years ended 31 December 2020 and 2021 as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profit tax for these years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Accordingly, provision for PRC EIT for the PRC subsidiaries is calculated at 25% on the estimated assessable profits for both years, except disclosed as follows.

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

7. PROFIT FOR THE YEAR

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

	2021 HK\$'000	2020 HK\$'000
Staff costs excluding directors' and chief executive's emoluments		
— Salaries, wages and other benefits	185,962	203,895
— Retirement benefits scheme contributions	24,476	10,462
Total staff costs	210,438	214,357
Amortisation of:		
— concession intangible assets	51,162	53,575
— other intangible assets	25,128	25,905
Depreciation charge		
— owned property, plant and equipment	56,204	56,893
— right-of-use assets	45,031	42,802
Lease payments not included in the measurement of lease liabilities	7,548	7,795
Loss/(gain) on disposal of property, plant and equipment, net	372	(624)
Loss on disposal of concession intangible assets	405	219
Auditors' remuneration		
— audit services	2,290	2,390
— other services	1,203	823
Cost of inventories	59,180	384,669
Gross rental income from investment properties less direct outgoings of approximately HK\$72,000 (2020: HK\$822,000)	835	3,782

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit attributable to the owners of the Company, used in the basic and diluted (loss)/earnings per share	<u>(44,020)</u>	<u>11,094</u>
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares — basic and diluted	<u>1,596,540</u>	<u>1,596,540</u>
(Loss)/earnings per share (HK cents):		
Basic	<u>(2.76)</u>	<u>0.69</u>
Diluted	<u>(2.76)</u>	<u>0.69</u>

For the year ended 31 December 2021 and 2020, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

10. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	678,978	565,601
Less: Loss allowances	<u>(7,353)</u>	<u>(5,041)</u>
	<u>671,625</u>	<u>560,560</u>
Other receivables	127,558	225,102
Less: Loss allowances	<u>(17,159)</u>	<u>(12,607)</u>
	<u>110,399</u>	<u>212,495</u>
Loan receivables	252,900	221,717
Less: Loss allowances	<u>(120,060)</u>	<u>(77,373)</u>
	<u>132,840</u>	<u>144,344</u>
Deposits and prepayments	<u>154,206</u>	<u>586,275</u>
	<u>1,069,070</u>	<u>1,503,674</u>
Amounts due within one year included under current assets	1,050,110	1,444,674
Amounts due after one year included under non-current assets	<u>18,960</u>	<u>59,000</u>
	<u>1,069,070</u>	<u>1,503,674</u>

Trade receivables

The Group allows an average credit period of 0 day to 180 days (2020: 0 day to 180 days) to its customers.

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

	2021 HK\$'000	2020 HK\$'000
Within 90 days	134,601	184,191
91 to 180 days	53,367	45,367
181 to 365 days	82,161	79,448
Over 1 year	401,496	251,554
	<u>671,625</u>	<u>560,560</u>

11. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	173,865	254,877
Property sales received in advance	–	1,285
Construction payables	193,104	129,034
Interest payables	3,329	45,094
Accrued expenses	29,711	46,370
Guarantee deposits from a subcontractor	1,304	2,943
Sewage treatment fees received on behalf of certain government authorities	4,008	7,205
Other payables	170,409	151,721
Contingent consideration payable	1,343	–
	<u>577,073</u>	<u>638,529</u>

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within 30 days	29,354	32,911
31 to 90 days	50,298	96,526
91 to 180 days	21,170	20,585
181 to 365 days	16,888	70,363
Over 1 year	56,155	34,492
	<u>173,865</u>	<u>254,877</u>

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

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Contracted but not provided for:		
— Acquisition of concession intangible assets and property, plant and equipment	8,393	7,566
— Acquisition of right-of-use assets	<u>—</u>	<u>21,898</u>
	<u>8,393</u>	<u>29,464</u>

13. MATERIAL 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, Sihui City People’s Court accepted the “resumption implementation application” which was submitted by Swift Surplus to resume the execution of the final judgement and continued to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2022.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. On 29 March 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 applied to the Tribunal to arrange the arbitral hearing. On 16 March 2020, the arbitrator of HKIAC made an arbitration award that each guarantor shall jointly and severally liable to repay the principals together with the interest accrued thereon to the Lenders. On 30 November 2021, the Swift Surplus had submitted the application to the Sihui City People’s Court for the resumption of civil enforcement on Top Vision. On January 2022, Sihui City People’s Court accepted the application and resumed the execution of the final judgement granted in July 2015 to continue to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2025. Up to the date of this announcement, the legal processing in PRC is still in progress. As at 31 December 2020 and 31 December 2021, the loan receivables from Top Vision of HK\$43.60 million were fully impaired.

(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, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde within 10 days. On 8 January 2021, the Kunming Court failed to locate any assets from Yunnan Chaoyue Gas and Guarantors even taken exhaustive enforcement measures, and ruled to terminate this execution. The Kunming Court will resume the execution of this case in accordance with the law once any assets available for execution being found. Up to the date of this announcement, the Guarantors had not performed court judgement and no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

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

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the Loan Receivables has been provided.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net profit for the year

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

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

Revenue and gross profit

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

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

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

Financial performance analysis:

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

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

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

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

The other operating income and expenses, total expenses and share of profit/(loss) from associates and joint venture analysis:

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

Other operating income and expenses

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

Selling and distribution expenses and administrative expenses

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

Finance costs

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

Contribution from Yingtan Water Group

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

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

For the FY2021, net gain on financial assets at fair value through profit or loss (“FVPL”) were amounted to HK\$15.89 million, rose by HK\$29.33 million from the loss of HK\$13.44 million for the FY2020. Included in net gain on FVPL mainly comprised of (i) HK\$6.17 million for the fair value gain on listed equity securities; and (ii) HK\$9.30 million for the gain on disposal of listed equity securities. The change in fair value on securities trading is determined based on the quoted market bid prices available on The Stock Exchange.

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

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

Net impairment loss recognised on trade and other receivable

During the year under review, the prolonged adverse effect on economy brought by constant spread of COVID-19 pandemic, has caused the debtors of the Remaining Group slowed down their repayment. The delay of repayment and prolonged overdue balance led to an increase in expected credit loss rates in 2021, therefore, Group had increased the impairment loss on account receivables for the FY2021. Based on the evaluation of collectability and ageing analysis of account receivables as well as certain of forwardlooking factors, the net impairment loss on account receivable was amounted to HK\$69.40 million (FY2020: HK\$18.53 million). The Company engaged an independent qualified valuer to determine the expected credit loss (the “ECL”) on certain account receivable. In assessing the ECL of the Remaining Group’s account receivable, a credit rating analysis of the underlying debtors was adopted by reviewing the past default history, the duration of the underlying receivables, the financial background of guarantors, the possibility of adverse change in the debtor’s business environment and the debtor’s financial position. The Remaining Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics and business nature.

Share of results from associates

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

Share of results from joint venture companies

For the FY2021, the Remaining Group shared the profit from joint venture companies of HK\$1.03 million (FY2020: loss of HK\$0.81 million) which was mainly arising from Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd.* (“**Yichun Mingyue Mountain**”) (宜春市明月山方科污水處理有限公司). As at 31 December 2021, the Remaining Group has two joint venture companies, including 65% equity interest in Yichun Mingyue Mountain and 30% sharing interest in the result performance of Shenzhen Ganglong Obstetrics and Gynecology Hospital* — Ophthalmology Project (深圳港龍婦產科醫院 — 眼科項目).

Income tax

For the FY2021, the income tax increased by HK\$3.64 million to HK\$63.96 million (FY2020: HK\$60.32 million) due to the Disposal of Yingtan Water Group. The Remaining Group of tax recorded HK\$54.75 million (FY2020: HK\$22.63 million). The increase of HK\$32.12 million was mainly due to the tax of HK\$32.90 million imposed on the Disposal of Yingtan Water Group. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the period, certain renewable energy companies in PRC are still subject to tax concessions under the relevant tax rules and regulation.

Exposure to Fluctuations in Exchange Rates

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

TREASURY MANAGEMENT

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

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

Financial Position Analysis:

As at 31 December

	As at 31 December 2021 The Remaining Group HK\$' Million	As at 31 December 2020			2021 VS 2020 31 December The Remaining Group HK\$' Million
		The Group HK\$' Million	Yingtian Water Group HK\$' Million	The Remaining Group HK\$' Million	
Non-current assets	2,132.02	2,618.69	541.60	2,077.09	45.93
Current assets	1,738.85	3,010.11	1,623.93	1,720.19	18.66
	3,861.87	5,628.80	2,165.53	3,797.28	64.59
Current Liabilities	1,542.10	2,666.78	1,393.71	1,273.14	268.96
Non-current Liabilities	393.90	761.07	109.22	651.85	(257.95)
	1,936.00	3,427.85	1,502.93	1,924.99	11.01
Net current assets	196.75	343.33	230.22	447.05	(250.30)
Net assets value	1,925.87	2,200.95	662.60	1,872.29	53.58
Cash and cash equivalents	291.36	432.65	167.98	264.67	26.69
Inventories	278.73	900.82	704.27	196.55	82.18
Trade and other receivables	1,069.07	1,503.67	607.49	982.63	86.44
Investment properties	12.28	94.33	84.93	9.40	2.88
Trade and other payables	577.07	638.53	251.34	387.19	189.88
Total bank and other borrowings	561.30	880.79	94.72	786.07	(224.77)
Current assets ratio	1.13	1.13		1.35	
Net asset value per share	1.21	1.38		1.17	
Gearing ratio	50.13%	60.90%		50.69%	

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

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

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

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

INVESTMENT PROPERTIES

As at 31 December 2021, the Remaining Group held the following investment properties for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	The Group's interest (%)
Yichun Properties					
1 No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	100%	51%
2 13-15 Zhongshan West Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Shop	96	Long	100%	51%
3 Gas station on South Huancheng Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Factory	170	Long	100%	51%
Yihai International Building					
Room C-103, Yihai International Building, 200 meters south of Phoenix Street and Lanting Road, Hedong District Linyi City, Shandong Province, the PRC	Commercial	155.28	Long	100%	60%
		<hr/>			
		977.43			
		<hr/>			

As at 31 December 2021, the carrying value of investment properties of the Remaining Group recorded HK\$12.28 million (As at 31 December 2020: HK\$9.40 million) including HK\$2.03 million of Yihai International Building and HK\$10.25 million of Yichun Properties. The increase in investment property by HK\$2.88 million was HK\$0.31 million from the change in fair value and all shops in Yichun Properties being leased out led the value of related property to increase of HK\$2.57 million, and appreciation of exchange rate of RMB against HK\$. As at 31 December 2021, the Remaining Group had a total gross floor area of 977.43 square meters. (As at 31 December 2020: total gross floor area of 711.43 square meters). For the FY2021, the gross rental income of the Remaining Group after deducting the related outgoings amounted to HK\$0.49 million which increased by 53.13% compared with FY2020 (FY2020: HK\$0.32 million).

INVENTORIES

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

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

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

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

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

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

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

FVPL: Financial asset at fair value through Profit or loss

FVOCI: Financial asset at fair value through other comprehensive income

For the FY2021, the Remaining Group recorded a net gain of HK\$15.89 million on FVPL (FY2020: loss of HK\$13.44 million). Given the fluctuation in the worldwide financial markets and the impact of COVID-19 pandemic, the Board expected that the fair value of equity investment may be declined. In light of this, the Board has planned to scale down the short-term investment in equity trading and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. In views of the above, the Board will monitor stock market development closely and capture opportunities in a prudent manner so to balance investment risks of the Remaining Group.

TRADE AND OTHER RECEIVABLES

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

(A) Trade Receivable:

As at 31 December 2021, trade receivables of the Remaining Group increased by HK\$163.70 million to HK\$671.63 million (As at 31 December 2020: HK\$507.93 million) which was primarily attributable to the increase in revenue generated from renewable energy projects including the government on-grid tariff subsidies of HK\$578.24 million (As at 31 December 2020: HK\$432.48 million) and electricity sales receivables from local grid companies of HK\$32.48 million (As at 31 December 2020: HK\$34.63 million), which in aggregate accounted for 90.93% of trade receivables of the Remaining Group. The above-mentioned tariff subsidies receivables will be settled in accordance with the prevailing government payment policies including (i) Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) published in March 2012; and (ii) Caijian [2020] No. 4 Guidelines on the Stable Development of Non-Water Renewable Energy Generation (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) updated in February 2020 which jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration and the prevalent payment trends of Ministry of Finance of the PRC. There is no pre-determined due date for settlement of the tariff subsidies. The trade receivables from renewable energy business are fully recoverable considering there were no bad debt experiences with the local grid companies in the past and such tariff subsidies are provided by the relevant PRC government authorities. During the year, the management has reassessed the credit risk based on the historical settlement records, the aging of the tariff subsidies receivables and taking into account prevailing economic conditions as at 31 December 2021, the Group considered the default risk for such balances to be insignificant and, the expected credit loss to be minimal. During the year, as such only a minimal amount of the impairment loss on receivable relating to the government on-grid tariff subsidies of HK\$1.62 million was recognized in FY2021 (FY2020: Nil).

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

(B) Other receivable

As at 31 December 2021, other receivables of the Remaining Group recorded HK\$110.39 million. (As at 31 December 2020: HK\$113.51 million) which represented mainly tax recoverable, income receivable from sludge treatment project, receivable from the disposal of

subsidiary, advance to property sales agent, advances to suppliers including the material procurement for the construction of property project and the equipment facilities ordered for renewable energy projects. During the year, these receivables have been reviewed by the management to assess impairment allowances which are based on the evaluation of current creditworthiness, the credit risk characteristics of debtor, the likelihood of recovery and also taking into consideration the prevailing economic conditions. For other receivables relating to long overdue, known insolvencies or non-response to collection activities, such balances were assessed individually for impairment allowance. During the year, net impairment allowance of HK\$5.21 million was recognized (FY2020: HK\$0.63 million).

(C) Loan receivable

As at 31 December 2021, loans receivables of the Remaining Group decreased by HK\$11.50 million to HK\$132.84 million (As at 31 December 2020: HK\$144.34 million) which mainly comprised of loans to independent third parties which are interest-bearing at rates ranging from 4% to 24% per annum and with maturity ranging from 1 month to 36 months. The Group has obtained the personal guarantee provided by the guarantors as a security for some of the loans receivables. The management of the Group made credit assessment from time to time individually with reference to borrowers' financial background, past collection history and evaluation of loan return performance, as well as forecasting on the occurrence of event of default and global economic outlook in general as well as the specific economic condition in the PRC. During the year, the Remaining Group has instructed legal advisers to issue demand letter demanding repayment of the all the outstanding loans principal and accrued interests and taken legal proceedings against certain borrowers in the event of repayment delay or default. The impairment loss recognised on loans receivable was amounted to HK\$39.89 million in FY2021 (FY2020: HK\$14.11 million).

(D) Deposits and prepayments

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

LIABILITIES AND GEARING

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

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

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

Debt Analysis	Remaining Group			
	31 December 2021		31 December 2020	
	<i>HK\$ Million</i>	<i>%</i>	<i>HK\$ Million</i>	<i>%</i>
Classified by maturity				
— repayable within one year				
Bank borrowings	73.83	13.15	54.00	6.87
Other loans	365.73	65.16	331.83	42.21
	439.56	78.31	385.83	49.08
Classified by maturity				
— repayable more than one year				
Bank borrowings	105.90	18.87	97.81	12.44
Other loans	15.84	2.82	302.43	38.48
	121.74	21.69	400.24	50.92
Total bank and other borrowings	561.30	100.00	786.07	100.00
Classified by type of loans				
Secured	447.69	79.76	154.19	19.61
Unsecured	113.61	20.24	631.88	80.39
	561.30	100.00	786.07	100.00
Classified by type of interest				
Fixed rate	393.46	70.10	459.47	58.45
Variable-rate	166.56	29.67	325.36	41.39
Interest free rate	1.28	0.23	1.24	0.16
	561.30	100.00	786.07	100.00

OTHER LOANS

Bond I

On 25 October 2017, the Company entered into the placing agreement (the “**Placing Agreement I**”) with Well Link Securities Limited (the “**Placing Agent I**”), pursuant to which the Placing Agent I on a best effort basis arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK\$100 million (“**Bond I**”), within 70 days from the date of the Placing Agreement I. On 13 December 2017, the Company has completed the issuance of the Bond I to the placee(s) in an aggregate principal amount of HK\$100 million. As at 31 December 2021, Bond I was fully settled (As at 31 December 2020: HK\$87.65 million).

Bond II

On 4 December 2017, the Company entered into the placing agreement (the “**Placing Agreement II**”) with Ayers Alliance Securities (HK) Limited, Mayfair & Ayers Financial Group Limited (formerly known as “**Mayfair Pacific Financial Group Limited**”) and Sincere Securities Limited (the “**Placing Agents II**”), to use its reasonable endeavors to procure independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount not less than HK\$100 million (the “**Bond II**”). As at 31 December 2021, the outstanding Bond II amounted to HK\$35.02 million and was classified as an other loan (As at 31 December 2020: HK\$185.11 million). On 30 May 2019, the Company has completed to issue the Bond II to the placees in an aggregate principal amount of HK\$208.10 million.

Bond III

On 11 January 2018, the Company entered into a placing agreement (the “**Placing Agreement III**”) with Prior Securities Limited (the “**Placing Agent III**”) pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK\$100 million (“**Bond III**”). As at 31 December 2021, the outstanding Bond III amounted to HK\$5.64 million and was classified as an other loan (As at 31 December 2020: HK\$19.18 million). On 10 January 2020, the Company has completed to issue the Bond III to the placees in an aggregate principal amount of HK\$20 million.

Bond IV

On 18 January 2018, the Company entered into a placing agreement (the “**Placing Agreement IV**”) with Placing Agent III pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK\$100 million (“**Bond IV**”). As at 31 December 2021, the outstanding Bond IV amounted to HK\$15.84 million and was classified as an other loan (As at 31 December 2020: HK\$15.82 million). On 17 January 2020, the Company has completed to issue the Bond IV to the placees in an aggregate principal amount of HK\$20 million.

Bond V

On 24 August 2018, the Company entered into the Placing Agreement (the “**Placing Agreement V**”) with Mayfair & Ayers Financial Group Limited (the “**Placing Agent V**”), to use its reasonable endeavors to procure independent placees to subscribe for 5% coupon unlisted bonds with a term of one year in aggregate principal amount not less than HK\$100 million (the “**Bond V**”). Bond V was fully settled in 2020 (As at 31 December 2020: Nil). The placing of Bond V has been completed on 30 August 2019.

Bond VI

On 15 January 2019, the Company entered into the Placing Agreement (the “**Placing Agreement VI**”) with the Placing Agent III pursuant to which the Placing Agent III on a best effort basis, to arrange independent Placees to subscribe for 5% per annum for Bonds (A) and 5.5% per annum for Bonds (B) (the “**Bond VI**”) with a term of one year and two year respectively, up to an aggregate principal amount of HK\$200 million. As at 31 December 2021, the Bond VI was fully settled (As at 31 December 2020: HK\$2.07 million). The placing of Bond VI has been completed on 14 January 2020.

Other bonds and loans from related company

For the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers and obtained loans from related company in an aggregate amounted to HK\$297.00 million at a fixed rate in range of 5% to 15% per annum with a term ranging from within 1 year to 3 years. As at 31 December 2021, the outstanding other bonds and loans from related company amounted to HK\$285.90 million and was classified as an other loan (As at 31 December 2020: HK\$50.06 million).

As at 31 December 2021, the aggregate bonds including Bond II, Bond III, Bond IV, other bonds and loans from related company recorded in aggregate of HK\$342.40 million, representing of 89.73% of the other loans, which were utilized as general working capital, repayment of debts and/or acquisition activities (As at 31 December 2020: HK\$359.89 million).

TRADE AND OTHER PAYABLES

As at 31 December 2021, the Remaining Group’s trade and other payables were approximately HK\$577.07 million (As at 31 December 2020: HK\$387.19 million). The increase in trade and other payables of HK\$189.88 million was mainly due to the payment of construction work according to the stages of completion, as the construction in Nanjing Space Big Data Industry Base being completed in October 2021, all outstanding liabilities relating to this project had been finalized with the relevant contractors. The credit terms of trade payables vary according to the terms agreed with different suppliers.

CAPITAL RAISING AND USE OF PROCEEDS

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

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

BUSINESS REVIEW

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

	Revenue				Gross Profit (GP)						FY2021 vs FY2020		
	FY2021	% to	FY2020	% to	FY2021	% to	GP	FY2020	% to	GP	Revenue	Gross	GP
	HK\$' M	the total	HK\$' M	the total	HK\$' M	the total	margin	HK\$' M	the total	margin	HK\$ M	Profit	Margin
							%			%			%
The Remaining Group													
Water supply business	145.42	13.74	117.56	13.60	41.58	10.46	28.59	25.42	7.30	21.62	27.86	16.16	6.97
Sewage treatment business	83.09	7.85	64.88	7.50	27.22	6.84	32.76	22.26	6.39	34.31	18.21	4.96	(1.55)
Construction service business	251.31	23.75	187.96	21.74	96.75	24.33	38.50	85.26	24.50	45.36	63.35	11.49	(6.86)
Sub-total	479.82	45.34	370.40	42.84	165.55	41.63	34.50	132.94	38.19	35.89	109.42	32.61	(1.39)
Exploitation and sale of renewable energy business	569.20	53.79	494.25	57.16	230.80	58.03	40.55	215.16	61.81	43.53	74.95	15.64	(2.98)
Property Development	9.15	0.86	0.00	0.00	1.36	0.34	14.86	0.00	–	0.00	9.15	1.36	14.86
Total	1,058.17	100.00	864.65	100.00	397.71	100.00	37.58	348.10	100	40.26	193.52	49.61	(2.68)

1.1 Water supply business

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

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

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

Analysis of water supply projects on hand is as follows:

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

1.2 Sewage treatment business

Following the completion of construction of Mingyue Mountain plant and Jining Haisheng plant in 2020, the number of sewage treatment projects increased to five projects which are located in Jiangxi, Guangdong and Shandong provinces (FY2020: five projects) and the daily aggregate sewage disposal capacity was approximately 240,000 tonne (FY2020: 240,000 tonne). For FY2021, the revenue and gross profit of the Remaining Group were amounted to HK\$83.09 million and HK\$27.22 million respectively, representing 7.85% and 6.84% of the Remaining Group's total revenue and total gross profit respectively. During the year, the Remaining Group processed in aggregate of 110.90 million tonne of waste water (FY2020: 61.67 million tonne), represented an increase of 79.83% over the same period of last year due to Jining Haisheng Project commenced its operation in August 2020. Mingyue Mountain plant is still in the testing stage and has yet to commence its operation in 2021. Compared with the FY2020, the revenue and gross profit increased by HK\$18.21 million and HK\$4.96 million respectively due to (i) the increase of waste water processing volume; and (ii) appreciation of exchange rate of RMB against HK\$. The average rates for sewage treatment ranged from HK\$1.09 to HK\$1.50 per tonne (FY2020: HK\$0.99 to HK\$1.43 per tonne).

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

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

Analysis of sewage treatment projects on hand is as follows:

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

1.3 Construction services for water supply and sewage treatment infrastructure

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

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

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

1.4 Exploitation and sale of renewable energy business

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

For the FY2021, the revenue and gross profit of the Remaining Group recorded HK\$569.20 million and HK\$230.80 million respectively representing 53.79% and 58.03% to the total revenue and total gross profit respectively. Compared with the FY2020, the revenue and gross profit increased by HK\$74.95 million and HK\$15.64 million respectively. The increase was due to (i) new projects started in operation in 2021; (ii) the production of natural gas products resumed its operation in December 2020; and (iii) the appreciation of exchange rate of RMB against HK\$. During the year, the Group had 37 projects in operation (FY2020: 34 projects), generating approximately 754,505.73 MWh of on-grid electricity which represented an increase of 2.77% over the same period of 2020 (FY2020: 734,141.40 MWh). As at 31 December 2021, the Group accumulated a total installed capacity of 142.64 MW, representing a decrease of 19.41% compared to the last year (As at 31 December 2020: 177 MW). The average electricity rate was HK\$0.65 per kilowatt-hour and the average CNG rate was HK\$1.68 per m³ (FY2020: average electricity rate HK\$0.66 per kilowatt-hour and the average CNG rate was HK\$1.93 per m³).

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

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

		For the year ended 31 December			
		2021		2020	Variance
Exploitation and sale of renewable energy business					
— Sale of electricity					
Revenue	<i>HK\$'million</i>	514.10		459.69	54.41
Gross profit	<i>HK\$'million</i>	225.19		216.49	8.70
Gross profit %	%	43.80		47.09	(3.29)
— Sale of compressed natural gas					
Revenue	<i>HK\$'million</i>	21.27		6.96	14.31
Gross profit/(loss)	<i>HK\$'million</i>	3.43		(2.47)	5.90
Gross profit/(loss) %	%	16.13		(35.49)	51.62
— Service income from collection of landfill gas					
Revenue	<i>HK\$'million</i>	33.83		27.60	6.23
Gross profit	<i>HK\$'million</i>	2.18		1.14	1.04
Gross profit %	%	6.44		4.13	2.31
Total					
Revenue	<i>HK\$'million</i>	569.20		494.25	74.95
Gross profit	<i>HK\$'million</i>	230.80		215.16	15.64
Gross profit %	%	40.55		43.53	(2.98)
		2021	% to total	2020	% to total
Summary of revenue					
Government tariff subsidies	<i>HK\$'million</i>	161.53	28.38	147.88	29.92
The sale of electricity to local grid companies	<i>HK\$'million</i>	338.91	59.54	310.65	62.85
Other	<i>HK\$'million</i>	13.66	2.40	1.16	0.24
		514.10	90.32	459.69	93.01
Compressed natural gas & landfill gas	<i>HK\$'million</i>	55.10	9.68	34.56	6.99
		569.20	100.00	494.25	100.00

Analysis of renewable energy projects on hand is as follows:

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

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

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

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

Note 2: These projects had suspended their operation in 2020

Note 3: These projects had suspended their operation in 2021

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

1.5 Property Investment and development

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

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

		For the year ended 31 December		
		2021	2020	Variance
Property Investment and development				
Revenue	<i>HK\$'million</i>	9.15	0.00	9.15
Gross profit	<i>HK\$'million</i>	1.36	0.00	1.36
Gross profit/(loss) %	<i>%</i>	14.86	0.00	14.86

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

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

1. Disposal of Yingtan Water Group

(i) First Disposal of Yingtan Water Group

On 15 December 2020, China Water Industry (HK), Jiangxi Sanchuan and Yingtan Water entered into the First Equity Transfer Agreement, pursuant to which the China Water Industry (HK) has conditionally agreed to sell, and the Jiangxi Sanchuan has conditionally agreed to purchase 20% equity interests in the Yingtan Water for a total consideration of RMB120,000,000 (equivalent to approximately HK\$142,416,000). Completion of the First Disposal of Yingtan Water took place on 23 February 2021. Accordingly, the Yingtan Water ceased to be a subsidiary of the Company, and the financial information of the Yingtan Water Group ceased to be consolidated into the consolidated financial statements of the Group; and

(ii) Second Disposal of the Yingtan Water Group

On 28 June 2021, China Water Industry (HK), Yingtan Water and Jiangxi Sanchuan entered into the Second Equity Transfer Agreement, pursuant to which the China Water Industry (HK) has conditionally agreed to sell, and the Jiangxi Sanchuan has conditionally agreed to purchase 31% registered capital of the Yingtan Water, for a total consideration of RMB186,000,000 (equivalent to approximately HK\$226,734,000). Completion of the Second Disposal of Yingtan Water took place on 24 September 2021. Upon completion, the Company shall cease to have any equity interest in the Yingtan Water Group and the Yingtan Water shall cease to be accounted for as an associate of the Company.

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

2. On-market Disposal of Listed Securities

During the period from 21 June 2021 to 23 August 2021, the Company disposed of an aggregate of 24,000,000 Aidigong Shares, on the open market at the consideration of approximately HK\$27.09 million (before transaction costs) (the “**Disposals**”). The average selling price is approximately HK\$1.1287 per Sale Share. The prices at which the disposals were made were based on the prevailing market prices of Aidigong Shares as quoted on the Stock Exchange at the relevant times of the Disposals. Upon completion of the Disposals, the Company no longer holds any Aidigong Shares. For details, please refer to the announcements of Company dated 18 August 2021 and 23 August 2021.

3. Formation of the Fund

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

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

The Remaining Group had entered into 3 landfill gas collection and power generation agreements with different government authority departments in the PRC. The investment mode for these projects are building-owning-operation. The Group has held 100% equity interests in the following projects. The analysis of new construction of renewable energy projects for power generation is as follows:

Formation of Renewable Energy Projects

Date of agreement		Name of project company	Concession Agreement Signing Department	Project name	Provincial cities in PRC	Garbage disposal capacity (tons/day)	Estimated investment cost/ consideration (RMB)	Expected commencement date of operation	Exclusive right to collect landfill gas expiry in	Average electricity rate per kilowatt- hour (RMB)
For new construction										
1	5 March 2021	Wafangdian City Greenspring Environmental Protection Technology Co., Ltd.* (瓦房店市青泓環保科技有限公司)	Wafangdian Urban Management Comprehensive Law Enforcement Bureau	Wafangdian Landfill Gas Power Generation Project ("Wafangdian Project")	Liaoning	800	7,000,000.00	May 2022	until the volume of landfill gas fully utilized	0.5472
2	20 May 2021	Shaowu City New China Water Environmental Technology Limited* (邵武市新中水環保 科技有限公司)	Shaowu City Environment Health Services Centre* (邵武市環境衛生 服務中心)	Shaowu City Landfill Gas Power Generation Project ("Shaowu Project")	Fujian	230	4,500,000.00	January 2022	5 years	0.629
3	10 November 2021	Xiuyan China Water Biomass Electricity Limited* (岫巖中水生物質發電有限公司)	Xiuyan Manchu Autonomous County Environmental Sanitation Management Department* (岫巖滿族自治縣環境衛生管理處)	Xiuyan China Water Biomass Electricity Project ("Xiuyan Project")	Liaoning	200	4,500,000.00	October 2022	3 years after landfill site close	0.5513

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

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

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

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

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

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

MATERIAL EVENTS DURING/AFTER THE YEAR UNDER REVIEW

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

A. Finance Lease Arrangement

1. The finance lease arrangement dated 7 February 2021 and entered into amongst Wuzhou City China Water New Renewable Resources Company Limited* (梧州市中水新能源科技有限公司), Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (大唐華銀湘潭環保發電有限責任公司) and Hunan Liuyang New China Water Environmental Technology Limited* (湖南瀏陽新中水環保科技有限公司), all being a subsidiary of the Company, (as lessees), Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司) (as lessor) and New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司) and Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司), both a subsidiary of the Company (as guarantors) in relation to the transfer of ownership and leaseback of the leased assets, which comprised of biogas power generating facilities situated at Wuzhou City, Xiangtan City and Liuyang City, the PRC, at a total consideration of RMB27,000,000 for a term of three years. For details, please refer to the announcement of the Company dated 11 February 2021.
2. a.(i) the finance lease agreement dated 2 July 2021 and entered into between Ping An Tianjin (as lessor) and Baoji City Electric Power Development Co., Limited* (寶雞市易飛明達電力發展有限公司), being a subsidiary of the Company, (as lessee) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of landfill gas power generating facilities and biogas pretreatment equipment situated in Baoji City, the PRC, at the consideration of RMB12,220,000 for a term of three years; and
a.(ii) the finance lease agreement dated 2 July 2021 and entered into between Ping An Tianjin (as lessor) and Anqiu City New China Water Environmental Technology Limited* (安丘市新中水環保科技有限公司), being a subsidiary of the Company, (as lessee) in relation to the transfer of ownership and leaseback of the leased assets, which comprised of fuel gas power generating facilities and silent type standard containers situated in Anqiu City, the PRC, at the consideration of RMB9,500,000 for a term of three years;

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

3. (i) the finance lease arrangement dated 20 August 2021 and entered into between Lianyuan City New Water Environmental Protection Technology Co., Ltd* (漣源市新中水環保科技有限公司) (the “**Lessee I**”) and Hunan Huiming Environmental Technology Limited* (湖南惠明環境科技有限公司) (the “**Lessee II**”), all being a subsidiary of the Company, as joint lessees, New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司) (the “**Guarantor**”), a subsidiary of the Company and CPI Ronghe Financial Leasing Co., Ltd. (中電投融和融資租賃有限公司) (the “**Lessor**”) in relation to the transfer of

ownership and leaseback of the leased assets, which mainly comprised of fuel gas power generating facilities and silent type standard containers situated in Lian Yuan City and ZhuZhou City, Hunan Province, the PRC at the consideration of RMB5,300,000 for a term of 4 years. In addition, Guarantor has executed share pledge agreement in favour of Lessor, pledging all the shareholding interests in Lessee I; and

- (ii) the finance Lease arrangement dated 20 August 2021 and entered into between Gaizhou City New China Water Environmental Technology Limited* (蓋州市新中水環保科技有限公司) (the “**Lessee III**”) and Fengcheng City New China Water Energy Technology Limited* (豐城市新中水能源科技有限公司) (the “**Lessee IV**”), all being a subsidiary of the Company as joint lessees, the Guarantor and the Lessor in relation to the transfer of ownership and leaseback of the leased assets which mainly comprised of fuel gas power generating facilities and silent type standard containers situated in Gaizhou City and Feng Cheng City, the PRC at the consideration of RMB10,600,000 for a term of 4 years.

The Guarantor had executed a guarantee in favor of Lessor for the payment obligations of the Lessee under these finance lease arrangements.

- 4. (i) On 8 December 2021, New China Water (Nanjing) Renewable Resources Investment Company Limited*, Shenzhen City New China Water Environmental Technology Limited*, Shandong Qiyao New Energy Company Limited* and Ningbo Qiyao New Energy Company Limited* (collective known as “**Lessees**”), all being subsidiaries of the Company, entered into the transfer agreement in relation to the sale and purchase of the landfill gas power generating facilities (the “**Leased Assets**”) with Canton Greengold Financial Leasing Ltd.* (the “**Greengold Leasing**”), pursuant to which Greengold Leasing shall purchase the Leased Assets from the Lessees for the purchase price of RMB60,000,000 (equivalent to approximately HK\$74,220,000). On the same date, the Lessees and Greengold Leasing entered into the Finance Lease Agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessees for a lease consideration comprising of a principal amount equivalent to the said purchase price and the interest accrued thereon at a rate of 6.35% per annum for a lease period of 48 months commencing from the payment date of the said purchase price. For details, please refer to the announcement of the Company dated 8 December 2021.
- (ii) On 22 February 2022, New China Water (Nanjing) Renewable Resources Investment Company Limited* (the “**Lessee 1**”) entered into the Transfer Agreement with Greengold Leasing, pursuant to which Greengold Leasing shall purchase the power generation equipment (the “**Leased Assets**”) from Lessee 1 for the purchase price of RMB20,000,000 (equivalent to approximately HK\$24,740,000). On the same date, the Lessees and Greengold Leasing entered into the Finance Lease Agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessee 1, Shenzhen City New China Water Environmental Technology Limited*, Shandong Qiyao New Energy Company Limited* and Ningbo Qiyao New Energy Company Limited* (collectively known as “**Lessees**”) for a lease consideration comprising of a principal amount equivalent to the purchase price and the interest accrued thereon at a rate of 6.35% per annum for a lease period of 48 months commencing from the payment date of the Purchase Price. For details, please refer to the announcement of the Company dated 22 February 2022.

B. Change of single largest shareholder

On 30 June 2021, Step Wide, a substantial shareholder of the Company (as defined in the Listing Rules), had acquired of an aggregate of 116,112,000 shares of the Company (the “**Shares**”), representing approximately 7.27% of the Shares in issue, at a price of HK\$0.30 per Share for a consideration of HK\$34,833,600 from Honghu Capital Co. Ltd. (“**Honghu Capital**”), a substantial shareholder and the single largest shareholder of the Company (as defined in the Listing Rules) (the “**Acquisition**”). Before the Acquisition, Step Wide was interested in 160,000,000 Shares, representing approximately 10.02% of the issued share capital of the Company and Honghu Capital was interested in 277,788,000 Shares, representing approximately 17.40% of the issued share capital of the Company. Immediately completion of the Acquisition, Step Wide is interested in 276,112,000 Shares, representing approximately 17.29% of the issued share capital of the Company and Honghu Capital is interested in 161,676,000 Shares, representing approximately 10.13% of the issued share capital of the Company. Step Wide remains a substantial shareholder and becomes the single largest shareholder of the Company and Honghu Capital remains to be a substantial shareholder of the Company. For details, please refer to the announcement of the Company dated 5 July 2021.

C. Enhancement of internal control measures in relation to connected transaction at subsidiary level

During the period, the Company implemented a number of measures and procedures to enhance the Group’s internal control in respect of connected transactions. For details, please refer to the announcement of the Company dated 21 June 2021.

D. Effective Date of the Capital Reduction and the Subdivision

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

E. Placing of New Shares under General Mandate

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

F. Cooperation Framework Agreement

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

CHAIRMAN’S STATEMENT FOR 2021

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

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

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

BUSINESS REVIEW:

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

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

In 2021, seven new projects were put into operation with a new power generation scale of 8.7 MW. It signed contracts on seven new projects with a new power generation capacity of 25 MW, representing an increase of 10MW as compared with the new contracted scale of last year. The business continued to maintain a steady development.

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

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

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

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

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

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

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

2. Yichun Water Industry Group Co., Ltd. initiated the “three-orientation construction” to regulate the enterprise standard management and facilitated the construction of three industries. It released the Reply on the Review of the Price of Secondary Water Supply in Urban Areas of Yichun City (for Trial Implementation) and proposed a trial price of RMB1/tonne. Meanwhile, the direct drinking water business achieved significant breakthroughs and has successfully established presence in three governments and two schools.
3. Linyi Fenghuang Water Industry Co. Ltd. comprehensively optimised the business environment and developed smart water services. It responded to national policies on renovating old communities. While pushing for certain financial funds on renovation, it actively undertook the renovation works of the first batch of old communities in Hedong District, guaranteeing the quality and subsequent management of projects. The project is of demonstrative significance in renovation and greatly improved its enterprise business image. While saving costs for the company, it also guaranteed project quality and ensured providing high-quality services.
4. The construction and operation of the project with a capacity of 140,000 tonne/day of Yichun Fangke Sewage Treatment Company Limited* progressed in a stable manner. The Mingyue Mountain Wentang Sewage Treatment Plant completed its environmental inspection and acceptance in April. With a sewage disposal capacity of 20,000 tonne/day, the operation is stable and has achieved profitability. The project of Mingyue Mountain Hongjiang Sewage Treatment Plant with a sewage disposal capacity of 10,000 tonne/day has completed the feasibility research and the assessment on social stability risk as well as the pre-approval of project lands. It is expected to conduct design and project bidding in the first half of 2022 and commence construction in the second half year. For the construction of the 1MW photovoltaic project on the rooftop of its factories, which is invested by a third party, it has completed the filing, bidding and preliminary civil works on brackets and is expected to complete construction and commence on-grid power generation in April 2022.

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

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

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

IV. Improved Situation on Glass Recycling Business in Hong Kong

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

OUTLOOK AND FUTURE PLANS:

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

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

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

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

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

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

In order to ensure the sustainable development of the Group's core businesses and meet the capital needs for future business expansion, the Group will actively expand its financing channels and accelerate the introduction of strategic investors; the Group will also enter into cooperation with financial institutions to realize the integration and utilization of resources of various platforms in the next three years, so as to maximize resources utilization and ensure the long-term and stable development of the Group.

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

The Remaining Group's obligations under finance leases, bank loans and other loans of HK\$384.54 million in total as at 31 December 2021 (As at 31 December 2020: HK\$381.57 million) were secured by charges over:

- (i) property, plant and equipment in which their carrying amount was HK\$176.26 million (As at 31 December 2020: HK\$167.57 million);
- (ii) right-of-use assets in which their carrying amount was HK\$445.05 million (As at 31 December 2020: HK\$340.18 million); and
- (iii) contractual rights to receive revenue generated by certain of our subsidiaries.

NO MATERIAL CHANGE

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

EMPLOYEES

As at 31 December 2021, excluding jointly controlled entities and associates, the Remaining Group had 1,057 employees (As at 31 December 2020: 1,048), of which 13 (As at 31 December 2020: 18) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK\$215.18 million (As at 31 December 2020: HK\$170.73 million). The increase was due to addition staff employed for further expansion of business in renewable energy projects, the absence of the relief of social insurance promulgated by the Chinese government in FY2020 and staff salaries increment in Yichun Water Project. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to the Remaining Group's operating results, market conditions and individual performance. Remuneration packages are normally reviewed as on annual basis by the Remuneration Committee. During the period under review, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Remaining Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 31 December 2021 amounted to HK\$798.27 million divided into 1,596,539,766 ordinary shares of HK\$0.50 each.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

At the annual general meeting (the "**2021 AGM**") of the Company held on 2 June 2021, the shareholders of the Company approved the adoption of the Company's New Share Option Scheme (the "**New Option Scheme**") and the termination of the Company's then existing Share Option Scheme. The adoption date for the New Option Scheme was on 3 June 2021. From the New Option Scheme being adopted up to 31 December 2021, no share options have been granted. The purpose of the New Option Scheme is to enable the Company to grant options to selected participants as incentive and/or rewards for their contribution and support to the Group and any invested entity and/or to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity. The New Option Scheme will remain in force for 10 years and expire on 2 June 2031.

PRE-EMPTIVE RIGHTS

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

SUFFICIENT OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Remaining 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 2021 except for the following deviations.

- Code provision A.2.1 of the CG Code (currently known as code provision C.2.1 in Part 2 of the CG code) requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the period from 4 September 2018 to 7 February 2021, Mr. Lin Yue Hui ("**Mr. Lin**") took up the positions of Chairman and chief executive officer (the "**CEO**"). The Board has evaluated the situation of the Group and taken into account of the experience and past performance of Mr. Lin, the Board was of the opinion that it was appropriate and in the best interest of the Company for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. On 8 February 2021, Mr. Lin resigned as the Chairman and CEO of the Company, also he resigned as an executive Director of the Company on 18 June 2021. Mr. Zhu Yongjun ("**Mr. Zhu**"), an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision A.2.1 of the CG Code. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.
- 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 (the "**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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of the conduct for securities transactions by directors (the "**Model Code**"). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to all Directors and the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors and senior management, the Board confirmed that they had complied with the Model Code regarding directors' securities transactions throughout the accounting period and up to the date of this 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 2021.

AUDIT COMMITTEE

The Audit Committee comprises 3 INEDs of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Lam Cheung Shing, Richard 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, risk management and financial reporting matters including the review of the audited FY2021 Annual Results. The term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

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 annual report of the Company for the year ended 31 December 2020 required to be disclosed were as follows:

(A) The following changes were with effect from 8 February 2021:

- I. Mr. Lin has resigned as the Chairman, the Chief Executive Officer, the Process Agent and the chairman of the Nomination Committee and has been re-designated from the chairman of the Investment Committee to a member of the Investment Committee. However, Mr. Lin remain serves as an executive Director of the Company;
- II. Mr. Zhu, an executive Director, has been appointed as the Chairman, an Authorised Representative, a member of the Remuneration Committee, the chairman of the Nomination Committee and the chairman of the Investment Committee;
- III. Mr. Liu Feng ("**Mr. Liu**") has resigned as an executive Director, an Authorised Representative and a member of the Remuneration Committee. Mr. Liu was appointed as a vice president of the Company subsequent to the aforesaid resignation;
- IV. Mr. Guo Chao Tian has resigned as an independent non-executive Director (the "**INED**") and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee;
- V. Ms. Chu Yin Yin Georgiana ("**Ms. Chu**"), an executive Director and Company Secretary of the Company, has been appointed as the process agent to accept service of process and notices on behalf of the Company;
- VI. Mr. Lam Cheung Shing, Richard, an INED, has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee; and
- VII. Ms. Deng Xiao Ting ("**Ms. Deng**"), an executive Director, has been appointed as a member of the Investment Committee. Further, she resigned as a member of the Investment Committee on 16 September 2021.

- (B) Mr. Lin has resigned as an executive Director of the Company and other directorships of certain subsidiaries of the Group with effect from 18 June 2021. Further, Mr. Lin ceased to be a member of the Investment Committee.
- (C) Mr. Ho Chi Ho has resigned as a non-executive Director of the Company with effect from 29 June 2021.
- (D) Mr. Zhong Wei Guang has resigned as an executive Director of the Company with effect from 14 July 2021.
- (E) Mr. Hu Siyun (“**Mr. Hu**”) has been appointed as an executive Director of the Company with effect from 14 July 2021.
- (F) Each of Mr. Hu and Ms. Chu has been appointed as a member of Investment Committee with effect from 16 September 2021.

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

DIVIDENDS

The Board did not recommend the payment of a final dividend for the FY2021 (FY2020: Nil).

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this results announcement have been agreed by the Company’s auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this results announcement.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL REPORT

This audited FY2021 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 2021 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.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude and sincere wishes to general investors and financial institutions for offering their tremendous support to the Group, as well as to all staff for their contributions to the development of the Group. In 2022, the Group will give back and reward your trust and support with practical actions and look forward to sharing the Group's development achievements with you.

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

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman), Ms. Chu Yin Yin, Georgiana, Ms. Deng Xiao Ting and Mr. Hu Siyun, all being executive Directors, Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, all being independent non-executive Director.

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