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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 2022**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change %
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
Financial Result			
Revenue	1,219,143	1,101,791	10.65%
Gross Profit	370,934	420,530	(11.79%)
(Loss)/Profit for the year	(29,719)	25,547	(216.33%)
Loss attributable to owners of the Company	(89,198)	(44,020)	(102.63%)
Loss per share (HK cents) — Basic and diluted	(3.88)	(2.76)	(40.53%)
EBITDA (<i>Note</i>)	265,182	333,467	(20.48%)
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Financial Position			
Gearing ratio		45.07%	50.13%
Current ratio		1.31 times	1.13 times
Cash and cash equivalents		184,447	291,358
Net asset value		1,902,418	1,925,866
Equity attributable to owners of the Company		1,395,640	1,370,239
Equity attributable to owners of the Company per share (HK\$)		0.49	0.86

Note: Loss 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 2022 together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	3	1,219,143	1,101,791
Cost of sales		<u>(848,209)</u>	<u>(681,261)</u>
Gross profit		370,934	420,530
Other operating income and expenses		71,297	79,056
Loss on disposal of an associate		–	(38,405)
Loss on disposal of a joint venture		(1,142)	–
Gain on disposal of subsidiaries		531	45,712
Selling and distribution expenses		(41,141)	(46,722)
Administrative expenses		(196,282)	(227,283)
Finance costs	5	(67,535)	(66,431)
Change in fair value of investment properties		585	36
Net gain on financial assets			
at fair value through profit or loss		696	15,895
Impairment loss recognised on:			
property, plant and equipment		(13,490)	(30,799)
goodwill		(22)	(7,715)
other intangible assets		(1,480)	(4,913)
trade and other receivables, net		(122,773)	(69,404)
right-of-use assets		(1,295)	(13,097)
Share of (loss)/profit of associates		(133)	32,411
Share of profit of joint ventures		784	640
(Loss)/profit before taxation		(466)	89,511
Income tax	6	(29,253)	(63,964)
(Loss)/profit for the year		<u>(29,719)</u>	<u>25,547</u>
Attributable to:			
Owners of the Company		(89,198)	(44,020)
Non-controlling interests		59,479	69,567
		<u>(29,719)</u>	<u>25,547</u>
Loss per share (HK cents):	9		
Basic		<u>(3.88)</u>	<u>(2.76)</u>
Diluted		<u>(3.88)</u>	<u>(2.76)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
(Loss)/profit for the year		(29,719)	25,547
Other comprehensive (loss)/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>(164,298)</u>	<u>51,739</u>
		(164,298)	51,739
Financial assets at fair value through other comprehensive income:			
Net (loss)/gain arising on revaluation of financial assets at fair value through other comprehensive income during the year		(32)	702
Release of reserve upon disposal of subsidiaries		1,929	(23,933)
Release of reserve upon disposal of an associate		–	(271)
Release of reserve upon disposal of a joint venture		(70)	–
Release of reserve upon deregistration of subsidiaries		(97)	–
Share of other comprehensive (loss)/income of associates		(236)	950
Share of other comprehensive loss of joint ventures		(1,956)	(638)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of investment properties upon transfer from property, plant and equipment		1,249	2,299
Deferred tax liabilities arising on gain on revaluation of investment properties		<u>(312)</u>	<u>(575)</u>
		937	1,724
Other comprehensive (loss)/income for the year, net of income tax		<u>(163,823)</u>	<u>30,273</u>
Total comprehensive (loss)/income for the year		<u>(193,542)</u>	<u>55,820</u>
Attributable to:			
Owners of the Company		(222,027)	(37,353)
Non-controlling interests		<u>28,485</u>	<u>93,173</u>
		(193,542)	55,820

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		548,020	811,682
Deposits paid for acquisition of property, plant and equipment		153,929	5,708
Deposits paid for acquisition of subsidiaries		–	19,790
Right-of-use assets		353,550	424,584
Operating concessions		604,387	606,271
Receivables under service concession arrangements		10,795	14,481
Investment properties		213,679	12,280
Other intangible assets		162,029	177,770
Financial assets at fair value through other comprehensive income		3,843	4,071
Interests in associates		2,483	2,852
Interests in joint ventures		21,512	23,831
Deferred tax assets		2,513	739
Deposits and prepayments	<i>10</i>	18,960	18,960
		2,095,700	2,123,019
Current assets			
Inventories		67,055	278,729
Receivables under service concession arrangements		2,459	3,076
Financial assets at fair value through profit or loss		30,115	16,687
Trade and other receivables	<i>10</i>	938,981	1,050,110
Contract assets		63,513	42,908
Cash held by financial institutions		596	147
Bank balances and cash		183,851	291,211
Amounts due from non-controlling shareholders of subsidiaries		2,889	–
Amounts due from associates		4,196	4,585
		1,293,655	1,687,453
Assets held for sale		74,153	51,395
		1,367,808	1,738,848

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>11</i>	487,823	577,073
Contract liabilities		135,822	373,170
Bank borrowings		60,602	73,833
Other loans		184,519	365,733
Lease liabilities		123,380	117,501
Amounts due to non-controlling shareholders of subsidiaries		–	329
Deposits received from disposal of equity interest in subsidiary		–	12,231
Tax payables		27,858	22,216
		<u>1,020,004</u>	<u>1,542,086</u>
Liabilities directly associated with the assets held for sale		<u>27,955</u>	<u>11</u>
		<u>1,047,959</u>	<u>1,542,097</u>
Net current assets		<u>319,849</u>	<u>196,751</u>
Total assets less current liabilities		<u>2,415,549</u>	<u>2,319,770</u>
Capital and reserves			
Share capital		28,736	798,270
Share premium and reserves		1,366,904	571,969
Equity attributable to owners of the Company		<u>1,395,640</u>	<u>1,370,239</u>
Non-controlling interests		<u>506,778</u>	<u>555,627</u>
TOTAL EQUITY		<u>1,902,418</u>	<u>1,925,866</u>
Non-current liabilities			
Trade and other payables	<i>11</i>	21,371	–
Bank borrowings		223,755	105,886
Other loans		16,506	15,844
Lease liabilities		161,135	171,060
Government grants		33,784	38,382
Deferred tax liabilities		56,580	62,732
		<u>513,131</u>	<u>393,904</u>
		<u>2,415,549</u>	<u>2,319,770</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 Office H, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, 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 2022 comprise the Company and its subsidiaries (together referred to as the “**Group**”), the Group’s interests in associates and joint ventures. These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). Other than those subsidiaries established in the People’s Republic of China (the “**PRC**”) and Indonesia, whose functional currency is Renminbi (“**RMB**”) and Rupiah respectively, the functional currency of the Company and its subsidiaries is HK\$.

The 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**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) to these financial statements for the current accounting period for the first time:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021 retrospectively for the first time in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases (“**HKFRS 16**”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The cost of the items is measured in accordance with HKAS 2.

The amendments do not have a material impact on these financial statements.

3. REVENUE

Disaggregation of revenue

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated by major products or service lines:		
Water supply services	146,351	155,293
Sewage treatment services	83,447	83,093
Water supply related installation and construction income	226,499	233,011
Water supply and sewage treatment infrastructure construction income	101,160	47,299
Sale of electricity	420,413	514,097
Sale of compressed natural gas	4,441	21,269
Service income from collection of landfill gas	29,517	33,828
Sales of property investment and development	207,315	13,901
	<u>1,219,143</u>	<u>1,101,791</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;
- (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 2022

	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	229,798	454,371	207,315	891,484
Over time	327,659	–	–	327,659
Reportable segment revenue	<u>557,457</u>	<u>454,371</u>	<u>207,315</u>	<u>1,219,143</u>
Reportable segment profit	<u>81,096</u>	<u>87,589</u>	<u>7,817</u>	176,502
Unallocated corporate expenses				(167,284)
Interest income				198
Interest on fixed coupon bonds				(9,967)
Net gain on financial assets at fair value through profit or loss				696
Loss on disposal of a joint venture				(1,142)
Gain on disposal of subsidiaries				531
Loss before taxation				<u>(466)</u>

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	<u>518,696</u>	<u>569,194</u>	<u>13,901</u>	<u>1,101,791</u>
Reportable segment profit	<u>132,692</u>	<u>104,809</u>	<u>(7,298)</u>	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				<u>89,511</u>

Other segment information

For the year ended 31 December 2022

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	8,910	431	2	198	–	9,541
Interest expenses	(3,834)	(28,065)	–	(35,636)	–	(67,535)
Share of loss of associates	–	(133)	–	–	–	(133)
Share of profit/(loss) of joint ventures	1,060	–	–	(276)	–	784
Depreciation of:						
— Property, plant and equipment	(2,374)	(51,245)	(19,165)	(1,874)	–	(74,658)
— Right-of-use assets	(1,376)	(45,235)	(622)	(3,430)	–	(50,663)
Amortisation of:						
— Concession intangible assets	(35,542)	(15,463)	–	–	–	(51,005)
— Other intangible assets	–	(21,787)	–	–	–	(21,787)
Gain/(loss) on disposal of property, plant and equipment, net	(24)	96	–	44	–	116
Gain/(loss) on disposal of:						
— Joint venture	–	–	–	(1,142)	–	(1,142)
— Subsidiaries	–	–	–	531	–	531
Loss on disposal of concession intangible assets	(114)	–	–	–	–	(114)
Write off of:						
— Property, plant and equipment	–	(18,372)	–	–	–	(18,372)
— Right-of-use assets	–	(6,328)	–	–	–	(6,328)
Impairment loss recognised on:						
— Property, plant and equipment	–	(13,490)	–	–	–	(13,490)
— Goodwill	–	(22)	–	–	–	(22)
— Other intangible assets	–	(1,480)	–	–	–	(1,480)
— Trade and other receivables, net	(7,888)	(2,078)	(27,040)	(85,767)	–	(122,773)
— Right-of-use assets	–	(1,295)	–	–	–	(1,295)
Reportable segment assets	<u>925,926</u>	<u>1,856,483</u>	<u>513,740</u>	<u>167,296</u>	<u>63</u>	<u>3,463,508</u>
Additions to non-current assets	<u>106,135</u>	<u>271,807</u>	<u>52,669</u>	<u>23,754</u>	<u>–</u>	<u>454,365</u>
Reportable segment liabilities	<u>(365,733)</u>	<u>(684,167)</u>	<u>(253,569)</u>	<u>(216,347)</u>	<u>(41,274)</u>	<u>(1,561,090)</u>

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>	Corporate <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

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

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2021: 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:

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Customer A — revenue from exploitation and sale of renewable energy	<u>127,177</u>	<u>131,568</u>

5. FINANCE COSTS

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Interest on:		
— bank borrowings	8,587	3,958
— other loans	48,710	59,580
— lease liabilities	<u>23,278</u>	<u>21,106</u>
Total borrowing costs	80,575	84,644
Less: interest capitalised included in construction in progress	<u>(13,040)</u>	<u>(18,213)</u>
	<u>67,535</u>	<u>66,431</u>

Included in construction in progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of approximately HK\$13,040,000 (2021: HK\$18,213,000) at the capitalisation rate of 9.93% (2021: 8.87%) per annum.

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
— Provision for the year	—	—
Current tax — PRC Enterprise Income Tax (“EIT”)		
— Provision for the year	37,369	67,098
— Under provision in respect of prior years	21	239
Deferred tax	(8,137)	(3,373)
	<u>29,253</u>	<u>63,964</u>

No provision for Hong Kong profit tax has been made for the years ended 31 December 2021 and 2022 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% from 1 January 2008 onwards. Accordingly, provision for PRC EIT for the PRC subsidiaries is calculated at 25% on the estimated assessable profits for both years, except disclosed as follows.

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

7. (LOSS)/PROFIT FOR THE YEAR

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs excluding directors’ and chief executive’s emoluments		
— Salaries, wages and other benefits	165,425	185,962
— Retirement benefits scheme contributions	24,898	24,476
Total staff costs	<u>190,323</u>	<u>210,438</u>
Amortisation of:		
— concession intangible assets	51,005	51,162
— other intangible assets	21,787	25,128
Depreciation of:		
— owned property, plant and equipment	74,658	56,204
— right-of-use assets	50,663	45,031
Lease payments not included in the measurement of lease liabilities	5,433	7,548
Write off of:		
— Property, plant and equipment	18,372	—
— Right-of-use assets	6,328	—
(Gain)/loss on disposal of property, plant and equipment, net	(116)	372
Loss on disposal of concession intangible assets	114	405
Auditor’s remuneration		
— audit services	2,540	2,290
— other services	310	1,203
Cost of inventories	149,336	59,180
Gross rental income from investment properties less direct outgoings of approximately HK\$54,000 (2021: HK\$72,000)	<u>(726)</u>	<u>(835)</u>

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

9. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	<u>(89,198)</u>	<u>(44,020)</u>
	No. of shares <i>'000</i>	No. of shares <i>'000</i>
Weighted average number of ordinary shares — basic and diluted	<u>2,299,776</u>	<u>1,596,540</u>
Loss per share (HK cents):		
Basic	<u>(3.88)</u>	<u>(2.76)</u>
Diluted	<u>(3.88)</u>	<u>(2.76)</u>

For the year ended 31 December 2022 and 2021, diluted loss per share equals basic loss per share as there was no dilutive potential share.

10. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	735,402	678,978
Less: Loss allowances	<u>(8,066)</u>	<u>(7,353)</u>
	<u>727,336</u>	<u>671,625</u>
Other receivables	100,907	127,558
Less: Loss allowances	<u>(43,044)</u>	<u>(17,159)</u>
	<u>57,863</u>	<u>110,399</u>
Loan receivables	254,375	252,900
Less: Loss allowances	<u>(204,992)</u>	<u>(120,060)</u>
	<u>49,383</u>	<u>132,840</u>
Deposits and prepayments	<u>123,359</u>	<u>154,206</u>
	<u>957,941</u>	<u>1,069,070</u>
Amounts due within one year included under current assets	938,981	1,050,110
Amounts due after one year included under non-current assets	<u>18,960</u>	<u>18,960</u>
	<u>957,941</u>	<u>1,069,070</u>

Trade receivables

The Group allows an average credit period of 0 day to 180 days (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	115,802	134,601
91 to 180 days	39,197	53,367
181 to 365 days	129,875	82,161
Over 1 year	<u>442,462</u>	<u>401,496</u>
	<u>727,336</u>	<u>671,625</u>

11. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	195,177	173,865
Receipts in advance	22,390	–
Construction payables	78,501	193,104
Interest payables	5,672	3,329
Accrued expenses	17,338	29,711
Guarantee deposits from a subcontractor	913	1,304
Sewage treatment fees received on behalf of certain government authorities	332	4,008
Other payables	179,912	170,409
Default claim payable	8,959	–
Contingent consideration payable	–	1,343
	<u>509,194</u>	<u>577,073</u>
Analysed as:		
Non-current	21,371	–
Current	487,823	577,073
	<u>509,194</u>	<u>577,073</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	8,290	29,354
31 to 90 days	75,434	50,298
91 to 180 days	41,362	21,170
181 to 365 days	17,786	16,888
Over 1 year	52,305	56,155
	<u>195,177</u>	<u>173,865</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for:		
— Acquisition of concession intangible assets and property, plant and equipment	<u>5,264</u>	<u>8,393</u>
	<u>5,264</u>	<u>8,393</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\$58,430,000 together with interest accrued thereon (the “**Loan Receivables**”). HK\$5,000,000 of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK\$5,000,000 of the Loan Receivables. However, the remaining Loan Receivables of HK\$53,430,000 (the “**Remaining Loan Receivables**”) plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK\$18,030,000 of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the “**Partial Payment of the Remaining Loan Receivables**”). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK\$35,400,000 of the Remaining Loan Receivables and underlying interests (the “**Outstanding Balance**”). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the “**Writ**”) to the High Court of Hong Kong Special Administrative Region (the “**High Court**”) to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the “**Final Judgment**”). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

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 liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the “**Appointment**”) pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco (“**Creditors**”). On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators (“**Liquidators**”). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

On 16 July 2015, the Zhaoqing Intermediate People’s Court adjudged that the Final Judgment recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision (“**PRC Judgment**”). On 27 January 2016, the PRC Judgment was announced on the website of The People’s Court Announcement for 60 days (“**Announcement Period**”). If Top Vision has not appealed for the PRC Judgment within 30 days after the Announcement Period, the PRC Judgment will be automatically effective thereafter, the Company can enforce the PRC Judgment. On 10 August 2016, Sihui City People’s Court* (四會市人民法院) accepted to execute the PRC Judgment in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People’s Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. On 28 June 2020, Sihui City People’s Court accepted the “resumption implementation application” which was submitted by Swift Surplus to resume the execution of the final judgement and continued to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2022.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. On 29 March 2020, 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\$3,900,000 being principal and interest, and the Court further awarded judgement interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the “**Judgement Debts**”). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue statutory demand against Tai Heng. If Tai Heng fail to reply, the Liquidators may further pursue winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as “**Evidence**”) to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company applied to the Tribunal to arrange the arbitral hearing. On 16 March 2020, the arbitrator of HKIAC made an arbitration award that each guarantor shall jointly and severally liable to repay the principals together with the interest accrued thereon to the Lenders. On 30 November 2021, the Swift Surplus had submitted the application to the Sihui City People’s Court for the resumption of civil enforcement on Top Vision. In January 2022, Swift Surplus submitted the application to the Sihui City People’s Court again for the resumption of execution of the final judgement granted in July 2015 to continue to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2025. In January 2022, the Lender applied to Shenzhen Intermediate People’s Court and Zhaoqing Intermediate People’s Court for the recognition and enforcement of Hong Kong arbitrations and awards, so as to recover the debts from the guarantors. In June 2022, Sihui City People’s Court accepted the application and adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for addition 2 years from June 2022 to June 2024. Up to the date of this announcement, the legal proceeding in PRC is still in progress. 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 RMB8,560,000 and overdue interests thereon; and the relevant arbitration fees.

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

On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the “**Repayment Plan**”) to Guangzhou Hyde. On 1 September 2014, Kunming Court has approved the civil enforcement against Yunnan Chaoyue Gas. Finally, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan.

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 in the PRC. The Deposit was classified as loan receivable and fully impaired in 2011.

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

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

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

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

In August 2022, the involved parties signed the settlement agreement (the “**Settlement Agreement**”) that affirmed the unpaid construction debts of RMB99.91 million and the repayment plan. The aforementioned Settlement Agreement was submitted to the Xuanwu People’s Court for the withdrawal of the relevant land use rights seizure. New China Water Energy and New China Water Carbon had fulfilled a portion of their contractual responsibilities in accordance with the Settlement Agreement. According to the Settlement Agreement, Xuanwu People’s Court issued a civil mediation letter (the “**Civil Mediation Letter**”) confirming that New China Water Energy and New China Water Carbon should jointly and severally pay the outstanding construction debts in the amount of RMB89.91 million including a default claim of RMB8.00 million which was recognized as default claim payable. The Xuanwu People’s Court subsequently removed the relevant seizure of the land use right. Up to the date of this announcement, despite New China Water Energy and New China Water Carbon have yet to execute the Civil Mediation Letter and fulfill their responsibilities in full, partial payment have been made and the parties are negotiating an updated settlement agreement and the relevant legal proceeding is still in process.

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

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

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

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

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

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

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

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the loan receivables has been provided and the unsettled construction debts has been recorded in the other payable to reflect the total liabilities of the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net loss for the year

Net loss for the year ended 31 December 2022 (the “**FY2022**”) was approximately HK\$29.72 million, representing a decrease of 216.33% from net profit of HK\$25.55 million for the year ended 31 December 2021 (the “**FY2021**”). Loss attributable to owners of the Company for the FY2022 was HK\$89.20 million (FY2021: loss of HK\$44.02 million).

Comparing with the FY2021, the downturn from profit to loss was mainly attributable to, among others, net impact of the following factors: (i) the absence of contribution from Yingtan Water Group upon the completion of disposal in 2021; (ii) the reduction in gross profit derived from the renewable energy businesses as a result of the decrease in the volume of on-grid electricity and suspension of the production at one of the compressed natural gas plants; (iii) the depreciation of RMB which attributable to an exchange loss in the FY2022; (iv) the absence of net gain on financial assets at fair value through profit and loss in the FY2022 as compared to the FY2021 and (v) the increase in the provision of expected credit loss on loan receivables and other receivables. The effects of the aforesaid facts were partially offset by (a) the reduction in provision of impairment loss on assets relating to several renewable energy projects; (b) the increase in income from the sale of carbon-credit assets; (c) profit recognition for the sale of completed properties in Nanjing Space Big Data Industry Base project (the “**Nanjing Property Project**”) upon the properties delivery to customers in second half of 2022; and (d) the decrease in administrative expenses.

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.

Following the completion of the disposal of Yingtan Water Group in 2021, the Group further disposed of an additional water supply project by signing into the Equity Transfer Agreement on 11 October 2022, for the purpose of disposing of 60% equity interests in the Linyi Fenghuang Water Industry Co., Ltd. (the “**Linyi Fenghuang**”). Upon completion of disposal in October 2022, Linyi Fenghuang ceased to be a subsidiary of the Company. The principal activities of Yingtan Water Group and Linyi Fenghuang are mainly engaged in the provision of water supply services and the related installation and construction services (the “**Water Supply Business**”). As a result of the aforesaid disposals, the Group has scaled down the Water Supply Business, but there is no change to the principal business of the remaining group (the “**Remaining Group**”). The Remaining Group has continued to carry out its existing businesses.

Financial performance analysis of the Remaining Group as follows:

	2022			2021				2022 VS 2021			
	The Group	Linyi Fenghuang 10 months	The Remaining Group	The Group	Yingtan Water Group 2 months	Linyi Fenghuang 12 months	The Remaining Group	The Group	Yingtan Water Group	Linyi Fenghuang	The Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,219,143	43,756	1,175,387	1,101,791	43,621	66,072	992,098	117,352	(43,621)	(22,316)	183,289
Gross profit	370,934	9,648	361,286	420,530	22,819	18,415	379,296	(49,596)	(22,819)	(8,767)	(18,010)
Gross profit margin	30.43%	22.05%	30.74%	38.17%	52.31%	27.87%	38.23%	(7.74%)	(52.31%)	(5.82%)	(7.49%)
(Loss)/Profit after taxation	(29,719)	8,664	(38,383)	25,547	23,239	10,943	(8,635)	(55,266)	(23,239)	(2,279)	(29,748)
Attributable to:											
— owners of the Company	(89,198)	5,198	(94,396)	(44,020)	11,852	6,566	(62,438)	(45,178)	(11,852)	(1,368)	(31,958)
— non-controlling interests	59,479	3,466	56,013	69,567	11,387	4,377	53,803	(10,088)	(11,387)	(911)	2,210
	<u>(29,719)</u>	<u>8,664</u>	<u>(38,383)</u>	<u>25,547</u>	<u>23,239</u>	<u>10,943</u>	<u>(8,635)</u>	<u>(55,266)</u>	<u>(23,239)</u>	<u>(2,279)</u>	<u>(29,748)</u>

The Remaining Group's revenue rose by HK\$183.29 million from HK\$992.10 million for FY2021 to HK\$1,175.39 million for FY2022. The steady growth was mainly due to (i) the increase in income of construction services as several projects completed construction and new construction works commenced during FY2022; (ii) the increase in the water supply volume resulting in expansion of water supply capacity in Yichun Water Project; and (iii) the revenue recognition for the sale of completed properties in the Nanjing Property Project as control of the asset was transferred to buyers, which was partially offset by the decrease in the volume of on-grid electricity and the suspension of production of compressed natural gas (the "CNG") products in the Shenzhen Xiaping Landfill Site project.

During the year under review, the renewable energy business segment become the principal source of the Remaining Group's revenue which contributed HK\$454.37 million (FY2021: HK\$569.20 million). Construction services business segment became the second largest revenue generator of the Remaining Group which achieved a revenue of HK\$308.15 million (FY2021: HK\$216.37 million).

The Remaining Group's gross profit fell by HK\$18.01 million from HK\$379.30 million for the FY2021 to HK\$361.29 million for the FY2022 due to the decline in business performance from the renewable energy business and increased in operating costs.

The other operating income, net, total expenses, finance costs and income tax expense of the Remaining Group are analysis as follows:

	FY2022			FY2021				FY2022 VS FY2021			
	The Group HK\$'000	Linyi Fenghuang 10 months HK\$'000	The Remaining Group HK\$'000	The Group HK\$'000	Yingtan Water Group 2 months HK\$'000	Linyi Fenghuang 12 months HK\$'000	The Remaining Group HK\$'000	The Group HK\$'000	Yingtan Water Group HK\$'000	Linyi Fenghuang HK\$'000	The Remaining Group HK\$'000
Other operating income, net	71,297	8,016	63,281	79,056	20,962	5,072	53,022	(7,759)	(20,962)	2,944	10,259
Selling and distribution expenses	41,141	-	41,141	46,722	1,747	-	44,975	(5,581)	(1,747)	-	(3,834)
Administrative expenses	196,282	7,460	188,822	227,283	8,643	8,896	209,744	(31,001)	(8,643)	(1,436)	(20,922)
Total expenses	<u>237,423</u>	<u>7,460</u>	<u>229,963</u>	<u>274,005</u>	<u>10,390</u>	<u>8,896</u>	<u>254,719</u>	<u>(36,582)</u>	<u>(10,390)</u>	<u>(1,436)</u>	<u>(24,756)</u>
Finance costs	67,535	-	67,535	66,431	439	-	65,992	1,104	(439)	-	1,543
Taxation	29,253	1,540	27,713	63,964	9,209	3,684	51,071	(34,711)	(9,209)	(2,144)	(23,358)

Other operating income, net

For the FY2022, the Remaining Group's other income, net, mainly consisted of income generated from selling carbon-credit assets amounted to HK\$60.39 million, a VAT refund of HK\$20.14 million, government grants of HK\$4.18 million in relation to subsidizing certain renewable energy projects, net service income of HK\$4.44 million from the operation of landfill gas projects, and interest income of HK\$2.04 million. The Remaining Group's other income, net, rose by HK\$10.26 million to HK\$63.28 million due to the sale of carbon-credit assets, which was partially offset by the depreciation of the RMB in FY2022; a reduction in VAT refund; a default claim made by Jinling Construction and the write-off on certain obsolete equipment. (FY2021 of the Remaining Group: HK\$53.02 million).

Selling and distribution expenses and administrative expenses

For the FY2022, selling and distribution expenses together with administrative expenses (“**Total Expenses**”) of the Remaining Group collectively decreased by HK\$24.76 million to HK\$229.96 million (FY2021 of the Remaining Group: HK\$254.72 million) mainly because the drop in staff costs was the salary increment for 2019 and 2020 approved and paid in 2021, but no such payments were made in FY2022, and reduction in amortization on land upon Nanjing Property Project obtained the real estate right certificate and the depreciation of the RMB. Total Expenses of the Remaining Group mainly consisted of staff costs including social insurance of HK\$124.36 million, legal and professional fee including audit fee of HK\$35.68 million, repair and maintenance of HK\$12.89 million and depreciation including amortization of HK\$13.32 million. Total Expenses of the Remaining Group accounted for 19.56% of the total revenue of the Remaining Group, which was comparable to FY2021 of the Remaining Group of 25.67%.

Finance costs

For the FY2022, the finance costs of the Remaining Group were HK\$67.54 million, a slight increase of HK\$1.55 million as compared to that of last year (FY2021 of the Remaining Group: HK\$65.99 million). The increase was mainly due to addition loans borrowing in the PRC for the further development of renewable energy business which was offset by the repayment partial of fixed coupon bonds and other loans. Finance costs of the Remaining Group of finance costs were mainly interests on fixed coupon bonds, finance leases and other loans borrowing.

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

For the FY2022, net gain on financial assets at fair value through profit or loss (“**FVPL**”) of the Remaining Group amounted to HK\$0.70 million, fell by HK\$15.20 million from the profit of HK\$15.90 million for the FY2021 of the Remaining Group. Included in net gain on FVPL was mainly including dividend income received and the change in value of unlisted investment in the PRC.

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

For the FY2022, the Remaining Group recorded the impairment loss on other intangible assets of HK\$1.48 million (FY2021 of the Remaining Group: HK\$4.91 million), goodwill of HK\$22,000 (FY2021 of the Remaining Group: HK\$7.72 million), right of use assets of HK\$1.30 million (FY2021 of the Remaining Group: HK\$13.10 million) and PPE of HK\$13.49 million (FY2021 of the Remaining Group: HK\$30.80 million) respectively, mainly provided for the renewable energy projects which are located in provinces of Hunan, Shangdong, Hebei and Fujian, the PRC. The reasons of impairment loss provided on these projects are (i) 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 (ii) the operating cost continued to increase. Since recoverable amounts of the relevant cash-generating units for the aforesaid projects are less than their carrying amount of assets, this resulted in an impairment loss in FY2022. In this regard, 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, settlement of receivables from debtors of the Remaining Group slowed down as a result of the continuing spread of the COVID-19 epidemic and its protracted negative impact on the economy. As a result of delay in repayment, prolonged overdue of receivable balance and default in repayment of respective loans and advances, led to an increase in expected credit loss (the “**ECL**”) in 2022. Hence, the Remaining Group had substantially increased the impairment loss on loan receivable and other receivable for the FY2022. For the FY2022, the Remaining Group recorded net allowance for ECL of HK\$122.77 million (FY2021 of the Remaining Group: HK\$69.40 million), (the “**Impairment Loss**”) which consists of HK\$1.27 million (FY2021 of the Remaining Group: HK\$2.21 million) for trade receivable (the “**Trade Receivable**”), HK\$93.22 million (FY2021 of the Remaining Group: HK\$39.99 million) for loan and interest receivables (the “**Loan Receivables**”) and HK\$28.28 million (FY2021 of the Remaining Group: HK\$27.20 million) for other receivables, deposits and prepayments (the “**Other Receivables**”).

Impairment Loss on Loans Receivables

The recognition of the Impairment Loss on Loan Receivables were mainly due to the defaults of repayment on the loans (the “**Loans**”) made to loan borrowers (the “**Borrowers**”) which mainly comprised of independent private companies in the PRC . The reasons for the defaults by the Borrowers were mainly due to (i) refusal of repayment by certain Borrowers with respective to relevant Loans; (ii) winding up by the Hong Kong court; and (iii) deregistration of the companies in the PRC.

Impairment Loss on Other Receivables

Impairment loss on Other Receivables comprised of impairment on advance made by a wholly-owned subsidiary of the Company to an independent entity (the “**Entity**”) for the procurement of equipment facilities for the Nanjing Property Project (the “**Advance**”). As the Entity failed to fulfill the obligation of the procurement contract and failed to repay the deposit, the Remaining Group after taking relevant recovery measures, noticed during the year that the Entity was deregistered. For further details, please refer to section headed “TRADE AND OTHER RECEIVABLES” below in this announcement.

To recover the above-mentioned defaulted receivables, the Remaining Group has issued demand letters, dunning letters and submitted a number of statements of claims to the PRC court and/or Hong Kong court in order to recover the Loans and Advances. The Remaining Group has also been in negotiation with several Borrowers including the relevant guarantors and the Entity’s shareholders for settlement of the respective Loans or Advances. If no further development on repayment is achieved by the Remaining Group, the Remaining Group will continue to instruct legal advisers to take legal actions in respect of the recovery of the relevant Loans and Advances.

Assessment of ECL

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

For the Loan Receivables and Advances, the Valuer adopted the probability (the “**PD Model**”) to measure the ECL allowance. Major inputs of the PD Model include (i) probability of default (“**PD**”); (ii) loss given default (“**LGD**”); and (iii) exposure at default (“**EAD**”). The ECL rate has been adjusted for forward-looking factors by taking into account of the expected change in future economic conditions, events and environment, and evaluating the debtor’s past default history, presence of collaterals, as well as the debtor’s financial position.

The rate of ECL of the Remaining Group’s Loan Receivables and Advances as at 31 December 2022 ranged from 9.17% to 100% (the Remaining Group as at 31 December 2021: ranged from 2.26% to 100%) depending on the nature, probability of default and loss incurred in respect of the defaulted Loan Receivables and Advances. Owing to the deteriorating credit status, certain Borrowers and the Entity failed to repay their Loans and Advances which led to the Remaining Group proceed with legal actions to recovery the outstanding balances (the “**Default Events**”) as compared to the previous year. Once the Loans and Advances resulted in Default Events, a maximum default probability of 100% will apply as it will indicate a higher probability of default as well as loss and thus resulting in an increase in net allowance for the expected credit losses during the year.

Share of result from associate

For the FY2022, the Remaining Group shared of loss from an associate amounted to HK\$0.13 million (FY2021 of the Remaining Group: profit of HK\$32.49 million). Substantial decrease was completion of the disposal of Yingtian Water Group in 2021. As at 31 December 2022, 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 FY2022, the Remaining Group shared the profit from joint venture companies of HK\$0.78 million (FY2021 of the Remaining Group: profit of HK\$1.03 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 2022, the Remaining Group has held 65% equity interests in Yichun Mingyue Mountain.

Loss on disposal of joint venture

For the FY2022, the Remaining Group recorded a loss of HK \$1.14 million from the disposal of the 30% sharing interest in the result performance of Shenzhen Ganglong Obstetrics and Gynecology Hospital* — Ophthalmology Project (深圳港龍婦產醫院 — 眼科項目).

Gain on disposal of subsidiary

For the FY2022, the Remaining Group recorded a gain before taxation of HK\$0.53 million from the disposal of Linyi Fenghuang. The disposal was completed in October 2022.

Income tax

For the FY2022, the Remaining Group of tax recorded HK\$27.71 million (FY2021 of the Remaining Group: HK\$51.07 million). The decrease of HK\$23.36 million was mainly due to tax imposed on the disposal of Yingtian Water Group recorded in 2021, which was partially offset by several renewable energy companies in PRC not entitled to the tax exemption after the expiry of tax concessions period under the relevant tax rules and regulation, income tax charged on the disposal of Linyi Fenghuang, dividend income tax and profit tax arising from the sale of completed properties. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the year, 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 HKD, 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 HKD, the Remaining Group had been monitoring the foreign exchange exposures closely and to hedge any significant foreign currency exposure in order to minimize the exchange risk, if necessary.

TREASURY MANAGEMENT

During the year, 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

The financial position analysis of the Remaining Group

As at 31 December

	As at	As at 31 December 2021			2022 VS 2021
	31 December 2022				31 December
	The		Linyi	The	The
	Remaining	The Group	Fenghuang	Remaining	Remaining
	Group			Group	Group
	HK\$'Million	HK\$'Million	HK\$'Million	HK\$'Million	HK\$'Million
Non-current assets	2,095.70	2,123.02	25.53	2,097.49	(1.79)
Current assets	1,367.81	1,738.85	135.11	1,646.80	(278.99)
Total assets	3,463.51	3,861.87	160.64	3,744.29	(280.78)
Current Liabilities	1,047.96	1,542.10	65.70	1,464.17	(416.21)
Non-current Liabilities	513.13	393.90	0.35	393.55	119.58
Total liabilities	1,561.09	1,936.00	66.05	1,857.72	(296.63)
Net current assets	319.85	196.75	69.41	182.63	137.22
Net assets value	1,902.42	1,925.87	94.59	1,886.57	15.85
Cash and cash equivalents	184.45	291.36	75.03	214.59	(30.14)
Inventories	67.06	278.73	2.79	275.94	(208.88)
Trade and other receivables	957.94	1,069.07	46.51	1,067.36	(109.42)
Investment properties	213.68	12.28	2.03	10.25	203.43
Trade and other payables	509.19	577.07	31.31	545.76	(36.57)
Current assets ratio	1.31	1.13		1.12	
Net asset value per share	0.66	1.21		1.18	
Gearing ratio	45.07%	50.13%		49.61%	

As at 31 December 2022, the Remaining Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Remaining Group recorded a cash and cash equivalents balance of HK\$184.45 million (The Remaining Group as at 31 December 2021: HK\$214.59 million) including cash held at financial institutions of HK\$0.60 million (The Remaining Group as at 31 December 2021: HK\$0.15 million). The decrease of HK\$30.14 million was mainly due to repayment of debts, further investment in the renewable energy business and slowdown of payment of sewage treatment fees and water tariff as a result of the recurring COVID-19 situation in China. With the steady operating cash flows, the Remaining Group is expected to have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HKD and RMB.

The net current assets for the Remaining Group at 31 December 2022 were HK\$319.85 million (The Remaining Group as at 31 December 2021: HK\$182.63 million). The current ratio of the Remaining Group (current assets over current liabilities) was 1.31 times as at 31 December 2022 (The Remaining Group as at 31 December 2021: 1.12 times).

As at 31 December 2022, net asset value of the Remaining Group amounted to HK\$1,902.42 million (The Remaining Group as at 31 December 2021: HK\$1,886.57 million). Net asset value of the Remaining Group per share was HK\$0.66 as at 31 December 2022 (The Remaining Group as at 31 December 2021: HK\$1.18).

As at 31 December 2022, the Remaining Group's consolidated total assets (including both current and non-current) decreased by HK\$280.78 million to HK\$3,463.51 million (The Remaining Group as at 31 December 2021: HK\$3,744.29 million). The decrease was caused by the transfer of property inventory to cost of sales, resulting from revenue recognised from the sale of completed properties, the completion of subsidiary acquisitions, the increase in ECL on account receivables, and the depreciation of RMB which was partially offset by an increase in deposits paid for the acquisition of biogas generators.

CAPITAL STRUCTURE, CAPITAL FUND RAISING AND USE OF PROCEEDS

1. Placing of new shares under general mandate

During the year, a total of 319,200,000 placing shares have been issued by the Company. 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 the Group's general working capital and HK\$65.00 million for the repayment of the Group's loan and accrued interests. For details, please refer to announcements dated 27 January 2022 and 23 February 2023. The intended and actual use of the net proceeds from the Placing is stated as below:

Amount <i>HK\$'million</i>	Intended use	Actual use
58.55	Repayment of loan and accrued interest advanced by related parties	Fully utilised as intended
6.45	Repayment of bonds and accrued interest issued by the Company	Fully utilised as intended
12.60	General working capital (including but not limited to staff cost, office rent and rates, professional fees and other general corporate expenses)	Fully utilised as intended
<hr/> <u>77.60</u>		

2. The rights issue on the basis of one (1) rights share for every two (2) existing shares held on the record date on a non-underwritten basis

On 20 July 2022, the Company completed a rights issue at a price of HK\$0.175 per rights share on the basis of one (1) rights share for every two (2) existing shares held by the qualifying shareholders on the record date (i.e. 24 June 2022) (the “**Rights Issue**”) by issuing up to 957,869,883 rights shares. The gross proceeds from the Rights Issue are approximately HK\$167.60 million and the net proceeds from the Rights Issue, after deducting all relevant expenses for the Rights Issue, are estimated to be approximately HK\$165.80 million of which (i) approximately 80% of the net proceeds is intended to be utilised for the partial repayment of the Group’s loans and borrowings; and (ii) approximately 20% of the net proceeds is intended to be used for general working capital (including but not limited to staff cost, office rent and rates, professional fees and other general corporate expenses). For details, please refer to (i) announcements dated 13 June 2022 and 20 July 2022 and (ii) prospectus dated 29 June 2022. The intended and actual use of the net proceeds from the Right Issue is stated as below:

Amount <i>HK\$’million</i>	Intended use	Actual use
122.13	Repayment of loan and accrued interest advanced by related parties	Fully utilised as intended
10.51	Repayment of bonds and accrued interest issued by the Company	Fully utilised as intended
33.16	General working capital (including but not limited to staff cost, office rent and rates, professional fees and other general corporate expenses)	Fully utilised as intended
<hr/>		
<u>165.80</u>		

3. The capital reduction and the sub-division

On 26 January 2022 (before 9:00, HK time), the capital reduction and the subdivision had become effective. 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**”). For details, please refer to (i) the announcements dated 14 September 2021 and 7 December 2021 and (ii) the circular dated 29 September 2021.

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

CAPITAL EXPENDITURES

During the year under review, the Remaining Group incurred capital expenditures amounting to HK\$93.21 million (the Remaining Group as at 31 December 2021: HK\$53.03 million) for acquisition of concession intangible assets.

INVESTMENT PROPERTIES

As at 31 December 2022, 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	96.00	Long	100%	51%
3	Gas station on South Huancheng Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Factory	170.00	Long	100%	51%
Nanjing Property Project						
	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Commercial	17,866.00	Long	47.69%	96.22%
			18,688.15			

As at 31 December 2022, the carrying value of Yichun Properties and Nanjing Property Project recorded HK\$213.68 million (the Remaining Group as at 31 December 2021: HK\$10.25 million). Substantial increase in investment properties by HK\$203.43 million was Nanjing Property Project commenced to lease the office buildings in 2022. As at 31 December 2022, the Remaining Group had a total gross floor area of 18,688.15 square meters (the Remaining Group as at 31 December 2021: total gross floor area of 822.15 square meters). For the FY2022, the gross rental income of the Remaining Group after deducting the related outgoings amounted to HK\$0.67 million which increased by 71.79% compared with FY2021 (FY2021 of the Remaining Group: HK\$0.39 million).

INVENTORIES

As at 31 December 2022, the inventories of the Remaining Group recorded HK\$67.06 million (the Remaining Group as at 31 December 2021: HK\$275.94 million), decreased by HK\$208.88 million mainly because the legal assignments of Nanjing Property Project were transferred to customers in second half of 2022 and the related inventories recognized as cost of sales in the corresponding period. The inventory of the Remaining Group comprised of raw material and work-in-progress of HK\$67.06 million (the Remaining Group as at 31 December 2021: HK\$61.35 million) and no properties under development for sale (the Remaining Group as at 31 December 2021: HK\$214.59 million).

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 31 December 2022, the fair value of securities investments of the Remaining Group including held-for-trading investment and held-for-long term investment recorded HK\$33.96 million (the Remaining Group as at 31 December 2021: HK\$20.76 million) representing 0.98% of the total assets value of HK\$3,463.51 million as at 31 December 2022. 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 2022

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2022	No. of issued ordinary share as at 31 December 2022	Effective interest held as at 31 December 2022	Initial	Market	Unrealised/	Accumulated	Percentage	Classification	Dividend received/receivable during the year HK\$'000
						investment cost HK\$'000	value as at 31 December 2022 HK\$'000	Realised gain/(loss) for the year ended 31 December 2022 HK\$'000	unrealised holding gain/(loss) on revaluation HK\$'000	to total assets value of the Group as at 31 December 2022		
China Best Group Holding Ltd	370	Trading of electronic product, building construction contracting business, project management service, centralised heating business and money lending business	6,208,000	1,525,284,939	0.41%	5,157	2,731	-	(2,426)	0.08%	FVOCI	-
Hong Kong Finance Investment Holding Group Ltd	7	Sales of electronic products and equipment, exploration and production of mineral, oil and gas, financial business and property investment	-	4,000,000,000	0.00%	-	-	(110)	-	0.00%	FVPL	-
Fy Financial (Shenzhen) Co., Ltd. — H Shares	8452	Provision of financial leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC and leasing of 5G base station and energy storage business	844,000	89,840,000	0.94%	988	367	-	(621)	0.01%	FVOCI	-
China Tangshang Holdings Limited	674	Money lending business, property sub-leasing and investment business and property development business	3,580,000	2,894,466,570	0.12%	908	745	-	(163)	0.02%	FVOCI	-
Future Bright Mining Holdings Ltd	2212	Production and sale of marble and marble related products; and trading of commodities	-	877,716,000	0.00%	-	-	(6)	-	0.00%	FVPL	-
Chinese Energy Holdings Limited (Note 3)	8009	General trading (including market sourcing of technical and electronic products); trading of LNG products; money lending and investment in financial assets	250	58,900,537	0.00%	2	-	-	(2)	0.00%	FVPL	-
Sub- total							3,843	(116)	(3,212)	0.11%		-
Name of unlisted investment		Brief description of the business										
Guangdong Finance Industry Strategic Fund * (Note 1)		Investment in unlisted equity	N/A		N/A	11,195	12,203	641	1,008	0.35%	FVPL	36
CITIC China Securities Co, Ltd. *		Investment in unlisted equity	N/A		N/A	-	-	135	-	0.00%	FVPL	-
Fuzhou Qingyu New Energy Equity Investment Partnership (Limited Partnership) * (Note 2)		Investment in unlisted equity	N/A		N/A	17,912	17,912	-	-	0.52%	FVPL	-
Sub- total						30,115	776	1,008	0.87%			36
Total						33,958	660	(2,204)	0.98%		-	36

Note 1: The function currency of the investment is RMB. The initial investment cost is RMB10,000,000 (Equivalent to HK\$11,195,000). The market value as at 31 December 2022 is RMB10,900,000 (Equivalent to HK\$12,203,000)

Note 2: The function currency of the investment is RMB. The initial investment cost is RMB16,000,000 (Equivalent to HK\$17,912,000). The market value as at 31 December 2022 is RMB16,000,000 (Equivalent to HK\$17,912,000)

Note 3: Chinese Energy Holdings Limited has been suspended its trading in shares since 15 July 2022.

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

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

For the FY2022, the Remaining Group recorded a net gain of HK\$0.70 million on FVPL (FY2021 of the Remaining Group: gain of HK\$15.90 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 Remaining Group's investment objective and policy with a view of gaining good investment yields for our shareholders. In views of the above, the Board will monitor stock market development closely and capture opportunities in a prudent manner so as to balance investment risks of the Remaining Group.

TRADE AND OTHER RECEIVABLES

As at 31 December 2022, the Remaining Group's trade and other receivables, net of loss allowance were approximately HK\$957.94 million (the Remaining Group as at 31 December 2021: HK\$1,067.36 million). These comprised of: (i) trade receivables of HK\$727.34 million, (ii) other receivables of HK\$57.86 million, (iii) loan receivables of HK\$49.38 million and (iv) deposits and prepayments of HK\$123.36 million.

(A) Trade Receivable

As at 31 December 2022, trade receivables, net of loss allowance of the Remaining Group increased by HK\$55.83 million to HK\$727.34 million (the Remaining Group as at 31 December 2021: HK\$671.51 million) which was primarily attributable to addition government on-grid tariff subsidies, the increase in income of construction services, slowdown payment of sewage treatment fees and the sale of Nanjing Property Project.

- (i) The net trade receivable from the renewable energy business of HK\$612.70 million divided into: (i) the government on-grid tariff subsidies receivable were amounted to HK\$587.42 million (the Remaining Group as at 31 December 2021: HK\$578.24 million) and (ii) the electricity sales receivable from local grid companies was HK\$25.28 million (the Remaining Group as at 31 December 2021: HK\$32.48 million), which in aggregate accounted for 84.24% 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 [2020] No. 4 Guidelines on the Stable Development of Non-Water Renewable Energy Generation (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) updated in January 2020 which jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration; and (ii) Caijian [2020] No. 70 Notice on Accelerating the Review of the List of Renewable Energy Power Generation Subsidy Projects (加快推進可再生能源發電補貼項目清單審核有關工作的通知) published by Ministry of Finance in November 2020 and the prevalent payment trends of Ministry of Finance of the PRC. There were no pre-determined due date for settlement of the tariff subsidies. The trade receivables from renewable energy business were considered as fully recoverable given there were no bad debt experiences with the local grid companies in the past and the above-mentioned tariff subsidies were provided by the relevant PRC government authorities. During the year under review, the management has reassessed the credit risk based on the historical settlement records, the ageing of the tariff subsidies receivables and taking into account prevailing economic conditions as at 31

December 2022, the Remaining Group considered the default risk for such balances to be insignificant and the expected credit loss to be minimal. During the year, the impairment loss on trade receivable relating to the renewable energy business was HK\$1.27 million mainly provided for the tariff subsidies receivables of HK\$1.22 million (FY2021 of the Remaining Group: HK\$2.21 million).

- (ii) The net trade receivable balances from the water supply and the sewage treatment and the related construction services were amounted to HK\$73.78 million (the Remaining Group as at 31 December 2021: HK\$49.48 million), representing 10.14% of trade receivables of the Remaining Group. The increase of HK\$24.30 million was mainly due to the increase of revenue in water supply, the increase in income of construction services as several projects completed construction and new construction works commenced during FY2022, and the slowdown of payment of water supply tariff by households and sewage treatment fees by related local PRC government as a result of the recurring COVID-19 situation in China. Generally, trade receivables would be written off if the Group is of the view that the recovery of the amount is remote. In view of historical repayment record, the Group considered the default risk for such balances to be insignificant and, the ECL to be minimal. During the year under review, no impairment loss was recognized on these trade receivable (FY2021 of the Remaining Group: Nil).
- (iii) The net trade receivable balances from the sale of completed properties recorded HK\$34.14 million (the Remaining Group as at 31 December 2021: Nil). Considerations in respect of the completed properties sold in Nanjing Property Project are payable by the purchasers in accordance with the terms of the related sale and purchase agreements. In second half of 2022, the properties sale were handed over to customers. Those receivable balances are pending for completing their mortgage procedures. The Remaining Group considered the default risk for such balances to be insignificant. Accordingly, no impairment loss on this segment was provided (FY2021 of the Remaining Group: Nil).

(B) Other receivable

As at 31 December 2022, other receivables, net of loss allowance of the Remaining Group dropped by HK\$51.90 million to HK\$57.86 million (the Remaining Group as at 31 December 2021: HK\$109.76 million) primarily owing to the provision of impairment loss of HK\$28.16 million and the decrease in tax recoverable. Other receivables represented mainly tax recoverable, the sale proceeds of equipment, income receivable from the sludge treatment project, advance to property sales agent, and advance to the Entity for the procurement of equipment facilities for the Nanjing Property Project. Despite the Remaining Group had with its best endeavor to recover such advance from the Entity, nevertheless, during the year, the Remaining Group discovered that the Entity had deregistered in PRC and had failed to supply the equipment facilities for the Nanjing Property Project. In this regard, the Remaining Group authorised its legal counsel to initiate legal procedures against this Entity's shareholders. During the year under review, net impairment allowance of HK\$28.16 million was recognized mainly provided for this Entity of HK\$25.75 million (FY2021 of the Remaining Group: HK\$4.52 million).

(C) Loan receivable

As at 31 December 2022, loans receivables, net of loss allowance of the Remaining Group decreased by HK\$83.46 million to HK\$49.38 million mainly due to recognition of impairment loss of HK\$93.22 million (the Remaining Group as at 31 December 2021: HK\$132.84 million). The loans receivables mainly comprised of loans to independent private companies in the PRC (the “**Borrowers**”). The loans are interest-bearing at rates ranging from 4% to 24% per annum and with maturities ranging from 1 month to 36 months. None of the Borrowers has pledged any his/its assets to the Group to secure the loans. The Remaining Group has obtained the personal guarantee provided by the respective guarantors as a security for certain loans. Prior to granting the respective loans to the Borrowers, the Remaining Group had conducted a credit assessment on certain Borrowers, which includes (i) conducted background search on the respective Borrowers; (ii) obtained and reviewed information in relation to the financial background of the Borrowers; and (iii) the assessment of whether the Borrowers would provide a pledge and/or guarantee in relation to their respective loans. During the year, the Remaining Group noticed that many Borrowers had failed to repay the loans when due, with certain Borrowers went into liquidation and/or deregistration. Since the date of overdue and/or default of the relevant borrowings, follow-up actions including but not limited to issuing demand letters, negotiating repayment terms and methods with Borrowers and/or guarantors and initiating legal proceedings on a case-by-case basis by the decision of the management of the Company has been carry-out. In view of the above, the impairment loss recognized on loans receivable was amounted to HK\$93.22 million (FY2021 of the Remaining Group: HK\$39.99 million).

(D) Deposits and prepayments

As at 31 December 2022, deposits and prepayments, net of loss allowance of the Remaining Group recorded HK\$123.36 million (the Remaining Group as at 31 December 2021: HK\$153.25 million) which mainly represented amortisation of repairing and drilling cost, prepayment relating to the payment in advance for material procurement and construction works, and consultancy fee for the provision of finance lease arrangement, security deposits paid including glass management contract, construction service contracts and the finance lease and advances made to various potential business partners to enhance business cooperation and relationship with the respective parties given the Remaining Group has been exploring business opportunities with them. During the year under review, the impairment loss recognised on deposits and prepayments was amounted to HK\$0.12 million (FY2021 of the Remaining Group: HK\$22.68 million).

LIABILITIES AND GEARING

As at 31 December 2022, the Remaining Group’s total liabilities (including both current and non-current) recorded HK\$1,561.09 million (the Remaining Group as at 31 December 2021: HK\$1,857.72 million). The reduction was due to the repayment of debts and the contract liabilities being transferred to the related revenue. Deposits received from customers included in the contract liabilities, the revenue recognized from the sale of properties when the legal assignments were completed. 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 2022 was 45.07% (the Remaining Group as at 31 December 2021: 49.61%). The ratio was calculated by dividing total liabilities of the Remaining Group of HK\$1,561.09 million (the Remaining Group as at 31 December 2021: HK\$1,857.72 million) over total assets of the Remaining Group of HK\$3,463.51 million (the Remaining Group as at 31 December 2021: HK\$3,744.29 million).

As at 31 December 2022, the Remaining Group's total bank and other borrowings were HK\$485.38 million (the Remaining Group as at 31 December 2021: HK\$561.30 million). For the maturity profile, refer to the table below:

Debt Analysis	Remaining Group			
	31 December 2022		31 December 2021	
	HK\$'000	%	HK\$'000	%
Classified by maturity				
— repayable within one year				
Bank borrowings	60,602	12.49	73,833	13.15
Other loans	184,519	38.02	365,733	65.16
	<u>245,121</u>	<u>50.51</u>	<u>439,566</u>	<u>78.31</u>
Classified by maturity				
— repayable more than one year				
Bank borrowings	223,755	46.09	105,886	18.86
Other loans	16,506	3.40	15,844	2.82
	<u>240,261</u>	<u>49.49</u>	<u>121,730</u>	<u>21.68</u>
Total bank and other borrowings	<u>485,382</u>	<u>100.00</u>	<u>561,296</u>	<u>100.00</u>
Classified by type of loans				
Secured	346,520	71.39	447,691	79.76
Unsecured	138,862	28.61	113,605	20.24
	<u>485,382</u>	<u>100.00</u>	<u>561,296</u>	<u>100.00</u>
Classified by type of interest				
Fixed rate	361,330	74.44	395,815	70.52
Variable-rate	100,436	20.69	164,203	29.25
Interest free rate	23,616	4.87	1,278	0.23
	<u>485,382</u>	<u>100.00</u>	<u>561,296</u>	<u>100.00</u>

OTHER LOANS

1. The analysis of issuance of bonds through the placing agents is illustrated as follows:
 - i. On 11 January 2018, the Company entered into a placing agreement with Prior Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK\$100 million (“**Bond A**”). On 10 January 2020, the Company has completed to issue the Bond A to the placees in an aggregate principal amount of HK\$20 million. As at 31 December 2022, the Bond A was fully settled (As at 31 December 2021: HK\$5.64 million).
 - ii. On 18 January 2018, the Company entered into a placing agreement with Placing Agent pursuant to which the Placing Agent on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK\$100 million (“**Bond B**”). On 17 January 2020, the Company has completed to issue the Bond B to the placees in an aggregate principal amount of HK\$20 million. As at 31 December 2022, the outstanding Bond B amounted to HK\$16.45 million and was classified as an other loan (As at 31 December 2021: HK\$15.84 million).
2. **Other bonds and loans from related companies**

For the issuance of bonds through the placing agents as above, the Company has also issued other bonds to subscribers at a fixed rate of 5% per annum with a term of 3 years (the “**Other Bonds**”) and was classified as an other loan. As at 31 December 2022, Other Bonds were fully settled (As at 31 December 2021: HK\$37.91 million).

As at 31 December 2022, the Bond B of HK\$16.45 million and loans from related companies of HK\$87.00 million in aggregate amounted to HK\$103.45 million (the Remaining Group as at 31 December 2021: HK\$334.41 million), representing of 51.46% of the other loans, which were utilized as general working capital, repayment of debts and/or acquisition activities.

TRADE AND OTHER PAYABLES

As at 31 December 2022, the Remaining Group’s trade and other payables were approximately HK\$509.19 million (the Remaining Group as at 31 December 2021: HK\$545.76 million). The decrease in trade and other payables of HK\$36.57 million was mainly due to the depreciation of RMB and settled partial outstanding construction liabilities relating to Nanjing Property Project. The credit terms of trade payables vary according to the terms agreed with different suppliers.

BUSINESS REVIEW

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

	Revenue				Gross Profit (GP)						2022 vs 2021		
	HK\$'M		%		HK\$ M		%		%		Revenue	Gross Profit	GP Margin
	2022	to the total	2021	to the total	2022	to the total	margin	2021	to the total	margin	HK\$ M	HK\$ M	%
Water supply business	122.10	10.39	114.29	11.52	50.34	13.93	41.23	45.33	11.95	39.66	7.81	5.01	1.57
Sewage treatment business	83.45	7.10	83.09	8.38	28.22	7.81	33.82	27.22	7.18	32.76	0.36	1.00	1.06
Construction service business	308.15	26.21	216.37	21.80	91.36	25.28	29.65	74.58	19.66	34.47	91.78	16.78	(4.82)
Sub-total	513.70	43.70	413.75	41.70	169.92	47.02	33.08	147.13	38.79	35.56	99.95	22.79	(2.48)
Exploitation and sale of renewable energy business	454.37	38.66	569.20	57.38	149.99	41.53	33.01	230.80	60.85	40.55	(114.83)	(80.81)	(7.54)
Property Development	207.32	17.64	9.15	0.92	41.38	11.45	19.96	1.36	0.36	14.86	198.17	40.02	5.10
Total	1,175.39	100.00	992.10	100.00	361.29	100.00	30.74	379.29	100.00	38.23	183.29	(18.00)	(7.49)

1.1 Water supply business

Upon completion of the disposals of Yingtan Water Group and Linyi Fenghuang in 2021 and 2022 respectively, the Remaining Group has only one city water supply project which is located in Jiangxi provinces, the PRC. The daily aggregate water supply capacity of the Remaining Group was approximately 0.26 million tonne (FY2021 of the Remaining Group: 0.24 million tonne). Total water supply to the Jiangxi during the year recorded 65.19 million tonne (FY2021 of the Remaining Group: 59.19 million tonne), increased by 10.14% over the last corresponding period. For the FY2022, the revenue and gross profit of the Remaining Group from water supply business amounted to HK\$122.10 million and HK\$50.34 million respectively, representing 10.39% and 13.93% of the Remaining Group's total revenue and total gross profit respectively. Compared with FY2021, the revenue of the Remaining Group and gross profit recorded an increase of HK\$7.81 million and HK\$5.01 million respectively. The increase in revenue and gross profit was the increase of water supply by Yichun Water project following the completion of expansion of water supply plant in Yichun Water project resulting in enhancing the water supply capacity by 20,000 tonne per day. The average rates for the water supply of the Remaining Group was HK\$1.80 per tonne (FY2021 of the Remaining Group: HK\$1.96 per tonne).

The analysis of financial performance by segment was as follows:

		For the year ended 31 December		
		2022	2021	Variance
Water Supply Business				
Revenue	HK\$'million	122.10	114.29	7.81
Gross profit	HK\$'million	50.34	45.33	5.01
Gross profit %	%	41.23	39.66	1.57
Designed daily capacity of water supply	Tonne	260,000	240,000	20,000

Analysis of water supply projects on hand is as follows:

Project name	Equity interest held by the Company (%)	Designed daily capacity of water supply (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
Yichun Water	51	260,000	Jiangxi	2034

1.2 Sewage treatment business

As at 31 December 2022, the Remaining Group has five sewage treatment projects which are located in Jiangxi, Guangdong and Shandong provinces (FY2021 of the Remaining Group: five projects) and the daily aggregate sewage disposal capacity was approximately 240,000 tonne (FY2021 of the Remaining Group: 240,000 tonne). For the FY2022, the revenue and gross profit of the Remaining Group were amounted to HK\$83.45 million and HK\$28.22 million respectively, representing 7.10% and 7.81% of the Remaining Group's total revenue and total gross profit respectively. During the year, the Remaining Group processed in aggregate of 71.11 million tonne of waste water (FY2021 of the Remaining Group: 71.00 million tonne), represented an increase of 0.15% over the last corresponding year. Compared with the FY2021, the revenue and gross profit of the Remaining Group increased by HK\$0.36 million and HK\$1.00 million respectively. The rise in revenue was attributable to the increase of waste water processing volume. The average rates for sewage treatment of the Remaining Group ranged from HK\$0.99 to HK\$1.44 per tonne (FY2021 of the Remaining Group: HK\$1.09 to HK\$1.50 per tonne).

The analysis of financial performance by segment was as follows:

		For the year ended 31 December		
		2022	2021	Variance
Sewage Treatment Business				
Revenue	<i>HK\$'million</i>	83.45	83.09	0.36
Gross profit	<i>HK\$'million</i>	28.22	27.22	1.00
Gross profit %	<i>%</i>	33.82	32.76	1.06
Designed daily sewage disposal capacity	<i>Tonne</i>	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\$308.15 million and HK\$91.36 million respectively, representing 26.21% and 25.28% of the Remaining Group's total revenue and total gross profit respectively. Compared with the FY2021, the revenue and gross profit of the Remaining Group increased by HK\$91.78 million and HK\$16.78 million due to more construction projects completed and new construction works commenced during the year.

The analysis of financial performance by segment was as follows:

		For the year ended 31 December		
		2022	2021	Variance
Water supply related installation and construction business				
Revenue	<i>HK\$'million</i>	206.99	169.21	37.78
Gross profit	<i>HK\$'million</i>	86.65	73.89	12.76
Gross profit %	<i>%</i>	41.86	43.67	(1.81)
Water supply and sewage treatment infrastructure construction business				
Revenue	<i>HK\$'million</i>	101.16	47.16	54.00
Gross profit	<i>HK\$'million</i>	4.71	0.69	4.02
Gross profit %	<i>%</i>	4.66	1.46	3.20
Total				
Revenue	<i>HK\$'million</i>	308.15	216.37	91.78
Gross profit	<i>HK\$'million</i>	91.36	74.58	16.78
Gross profit %	<i>%</i>	29.65	34.47	(4.82)

1.4 Exploitation and sale of renewable energy business

Up to the date of this announcement, the Remaining Group has 57 solid waste treatment projects, of which 36 have commenced operation with a total installed capacity of 138.80 MW, the remaining 9 are under construction, with an estimated total installed capacity of 11.7 MW. Up to the date of this announcement, the Remaining Group secured 10 new projects in Jingchuan, Xinning, Fushun, Xiaoyi, Zhengzhou, Taiyuan, Shandong Yixin, Chengwu Ruili, Huoqiu Huizhao and Kazuo with an estimated total installed capacity is 17.5 MW.

For the FY2022, the revenue and gross profit of the Remaining Group recorded HK\$454.37 million and HK\$149.99 million respectively representing 38.66% and 41.53% to the Remaining Group's total revenue and total gross profit respectively. Compared with the FY2021, the revenue and gross profit of the Remaining Group decreased by HK\$114.83 million and HK\$80.81 million respectively. The decline in business performance was because (i) no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators resulting in the cessation of power generation; (ii) new projects are not yet put into operation; (iii) the production of CNG products in Shenzhen Xiaping Landfill Site stopped its operation and (iv) operating costs continued to increase. During the year, the Remaining Group had 36 projects in operation (FY2021 of the Remaining Group: 37 projects), generating approximately 671,769.03 MWh of on-grid electricity which represented a decrease of 10.97% over the same period of 2021 (FY2021 of the Remaining Group: 754,505.73 MWh). As at FY2022, the Remaining Group accumulated a total installed capacity of 150.50 MW, representing an increase of 5.51% compared to the FY2021 (the Remaining Group as at FY2021: 142.64 MW). The average electricity rate of the Remaining Group was HK\$0.60 per kilowatt-hour and the average CNG rate of the Remaining Group was HK\$2.12 per m³ (FY2021 of the Remaining Group: average electricity rate HK\$0.65 per kilowatt-hour and the average CNG rate was HK\$1.68 per m³).

Included in revenue was HK\$289.88 million (FY2021: HK\$338.91 million) and HK\$129.34 million (FY2021: HK\$161.53 million) derived from the sale of electricity to local grid companies and the government tariff subsidies respectively, representing 63.80% and 28.47% of the total renewable energy revenue respectively.

The analysis of financial performance by segment is as follows:

		For the year ended 31 December			
		2022	2021	Variance	
Exploitation and sale of renewable energy business					
— Sale of electricity					
Revenue	<i>HK\$'million</i>	420.41	514.10	(93.69)	
Gross profit	<i>HK\$'million</i>	147.56	225.19	(77.63)	
Gross profit %	%	35.10	43.80	(8.70)	
— Sale of compressed natural gas					
Revenue	<i>HK\$'million</i>	4.44	21.27	(16.83)	
Gross (loss)/profit	<i>HK\$'million</i>	(0.41)	3.43	(3.84)	
Gross (loss)/profit %	%	(9.23)	16.13	(25.36)	
— Service income from collection of landfill gas					
Revenue	<i>HK\$'million</i>	29.52	33.83	(4.31)	
Gross profit	<i>HK\$'million</i>	2.84	2.18	0.66	
Gross profit %	%	9.62	6.44	3.18	
Total					
Revenue	<i>HK\$'million</i>	454.37	569.20	(114.83)	
Gross profit	<i>HK\$'million</i>	149.99	230.80	(80.81)	
Gross profit %	%	33.01	40.55	(7.54)	
		2022	% to total	2021	% to total
Summary of revenue					
Government tariff subsidies	<i>HK\$'million</i>	129.34	28.47	161.53	28.38
The sale of electricity to local grid companies	<i>HK\$'million</i>	289.88	63.80	338.91	59.54
Other	<i>HK\$'million</i>	1.19	0.26	13.66	2.40
		420.41	92.53	514.10	90.32
Compressed natural gas & service income from collection of landfill gas	<i>HK\$'million</i>	33.96	7.47	55.10	9.68
		454.37	100.00	569.20	100.00

Analysis of renewable energy projects on hand is as follows:

	Provincial	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 (Note 2)	Jiangsu	Power generation	100	October 2013	June 2025
2	Zhu Zhou Biogas (Note 3)	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	Note 1
9	Wuzhou Landfill (Note 5)	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 (Note 5)	Jiangxi	Power generation	100	July 2017	September 2026
16	Ningbo Qiyao (Note 2)	Zhejiang	Power generation	100	February 2017	June 2028
17	Shandong Qiyao (Note 2)	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 (Note 5)	Hunan	Power generation	100	November 2017	December 2026
21	Zhangjiakou	Hebei	Power generation	70	October 2018	Note 1
22	Fengcheng (Note 3)	Jiangxi	Power generation	100	January 2018	March 2032
23	Anqiu City	Shandong	Power generation	100	March 2018	Note 1
24	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
25	Haicheng	Liaoning	Power generation	100	August 2019	Note 1
26	Anlu (Note 5)	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	Note 1
31	Nanning	Guangxi	Power generation	100	April 2020	April 2028
32	Ziyang	Sichun	Power generation	49	March 2020	November 2026
33	Hainan Sanya (Note 5)	Hainan	Power generation	100	March 2019	January 2029

	Provincial	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
34	Lingao (<i>Note 3</i>)	Hainan	Power generation	100	September 2020	<i>Note 1</i>
35	Gaizhou	Liaoning	Power generation	100	January 2021	<i>Note 1</i>
36	Lianyuan	Hunan	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 (<i>Note 5</i>)	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	April 2023	<i>Note 1</i>
46	Shaowu	Fujian	Power generation	100	January 2022	May 2026
47	Xiuyan	Liaoning	Power generation	100	December 2023	<i>Note 4</i>
48	Jingchuan	Gansu	Power generation	100	December 2023	<i>Note 1</i>
49	Xinning	Hunan	Power generation	100	August 2023	April 2032
50	Fushun	Liaoning	CNG	100	September 2022	July 2025
51	Xiaoyi	Shanxi	Power generation	100	June 2023	July 2032
52	Zhengzhou	Henan	Power generation	100	September 2022	July 2028
53	Taiyuan	Shanxi	CNG	100	September 2022	November 2031
54	Shandong Yixin	Shandong	CNG	100	May 2023	October 2039
55	Chengwu Ruili	Shandong	CNG	66	December 2023	N/A
56	Huoqiu Huizhao	Anhui	Power generation	60	October 2023	N/A
57	Kazuo	Liaoning	Power generation	100	December 2023	<i>Note 1</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.

Note 5: These projects had suspended their operation in 2022.

Not applicable: N/A

1.5 Property Investment and development

As at 31 December 2022, the Remaining Group has 4 property projects on hand with total site area of approximately 70,985 square meters. As at 31 December 2022, all commercial units in Nanjing Property Project had been sold and handed over in the second half of 2022. For the FY2022 of Remaining Group, the revenue and gross profit from the sale of completed properties recorded HK\$207.32 million and HK\$41.38 million respectively. (FY2021 of Remaining Group: revenue of HK\$9.15 million and gross profit of HK\$1.36 million). In accordance with the Group's accounting policy, the Group will recognise the property sale as revenue once the property handed over to the customers with the completion of legal assignment.

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 Property Project (南京物業項目)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Completed	March 2022	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	71,133	50 years	96.22
2 Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaixin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction (90%)	June 2023	Research and development Centre/Commercial (for sale and/or for lease)	30,544	43,738	50 years	100
3 Wenbifeng Office Building* (文筆峰辦公樓)	East Zhongshan Road, Yuanzhou District, Yichun City, South of Wenbifeng Waterworks Plot	Under construction (95%)	April 2023	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 2026	Other	13,337	40,413	50 years	51
					70,985	158,460		

ACQUISITION AND/OR FORMATION OF SUBSIDIARIES DURING THE YEAR UNDER REVIEW

The Remaining Group had entered into 10 landfill gas collection and power generation agreements with different government authority departments and companies in the PRC. The investment mode for these projects are building-owning-operation. The analysis of new construction and/or acquisition of renewable energy projects for power generation and/or CNG are as follows:

Contract signing time	Date of completion of formation/acquisition	Name of company	Concession agreement signing department/company	Project name	Provincial cities in PRC where the project is located	Current garbage disposal capacity (tons/day)	Estimated investment amount/consideration (RMB)	Expected commencement date of operation	Project operation period (years)	Average electricity rate or CNG rate (RMB/unit or RMB/m ³)	Equity interest held by the Company (%)	
For new construction												
1	December 2020	April 2022	Jing Chuan China Water Renewable Environmental Technology Limited* (涇川縣中水再生環保科技有限公司)	Jingchuan Municipal City Administration and Law Enforcement Bureau* (涇川縣城市管理綜合執法局)	Jingchuan Landfill Gas Power Generation Project ("Jingchuan Project")	Gansu	80-110	5,000,000	December 2023	Until the volume of landfill gas fully utilized	0.5	100
2	April 2022	May 2022	Xin Ning New China Water Biomass Electricity Limited* (新寧新中水生物質能發電有限公司)	Hunan Modern Environment Technology Co., Ltd. Xinning Branch* (湖南現代環境科技股份有限公司新寧分公司)	Xinning New China Water Biomass Electricity Project ("Xinning Project")	Hunan	200	15,000,000	August 2023	10 years	0.6	100
3	July 2022	July 2022	Xiao Yi City New China Water Environmental Technology Limited* (孝義市新中水環保科技有限公司)	Fenyang Zhongke Yuanchang Renewable Energy Co., Ltd.* (汾陽中科瀾昌再生能源有限公司)	Xiaoyi Landfill Gas Power Generation Project ("Xiaoyi Project")	Shanxi	420	6,000,000	June 2023	10 years	0.509	100
4	March 2022	April 2022	Chengwu RuiLi Aode Biomass Energy Limited* (成武睿利奧德生物質能源有限公司)	Chengwu Hongao Gas Company Limited* (成武鴻奧燃氣有限公司)	Chengwu RuiLi Landfill Gas Project ("Chengwu RuiLi Project")	Shandong	-	4,356,000	December 2023	N/A	2.2	66
5	October 2022	December 2022	Kazuo China Water Environmental Technology Limited* (喀左縣中水環保科技有限公司)	Kazuo County Fuan Waste Disposal Company Limited* (喀左縣富安垃圾處理有限公司)	Kazuo County Landfill Gas Power Generation Project ("Kazuo Project")	Laoning	200	6,200,000	December 2023	Until the volume of landfill gas fully utilized	0.539	100
For Acquisition												
6	December 2021	May 2022	Fushun Shifang Bioenergy Limited* (撫順十方生物能源有限公司)	Fushun City Urban Construction and Development Promotion Center* (撫順市城市建設發展促進中心)	Fushun Landfill Gas Power Generation Project ("Fushun Project")	Liaoning	-	3,110,000	September 2022	3-5 years	0.53	100
7	December 2021	August 2022	Zhengzhou Xinguan Energy Development Limited* (鄭州新冠能源開發有限公司)	Zhengzhou Sanitation Cleaning Company Limited* (鄭州市環衛清潔有限公司)	Zhengzhou Landfill Gas Power Generation Project ("Zhengzhou Project")	Henan	1,800-2,000	22,340,000	September 2022	20 years	0.586	100
8	May 2022	August 2022	Taiyuan Yuantong Bioenergy Limited* (太原市圓通生物能源有限公司)	Taiyuan Municipal Environmental Hygiene Administration* (太原市市容環境衛生管理局)	Taiyuan Landfill Gas Project ("Taiyuan Project")	Shanxi	-	13,550,000	September 2022	9 years	0.482	100
9	September 2022	October 2022	Shandong Yixin Water Clean Energy Limited* (山東省益新水清潔能源有限公司)	Dezhou Glutinous Protein Technology Company Limited* (德州谷神蛋白科技有限公司)	Shandong Yixin Landfill Gas Project ("Shandong Project")	Shandong	-	2,770,000	May 2023	17 years	2.08	100
10	October 2022	October 2022	Huoqiu Huizhao Renewable Energy Technology Co., Ltd* (霍邱徽沼可再生能源科技有限公司)	Huoqiu County People's Government* (霍邱縣人民政府)	Huoqiu Landfill Gas Power Generation Project ("Huoqiu Project")	Anhui	-	15,000,000	October 2023	N/A	0.565	60

Not applicable: N/A

MATERIAL EVENTS DURING/AFTER THE YEAR UNDER REVIEW

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

A. Finance Lease Arrangement

- (i) On 22 February 2022, 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 “**Lessee 1**”), Shenzhen City New China Water Environmental Technology Limited* (“**Shenzhen New China Water**”) (深圳市新中水環保科技有限公司), Shandong Qiyao New Energy Company Limited* (山東齊耀新能源有限公司) and Ningbo Qiyao New Energy Company Limited* (寧波齊耀新能源有限公司) (collectively known as “**Lessees**”) entered into the Transfer Agreement with Canton Greengold Financial Leasing Ltd.* (廣東綠金融資租賃有限公司) (the “**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) and Greengold Leasing shall lease back the Leased Assets to the 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.
- (ii) On 28 February 2022, Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司) (the “**Lessee**”), being an indirect non-wholly-owned subsidiary of the Company entered into the Finance Lease Agreement with Huarun Financial Leasing Company Ltd. Shanghai Branch* (華潤融資租賃有限公司上海分公司) (the “**CR Leasing**”), pursuant to which (i) CR Leasing shall purchase the Leased Assets from the Lessee for RMB60,000,000 (equivalent to approximately HK\$74,694,000) (the “**Purchase Price**”); and (ii) CR Leasing shall lease back the machinery and equipment for landfill gas and power generation (the “**Leased Assets**”) to the Lessee for a lease consideration comprising a principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 6.30% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price. For details, please refer to the announcement of the Company dated 28 February 2022.
- (iii) On 28 July 2022, Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* (佛山市高明區華信污水處理有限公司) (the “**Lessee**”) entered into the New Transfer Agreement and the New Finance Lease Agreement with Greengold Leasing, pursuant to which (i) Greengold Leasing shall purchase the sewage treatment equipment (the “**Leased Assets**”) from the Lessee for the purchase price of RMB18,000,000 (equivalent to approximately HK\$21,091,000); and (ii) Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease period of 60 months. The Lessee shall repay Greengold Leasing lease consideration comprising of (i) principal amount equivalent to the Purchase Price; and (ii) the interest accrued thereon at a rate of 6.35% per annum by 60 monthly installments of approximately RMB352,000 (equivalent to approximately HK\$412,000) each. For details, please refer to the announcement of the Company dated 28 July 2022.

- (iv) a. On 21 June 2022, Chongqing Camda New Energy Equipment Company Limited* (重慶康達新能源有限公司) (the “**Lessee I**”), a subsidiary of the Company, entered into the Transfer Agreement and the Finance Lease Agreement with the Jiansu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) (the “**Lessor**”), pursuant to which (i) the Lessor shall purchase ten (10) sets of landfill gas power generating facilities (the “**Leased Assets**”) from the Lessee I for the Purchase Price of RMB13,000,000 (equivalent to approximately HK\$14,820,000); and (ii) the Lessor shall lease back the Leased Assets to the Lessee I for A lease period of four (4) years. The Lessee I shall repay Lessor lease consideration comprising of principal amount equivalent to the Purchase Price and the estimated interest accrued thereon at a rate of 7.5224% per annum for a lease period of four (4) years.
- b. On 29 August 2022, Zhengzhou Xinguan Energy Development Company Limited* (鄭州新冠能源開發有限公司) (the “**Lessee II**”) an indirect wholly-owned subsidiary of the Company entered into the Transfer Agreement and the Finance Lease Agreement with the Jiansu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) (the “**Lessor**”), pursuant to which (i) the Lessor shall purchase six (6) sets of landfill gas generators and related equipment situated in an integrated waste treatment plant (the “**Leased Assets**”) from the Lessee II for the Purchase Price of RMB17,000,000 (equivalent to approximately HK\$19,380,000); and (ii) the Lessor shall lease back the Leased Assets to the Lessee II for a lease period of four (4) years. The Lessee II shall repay Lessor lease consideration comprising of principal amount equivalent to the Purchase Price and the estimated interest accrued thereon at a rate of 7.5224% per annum for a lease period of four (4) years.

For details, please refer to the announcement of the Company dated 29 August 2022.

- (v) On 17 October 2022, Changsha New China Water Environmental Technology Limited# (長沙新中水環保科技有限公司) (“**Changsha New China Water**”) (the “**Lessee**”), being an indirect non-wholly owned subsidiary of the Company entered into the Finance Lease Agreement with 浙江浙銀金融租賃股份有限公司 (for transliteration purpose only, Zhejiang Zheyin Financial Leasing Company Limited#) (the “**Zheyin Leasing**”), pursuant to which (i) Zheyin Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB30,000,000 (equivalent to approximately HK\$33,057,000); and (ii) Zheyin Leasing shall lease back the landfill gas and natural gas power generating facilities (the “**Leased Assets**”) to the Lessee for a lease consideration comprising a principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 6.10% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price.

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

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

- (vi) On 23 March 2023, Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) (the “**Lessee**”) entered into the new transfer agreement and the new finance lease agreement with Greengold Leasing, pursuant to which (i) Greengold Leasing shall purchase sewage treatment equipment (the “**Leased Assets**”) from the Lessee for the purchase price of RMB30,000,000 (equivalent to approximately HK\$34,260,000); and (ii) Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease period of 60 months at a rate of 6.35% per annum. For details, please refer to the announcements of the Company dated 23 March 2023.

B. Termination of the Xiamen acquisition

On 2 December 2021, Shenzhen New China Water, an indirect non-wholly-owned subsidiary of the Company (as purchaser), entered into the Xiamen Equity Transfer Agreement with Beikong Shifang (Shandong) Environmental Energy Group Limited* (北控十方(山東)環保能源集團有限公司) (the “**Beikong Shifang**”) and Xiamen Tongjie Environmental Protection Technology Limited* (廈門通潔環保科技有限公司) (the “**Xiamen Tongjie**”) (as vendors) and Xiamen Shifang Yuantong Bioenergy Limited* (廈門十方圓通生物能源有限公司) (the “**Xiamen Shifang**”) (as target company), pursuant to which Shenzhen New China Water has agreed to purchase, and (i) Beikong Shifang has agreed to sell, the Xiamen Sale Capital A, representing 55% equity interests in Xiamen Shifang; and (ii) Xiamen Tongjie has agreed to sell, the Xiamen Sale Capital B, representing 45% equity interests in Xiamen Shifang, for a total consideration of RMB15,000,000 (equivalent to approximately HK\$18,359,000). Shenzhen New China Water has paid the Xiamen Deposit in the sum of RMB6,000,000 (equivalent to approximately HK\$7,343,000) to Beikong Shifang and Xiamen Tongjie pursuant to the terms of the Xiamen Equity Transfer Agreement. Pursuant to the terms of the Xiamen Equity Transfer Agreement, Shenzhen New China Water shall pay Beikong Shifang and Xiamen Tongjie the Xiamen Second Installment upon completion of the Xiamen Payment Conditions, which among others include a written document issued by Xiamen Urban Appearance Environment Health Management Office permitting the transfer of the Xiamen Sale Capital to Shenzhen New China Water or agreeing to the transactions contemplated thereunder having been obtained by Beikong Shifang and Xiamen Tongjie (the “**Xiamen Regulatory Approval**”). The Purchaser has recently been informed by Beikong Shifang and Xiamen Tongjie that the Xiamen Regulatory Approval will not be given by Xiamen Urban Appearance Environment Health Management Office. On 16 February 2022, Shenzhen New China Water, Beikong Shifang, Xiamen Tongjie and Xiamen Shifang have entered into a termination agreement (the “**Xiamen Termination Agreement**”), pursuant to which the parties have agreed to terminate the Xiamen Equity Transfer Agreement with immediate effect. In February 2022, 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.

C. Acquisition of equipment

- i. On 6 July 2022, China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司) (the “**New China Water Nanjing**”), an indirect non-wholly-owned subsidiary of the Company (the “**Purchaser**”), entered into the equipment purchase agreement I with Beijing Aijian Tongyi Economic and Trade Development Co., Ltd* (北京愛建同益經貿發展有限責任公司) (the “**Vendor I**”) to purchase the fifteen (15) set of biogas generators for a total consideration of RMB69 million (equivalent to approximately HK\$81.25 million) for the operation of the Group’s principal business in renewable energy business segment. For details, please refer to the announcement of the Company dated 6 July 2022.
- ii. On 8 July 2022, the Purchaser entered into the equipment purchase agreement II with Beijing Yisheng Environmental Technology Limited* (北京宜升環保能源科技有限公司) (the “**Vendor II**”), to purchase the fourteen (14) set of biogas generators for a total consideration of RMB64.4 million (equivalent to approximately HK\$75.84 million) for the operation of the Group’s principal business in renewable energy business segment. For details, please refer to the announcement of the Company dated 8 July 2022.

D. Disposal of 60% Equity Interests in Linyi Fenghuang

On 11 October 2022, China Water Industry (HK) Limited (the “**China Water (HK)**”), being an indirect wholly-owned subsidiary of the Company, and 奧德集團有限公司 (Aode Group Company Limited#) (the “**Aode Group**”), entered into the Equity Transfer Agreement, pursuant to which China Water (HK) has conditionally agreed to sell, and the Aode Group has conditionally agreed to purchase 60% equity interests in the Linyi Fenghuang, for a total consideration of RMB53,000,000 (equivalent to approximately HK\$58,183,000). The disposal was completed in October 2022. Thereafter, Linyi Fenghuang ceased be a subsidiary of the Company and the financial information ceased to consolidate into the consolidated financial statements of the Remaining Group. For details, please refer to the announcement of the Company dated 11 October 2022.

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

On 5 January 2023, New China Water Nanjing (新中水南京), entered into the Capital Injection Agreement with Beijing Zhenhui Energy Saving and Environmental Protection Technology Co., Ltd.# (北京振徽節能環保科技有限公司), (the “**Beijing Zhenhui**”) and Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.# (勃利縣中水皖龍可再生能源科技有限公司) (the “**Target Company**”). Pursuant to the Capital Injection Agreement, New China Water Nanjing shall contribute RMB18,000,000 (equivalent to approximately HK\$20,540,000) to the registered capital of the Target Company (the “**Capital Injection**”). Upon completion of the Capital Injection, (i) the registered capital of the Target Company will be increased from RMB12,000,000 (equivalent to approximately HK\$13,693,000) to RMB30,000,000 (equivalent to approximately HK\$34,233,000), and (ii) New China Water Nanjing and Beijing Zhenhui will hold as to 60% and 40% equity interest in the Target Company, respectively. Up to the date of this announcement, the Capital Injection was yet to be completed as the terms and conditions had not been fulfilled. For details, please refer to the announcement of the Company dated 5 January 2023.

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

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

G. The rights issue on the basis of one (1) rights share for every two (2) existing shares

Details of placing of new shares are set out in the section of CAPITAL STRUCTURE, CAPITAL FUND RAISING AND USE OF PROCEEDS.

H. Placing of new shares under general mandate

Details of placing of new shares are set out in the section of CAPITAL STRUCTURE, CAPITAL FUND RAISING AND USE OF PROCEEDS.

I. Amended and restated memorandum and articles of association

On 24 June 2022, the Company has amended the existing memorandum of association of the Company (the “**Memorandum of Association**”) and articles of association (the “**Articles of Association**”) of the Company at the annual general meeting for the purposes of bringing the existing Memorandum of Association and Articles of Association in line with, among other things, the latest legal and regulatory requirements, including the amendments made to the applicable laws of the Cayman Islands and Appendix 3 to the Listing Rules on The Stock Exchange which took effect on 1 January 2022 and to incorporate certain housekeeping amendments. The amended and restated Memorandum and Articles of Association had become effective on 24 June 2022. For details, please refer to (i) the announcements dated 13 May 2022 and 24 June 2022 and (ii) the circular dated 24 May 2022.

J. Connected transaction for the entering into tenancy agreement

On 26 August 2022, South Top Investment Limited, a wholly-owned subsidiary of the Company as the tenant, entered into a tenancy agreement (the “**Tenancy Agreement**”) with Star Wing International Limited (the “**Landlord**”) for leasing Office H, 8/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong (the “**Premise**”), for a term of three years with commencement of 2 months rent free renovation period from 20 July 2022. The Premises upon completion of renovation will be used as the principal office of the Group in Hong Kong. The ultimate beneficial owner of the Landlord is Mrs. Chu Yuet Wah, a substantial shareholder of the Company, hence the Landlord is a connected person of the Company, the entry into the Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. In accordance with HKFRS 16 “Leases”, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy agreement. Accordingly, the lease transaction under the Tenancy Agreement will be regarded as an acquisition of asset by the Company for the purpose of the Listing Rules. The audited aggregated value of the right-of-use asset to be recognised by the Company under the terms of the Tenancy agreement amounted to approximately HK\$2.85 million, which is the present value of total rent payable calculated in accordance with HKFRS 16. As the audited aggregated value of the right-of-use asset below HK\$3,000,000, it was fully exempt under 14A.76(1)(c) of the Listing Rules.

CONTINGENT LIABILITIES

As at 31 December 2022, the Remaining Group had contingent liabilities in respect of guarantees in the mortgage facilities for certain purchasers of the Remaining Group’s property in the amount of HK\$3.26 million (the Remaining Group as at 31 December 2021: Nil).

PLEDGE OF ASSETS

The Remaining Group’s obligations under finance leases, bank loans and other loans of HK\$312.58 million in total as at 31 December 2022 (the Remaining Group as at 31 December 2021: HK\$384.54 million) were secured by charges over:

- (i) property, plant and equipment in which their carrying amount was HK\$185.34 million (the Remaining Group as at 31 December 2021: HK\$176.26 million);
- (ii) right-of-use assets in which their carrying amount was HK\$306.39 million (the Remaining Group as at 31 December 2021: HK\$445.05 million); and
- (iii) contractual rights to receive revenue generated by certain of our subsidiaries.

NO MATERIAL CHANGE

Save as disclosed in this announcement, during 31 December 2022, 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 2021.

EMPLOYEES

As at 31 December 2022, excluding jointly controlled entities and associates, the Remaining Group had 1,010 employees (As at 31 December 2021 of the Remaining Group: 996), of which 16 are Hong Kong employees (As at 31 December 2021 of the Remaining Group: 13). During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK\$182.79 million (FY2021 of the Remaining Group: HK\$194.53 million). The drop in staff costs was the salary increment for 2019 and 2020 approved and paid in 2021, but no such payments were made in FY2022. 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 year 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.

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 2021 required to be disclosed was as follows:

- a. With effect from 9 September 2022, Mr. Zhu Yongjun ("**Mr. Zhu**") was appointed as a non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange.
- b. (i) With effect from 14 January 2022, Mr. Wong Siu Keung Joe ("**Mr. Wong**") was appointed as an independent non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange.

(ii) With effect from 25 March 2022, Mr. Wong was appointed as an executive Director of the DeTai New Energy Group Limited (Stock code: 559) which is listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as the Company Secretary, the Authorised Representative and the Chief Financial Officer of the DeTai New Energy with effect from 10 January 2022.

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

SHARE CAPITAL

The Company's issued and fully paid share capital as at 31 December 2022 amounted to HK\$28.74 million divided into 2,873,609,649 ordinary shares of HK\$0.01 each.

DIRECTORS' RIGHTS TO ACQUIRES SHARES OR DEBENTURES

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

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 2022, 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 Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders' expectation and comply with relevant standards. The Company has complied with the code provisions of Corporate Governance Code (the "**CG Code**") throughout the year ended 31 December 2022 except for the deviation from the code provision C.2.1 as below:

- Pursuant to the code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the period from 4 September 2018 to 7 February 2021, Mr. Lin Yue Hui ("**Mr. Lin**") took up the positions of Chairman and 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, an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

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 2022.

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 2022 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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors (the "INEDs") of the Company including Mr. Wong Siu Keung, Joe (Committee Chairman), Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, has reviewed with the management of the Company, (i) the accounting principles and practices adopted by the Group; (ii) internal controls including relevant internal control measures to govern connected party transactions and risk management; and (iii) financial reporting matters including the review of the audited annual results for the year ended 31 December 2022. The term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

DIVIDENDS

The Directors do not recommend the payment of dividend for the year ended 31 December 2022 (31 December 2021: Nil).

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 THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (<http://www.hkex.com.hk>). The annual report of the Company for 2022 containing all information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

CHAIRMAN’S STATEMENT

China Water Industry Group Limited together with its subsidiaries (collectively referred to as the “**Group**”) put forward its strategic positioning and plan as a biomass and fuel gas service provider in China for the first time in early 2022. Pursuant to the plan, the Group carried out a comprehensive development strategy layout. With continuous development in the upstream and downstream business of the environmental protection and new energy segment as the core segment, the Group actively consolidated the biogas project, and has explored the all-way utilization of gas sources (industrial biogas and agricultural biogas). The Group has been laid out and expanded biomass and fuel gas power generation projects overseas with the project in Jakarta, Indonesia as the core.

The year of 2022 was an arduous year for the environment protection industry. The multiple dispersion of pandemic outbreak and the phased economic downturn exerted tremendous impact on the progress and expansion of our new projects, as well as our project operating capacity. We unified our thought and fully implemented the strategic position and plan that were put forward in the beginning of the year, and overcame the derived effects caused by the pandemic. Hence, the Group’s water services and environmental protection and new energy segments developed steadily in 2022 and achieved an operating income of HK\$1,012 million.

BUSINESS REVIEW:

I. Environmental Protection and New Energy Business, our Core Business, Developed Rapidly

(i) Landfill Gas Utilization Project Developed Steadily, and New Gas Source Expansion Achieved Phased Results

As of the end of December 2022, New China Water has a total of 50 biogas power generation projects, with an annual on-grid electricity capacity of 716 million kWh. The total installed capacity reached 158 MW. Three new biogas power generation projects were put into operation, providing a new power generation scale of 10 MW. Two new refined gas purification projects were put into operation, representing an increase of 42,000 m³/d. Eight biogas power generation projects were newly signed, with a new power generation scale of 18 MW. There was one industrial biogas purification project newly signed. The Jakarta project was fully restarted and achieved a power generation scale of 5 MW by the end of 2022, and is expected to gradually expand to 16 MW in the first phase.

(ii) Urban and Rural Organic Waste Resources Utilization Became the Focus of Future Development of New China Water

New China Water signed the “Comprehensive Utilization of Agricultural Organic Waste Resourcefulness Project in Chengwu County”, “Comprehensive Treatment of Organic Waste in Huoqiu County, Anhui Province” and “Comprehensive Treatment and Utilization of Livestock and Poultry Manure Demonstration Project in Boli County, Qitaihe City, Heilongjiang Province” in 2022, realizing our goal of utilizing organic resources in the urban and rural areas.

(iii) Achieved Breakthrough in Carbon-credit Assets Gains, Renewable Energy Subsidy Cash Inflows Increased Significantly

As of the end of December 2022, total carbon-credit assets of New China Water and its subsidiaries reached 20 million tonnes. In 2022, we achieved the trading of 2.036 million tonnes of carbon-credit assets, with carbon-credit assets gain of RMB51.83 million. We have another 3 Clean Development Mechanism (“CDM”) projects, with a total carbon-credit assets of approximately 1.2 million tons, and are expected to complete trading in the first half of 2023.

As of the end of 2022, we have accumulated subsidy receivables of RMB528 million. We also received renewable energy subsidies of RMB95.52 million in 2022, representing an increase of 131% as compared with 2021.

(iv) The World Bank and Other Financial Institutions Escorted Our Development

In 2022, New China Water achieved total financing amount of approximately RMB320 million. Of which, New China Water signed a green loan agreement with The International Finance Corporation (IFC) on 20 May 2022, and successfully drawdown the first tranche of RMB161.2 million on 29 July 2022. Through other lease financing and bank loans, we obtained a financing amount of RMB153 million, relieving the fund pressure for constructing our projects and accelerating their development. At the same time, that international financial institution provided strong and powerful endorsement for New China Water, which further demonstrated that we have obtained various safeguards, and we will achieve high speed development through resources integration in the future.

II. Water Service Sector Achieved Development and Optimization

In 2022, every division of the water service sector overcame the difficulties due to pandemic, drought and production capacity to ensure stable and standard production and to guarantee the normal supply and operation of urban water supply and sewage treatment, and they all excelled the operating targets set up in the beginning of the year. At the same time, the Group further optimized the disposal of some water segment project assets.

- (i) Yichun Water Industry Group Co., Ltd* (宜春水務集團有限公司) achieved 85,741,400 tonnes of high-quality water supply, an increase of 6.67% over the same period of last year. It sold 65,186,000 tonnes of water throughout the year, an increase of 10.13% over last year. The comprehensive water quality rate reached 100%. It achieved one increase two decreases, reaching a new stage for the business environment, and widely recognized by the public.
- (ii) The construction of the photovoltaic power generation project in Yichun Fangke Sewage Treatment Company Limited* (宜春市方科污水處理有限公司) was completed and officially put into operation in June 2022, with an average monthly power generation of 70,000 to 90,000 KWh. It was awarded the title of “Fulfilling Contract and Keeping Promise” by the Science and Technology Department of Jiangxi Province, and attained the ISO enterprise quality management and environmental system certification, which further enhanced its social reputation and brand effect.

- (iii) The average daily actual sewage treatment capacity of Jining City Haiyuan Water Treatment Company Ltd* (濟寧市海源水務有限公司) in 2022 increased by 39% year-on-year. The operating income of Jining City Haisheng Water Treatment Company Limited* (濟寧市海晟水務有限公司) went up by 9% year-on-year, exceeding the Group's performance target. At present, the two companies, according to the "Urban Drainage "two zero, a standard" Program in Shandong Province (Lu Jianfa [2022] No. 3)" issued by the government in Shandong, reached a preliminary consensus with local authority to improve the standard transformation in Jinxiang County. The transformation will further improve the local water environment in Jinxiang County after completion, and provide a boost to the national ecological civilization. At the same time, it can help to make up the shortcomings of the two companies in sewage treatment capacity, facilitate the increase of sewage treatment price. Therefore, it is expected to bring new recorded revenue after putting into operation.
- (iv) Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* (佛山市高明區華信污水處理有限公司) achieved about 4,048,000 m³ of treated water for the year, with a daily average of about 11,091 m³, an increase of 23.64% as compared with last year.
- (v) In 2022, we completed the disposal of the 60% equity interest of Linyi Fenghuang Water Industry Co., Ltd.

III. City-Industry Integration Segment Actively Sought Cooperation Resources and New Opportunities

In 2022, the real estate market faced continuous downward momentum and difficulties including severe pandemic that resulted in postponement of resumption of work and delayed licensing. In order to better promote the deployment of city-industry integration projects in Huizhou and Nanjing, the Group set up business segment teams to coordinate and supervise the project progress, investment and sales return and fund planning.

With the joint efforts of the Group's city-industry integration business segment teams and project companies, we attained the real estate right certificate of our project in Nanjing Space Big Data Industrial Park, and established a real estate company. We set the monthly property fee charging standard of RMB4.5/m², and expected the property fee annual income of about RMB2 million. We achieved cost reduction and efficiency increase in the Huizhou Honghu Blue Valley Wisdom Square* Project (鴻鵠藍谷智慧廣場) through internal optimization, and had developed many industries such as apartment, hotel, B&B, education and training, and corporate self-use, actively tapping and realizing the value of the project.

IV. Flourishing Glass Recycling Business in Hong Kong and Gradually Diversified

In 2022, Hong Kong Glass Reborn Limited (“**Glass Reborn**”) completed its plant relocation. Its overall operation is sound and healthy, with a stable glass bottle recycling volume. The company is highly recognized by Environmental Protection Department (the “**EPD**”). In 2022, it signed a silver sand contract with the EPD, which is a big leap forward in the development of the industry. Currently, Glass Reborn has submitted a tender in the new round of tenders for glass recycling contract conducted by the EPD and completed the relevant bidding procedures in accordance with the EPD’s criteria.

In addition, on the basis of the original recycling model, Glass Reborn independently tested the on line intelligent recycling buckets, which can recycle glass bottles and plastic bottles at the same time. Not only can this enhance the recovery of glass bottles, but it also reaches business cooperation with plastic recycling companies to achieve a new business growth point.

OUTLOOK AND FUTURE PLANS:

The year of 2022 was an arduous and challenging year, with the entire environmental industry being bombarded rather seriously. Under the leadership of the Board, the Company overcame the impact caused by objective reasons, identified the constraints in our development, and actively explored future profit growth points. The Group also appropriately solved the current problems while assuring its core business for future development.

In 2023, our development will entwine the strategy of becoming China’s leading biomass gas operator, which implies that we will continue to develop the core business of environmental protection and new energy segment, and optimize other business segments according to their conditions.

Optimization and transformation of traditional water service sector. We will optimize and integrate the existing traditional water and sewage treatment companies in an orderly manner. In 2022, the Group acquired Anhe Rui & Really Environmental & Energy Technology (Shanghai) Co., Ltd.* (安和睿及睿利環保能源科技(上海)有限公司). It focused on the anaerobic technology and membrane separation technology of Anhe Rui & Really Environmental as core technology, and gradually transformed the water service sector into the deep treatment and resource utilization of high concentration organic wastewater to build a full-fledged technology-based company integrating technology-investment-construction-operation.

Completing the sale of projects in the City-Industry Integration segment. We will complete the transfer and sale of projects of Huizhou Honghu Blue Valley Wisdom Square* Project and Nanjing Property Project as soon as possible.

Expansion of glass recycling business and derivative business in Hong Kong. In addition to the existing glass recycling contract in Kowloon, Hong Kong, we are also expanding our business to other regions. We will set up a dedicated production line in Xisha to realize the silver sand contract with the EPD. We will also further develop plastic recycling business while exploring the sewage treatment business.

In future, the Group will concentrate on its upper and lower resources, endeavour to develop the business of environmental protection and new energy sector. The Group will also develop new gas sources based on the solid domestic landfill gas business. At the same time, we will make efforts to breakthrough the biomass organic waste resources treatment project, striving to realize business transformation. In addition, by reactivating the Jakarta, Indonesia project as the starting point for overseas market development, the Group will integrate and establish professional investment team and legal team to develop the overseas markets together in 2023.

Besides, the Group will strengthen the cooperation and communication among its companies to establish our corporate culture. Internally, we will strengthen the corporate culture and enhance the synergy, collaboration and mutual support in business between the two parties in order to obtain more new business and technical cooperation. Externally, we will actively maintain the existing strategic partners and continue to develop new strategic resources.

Spring is here already. In 2023, 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”).” And we will stride forward with confidence to seize new opportunities both domestically and abroad to truly become the leading biomass gas operation service provider in China and the world.

Acknowledgements:

I would like to take this opportunity to express my sincere gratitude to all my colleagues in the Board of Directors and the staff of the Group for their unremitting efforts in the development of the Group, and also to the investors and financial institutions who have given their trust and support to the Group. In 2023, the Group will live up to your trust and support and will forge ahead to ride on the momentum. We look forward to sharing more joy and harvest with you.

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

Hong Kong, 30 March 2023

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, and Mr. Wong Siu Keung, Joe, Ms. Qiu Na and Mr. Lam Cheung Shing, Richard, all being independent non-executive Directors.

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