



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

Build a Dream and share  
**FUTURE SUCCESS**

2024 Interim Report



\* For identification purpose only

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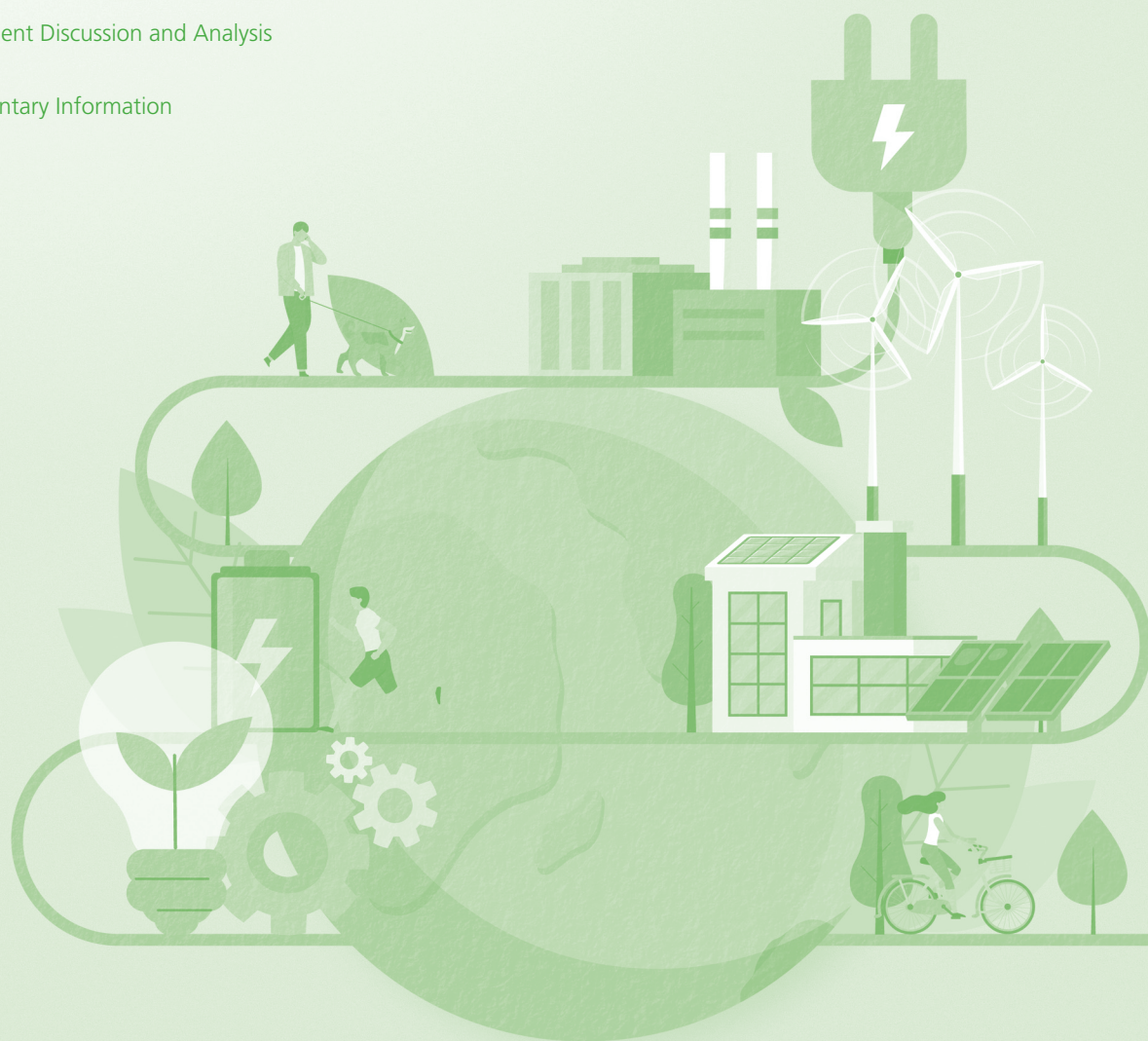
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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Wong Siu Keung, Joe (Chairman)  
Mr. Zhu Yongjun  
Mr. Lam Cheung Shing, Richard

## NOMINATION COMMITTEE

Mr. Zhu Yongjun (Chairman)  
Mr. Wong Siu Keung, Joe  
Mr. Lam Cheung Shing, Richard

## INVESTMENT COMMITTEE

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

## COMPANY SECRETARY

Ms. Chu Yin Yin, Georgiana

## AUTHORISED REPRESENTATIVES

Mr. Zhu Yongjun  
Ms. Chu Yin Yin, Georgiana

## PRINCIPAL BANKERS

### PRC

Agricultural Bank of China  
Bank of China Limited  
Bank of China Industrial and Commercial

### Hong Kong

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
Chiyu Banking Corporation Limited  
The Hongkong and Shanghai Banking Corporation Limited

## LEGAL ADVISERS AS TO HONG KONG LAWS

Johnny K.K. Leung & Co., Solicitors

## LEGAL ADVISER AS TO CAYMAN ISLANDS LAWS

Conyers Dill & Pearman

## AUDITORS

Crowe (HK) CPA Limited

## REGISTERED OFFICE

Cricket Square Hutchins Drive P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D,  
P.O. Box 1586, Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100, Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR TRANSFER OFFICE**

Union Registrars Limited  
Suites 3301–04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point Hong Kong

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Office H, 8/F, Kingston International Centre,  
19 Wang Chiu Road,  
Kowloon Bay,  
Hong Kong

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA**

Room 2204, 22/F, Block A, Building 6  
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Dashi First Road  
Xili Community, Xili Street, Nanshan District  
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## **CONTACTS**

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## **WEBSITE**

[www.chinawaterind.com](http://www.chinawaterind.com)

## **STOCK**

1129

# FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2024 HK\$'000	2023 HK\$'000	
<b>Financial Results</b>			
Revenue	292,195	385,769	(24.26%)
Gross profit	49,913	111,382	(55.19%)
Loss for the period	(77,301)	(37,773)	104.65%
Loss attributable to owners of the Company	(78,821)	(56,364)	39.84%
Loss per share (HK cents)			
— Basic and diluted	(2.74)	(1.96)	39.80%
EBITDA (Note 1)	45,640	88,819	(48.61%)
	<b>As at 30 June 2024 HK\$'000</b>	<b>As at 31 December 2023 HK\$'000</b>	<b>Change %</b>
<b>Financial Position</b>			
Total assets	3,262,822	3,370,677	(3.20%)
Total liabilities	1,714,282	1,729,433	(0.88%)
Current assets	1,199,882	1,252,689	(4.22%)
Current liabilities	1,137,707	1,070,201	6.31%
Current ratio	1.05 times	1.17 times	(10.26%)
Cash and cash equivalents	77,541	148,785	(47.88%)
Gearing ratio (Note 2)	52.54%	51.31%	2.40%
Net asset value	1,548,540	1,641,244	(5.65%)
Equity attributable to owners of the Company	1,039,618	1,129,387	(7.95%)
Equity attributable to owners of the Company per share (HK\$)	0.36	0.39	(7.69%)

Note 1: Profit before finance costs, income tax, depreciation and amortisation.

Note 2: Gearing ratio was calculated by dividing the total liabilities over the total assets.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>292,195</b>	385,769
Cost of sales		<b>(242,282)</b>	(274,387)
<b>Gross profit</b>		<b>49,913</b>	111,382
Other income, net		<b>20,724</b>	13,423
Selling and distribution expenses		<b>(18,352)</b>	(21,695)
Administrative expenses		<b>(91,131)</b>	(101,504)
Finance costs	6	<b>(29,339)</b>	(25,073)
Net gain on financial assets at fair value through profit or loss		–	397
Gain on disposal of subsidiaries		–	3,016
Impairment loss recognised on trade and other receivables		<b>(5,501)</b>	(7,287)
Share of loss of associates		<b>(196)</b>	(464)
Share of profit of a joint venture		<b>182</b>	363
<b>Loss before tax</b>		<b>(73,700)</b>	(27,442)
Income tax expense	7	<b>(3,601)</b>	(10,331)
<b>Loss for the period</b>	8	<b>(77,301)</b>	(37,773)
<b>Attributable to:</b>			
Owners of the Company		<b>(78,821)</b>	(56,364)
Non-controlling interests		<b>1,520</b>	18,591
		<b>(77,301)</b>	(37,773)
<b>Loss per share (HK Cents)</b>			
Basic and diluted	9	<b>(2.74)</b>	(1.96)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024	2023
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Loss for the period</b>		<b>(77,301)</b>	(37,773)
<b>Other comprehensive loss for the period</b>			
Items that may be reclassified subsequently to loss:			
Exchange difference on translation of financial statements of foreign operations:			
Exchange difference arising during the period		<b>(12,004)</b>	(51,047)
		<b>(12,004)</b>	(51,047)
<b>Financial assets at fair value through other comprehensive income:</b>			
Net loss arising on revaluation of financial assets at fair value through other comprehensive income during the period		<b>(805)</b>	(1,195)
Share of other comprehensive loss of associates		<b>(36)</b>	(242)
Share of other comprehensive loss of a joint venture		<b>(159)</b>	(686)
<b>Other comprehensive loss for the period, net of income tax</b>		<b>(13,004)</b>	(53,170)
<b>Total comprehensive loss for the period</b>		<b>(90,305)</b>	(90,943)
<b>Attributable to:</b>			
Owners of the Company		<b>(89,769)</b>	(100,548)
Non-controlling interests		<b>(536)</b>	9,605
		<b>(90,305)</b>	(90,943)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	560,426	597,683
Deposits paid for acquisition of property, plant and equipment		133,184	134,164
Deposits paid for acquisition of right-of-use assets		8,882	8,945
Deposits paid for acquisition of additional interests in a subsidiary		55,878	55,878
Right-of-use assets		306,475	317,275
Operating concessions		632,076	625,296
Receivables under service concession arrangements		7,581	8,538
Investment properties		199,965	201,389
Other intangible assets		124,673	135,937
Financial assets at fair value through other comprehensive income	12	1,064	1,870
Interests in associates		4,243	1,913
Interests in a joint venture		22,360	22,336
Deferred tax assets		6,133	6,764
		<b>2,062,940</b>	<b>2,117,988</b>
<b>Current assets</b>			
Inventories		50,240	56,008
Receivables under service concession arrangements		1,941	2,102
Financial assets at fair value through profit or loss	12	11,653	12,103
Trade and other receivables	13	959,188	935,223
Contract assets		91,426	91,323
Cash held by financial institutions		162	661
Pledged bank deposits		20,334	15,969
Bank balances and cash		57,045	132,155
Amounts due from associates		5,522	5,965
Amounts due from a joint venture		2,371	1,180
		<b>1,199,882</b>	<b>1,252,689</b>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	14	531,756	435,596
Contract liabilities		151,753	166,854
Bank borrowings		120,595	124,207
Other loans		162,637	168,869
Lease liabilities		150,566	147,528
Amounts due to non-controlling shareholders of subsidiaries		2,824	2,825
Tax payables		17,576	24,322
		<b>1,137,707</b>	1,070,201
<b>Net current assets</b>			
		<b>62,175</b>	182,488
<b>Total assets less current liabilities</b>			
		<b>2,125,115</b>	2,300,476
<b>Capital and reserves</b>			
Share capital	15	28,736	28,736
Share premium and reserves		1,010,882	1,100,651
Equity attributable to owners of the Company		<b>1,039,618</b>	1,129,387
Non-controlling interests		<b>508,922</b>	511,857
<b>TOTAL EQUITY</b>			
		<b>1,548,540</b>	1,641,244
<b>Non-current liabilities</b>			
Trade and other payables	14	30,023	29,768
Bank borrowings		288,976	318,957
Other loans		18,278	17,279
Lease liabilities		155,395	205,389
Government grants		31,010	31,923
Deferred tax liabilities		52,893	55,916
		<b>576,575</b>	659,232
		<b>2,125,115</b>	2,300,476

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2024 (audited)</b>	28,736	1,312,810	1,780	(130,968)	153,264	(5,084)	(231,151)	1,129,387	511,857	1,641,244
Changes in equity for the six months ended 30 June 2024:										
Loss for the period	-	-	-	-	-	-	(78,821)	(78,821)	1,520	(77,301)
Other comprehensive loss for the period	-	-	-	(10,143)	-	(805)	-	(10,948)	(2,056)	(13,004)
<b>Total comprehensive loss for the period</b>	-	-	-	(10,143)	-	(805)	(78,821)	(89,769)	(536)	(90,305)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(2,399)	(2,399)
<b>At 30 June 2024 (unaudited)</b>	28,736	1,312,810	1,780	(141,111)	153,264	(5,889)	(309,972)	1,039,618	508,922	1,548,540

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2023 (audited)</b>	28,736	1,312,810	1,780	(110,139)	142,415	(3,111)	23,149	1,395,640	506,778	1,902,418
Changes in equity for the six months ended										
30 June 2023:										
Loss for the period	-	-	-	-	-	-	(56,364)	(56,364)	18,591	(37,773)
Other comprehensive loss for the period	-	-	-	(42,989)	-	(1,195)	-	(44,184)	(8,986)	(53,170)
<b>Total comprehensive loss for the period</b>	-	-	-	(42,989)	-	(1,195)	(56,364)	(100,548)	9,605	(90,943)
Dividends paid to non-controlling shareholders										
	-	-	-	-	-	-	-	-	(18,707)	(18,707)
<b>At 30 June 2023 (unaudited)</b>	28,736	1,312,810	1,780	(153,128)	142,415	(4,306)	(33,215)	1,295,092	497,676	1,792,768

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	<b>17,500</b>	5,362
NET CASH FROM/USED IN INVESTING ACTIVITIES	<b>23,089</b>	(94,442)
NET CASH USED IN FINANCING ACTIVITIES	<b>(105,941)</b>	(1,844)
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(65,352)</b>	(90,924)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>148,785</b>	184,447
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(5,892)</b>	(2,106)
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>77,541</b>	91,417
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
CASH HELD BY FINANCIAL INSTITUTIONS	<b>162</b>	597
PLEGGED BANK DEPOSITS	<b>20,334</b>	15,969
BANK BALANCES AND CASH	<b>57,045</b>	74,851
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>77,541</b>	91,417

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 1. COMPANY INFORMATION

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

The unaudited condensed consolidated interim 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 (collectively referred to as the “**Group**”) is HK\$.

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023, except for the accounting policy changes set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

## 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for current accounting period of the Group.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these amendments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 4. REVENUE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Water supply services	<b>53,096</b>	58,666
Sewage treatment services	<b>46,437</b>	43,400
Water supply related installation and construction income	<b>57,550</b>	93,775
Water supply and sewage treatment infrastructure construction income	<b>34,832</b>	18,820
Sale of electricity	<b>91,001</b>	156,602
Sale of compressed natural gas	<b>6,834</b>	5,542
Service income from collection of landfill gas	<b>203</b>	8,528
Sale of solid organic fertilizer	<b>2,242</b>	436
	<b>292,195</b>	385,769

## 5. SEGMENT INFORMATION

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 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 sales of electricity and compressed natural gas from biogas power plants and solid organic fertilizer from comprehensive utilization of straw and livestock and poultry waste; 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 5. SEGMENT INFORMATION *(Continued)*

### Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments.

For the period ended 30 June 2024

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Total HK\$'000
<b>Reportable segment revenue</b>				
Disaggregated by timing of revenue recognition:				
Point in time	99,533	100,280	–	199,813
Over time	92,382	–	–	92,382
<b>Reportable segment revenue</b>	<b>191,915</b>	<b>100,280</b>	<b>–</b>	<b>292,195</b>
<b>Reportable segment profit/(loss)</b>	<b>8,445</b>	<b>(55,299)</b>	<b>850</b>	<b>(46,004)</b>
Unallocated corporate expenses				(20,827)
Interest income				437
Interest on fixed coupon bonds and other loans				(7,306)
<b>Loss before taxation</b>				<b>(73,700)</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 5. SEGMENT INFORMATION (Continued)

### Segment turnover and results (Continued)

For the period ended 30 June 2023

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Total HK\$'000
<b>Reportable segment revenue</b>				
Disaggregated by timing of revenue recognition:				
Point in time	102,066	171,108	–	273,174
Over time	112,595	–	–	112,595
<b>Reportable segment revenue</b>	<b>214,661</b>	<b>171,108</b>	<b>–</b>	<b>385,769</b>
<b>Reportable segment profit/(loss)</b>	<b>31,539</b>	<b>(16,804)</b>	<b>(9,643)</b>	<b>5,092</b>
Unallocated corporate expenses				(27,678)
Interest income				23
Interest on fixed coupon bonds and other loans				(8,292)
Net gain on financial assets at fair value through profit or loss				397
Gain on disposal of subsidiaries				3,016
<b>Loss before taxation</b>				<b>(27,442)</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 5. SEGMENT INFORMATION (Continued)

### Other segment information

For the period ended 30 June 2024

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	44	73	1	437	555
Interest expenses	(3,704)	(18,327)	(2)	(7,306)	(29,339)
Share of profit/(loss) of associates	79	(275)	-	-	(196)
Share of profit of a joint venture	182	-	-	-	182
Depreciation of:					
— Property, plant and equipment	(2,131)	(26,324)	(2)	(1,072)	(29,529)
— Right-of-use assets	(775)	(19,226)	(294)	(2,332)	(22,627)
Amortisation of:					
— Concession intangible assets	(20,903)	(6,594)	-	-	(27,497)
— Other intangible assets	-	(10,103)	-	(245)	(10,348)
Loss on disposal of property, plant and equipment	(14)	(412)	-	-	(426)
Write off of:					
— Property, plant and equipment	-	(3,314)	-	-	(3,314)
Impairment loss (recognised)/reversed on trade and other receivables	(128)	3	(529)	(4,847)	(5,501)
Additions to non-current assets	37,193	13,139	1,543	17,128	69,003

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 5. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

For the period ended 30 June 2023

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Corporate HK\$'000	Total HK\$'000
Interest income	573	180	1	23	777
Interest expenses	(2,102)	(14,651)	(28)	(8,292)	(25,073)
Share of loss of associates	–	(464)	–	–	(464)
Share of profit of Joint ventures	363	–	–	–	363
Depreciation of:					
— Property, plant and equipment	(1,700)	(25,200)	(20)	(850)	(27,770)
— Right-of-use assets	(751)	(23,050)	(302)	(2,703)	(26,806)
Amortisation of:					
— Concession intangible assets	(18,950)	(6,755)	–	–	(25,705)
— Other intangible assets	–	(10,655)	–	(252)	(10,907)
Loss on disposal of property, plant and equipment	–	(9)	–	–	(9)
Write off of:					
— Property, plant and equipment	(6)	(4,321)	–	–	(4,327)
Impairment loss recognised on trade and other receivables	(130)	–	(893)	(6,264)	(7,287)
Additions to non-current assets	28,146	61,706	23,213	680	113,745

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 5. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

	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
As at 30 June 2024 (unaudited)						
Reportable segment assets	964,637	1,707,467	424,611	166,107	–	3,262,822
Reportable segment liabilities	(406,299)	(745,551)	(254,718)	(265,516)	(42,198)	(1,714,282)
As at 31 December 2023 (audited)						
Reportable segment assets	968,112	1,808,961	428,758	164,846	–	3,370,677
Reportable segment liabilities	(418,041)	(805,415)	(257,488)	(205,041)	(43,448)	(1,729,433)

## 6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
— bank borrowings	10,605	6,814
— other loans	8,722	9,863
— lease liabilities	11,590	11,526
Total borrowing cost	30,917	28,203
Less: interest capitalised included in construction in progress	(1,578)	(3,130)
	29,339	25,073

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits tax	—	—
Current tax		
— PRC Enterprise Income Tax (“EIT”)	5,993	16,097
Deferred tax	(2,392)	(5,766)
	<b>3,601</b>	10,331

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$Nil) as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profits tax for the period.

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

Certain subsidiaries of the Group, being engaged in provision of electricity supply, sale of renewable energy and sewage treatment services, 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs including Directors' emoluments		
— salaries, wages and other benefits	<b>77,341</b>	87,593
— retirement benefits scheme contributions	<b>7,965</b>	8,645
<b>Total staff costs</b>	<b>85,306</b>	96,238
Amortisation of:		
— Concession intangible assets (included in cost of sales)	<b>27,497</b>	25,705
— Other intangible assets	<b>10,348</b>	10,907
Depreciation of:		
— property, plant and equipment	<b>29,529</b>	27,770
— right-of-use assets	<b>22,627</b>	26,806
Loss on disposal of property, plant and equipment	<b>426</b>	9
Loss on disposal of concession intangible assets	<b>23</b>	—
Write off of:		
— property, plant and equipment	<b>3,314</b>	4,327
Lease payments not included in the measurement of lease liabilities	<b>1,067</b>	1,033
Bank interest income	<b>(555)</b>	(262)
Net exchange loss	<b>375</b>	2,745
Gross rental income from investment properties less direct outgoing of approximately HK\$300,000 (six months ended 30 June 2023: HK\$38,000)	<b>(2,156)</b>	(1,806)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Loss attributable to the owners of the Company, used in the basic and diluted loss per share	<b>(78,821)</b>	(56,364)
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	No. of shares	No. of shares
	'000	'000

Weighted average number of ordinary shares issued Basic and diluted	<b>2,873,610</b>	2,873,610
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Loss per share (HK Cents): Basic and diluted	<b>(2.74)</b>	(1.96)
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For the six months ended 30 June 2024 and 30 June 2023, diluted loss per share equals basic loss per share as there was no dilutive potential share.

## 10. DIVIDENDS

The Directors of the Company do not recommend the payment of any interim dividend for the both reporting periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment amounted to approximately HK\$13,701,000 (including right-of-use assets of HK\$82,000) (six months ended 30 June 2023: approximately HK\$85,460,000 (including right-of-use assets of HK\$2,489,000)).

During the six months ended 30 June 2024, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$285,000 (six months ended 30 June 2023: approximately HK\$46,000), and the Group wrote off of property, plant and equipment with carrying amount of approximately HK\$3,314,000 (six months ended 30 June 2023: HK\$4,327,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Listed equity securities, measured at fair value	1,064	1,870
Unlisted fund investments, measured at fair value	11,653	12,103
	<b>12,717</b>	13,973
Classified as:		
Financial assets at fair value through profit or loss		
— Current	11,653	12,103
Financial assets at fair value through other comprehensive income		
— Non-current	1,064	1,870
	<b>12,717</b>	13,973

The above financial assets contained equity securities listed in Hong Kong. The fair value of listed equity securities are determined based on the quoted market bid prices available on the Stock Exchange.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME (Continued)

### Financial instruments carried at fair value

#### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Company's Directors are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

	At 30 June 2024 (Unaudited)				At 31 December 2023 (Audited)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

### Recurring fair value measurements

#### Assets

Financial asset at fair value through other comprehensive income								
— Listed	1,064	–	–	1,064	1,870	–	–	1,870
Financial assets at fair value through profit or loss								
— Unlisted fund investments	–	–	11,653	11,653	–	–	12,103	12,103

During the six months ended 30 June 2024, there were no significant transfer between instruments levels.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Trade receivables	<b>829,295</b>	789,326
Less: Loss allowance	<b>(8,569)</b>	(8,628)
	<b>820,726</b>	780,698
Other receivables	<b>96,762</b>	96,544
Less: Loss allowance	<b>(44,286)</b>	(43,898)
	<b>52,476</b>	52,646
Loan receivables	<b>256,886</b>	258,552
Less: Loss allowance	<b>(256,883)</b>	(253,162)
	<b>3</b>	5,390
Deposits and prepayments	<b>85,983</b>	96,489
	<b>959,188</b>	935,223

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

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Within 90 days	<b>101,274</b>	89,340
91 to 180 days	<b>26,949</b>	32,382
181 to 365 days	<b>57,622</b>	64,591
Over 1 year	<b>634,881</b>	594,385
	<b>820,726</b>	780,698

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables, presented based on the invoice date:

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Within 90 days	77,799	66,750
91 to 180 days	8,167	11,594
181 to 365 days	41,615	58,948
Over 1 year	94,758	68,586
	<b>222,339</b>	205,878
Trade payables		
Other payables	<b>325,507</b>	249,012
Interest payables	<b>13,933</b>	10,474
	<b>561,779</b>	465,364
Amount due within one year included under current liabilities	<b>531,756</b>	435,596
Amount due after one year included under non-current liabilities	<b>30,023</b>	29,768
	<b>561,779</b>	465,364

## 15. SHARE CAPITAL

	At 30 June 2024 (Unaudited)		At 31 December 2023 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares				
At 1 January	200,000,000	2,000,000	200,000,000	2,000,000
At 30 June 2024 and At 31 December 2023	200,000,000	2,000,000	200,000,000	2,000,000
<b>Issued and fully paid:</b>				
Ordinary shares				
At 1 January	2,873,610	28,736	2,873,610	28,736
At 30 June 2024 and At 31 December 2023	2,873,610	28,736	2,873,610	28,736

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 16. CAPITAL COMMITMENTS

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Contracted but not provided for:		
— Acquisition of concession intangible assets, property, plant and equipment	61,589	68,275
	<b>61,589</b>	<b>68,275</b>

## 17. LITIGATIONS AND ARBITRATION

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

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited (“**Swift Surplus**”) (collectively as the “**Lenders**”) entered into repayment agreements (the “**Repayment Agreements**”) with the Sihui Sewage Treatment Co. Ltd.\* (四會市城市污水處理有限公司) and Top Vision Management Limited (“**Top Vision**”) (collectively as the “**Borrowers**”) together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK\$58,430,000 together with interest accrued thereon (the “**Loan Receivables**”). HK\$5,000,000 of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK\$5,000,000 of the Loan Receivables. However, the remaining Loan Receivables of HK\$53,430,000 (the “**Remaining Loan Receivables**”) plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK\$18,030,000 of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the “**Partial Payment of the Remaining Loan Receivables**”). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK\$35,400,000 of the Remaining Loan Receivables and underlying interests (the “**Outstanding Balance**”). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the “**Writ**”) to the High Court of Hong Kong Special Administrative Region (the “**High Court**”) to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the “**Final Judgment**”). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any assets of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. LITIGATIONS AND ARBITRATION *(Continued)*

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. LITIGATIONS AND ARBITRATION *(Continued)*

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

On 6 March 2018, Liquidators informed Creditors that Top Vision sold its entire shareholding in Top Vision Huizhou to Tai Heng Construction Holding Ltd. ("**Tai Heng**") without payment of purchase consideration of RMB1 million. The Liquidator obtained a judgement from the High Court under the action of HCA 2448/2017 on 7 January 2019 against Tai Heng in favour of Top Vision, under which Tai Heng should repay approximately HK\$3,900,000 being principal and interest, and the Court further awarded judgement interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the "**Judgement Debts**"). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue a statutory demand against Tai Heng. If Tai Heng fails to reply, the Liquidators may further pursue a winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as "**Evidence**") to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company applied to the Tribunal to arrange the arbitral hearing. On 16 March 2020, the arbitrator of HKIAC made an arbitration award that each guarantor shall jointly and severally liable to repay the principals together with the interest accrued thereon to the Lenders. On 29 March 2020, HKIAC has appointed a sole arbitrator for these arbitration proceedings. On 30 November 2021, the Swift Surplus had submitted the application to the Sihui City People's Court for the resumption of civil enforcement on Top Vision. In January 2022, Swift Surplus re-submitted the application to the Sihui City People's Court again for the resumption of execution of the final judgement granted in July 2015 to continue to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2025. In January 2022, the Lenders petitioned to the Shenzhen Intermediate People's Court and the Zhaoqing Intermediate People's Court for recognition and enforcement of Hong Kong awarded arbitrations in order to collect the debt from the guarantors. But the guarantor refused to recognise the verdict of the Zhaoqing Intermediate People's Court, they filed an appeal with the Guangdong Province Higher People's Court. In June 2022, Sihui City People's Court accepted the application and adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for addition 2 years from June 2022 to June 2024. On 22 May 2023, the Zhaoqing Intermediate People's Court and the Guangdong Higher People's Court recognised and acknowledged for enforcement in Mainland China the arbitral award of the guarantors (the "**Guarantor's Award**"). The Guangdong Province Higher People's Court issued a judgement efficacy certificate on 8 August 2023, allowing the Company to enforce the Guarantor's Award in China. The Zhaoqing Intermediate People's Court acknowledged the enforcement of the Guarantors' Award in mainland China on 11 August 2023. In March 2024, Swift Surplus had submitted the application to Sihui City People's Court again for the purpose of continuing to freeze all equity interests in Sihui Sewage. The Sihui City People's Court ruled to freeze all equity interest in Sihui Sewage for an additional two years for the period from June 2024 to June 2026. Up to the date of this report, the legal processing in PRC is still in progress. The loan receivables from Top Vision of HK\$43.60 million were fully impaired.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. LITIGATIONS AND ARBITRATION *(Continued)*

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

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

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

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission ("**Commission**") for arbitration on 24 February 2012. The Commission accepted the case and started a trail on 5 June 2012. After the trail, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8,560,000 and overdue interests thereon; and the relevant arbitration fees.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. LITIGATIONS AND ARBITRATION (Continued)

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

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.\* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.\* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.\* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.\* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the “**Guarantors**”) entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the “**Settlement Agreement**”). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde within 10 days. On 8 January 2021, the Kunming Court failed to locate any assets from Yunnan Chaoyue Gas and Guarantors even taken exhaustive enforcement measures, and ruled to terminate this execution. The Kunming Court will resume the execution of this case in accordance with the law once any assets available for execution being found. On 21 June 2023, the Kunming Municipal Court has not yet decided whether to accept the case after the hearing on the bankruptcy liquidation of Yunnan Chaoyue Gas. Up to the date of this report, Yunnan Chaoyue Gas and the Guarantors had not performed court judgement and no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011.

### (c) New China Water (Nanjing) Energy Company Limited\* (新中水(南京)能源有限公司) an indirect wholly-owned subsidiary of the Company

In October 2018, New China Water (Nanjing) Energy Company Limited (“**New China Water Energy**”), New China Water (Nanjing) Carbon Company Limited (“**New China Water Carbon**”) and Jinling Construction Group of Jiangsu Province Co. Ltd.\* (江蘇省金陵建工集團有限公司) (“**Jinling Construction**”) entered into the construction contract for construction works, pursuant to which Jinling Construction became the construction contractor for Nanjing Space Big Data Industry Base which was developed by New China Water Energy and New China Water Carbon. On 26 January 2022, Jinling Construction filed a lawsuit to Nanjing City Jiangning District People’s Court\* (南京市江寧區人民法院) (the “**Jiangning Court**”) regarding the allegedly unsettled payment of construction fee by New China Water Energy and New China Water Carbon as co-defendants to Jinling Construction in the sum of approximately RMB151.59 million. The disposal of New China Water Carbon was completed in June 2023.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. LITIGATIONS AND ARBITRATION *(Continued)*

### (c) **New China Water (Nanjing) Energy Company Limited\* (新中水(南京)能源有限公司) an indirect wholly-owned subsidiary of the Company** *(Continued)*

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

In August 2022, the involved parties signed the settlement agreement (the "**Settlement Agreement**") that affirmed the unpaid construction debts of RMB99.91 million and the repayment plan. The aforementioned Settlement Agreement was submitted to the Xuanwu People's Court for the withdrawal of the relevant land use rights seizure. New China Water Energy and New China Water Carbon had fulfilled a portion of their contractual responsibilities in accordance with the Settlement Agreement. According to the Settlement Agreement, Xuanwu People's Court issued a civil mediation letter (the "**Civil Mediation Letter**") confirming that New China Water Energy and New China Water Carbon should jointly and severally pay the outstanding construction debts in the amount of RMB89.91 million including a default claim of RMB8 million which was recognised as default claim payable. The Xuanwu People's Court subsequently removed the relevant seizure of the land use right.

In June 2023, the parties involved signed Settlement Agreement 1 (the "**Settlement Agreement 1**") and fulfilled their obligations. The Xuanwu People's Court ruled to halt New China Water Carbon's execution. New China Water Carbon was no longer a subsidiary of the Company upon the completion of disposal in June 2023. The relevant parties signed Settlement Agreement 2 (the "**Settlement Agreement 2**") in August 2023, and then Jinling Construction has petitioned the Xuanwu People's Court to withdraw enforcement against New China Water Energy. The Xuanwu People's Court ruled to terminate the execution of the case. As of the date of this report, New China Water Energy has not fully satisfied its obligations under the Civil Mediation Letter, but partial payments have been made. The Settlement Agreement 2 is currently undergoing implementation, and the PRC legal proceeding is still ongoing.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. LITIGATIONS AND ARBITRATION (Continued)

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

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

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 recognised as an other payable of the Group since the financial year ended 31 December 2020.

On 3 December 2021, Swan Heng Chang and Swan Investment were served by the court as defendants subject to enforcement for failing to fulfill their obligations under the civil mediation order. On 10 March 2022, upon application by CMDC, the land use right legally owned by Swan Heng Chang was seized by the Huizhou Court for the period from 10 March 2022 to 9 March 2025. According to the civil mediation letter, the default payment including interest in total of RMB11.38 million recorded in other payable during the year. Up to the date of this report, the parties are negotiating the settlement agreement and the relevant legal proceeding is still in process.

In July 2021, Swan Heng Chang entered into a construction contract for construction works (the “**Construction Contract II**”) with Shenzhen Zhongrongyu Construction Engineering Limited\* (深圳市中榮煜建築工程有限公司) (“**Zhongrongyu Construction**”), pursuant to which Zhongrongyu Construction shall act as the construction contractor of the construction project of Honghu Square developed by Swan Heng Chang.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. LITIGATIONS AND ARBITRATION *(Continued)*

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

Zhongrongyu Construction and Swan Heng Chang are recently in dispute of certain construction payments in respect of the Construction Contract II and Zhongrongyu Construction has filed a lawsuit with the Huizhou People's Court against Swan Heng Chang and Swan Investment as co-defendants, claiming for the settlement of the construction payments and liquidated damages in the aggregate sum of approximately RMB31.60 million, and demand Swan Investment to bear joint and several liabilities. As the final account for the construction work has not yet been finalized and concluded between Swan Heng Chang and Zhongrongyu Construction, the aforesaid total claim payments were not recognised as an other payable of the Group. Up to the date of this report, the PRC legal proceeding is still ongoing.

**(e) China Water Industry Group Limited (中國水業集團有限公司\*), the Company, and Onfar International Limited (安發國際有限公司), an indirect wholly-owned subsidiary of the Company**

On 25 March 2024, 海天水務集團股份公司(for transliteration purpose only, Haitian Water Group Company Limited#) (“**Haitian Water**”), as purchaser, Billion City Investments Limited, as vendor and the Company entered into an equity transfer agreement in relation to the transfer of equity interests in the Vendor (the “**Previous Disposal**”).

Yichun Municipal Development Co., Ltd.\* (宜春市市政發展有限公司) (the “**Plaintiff**”) has subsequently applied to Yichun City Yuanzhou District People's Court of Jiangxi Province (the “**Court**”) for the property attachment (the “**Property Attachment**”), which aims to freeze the Vendor's 51% equity interests in the Disposal Company. The application for the Property Attachment has been accepted by the said court.

As disclosed in the announcement of the Company dated 17 June 2024, the Company has received a statement of claim (民事起訴狀) from the Court regarding the civil claim by the Plaintiff against (i) the Company, as 1st defendant; (ii) Haitian Water, as 2nd defendant; (iii) the vendor, as 3rd defendant; and (iv) the Disposal Company, as third party, in respect of the Previous Disposal.

On 26 July 2024, the Plaintiff has given an undertaking in favour of the Vendor that it will, following the execution of the Equity Transfer Agreement and prior to the handover procedures and Registration of equity transfer, file with the Intermediate People's Court of Yichun City to withdraw the civil claim and discharge the property attachment.

The Company has recently received a civil judgement (民事裁定書) from the Intermediate People's Court of Yichun City approving to discharge the Property Attachment. For details, please refer to the announcement of the Company dated 16 September 2024.

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 except for the Construction Contract II, the unsettled construction debts has been recorded in the other payables to reflect the total liabilities of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

### (a) Details of the balances with related party

In addition to those related party balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material related party transactions, which also included connected transactions under the Listing Rules as at the six months ended:

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Loans payable to a related party (note (i))	50,000	50,000
Loans payable to a related party (note (ii))	4,612	8,217
Leases liabilities to a related party (note (iv))	946	1,402
Trade payable to a related party (note (v))	5,145	–

### (b) Related party transactions

Save as disclosed in elsewhere to the condensed consolidated interim financial statements, the Group have the following related party transactions.

Name of related party	Relationship	Nature of transaction	Six months ended 30 June	
			2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Kingston Finance Limited	note (i)	Interest expenses of loan financing	3,740	5,328
Excellent Point Asia Limited	note (ii)	Interest expenses of loan financing	427	1,180
Kingston Corporate Finance Limited	note (iii)	Advisory fee of corporate finance services	100	200
Star Wing International Limited	note (iv)	Lease payment	483	483
United Swift Limited	note (v)	Service fee	5,146	–

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

### (b) Related party transactions (Continued)

- (i) Kingston Finance Limited (the “**Lender I**”) is indirectly wholly-owned by Mrs. Chu Yuet Wah (“**Mrs. Chu**”), who became a substantial shareholder of the Company effective from 29 June 2021.

Prior to Mrs. Chu becoming a substantial shareholder of the Company, on 19 March 2021, China Water Industry (HK) Limited (the “**Borrower I**”), a wholly-owned subsidiary of the Company entered into a loan agreement with the Lender I for HK\$80 million (the “**Loan A**”), interest-bearing at a rate of 15% per annum and repayable within one year. Loan A was secured by the shares of two subsidiaries of the Company and corporate guarantee provided by the Company. Such loan transaction was one-off and non-revolving in nature. The interest expenses in respect of Loan A was paid to the Lender I pursuant to the terms stipulated in the loan agreement entered into with the Lender I in March 2021, prior to Mrs. Chu and the Lender I becoming connected persons of the Company. The Company considered that as of the date of execution of this loan agreement in March 2021 did not constitute connected party transaction of the Company. As at 30 June 2024, the remaining principal balance of HK\$50 million in respect of Loan A was mutually agreed to be repayable on demand.

- (ii) On 24 May 2022, the Company (the “**Borrower II**”) entered into a loan agreement with Excellent Point Asia Limited (the “**Lender II**” or the “**Excellent Point**”) for HK\$5.00 million (the “**Loan B**”) at an interest rate of 12% per annum and repayable within one year. In addition, on 22 December 2022, the Borrower II entered into a loan agreement with the Lender II for HK\$4.00 million (the “**Loan C**”) at an interest rate of 12% per annum and repayable within one year. Loan B and Loan C were unguaranteed and unsecured. During the Interim Period, partial repayments of approximately HK\$3.61 million in respect of the principal of Loan B had been made. As at 30 June 2024, the remaining principal balances of Loan B and Loan C were approximately HK\$0.61 million and HK\$4.00 million, respectively, and were mutually agreed to be repayable on demand. In August 2024, the Loan B has fully settled and a partial repayment of approximately HK\$2.24 million on Loan C had been made. Lender II is wholly-owned by Mr. Zhu Yongjun (“**Mr. Zhu**”). Mr. Zhu is the Chairman and an executive Director of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

### (b) Related party transactions (Continued)

- (iii) For the First Half 2024, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was HK\$0.1 million (First Half 2023: HK\$0.2 million). Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited.
- (iv) On 26 August 2022, South Top Investment Limited, a wholly-owned subsidiary of the Company as the tenant, entered into a tenancy agreement (the “**Tenancy Agreement**”) with Star Wing International Limited (the “**Landlord**”) for leasing Office H, 8/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong (the “**Premise**”), for a term of three years with commencement of 2 months rent free renovation period from 20 July 2022. The Premises upon completion of renovation has been used as the principal office of the Group in Hong Kong. The Landlord is wholly-owned by Mrs. Chu. For the First Half 2024, lease payment of approximately HK\$0.48 million (First Half 2023: HK\$0.48 million) has been made.
- (v) Hong Kong Glass Resources Limited (“**HK Glass Resources**”), a wholly-owned subsidiary of the Company, had entered into a food waste collection services consulting agreement (the “**Agreement**”) with United Swift Limited (“**United Swift**”), an indirectly wholly-owned subsidiary of New Concepts Holdings Limited (stock code: 2221) (“**New Concepts**”) which is listed on the Main Board of the Stock Exchange. Mr. Zhu was interested in approximately 5.40% of the issued share capital of New Concepts up to the date of this report. The effective date of the Agreement commenced on 26 April 2024. Mr. Zhu, being the chairman and executive Director of the Company, is also a director of each of HK Glass Resources, United Swift and New Concepts. For the First Half 2024, HK Glass Resources paid a service fee amounted to HK\$5.15 million (For the First Half 2023: Nil) to United Swift for the food waste collection consultancy and related services provided by United Swift to HK Glass Resources.

### (c) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	2,832	4,680
Post-employment benefits	166	181
	<b>2,998</b>	4,861

## 19. EVENT AFTER THE END OF THE INTERIM PERIOD

Details of events after the end of the Interim Period are set out in the section of Material Events During/After The Period Under Review.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Net loss for the Interim Period

Net loss for the six months ended 30 June 2024 (the “**First Half 2024**” or the “**Interim Period**”) was approximately HK\$77.30 million, compared to a net loss of HK\$37.77 million for the six months ended 30 June 2023 (the “**First Half 2023**”). Loss attributable to owners of the Company for the First Half 2024 was HK\$78.82 million (First Half 2023: loss of HK\$56.36 million).

Financial performance analysis of the Group as follows:

	<b>First Half 2024 The Group HK\$'000</b>	First Half 2023 The Group HK\$'000	First Half 2024 VS First Half 2023 The Group HK\$'000
Revenue	<b>292,195</b>	385,769	(93,574)
Gross profit	<b>49,913</b>	111,382	(61,469)
Gross profit margin	<b>17.08%</b>	28.87%	(11.79%)
Loss after taxation	<b>(77,301)</b>	(37,773)	(39,528)
Attributable to:			
— owners of the Company	<b>(78,821)</b>	(56,364)	(22,457)
— non-controlling interests	<b>1,520</b>	18,591	(17,071)
	<b>(77,301)</b>	(37,773)	(39,528)

Comparing with the First Half 2023, the increase in net loss was mainly attributable to, among others, net impact of the following factors: (i) the decline in revenue and gross profit derived from the renewable energy business, mainly resulting from the decrease in landfill site in operation and resulted in substantial reduction in the volume of on-grid electricity as local incineration projects being developed which resulted in less new garbage being delivered to the landfill sites for landfill site operation; (ii) the decrease in revenue and gross profit derived from the water supply related construction business as a result of less engineering and construction contracts awarded during the First Half 2024; (iii) the absence of gain from the disposal of subsidiary in property development business segment upon the completion of the disposal in First Half 2023; and (iv) the increase in finance cost due to an addition loan borrowing. The effects of the aforesaid factors were partially offset by (a) the decrease in administrative and selling expenses by implementing measures to tighten cost controls over various operating and corporate expenses; (b) the increase in other income generated from glass management contracts; and (c) the decrease in income tax as a result of the decrease in taxable profit generated in First Half 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue and gross profit

During the Interim Period, 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.

The Group's revenue dropped by HK\$93.57 million from HK\$385.77 million for the First Half 2023 to HK\$292.20 million for the First Half 2024. The decline in business performance was mainly due to (i) the decrease in water supply volume; (ii) less construction activities in the water supply business due to the downturn in real estate market in China; (iii) the substantial reduction in the volume of on-grid electricity due to local incineration projects being developed and the decrease in landfill sites in operation; and (iv) fewer service contracts from the collection of landfill gas awarded, which was partially offset by the increase in income arising from the sewage treatment business due to the new tariff rate adopted.

The Group's gross profit recorded a decline of HK\$61.47 million from HK\$111.38 million for the First Half 2023 to HK\$49.91 million for the First Half 2024 as a result of (a) the decline in business performance from the renewable energy business and the construction service for water supply business; and (b) the magnitude of the decrease in cost of sales was smaller than the decrease in revenue due to certain fixed expenses included in the cost of sales.

Subsequent to the Interim Period, the Group entered into the equity transfer agreement for the disposal of 51% equity interests in the Yichun Water Industry Group Co., Ltd\* (the "**Yichun Water Company**") and its subsidiaries (the "**Yichun Water Group**") (the "**Disposal**") and is the main revenue and gross profit contributor to the Group. Yichun Water Group is mainly engaged in the provision of water supply services, sewage treatment services and the related installation and construction services. For the First Half 2024, Yichun Water Group contributed HK\$152.84 million and HK\$43.40 million of revenue and gross profit respectively, representing 52.31% and 86.95% to the total revenue and total gross profit respectively. The disposal of Yichun Water Company was approved by the shareholders by way of poll at the Extraordinary General Meeting ("**EGM**") on 9 September 2024 (the "**Disposal of the Yichun Water Company**"). Following the Disposal, the Yichun Water Company will cease to be a subsidiary of the Company and the financial performance of the Yichun Water Group will not be consolidated into the Group. The operating results and/or the net assets of the Group may be affected thereafter. The business segments relating to Yichun Water Group's water supply services, sewage treatment services and related construction services will be discontinued, but the Group has continued to carry out its existing businesses.

## MANAGEMENT DISCUSSION AND ANALYSIS

The other income, net, total expenses, share of (loss)/profit from associates and a joint venture, finance costs and taxation of the Group are analysis as follows:

	<b>First Half 2024 The Group HK\$'000</b>	First Half 2023 The Group HK\$'000	First Half 2024 VS First Half 2023 The Group HK\$'000
Other income, net	20,724	13,423	7,301
Selling and distribution expenses	18,352	21,695	(3,343)
Administrative expenses	91,131	101,504	(10,373)
<b>Total expenses</b>	<b>109,483</b>	123,199	(13,716)
Share of (loss)/profit			
— associates	(196)	(464)	268
— a joint venture	182	363	(181)
Finance costs	29,339	25,073	4,266
Taxation	3,601	10,331	(6,730)

### Other income, net

For the First Half 2024, the Group's other income, net amounting to HK\$20.72 million mainly consisted of income generated from VAT refund of HK\$6.48 million, government grants of HK\$0.85 million, handling fees of HK\$0.84 million, gross profit generated from glass management contracts of HK\$7.23 million, rental income of HK\$2.46 million from investment properties, net service income of HK\$0.95 million from the operation of landfill gas projects and interest income of HK\$0.56 million after the deduction of write off of equipment of HK\$3.31 million. Compared with the First Half 2023, the Group's other income, net, rose by HK\$7.30 million to HK\$20.72 million (First Half 2023: HK\$13.42 million), mainly due to the increase in income from the glass recycling business and a default payment arising from the litigation on New China Water Energy recorded in First Half 2023.

### Selling and distribution expenses and administrative expenses

For the First Half 2024, selling and distribution expenses, together with administrative expenses ("**Total Expenses**") of the Group collectively have dropped by HK\$13.72 million to HK\$109.48 million (First Half 2023: HK\$123.20 million) due to implementing different measures to tighten cost controls over various operating and corporate expenses. Total Expenses of the Group mainly consisted of staff costs including social insurance and redundancy payments of HK\$67.37 million, legal and professional fee including audit fees of HK\$5.87 million, repair and maintenance of HK\$3.53 million and depreciation including amortization of HK\$11.45 million. As at 30 June 2024, the Group had 739 full-time employees, compared with 936 as at 30 June 2023. The decrease in the number of staff was mainly due to the closure of certain landfill sites in 2023. In this regard, the Group has provided the one-off redundancy payment. Total Expenses of the Group accounted for 37.47% of the total revenue of the Group, which was comparable to First Half 2023 of the Group of 31.94%, as most of the Total Expenses were non-variable in nature and would not decrease in the same magnitude when revenue decrease.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

For the First Half 2024, the finance costs for the Group were HK\$29.34 million, an increase of HK\$4.27 million as compared to that of last year corresponding period (First Half 2023: HK\$25.07 million). The increase was mainly attributable to borrowing a new bank loan in the second half of 2023 and less interest being capitalized on construction in progress due to number of construction projects being reduced during the Interim Period as compared with the same period last year.

## Impairment loss recognised on loans and other receivables

For the First Half 2024, the Group recorded an allowance for expected credit loss (the “ECL”) of HK\$5.50 million (the “Impairment Loss”), which consists of HK\$4.83 million for loans and interest receivables and HK\$0.67 million for other receivables (First Half 2023: HK\$7.29 million). Based on the evaluation of collectability and ageing analysis of loan and other receivable as well as certain forward-looking factors, the Group applied different ECL rates to different classes of receivables according to their respective risk characteristics and business nature.

## Share of results from associates

For the First Half 2024, the Group shared of loss amounting to HK\$0.20 million which was arising from Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.\* (the “Ziyang Oasis”) (資陽市綠州新中水環保科技有限公司) (First Half 2023: loss of HK\$0.46 million). As at 30 June 2024, the Group has two associated companies including 49% equity interests in Ziyang Oasis and 35% equity interests in Jiangxi Kangyue Water Purification Co., Ltd.\* (江西康月淨水有限公司).

## Share of results from a joint venture

For the First Half 2024, the Group shared the profit from a joint venture of HK\$0.18 million (First Half 2023: profit of HK\$0.36 million) which was 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 30 June 2024, the Group has held 65% equity interests in Yichun Mingyue Mountain.

## Income tax

For the First Half 2024, the Group of tax recorded HK\$3.60 million (First Half 2023: HK\$10.33 million), the decrease of HK\$6.73 million was in line with the decrease in profits of the Group and less dividend income received. 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 the taxation ruling in the PRC. During the Interim Period, certain renewable energy companies in the PRC are still subject to tax concessions under the relevant tax rules and regulations.

## Exposure to Fluctuations in Exchange Rates

Almost all of the Group’s operating activities are carried out in the PRC, with the majority of transactions and assets denominated in RMB, but the Company’s financial statements are denominated in HK\$, which is also the functional currency of the Company. The Group has not adopted any hedging policies. Due to the recent fluctuation of RMB exchange rate against HK\$, the 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 Interim Period, there had been no material change in the Group's funding and treasury policies. The Group continues to carefully manage its financial position and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development and the repayment of financial liabilities when due. The 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 Group also considers accessing funding from capital markets, subject to market conditions. On the other hand, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trades with creditworthy parties. The Group's financial risk management strategies include actively managing firm level liquidity and interest rate profiles 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 Group will consider new financing while maintaining an appropriate level of gearing.

## CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

As at 30 June 2024, the Group financed its operations with internally generated cash flows, bank loans and other borrowings. The Group recorded a cash and cash equivalents balance of HK\$77.54 million (as at 31 December 2023: HK\$148.79 million) including cash held at financial institutions of HK\$0.16 million and pledged bank deposits of HK\$20.33 million (as at 31 December 2023: HK\$0.66 million for cash held at financial institutions and HK\$15.97 million for pledged bank deposits). The decrease of HK\$71.25 million was mainly due to the repayment of debts, the construction of the water quality monitoring and control building and the decrease in income arising from water supply construction contracts and renewable energy business. With steady operating cash flows, the Group is expected to have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HK\$ and RMB.

The net current assets for the Group at 30 June 2024 were HK\$62.18 million (as at 31 December 2023: HK\$182.49 million). The current ratio of the Group (current assets over current liabilities) was 1.05 times as at 30 June 2024 (as at 31 December 2023: 1.17 times).

As at 30 June 2024, the net asset value of the Group amounted to HK\$1,548.54 million (as at 31 December 2023: HK\$1,641.25 million). Net asset value of the Group per share was HK\$0.54 as at 30 June 2024 (as at 31 December 2023: HK\$0.57).

As at 30 June 2024, the Group's consolidated total assets (including both current and non-current) decreased by HK\$107.86 million to HK\$3,262.82 million (as at 31 December 2023: HK\$3,370.68 million). The decrease was primarily due to the decrease in bank and cash balances, amortization on assets and the depreciation of RMB against HK\$.

## CAPITAL EXPENDITURES

During the period under review, the Group incurred capital expenditures amounting to HK\$38.60 million (First Half 2023: HK\$21.03 million) for acquisition of concession intangible assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INVESTMENT PROPERTIES

As at 30 June 2024, the Group held the following investment properties for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	The Group's interest (%)	
<b>Yichun Properties (Note)</b>						
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%
<b>Nanjing Property Project</b>						
	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Commercial	17,808.23	Long	55%	100%
			18,630.38			

Note: Yichun Water Group has held equity interests in these properties.

As at 30 June 2024, the carrying value of Yichun Properties and Nanjing Property Project was HK\$199.97 million (As at 31 December 2023: HK\$201.39 million). The slight decrease in investment properties by HK\$1.42 million was due to depreciation of RMB against HK\$. As at 30 June 2024, the Group had a total gross floor area of 18,630.38 square meters (As at 31 December 2023: total gross floor area of 18,630.38 square meters). For the First Half 2024, the gross rental income of the Group after deducting the related outgoings amounted to HK\$2.16 million, which increased by 19.34% compared with the First Half 2023 (First Half 2023: HK\$1.81 million). The increase in rental income was due to more office building units being leased in Nanjing Property Project.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INVENTORIES

As at 30 June 2024, the inventories of the Group recorded HK\$50.24 million, which comprised raw materials and work-in-progress (as at 31 December 2023: HK\$56.01 million). The decrease in inventories by HK\$5.77 million was mainly due to inventories used in the landfill site operation.

## PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENTS

As at 30 June 2024, the fair value of securities investments of the Group (including held-for-trading investments and held-for-long term investments) was amounted to HK\$12.72 million (as at 31 December 2023: HK\$13.97 million) representing 0.39% of the total asset value of HK\$3,262.82 million as at 30 June 2024. The decrease in securities investments by HK\$1.25 million was mainly due to the decrease in market value of securities in Hong Kong and the depreciation of RMB against HK\$. The securities investments of the Group comprised listed securities in Hong Kong and investment funds in the PRC. The following analysis was of the Group's investments at the end of the reporting period:

# MANAGEMENT DISCUSSION AND ANALYSIS

## List of stocks in terms of market value as at 30 June 2024

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 30 June 2024	No. of issued ordinary share as at 30 June 2024	Effective interest held as at 30 June 2024	Initial investment cost HK\$'000	Market value as at 30 June 2024 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Classification
China Best Group Holding Ltd	370	Trading of electronic product, building construction contracting business, project management service, centralised heating business and money lending business	6,208,000	2,091,500,991	0.30%	5,157	515	(4,642)	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	-	3,160,140,697	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	266	(722)	FVOCI
China Tangshang Holdings Limited	674	Money lending business, property sub-leasing and investment business and property development business	3,580,000	3,428,466,570	0.10%	908	283	(625)	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%	-	-	-	FVPL
Chinese Energy Holdings Limited (Note 2)	8009	General trading (including market sourcing of technical and electronic products); trading of LNG products; money lending and investment in financial assets	250	58,900,537	0.00%	2	-	(2)	FVPL
Sub-total							1,064	(5,991)	
<b>Name of unlisted investment</b>	<b>Brief description of the business</b>								
Guangdong Finance Industry Strategic Fund* (Note 1)	Investment in unlisted equity		N/A		N/A	9,344	11,653	2,309	FVPL
Total							12,717	(3,682)	-

Note 1: The functional currency of the investment is RMB. The initial investment cost is RMB8.53 million (equivalent to HK\$9.34 million). The market value as at 30 June 2024 is RMB10.64 million (equivalent to HK\$11.65 million).

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

FVPL: Financial assets at fair value through profit or loss

FVOCI: Financial asset at fair value through other comprehensive income

For the First Half 2024, the Group recorded HK\$Nil on FVPL (First Half 2023: HK\$0.40 million). During the Interim Period, amid the ongoing geopolitical and economic tensions, the global economic recovery was characterised by uncertainty, the Board has scaled down short-term investment in equity trading and managed the investment portfolio in accordance with the Group's investment objectives and policies with a view to gaining good investment yields for our shareholders. In view of the above, the Board will monitor stock market development closely and capture opportunities in a prudent manner so as to balance the investment risks of the Group.

## TRADE AND OTHER RECEIVABLES

As at 30 June 2024, the Group's trade and other receivables, (net of loss allowance) were approximately HK\$959.19 million (as at 31 December 2023: HK\$935.23 million), which comprised of: (i) net trade receivables of HK\$820.73 million, (ii) net other receivables of HK\$52.48 million, (iii) net loan receivables of HK\$0.003 million, and (iv) net deposits and prepayments of HK\$85.98 million.

As at 30 June 2024, trade receivables, (net of loss allowance) of the Group increased by HK\$40.03 million to HK\$820.73 million (as at 31 December 2023: HK\$780.70 million) which was primarily attributable to the addition of government on-grid tariff subsidies the slowdown in payment of sewage treatment fees, and new contracts awarded, resulting in an increase in the revenue in the recycling business of glass and food waste collection, which was partially offset by the depreciation of the exchange rate of RMB and the settlement of property considerations by customers.

### (A) Trade receivables

- (i) The net trade receivables from the renewable energy business of HK\$697.48 million which comprised of: (i) the government on-grid tariff subsidies receivable amounted to HK\$683.96 million (as at 31 December 2023: HK\$660.64 million) and (ii) the electricity sales receivable from local grid companies of HK\$13.52 million (as at 31 December 2023: HK\$18.35 million), which in aggregate accounted for 84.98% of net trade receivables of the Group. The above-mentioned tariff subsidies receivables will be settled in accordance with the prevailing government payment policies including (i) Caijian [2020] No. 4 Guidelines on the Stable Development of Non-Water Renewable Energy Generation (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) updated in January 2020 which jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration; and (ii) Caijian [2020] No. 70 Notice on Accelerating the Review of the List of Renewable Energy Power Generation Subsidy Projects (加快推進可再生能源發電補貼項目清單審核有關工作的通知) published by Ministry of Finance in November 2020 and the prevalent payment trends of Ministry of Finance of the PRC. There were no pre-determined due date for settlement of the tariff subsidies. The trade receivables from renewable energy business were considered as fully recoverable given there were no bad debt experiences with the local grid companies in the past and the above-mentioned tariff subsidies were provided by the relevant PRC government authorities. During the Interim Period, 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 30 June 2024, the Group considered the default risk for such balances to be insignificant and the ECL to be minimal. In light of this, no impairment loss on trade receivable relating to the renewable energy business was provided for the First Half 2024 (First Half 2023: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) The net trade receivables from the water supply, the sewage treatment and the related construction services amounted to HK\$91.50 million (as at 31 December 2023: HK\$79.02 million), representing 11.15% of the net trade receivables of the Group. The increase of HK\$12.48 million was mainly due to the slowdown in payment of sewage treatment fees by the related local PRC government. Generally, trade receivables would be written off if the Group is of the view that the recovery of the amount was remote. In view of the historical repayment record, the Group considered the default risk for such balances to be insignificant and, the ECL to be minimal. During the Interim Period, no impairment loss was recognized on these trade receivables (First Half 2023: Nil).
- (iii) The net trade receivables from the sales of completed properties recorded HK\$11.91 million (as at 31 December 2023: HK\$13.30 million), representing 1.45% of the net trade receivables of the Group. The decrease of HK\$1.39 million was mainly due to customers using the mortgage to settle the considerations. Considerations in respect of the completed properties sold in Nanjing Property Project are payable by the purchasers in accordance with the terms of the related sales and purchase agreements. In the second half of 2022, the property of sales were handed over to customers. Those receivable balances are pending for their mortgage procedures. The Group considered the default risk for such balances to be insignificant. Accordingly, no impairment loss on this segment was provided for the First Half 2024 (First Half 2023: Nil).
- (iv) The net trade receivables from the recycling business of glass and food waste collection amounted to HK\$11.45 million (as at 31 December 2023: HK\$2.40 million), representing 1.39% of the net trade receivables of the Group. The increase of HK\$9.04 million was mainly due to two new contracts, including a glass management contract and a food waste contract granted by the Environmental Protection Department in 2023 and earlier in 2024 respectively. The operation of glass management and food waste collection commenced in October 2023 and March 2024, respectively, resulting in bringing new income to the Group. During the Interim Period, no impairment loss was recognized on these trade receivables (First Half 2023: Nil).

### **(B) Net other receivables**

As at 30 June 2024, other receivables, (net of loss allowance) of the Group dropped by HK\$0.17 million to HK\$52.48 million due to a slight increase in tax recoverable and partially offset by the depreciation of exchange rate of RMB (as at 31 December 2023: HK\$52.65 million). The balance of net other receivables represented mainly tax recoverable, sale proceeds from the disposal of equipment, and income receivable from the sludge treatment project. For the First Half 2024, the impairment allowance of HK\$0.67 million was recognized, which was mainly provided in advance to the property sale agent for the Nanjing Property Project and the sludge treatment project. (First Half 2023: HK\$1.06 million).

## (C) Net loan receivables

As at 30 June 2024, loans receivables, (net of loss allowance) of the Group decreased by HK\$5.387 million to HK\$0.003 million (as at 31 December 2023: HK\$5.39 million) mainly due to the recognition of impairment loss of HK\$4.83 million and the depreciation of exchange rate of RMB (First Half 2023: HK\$4.37 million).

The loans receivables mainly comprised of loans to independent private companies in the PRC and/or Hong Kong and an individual merchant in Hong Kong (the “**Borrowers**”). The loans are interest-bearing with rates ranging from 4% to 24% per annum and maturities ranging from 1 month to 36 months. None of the Borrowers has pledged any of their assets to the Group to secure the loans. The Group has obtained the personal guarantee provided by the respective guarantors as security for certain loans.

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

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

The Group has noticed that many Borrowers failed to repay the loans when due, certain Borrowers and/or guarantor went into liquidation, and provisions have been made accordingly in prior reporting periods. As at 30 June 2024, additional impairment loss was recognized by the Group on loan receivable amounted to HK\$4.83 million, in relation to a loan provided to an individual merchant in Hong Kong, as such loan have been default and non-responsive to collection activities. After such impairment, the loan receivables were almost fully impaired as at 30 June 2024. For the First Half 2024, the impairment loss recognized on loan receivable amounted to HK\$4.83 million (First Half 2023: HK\$4.37 million).

## (D) Net deposits and prepayments

As at 30 June 2024, deposits and prepayments, (net of loss allowance) of the Group recorded HK\$85.98 million (as at 31 December 2023: HK\$96.49 million). The balance of deposits and prepayment represented amortisation of repairing and drilling cost, prepayment relating to advances to suppliers and/or sub-contractors for material procurement and construction works, and consultancy fees for the provision of finance lease arrangements, security deposits paid, including glass management contract, construction service contracts and the finance lease. For the First Half 2024, no impairment loss was recognised on deposits and prepayments (First Half 2023: HK\$1.86 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIABILITIES AND GEARING

As at 30 June 2024, the Group's total liabilities (including both current and non-current) amounted to HK\$1,714.28 million (as at 31 December 2023: HK\$1,729.43 million). The decrease of HK\$15.15 million was mainly due to the repayment of bank borrowings and finance lease liabilities in 2024. Except for the issuance of bonds and non-financial institution loans denominated in HK\$, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 30 June 2024 was 52.54% (as at 31 December 2023: 51.31%). The ratio was calculated by dividing total liabilities of the Group of HK\$1,714.28 million (as at 31 December 2023: HK\$1,729.43 million) over total assets of the Group of HK\$3,262.82 million (as at 31 December 2023: HK\$3,370.68 million).

As at 30 June 2024, the Group's total bank and other borrowings were HK\$590.49 million (as at 31 December 2023: HK\$629.31 million). For the maturity profile, refer to the table below:

### Debt Analysis

	30 June 2024		31 December 2023	
	HK\$'000	%	HK\$'000	%
<b>Classified by maturity</b>				
— repayable within one year				
Bank borrowings	120,595	20.42	124,207	19.74
Other loans	162,637	27.54	168,869	26.83
	283,232	47.96	293,076	46.57
<b>Classified by maturity</b>				
— repayable more than one year				
Bank borrowings	288,976	48.94	318,957	50.68
Other loans	18,278	3.10	17,279	2.75
	307,254	52.04	336,236	53.43
<b>Total bank and other borrowings</b>	<b>590,486</b>	<b>100</b>	<b>629,312</b>	<b>100</b>
<b>Classified by type of loans</b>				
Secured	464,137	78.60	493,164	78.37
Unsecured	126,349	21.40	136,148	21.63
	590,486	100	629,312	100
<b>Classified by type of interest</b>				
Fixed rate	478,933	81.11	514,157	81.70
Variable-rate	77,368	13.10	81,908	13.02
Interest free rate	34,185	5.79	33,247	5.28
	590,486	100	629,312	100

## OTHER LOANS

### 1. Issuance of bonds through the placing agent

On 18 January 2018, the Company entered into a placing agreement with Prior Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK\$100.00 million (“**Bond**”). On 17 January 2020, the Company has completed to issue the Bond to the placees in an aggregate principal amount of HK\$20.00 million. As at 30 June 2024, the outstanding Bond amounted to HK\$18.22 million and was classified as an other loan (as at 31 December 2023: HK\$17.22 million).

### 2. Loans from related companies

As at 30 June 2024, loans from related companies amounted to approximately of HK\$54.61 million (as at 31 December 2023: HK\$58.22 million). Details for loans from related companies are set out in note 18 to the consolidated financial statements.

As at 30 June 2024, the Bond of HK\$18.22 million and loans from related companies of HK\$54.61 million totalled HK\$72.83 million, representing of 40.26% of the other loans, which were utilized as general working capital, repayment of debts, and/or acquisition activities.

## TRADE AND OTHER PAYABLES

As at 30 June 2024, the Group’s trade and other payables were approximately HK\$561.78 million (as at 31 December 2023: HK\$465.36 million). The increase in trade and other payables of HK\$96.42 million was mainly due to the deposit received for the Previous Disposal of Onfar, one-off redundancy payment, and the construction for upgrading and modifying the sewage treatment plant in Jinxiang County, the PRC. The credit terms for trade payables vary depending on the terms agreed upon with different suppliers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW BY SEGMENT

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

	Revenue				Gross Profit — GP/(Gross Loss) (GL)						First Half 2024 VS First Half 2023 Increase/(Decrease)		
	For the six months ended 30 June				For the six months ended 30 June						Revenue HK\$'M	Gross Profit HK\$'M	GP Margin %
	HK\$'M 2024	% to the total	HK\$'M 2023	% to the total	HK\$'M 2024	% to the total	% GP/(GL) margin	HK\$'M 2023	% to the total	% GP margin			
Water supply business	53.09	18.17	58.67	15.21	16.28	32.63	30.66	23.49	21.09	40.04	(5.58)	(7.21)	(9.38)
Sewage treatment business	46.44	15.89	43.40	11.25	18.18	36.43	39.15	16.70	14.99	38.48	3.04	1.48	0.67
Construction service business	92.38	31.62	112.59	29.18	20.20	40.48	21.87	41.94	37.66	37.25	(20.21)	(21.74)	(15.38)
<b>Sub-total</b>	<b>191.91</b>	<b>65.68</b>	214.66	55.64	<b>54.66</b>	<b>109.54</b>	<b>28.48</b>	82.13	73.74	38.26	(22.75)	(27.47)	(9.78)
Exploitation and sale of renewable energy business	100.28	34.32	171.11	44.36	(4.76)	(9.54)	(4.75)	29.35	26.35	17.15	(70.83)	(34.11)	(21.90)
Property Development	–	–	–	–	–	–	–	(0.10)	(0.09)	–	–	0.10	–
<b>Total</b>	<b>292.19</b>	<b>100.00</b>	385.77	100.00	<b>49.90</b>	<b>100.00</b>	<b>17.08</b>	111.38	100.00	28.87	(93.58)	(61.48)	(11.79)

### 1.1. Water supply business

As at 30 June 2024, the Group has only one city water supply project, which is located in Jiangxi Province, the PRC. The daily aggregate water supply capacity of the Group was approximately 0.36 million tonne (First Half 2023: 0.26 million tonne). Total water supply to Jiangxi during the Interim Period recorded 30.64 million tonne (First Half 2023: 32.60 million tonne), a decrease of 6.01% over the last corresponding period. For the First Half 2024, the revenue and gross profit of the Group from water supply business amounted to HK\$53.09 million and HK\$16.28 million, respectively, representing 18.17% and 32.63% of the Group's total revenue and total gross profit, respectively. Compared with the First Half 2023, the revenue and gross profit of the Group recorded a drop of HK\$5.58 million and HK\$7.21 million, respectively due to the decrease in water supply volume. The average rate for the water supply of the Group was HK\$1.73 per tonne (First Half 2023: from HK\$1.72 per tonne). After completion of the Disposal of Yichun Water Company, the Group will no longer engage in the water supply business in the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2024	2023	Variance
<b>Water Supply Business</b>				
Revenue	HK\$'million	53.09	58.67	(5.58)
Gross profit	HK\$'million	16.28	23.49	(7.21)
Gross profit %	%	30.66	40.04	(9.38)
Designed daily capacity of water supply	Tonne	360,000	260,000	100,000

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	360,000	Jiangxi	2034

## 1.2 Sewage treatment business

As at 30 June 2024, the Group has five sewage treatment projects, which are located in Jiangxi, Guangdong and Shandong Provinces (First Half 2023: five projects) and the daily aggregate sewage disposal capacity was approximately 240,000 tonne (First Half 2023: 240,000 tonne). For the First Half 2024, the revenue and gross profit of the Group amounted to HK\$46.44 million and HK\$18.18 million respectively, representing 15.89% and 36.43% of the Group's total revenue and total gross profit respectively. During the Interim Period, the Group processed an aggregate of 38.03 million tonne of waste water (First Half 2023: 37.92 million tonne), representing an increase of 0.29% over the last corresponding period. Compared with the First Half 2023, the revenue and gross profit of the Group increased by HK\$3.04 million and HK\$1.48 million. The rise in revenue and gross profit were attributable to the increase in waste water processing volume and sewage treatment fee as a result of the completion of upgrading and modification work on the Haisheng Water project. The average rates for sewage treatment in the Group ranged from HK\$0.98 to HK\$2.13 per tonne (First Half 2023: HK\$0.97 to HK\$1.41 per tonne). Yichun Water Group has held equity interests in two projects, namely Yichun Fangke and Yichun Mingyue Mountain. Following completion of the Disposal of the Yichun Water Company, these projects will cease to provide a contribution to the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2024	2023	Variance
<b>Sewage Treatment Business</b>				
Revenue	HK\$'million	46.44	43.40	3.04
Gross profit	HK\$'million	18.18	16.70	1.48
Gross profit %	%	39.15	38.48	0.67
Designed daily sewage disposal capacity	Tonne	240,000	240,000	–

Analysis of sewage treatment projects on hand is as follows:

Project name	Equity interest held by the Company (%)	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1 Haiyuan Water	70	30,000	Shandong	2036
2 Haisheng Water	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
<b>Total</b>		<b>240,000</b>		

## 1.3 Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. For the First Half 2024, the revenue and gross profit contributing to the Group recorded HK\$92.38 million and HK\$20.20 million respectively, representing 31.62% and 40.48% of the Group's total revenue and total gross profit, respectively. Compared with the First Half 2023, the revenue and gross profit of the Group decreased by HK\$20.21 million and HK\$21.74 million, respectively, due to the downturn in the real estate market in China resulting in fewer construction activities in the water supply business, which was partly offset by the completion of upgrading and modification work on the sewage treatment plant and enhance the progress on the construction of the water quality monitoring and control building. Yichun Water Group is the main contributor in this construction business segment. Upon completion of the Disposal of the Yichun Water Company, the financial performance of this segment relating to Yichun Water Group will not be consolidated into the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of financial performance by segment was as follows:

		For the six months ended 30 June		
		2024	2023	Variance
<b>Water supply related installation and construction business</b>				
Revenue	HK\$'million	57.55	93.77	(36.22)
Gross profit	HK\$'million	20.51	43.80	(23.29)
Gross profit %	%	35.64	46.71	(11.07)
<b>Water supply and sewage treatment infrastructure construction business</b>				
Revenue	HK\$'million	34.83	18.82	16.01
Gross (loss)/profit	HK\$'million	(0.31)	(1.86)	1.55
Gross (loss)/profit %	%	(0.89)	(9.88)	8.99
<b>Total</b>				
Revenue	HK\$'million	92.38	112.59	(20.21)
Gross profit	HK\$'million	20.20	41.94	(21.74)
Gross profit %	%	21.87	37.25	(15.38)

## 1.4 Exploitation and sales of renewable energy business

Up to the date of this report, the Group has 50 solid waste treatment projects, of which 36 projects have commenced operation with a total installed capacity of 109.63 MW, 10 projects are under construction, with an estimated total installed capacity of 10.7 MW and 4 projects discontinued operations in 2023.

For the First Half 2024, the revenue and gross loss of the Group recorded HK\$100.28 million and HK\$4.76 million respectively, representing 34.32% and (9.54%) of the Group's total revenue and total gross profit respectively. Compared with the First Half 2023, the revenue and gross loss of the Group decreased by HK\$70.83 million and HK\$34.11 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 a decrease in power generation; (ii) new projects are yet to be put into operation; (iii) local incineration projects are being developed; and (iv) operating costs continued to increase. During the Interim Period, the Group had 36 projects in operation (First Half 2023: 38 projects), generating approximately 165,551.70 MWh of on-grid electricity, which represented a decrease of 34.99% compared to First Half 2023 (First Half 2023: 254,653.80 MWh). As at 30 June 2024, the Group accumulated a total installed capacity of 120.33 MW, representing a decrease of 31.11% compared to the First Half 2023 (as at 30 June 2023: 174.66 MW). For the First Half 2024, the average electricity rate of the Group was HK\$0.55 per kilowatt-hour and the average CNG rate was HK\$2.62 per m<sup>3</sup> (First Half 2023: average electricity rate HK\$0.57 per kilowatt-hour and the average CNG rate HK\$2.13 per m<sup>3</sup>).

# MANAGEMENT DISCUSSION AND ANALYSIS

Included in revenue was HK\$63.30 million (First Half 2023: HK\$109.62 million) and HK\$25.16 million (First Half 2023: HK\$45.50 million) mainly derived from the sales of electricity to local grid companies and the government tariff subsidies, respectively, representing 63.12% and 25.09% of the total renewable energy revenue, respectively.

The analysis of financial performance by segment is as follows:

		For the six months ended 30 June		
		2024	2023	Variance
<b>Exploitation and sale of renewable energy business</b>				
— Sale of electricity				
Revenue	HK\$'million	91.01	156.60	(65.59)
Gross (loss)/profit	HK\$'million	(4.54)	27.56	(32.10)
Gross (loss)/profit %	%	(4.99)	17.60	(22.59)
— Sale of compressed natural gas				
Revenue	HK\$'million	6.83	5.54	1.29
Gross (loss)/profit	HK\$'million	(0.26)	2.11	(2.37)
Gross (loss)/profit %	%	(3.81)	38.09	(41.90)
— Service income from collection of landfill gas				
Revenue	HK\$'million	0.20	8.53	(8.33)
Gross (loss)	HK\$'million	(0.84)	(0.09)	(0.75)
Gross (loss) %	%	(420.00)	(1.06)	(418.94)
— Sale of solid organic fertilizer				
Revenue	HK\$'million	2.24	0.44	1.80
Gross profit/(loss)	HK\$'million	0.88	(0.23)	1.11
Gross profit/(loss) %	%	39.29	(52.27)	91.56
<b>Total</b>				
Revenue	HK\$'million	100.28	171.11	(70.83)
Gross (loss)/profit	HK\$'million	(4.76)	29.35	(34.11)
Gross (loss)/profit %	%	(4.75)	17.15	(21.90)

# MANAGEMENT DISCUSSION AND ANALYSIS

		For the six months ended 30 June			
		2024	% to total	2023	% to total
<b>Summary of revenue</b>					
Government tariff subsidies	HK\$'million	25.16	25.09	45.50	26.59
The sale of electricity to local grid companies	HK\$'million	63.30	63.12	109.62	64.06
Other	HK\$'million	2.55	2.54	1.48	0.87
		91.01	90.76	156.60	91.52
Compressed natural gas & service income from collection of landfill gas & sale of solid organic fertilizer	HK\$'million	9.27	9.24	14.51	8.48
		100.28	100.00	171.11	100.00



# MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of renewable energy projects on hand is as follows:

	Project name	Provincial cities in PRC	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
1	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
2	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2032
3	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
4	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
5	Hainan Camda	Hainan	Power generation	100	May 2016	Note 1
6	Changsha Operation Contract*	Hunan	Power generation	—	May 2014	
7	Changsha Qiaoyi Landfill Site*	Hunan	CNG/Power generation	100	CNG : December 2015 Power generation : October 2017	October 2039
8	Shenzhen Xiaping Landfill Site	Guangdong	CNG/Power generation	88	CNG: July 2015 Power generation : January 2018	April 2030
9	Liuyang Biogas	Hunan	CNG/Power generation	100	CNG : July 2016 Power generation : September 2017	October 2038
10	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	CNG: May 2016 Power generation : October 2016	August 2027
11	Datang Huayin	Hunan	Power generation	100	February 2017	May 2027
12	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
13	Zhangjiakou	Hebei	Power generation	70	October 2018	Note 1
14	Anqiu City (Note 3)	Shandong	Power generation	100	March 2018	Note 1
15	Dongyang	Zhejiang	Power generation	90	March 2018	June 2025
16	Haicheng	Liaoning	Power generation	100	August 2019	Note 1
17	Laizhou (Note 3)	Shandong	Power generation	100	May 2019	February 2028
18	Guangzhou Huadu	Guangdong	Power generation	100	January 2020	July 2026
19	Zhijiang	Hubei	Power generation	51	January 2021	Note 1
20	Nanning	Guangxi	Power generation	100	April 2020	April 2028
21	Ziyang	Sichun	Power generation	49	March 2020	November 2026
22	Gaizhou	Liaoning	Power generation	100	January 2021	Note 1
23	Lianyuan	Hunan	Power generation	100	January 2021	May 2034
24	Liling	Hunan	Power generation	100	October 2020	January 2027
25	Chongqing Heishizi Operation Contract	Chongqing	Power generation	—	November 2020	February 2039
26	Ankang	Shaanxi	Power generation	100	April 2022	September 2030
27	Dingnan	Jiangxi	Power generation	100	December 2021	Note 1

# MANAGEMENT DISCUSSION AND ANALYSIS

	Project name	Provincial cities in PRC	Business mode	Equity interest held by Company (%)	Actual/Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
28	Shanghang	Fujian	Power generation	100	October 2021	September 2025
29	Changting	Fujian	Power generation	100	September 2021	December 2025
30	Wuping (Note 3)	Fujian	Power generation	100	October 2021	December 2030
31	Wafangdian	Liaoning	Power generation	100	April 2023	Note 1
32	Shaowu (Note 3)	Fujian	Power generation	100	January 2022	May 2026
33	Xiuyan	Liaoning	Power generation	100	July 2025	Note 2
34	Jingchuan	Gansu	Power generation	100	November 2025	Note 1
35	Xinning	Hunan	Power generation	100	June 2023	April 2032
36	Fushun	Liaoning	CNG	100	September 2022	July 2025
37	Xiaoyi	Shanxi	Power generation	100	June 2025	July 2032
38	Zhengzhou	Henan	Power generation	100	September 2022	July 2028
39	Taiyuan	Shanxi	CNG	100	September 2022	November 2031
40	Shandong Yixin	Shandong	CNG	100	October 2023	October 2039
41	Huoqiu Huizhao	Anhui	Power generation	60	October 2023	N/A
42	Kazuo	Liaoning	Power generation	100	May 2025	Note 1
43	Boli Wanlong	Heilongjiang	CNG	60	September 2025	N/A
44	Shandong Chengwu	Shandong	CNG	100	May 2025	N/A
45	Xingcheng	Liaoning	Power generation	100	August 2025	Note 1
46	Dashiqiao	Liaoning	Power generation	100	June 2024	Note 1
47	Longnan	Jiangxi	Power generation	100	July 2023	2024
48	Yunyang	Chongqing	Power generation	100	September 2024	April 2028
49	Jianping	Liaoning	Power generation	100	October 2025	Note 1
50	Zhangwu	Liaoning	Power generation	100	July 2025	December 2031

\* 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: The collection period of landfill gas is until 3 years after landfill site close.

Note 3: The projects had suspended their operation in second half of 2023.

Not applicable: N/A

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1.5 Property Investment and development

As at 30 June 2024, the Group has 4 property projects on hand with a total site area of approximately 70,985 square meters. All commercial units have been sold in Nanjing Property Project since 2022. Upon completion of the Disposal of the Yichun Water Company, the financial performance of Wenbifeng Office Project and Water Quality Control Project will not be consolidated into the Group.

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

	Name of project	Location	Stage of completion	Expected date of completion	Major usage/ purpose	Approximate site area (square meters)	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
1	Nanjing Property Project (南京物業項目)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Completed	Mar-22	Research and development/ Commercial (for leasing)	26,340	44,298	50	100
2	Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction (90%)	August-25	Research and development Centre/ Commercial (for sale and/or for lease)	30,544	43,738	50	100
3	Wenbifeng Office Building* (the "Wenbifeng Office Project") (文筆峰辦公樓)	East Zhongshan Road, Yuanzhou District, Yichun City, South of Wenbifeng Waterworks Plot	Completed	Sep-23	Other	764	3,176	Nil	51
4	Water Supply Company Datang Water Quality Monitoring and Control Building Construction* (the "Water Quality Control Project") (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 Province, east of Qin Yuan Primary School	Under construction (10%)	Dec-26	Other	13,337	40,413	50	51
						70,985	131,624		

## MATERIAL EVENTS DURING/AFTER THE PERIOD UNDER REVIEW

The Group had the following material events during/after the Interim Period:

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

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

### B. (I) Disposal of entire equity interests in Onfar International Limited (the “Onfar”)

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

### (II) Freeze 51% equity interest in Onfar

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

### (III) Termination of the disposal of Onfar

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

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

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

## C. Finance Lease Arrangement

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

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

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

After completion of the Disposal of the Disposal Company, the Group will cease to engage in the businesses that are operated by Yichun Water Group.

## E. Requisition for convening an extraordinary general meeting (the “EGM”) by requisitionists

On 9 August 2024, the Company received a written requisition (the “**Requisition Notice**”) from Easy Favor Limited, Mr. Yang Tiansheng and Everwell Development Holding Limited (collectively, the “**Requisitionists**”), holders of an aggregate of 289,476,000 ordinary shares of the Company, representing approximately 10.07% of the issued share capital of the Company as at the date of deposit of the Requisition Notice, requesting the board of Directors (the “**Board**”) to convene an EGM. The Board is proceeding to convene the EGM pursuant to article 64 of the articles of association of the Company. The EGM will be held on 8 October 2024. For details, please refer to the announcement dated 29 August 2024 and the circular dated 20 September 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

As at 30 June 2024, the Group had contingent liabilities in respect of guarantees in the mortgage facilities for certain purchasers of properties in the amount of HK\$0.77 million (as at 31 December 2023: HK\$1.40 million).

## PLEDGE OF ASSETS

- (a) The Group's obligations under finance leases, bank loans and other loans of HK\$648.27 million in total as at 30 June 2024 (as at 31 December 2023: HK\$415.45 million) were secured by charges over:
- (i) property, plant and equipment in which their carrying amount was HK\$190.47 million (as at 31 December 2023: HK\$191.73 million);
  - (ii) right-of-use assets in which their carrying amount was HK\$259.18 million (as at 31 December 2023: HK\$254.13 million);
  - (iii) investment properties in which their carrying amount was HK\$191.75 million (as at 31 December 2023: HK\$193.11 million);
  - (iv) contractual rights to receive revenue generated by certain of our subsidiaries; and
  - (v) equity interests of certain subsidiaries of the Group.
- (b) As at 30 June 2024, the Group's certain bank deposits of HK\$20.33 million (as at 31 December 2023: HK\$15.97 million) were pledged to a bank for granting a banking facility of HK\$21.00 million (as at 31 December 2023: HK\$16.00 million).

## NO MATERIAL CHANGE

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

## EMPLOYEES

As at 30 June 2024, excluding jointly controlled entities and associates, the Group had 739 employees (as at 30 June 2023: 936 employees), of which 10 are Hong Kong employees (as at 30 June 2023: 14). During the Interim Period, total employee benefit expenses, including Directors' emoluments and provident funds, was HK\$85.31 million (First Half 2023: HK\$96.24 million). The drop in staff costs was a result of the cost control measures implemented by the laid-off employees in connection with the closure of landfill sites. During the Interim Period, the Group has provided the one-off redundancy payment for the aforesaid purpose. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary, a year-end discretionary bonus and the New Option Scheme, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages of Directors and senior management are normally reviewed as on annual basis by the Remuneration Committee. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potential.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

### BUSINESS REVIEW

The global economic growth revealed a recovery trend in the first half of 2024, but the overall growth rate was still lower than the rate before COVID-19. China Water Industry Group Limited and its subsidiaries (collectively referred to as the Group or China Water Industry) responded proactively to this global economic situation by closely following the macro-control policies of the government, committed to advancing our strategic deployment of developmental and organizational changes.

#### **Adjustment to Organizational Structure and Business**

At the beginning of the year, the Group made important adjustments to the hierarchy of its subsidiaries' structure by upgrading three Level 3 subsidiaries to Level 2 subsidiaries directly under the Group. Besides optimizing the management hierarchy, these adjustments also provided greater flexibility and autonomy in developing every business segment. Meanwhile, the Group re-divided its business segments and adopted a strategy of multiple business drivers to adapt to the ever-changing market demand and industry development trend.

#### **Business Development and Market Expansion**

In the past six months, the Group's businesses in various segments were developing steadily in seizing development opportunities amid facing challenges. We made timely adjustments in response to market changes and determined to optimize the Group's cash flow by disposing of individual water assets in supporting the development of core businesses, thus achieving rational deployment and efficient utilization of assets. In addition, the Group also focused on tapping into the potential of the core business and market development under the guidance of the new strategy, aiming to expand the scope of business and enhance market competitiveness.

#### **I. Strategic Changes in New China Water Gas Power Generation Segment**

In facing the continuous market fluctuations and economic challenges in the first half of 2024, the New China Water Gas Power Generation Segment adopted proactive strategies and a series of effective measures to optimize its organizational structure, enhance personnel efficiency, significantly reduce management and operation costs and strictly screen investment projects. It also focuses on tariff subsidies and carbon emission reduction to respond to the challenges brought by the adverse factors in the market.

##### *Optimization of organization and resource*

By optimizing its organizational structure and personnel, New China Water improved its business efficiency and adaptability to market changes while reducing operating costs. The Company has ensured the efficient utilization of corporate resources through financial measures such as seeking sources and saving costs. At the same time, it built up momentum for quality projects to ensure necessary support for them, achieving steady production and efficiency.

##### *Investment project and restructuring*

As part of its investment strategy, New China Water undertook a comprehensive verification of existing projects intending to ensure that each project contributes to the Company's long-term objectives. In this process, high-quality projects under construction are advanced efficiently while inefficient projects are shut down or restructured to optimize the Company's overall asset structure.

## *Carbon emission reduction and electricity subsidies*

New China Water has set up a special team servicing the two key tasks of electricity subsidies and carbon emission reduction. Through its efforts, the Company's 40 carbon asset development projects are developing steadily. Among them, 19 China Certified Emission Reduction ("CCER") projects are pending declaration, 18 Verified Carbon Standard ("VCS") projects are under development and 3 Clean Development Mechanism ("CDM") projects are pending trading, demonstrating the Company's active participation and gradual expanding influence in the carbon market. By the end of August 2024, New China Water has completed the transaction of 286,000 tons of carbon emission rights, realizing a net income of RMB1.432 million. In addition, the total emission reduction of approximately 25.3 million tons accumulated from 55 projects not only brings a stable income from carbon assets but also reflects the Company's commitment and responsibility to environmental protection.

For tariff subsidies, New China Water actively propels through various means and has achieved results in obtaining tariff subsidies. The Company will continue to endeavour to ensure achieving the annual tariff subsidy collection target.

## *Debt reduction and further reduction of finance costs*

Currently, New China Water optimizes its debt and debt structure with a series of measures to significantly reduce its total liabilities and finance cost expenses, thereby safeguarding the sustainable development of the Company.

## **II. Exploring Overseas Resources with cooperation intention in place**

Since establishing the overseas business departments in August 2023, the Group has accelerated our pace in international development. Through multi-dimensional market research and in-depth project negotiations, the Group has identified key development regions in Indonesia, the Philippines and the United Arab Emirates ("UAE"), and sought certain new energy projects of strategic significance.

### *Project selection and key areas*

After conducting a comprehensive analysis of new energy markets overseas, the Group has successfully targeted several key regions, including landfill gas power generation projects in Batam Island, Bekasi and Bogor in Indonesia, Davao and Pampanga in the Philippines, as well as Al Qusais and Abu Dhabi in Dubai, UAE, to effectively promote the projects with potential local partners. It is expected that certain projects will proceed in the third quarter this year.

### *Resource integration and project follow-up*

By working closely with local partners, the Group not only made progress in identifying projects in the landfill gas sector but also extended its research on opportunities in environmental projects. In particular, substantial progress has been made in the leachate treatment of the landfill sites in Oman and the industrial wastewater treatment project in Batam Island, which if crystalize will provide the Group with new development opportunities in environmental projects in the non-landfill gas sector.

### *Investment management and international development*

To ensure the professionalism and efficiency of the investment management of overseas projects, the Group manages all overseas projects via Victory Strategy Investment Limited (勝策投資有限公司). This strategy marks a solid step towards internationalization and demonstrates the Group's determination to explore overseas markets for international cooperation.



# MANAGEMENT DISCUSSION AND ANALYSIS

## III. Management with Platform and Scale Expansion of Comprehensive Utilization of Agricultural Organic Wastes Segment

In the first half of 2024, the Group achieved significant progress in the comprehensive utilization of the agricultural organic waste segment, with the projects concerned showing sound development momentum. The Group's agricultural biogas strategy was successfully certified at the same time.

### *Project promotion and operational performance*

The comprehensive utilization of straw and livestock and poultry waste project in Huoqiu County was completed in February 2024 and entered the trial operation stage. As of 30 June 2024, the project had signed contracts for selling organic fertilizers reaching 11,701 tons and RMB6.4 million in total amount. Meanwhile, during the reporting period, the project sold a total of 510,329 cubic meters of biomass gas. In addition, the biogas power generation reached 1,019,895 KWH, showing a stably improving operation.

For other two projects, (i) the demonstration project for the comprehensive utilization of livestock and poultry waste and crop residues in Boli county; and (ii) the project for the comprehensive utilization of agricultural organic waste as a resource in Chengwu, are currently under construction and are expected to bring more growth momentum to the Group in the future.

### *Platformized management based on business segments*

To further enhance management efficiency and project scale, the Group set up Beijing Zhongying Lihua Technology Development Co., Ltd\* (北京中贏利華科技發展有限公司) in March 2024. As a second-tier company directly under the Group, it focused on the investment, construction and operation management of the comprehensive utilization of agricultural organic waste segment. The foundation has been laid for realizing scale expansion and optimal deployment of resources.

## IV. Professionalism and Diversification of the Engineering and Construction Segment

With constant business expansion and diversified market demands, the Group made a strategic adjustment in March 2024 by upgrading Shenzhen City Lisai Industrial Development Limited\* (“**Shenzhen Lisai**”). (深圳市利賽實業發展有限公司) to a second-tier subsidiary directly under the Group. Shenzhen Lisai will serve as the main platform for the Group's engineering construction for various business segments in the future and participates in the construction market opportunities for external homogenized projects.

### *Business adjustment and market positioning*

Shenzhen Lisai as the entity of the Group to carry out project engineering construction, is fully responsible for the Group's internal and external engineering development, construction, operation and other related works. By concentrating its advantageous resources and technical strengths, it focuses on creating efficient and professional engineering construction services to meet the changing market needs.

### *Project implementation and economic benefits*

In the first half of 2024, the well drilling team of Shenzhen Lisai drilled a total of 406 wells across 7 projects, with a total length of 6,136 meters, located in Ankang, Liling, Changsha, Liuyang and Wafangdian. At the same time, in terms of excavation and garbage transfer, the Fengcheng project handled a cumulative total of 13,761.06 tons, which contributed to the Group's engineering business.

## *Enterprise qualifications and market expansion*

To further enhance its market competitiveness, Shenzhen Lisai constantly maintains and upgrades key corporate qualifications such as safety production licences and municipal project qualifications. As a high-tech enterprise, it has demonstrated unique competitive advantages in the leachate treatment and food waste treatment segments. It also participates in the leachate project of Shenzhen Xiaping Environmental Park (深圳下坪環境園) and the bidding of food waste treatment project of Shenzhen Luohu District. Leveraging the sound cooperation foundation with Xiaping Environmental Park for many years, it has gained a favorable competitive advantage.

## **V. Technological reform and market breakthroughs in the Integrated Water Treatment Segment**

Against the backdrop of increasing awareness of environmental protection and advancing industrialization, the comprehensive water treatment industry is facing unprecedented competitive pressure. With an in-depth understanding of this situation, the Group strategically restructured Anchor Environmental & Energy Technology (Shanghai) Co., Ltd.\* (安和睿環保能源科技(上海)有限公司) (“**Anchor Environmental**”) and RELE Environmental & Energy Technology (Shanghai) Co., Ltd.\* (睿利環保能源科技(上海)有限公司) in March 2024 as a second-tier subsidiary of the Group to be fully responsible for the comprehensive water treatment business both within and outside the Group. Such a move aims to enable the Company to distinguish itself in the highly competitive market through technological innovation and market expansion.

## *Technology innovation and project signing*

Anchor Environmental and RELE Environmental & Energy Technology (Shanghai) Co., Ltd.\* (睿利環保能源科技(上海)有限公司) focuses on technology updating and research and development in the comprehensive water treatment sector. In the first half of 2024, the Company continued to refine its AQP forward osmosis FO experiments and EvCOM membrane distillation technology. The successful application of these cutting-edge technologies not only improves treatment efficiency but also greatly reduces operating costs. Meanwhile, the Company expanded the application of its anaerobic ammonia oxidation technology, a new technology for traditional industrial wastewater treatment, which solves the problem of ammonia nitrogen in industrial wastewater more effectively.

With its technical advantages and marketing strategies, Anchor Environmental and RELE Environmental & Energy Technology (Shanghai) Co., Ltd.\* (睿利環保能源科技(上海)有限公司) signed a number of important projects successfully, including the Baihe Lake sand filtration and lifting pumping station project, Hantang Mingsheng Alashan indoor piping project, and Gelin Huai’an anaerobic project. The implementation of these projects proved the Company’s technical strengths and brought stable performance growth for the Company.

## *Market expansion and future planning*

While consolidating the existing market, Anchor Environmental and RELE Environmental & Energy Technology (Shanghai) Co., Ltd.\* (睿利環保能源科技(上海)有限公司) is also actively docking and expanding new projects, such as the Kedong project, the Mountain Eagle Suqian biogas desulphurization project, and the Jiulong Paper Hubei biogas purification project, etc. These demonstrate the Company’s wider and more diversified influence in the comprehensive water treatment sector.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **VI. Stable Growth and Business Expansion of Hong Kong Glass Resources Limited in the Environmental Protection Sector in Hong Kong**

Hong Kong Glass Resources Limited, as an essential part of the Group, has demonstrated its expertise in environmental protection sector in Hong Kong in its operations in recent years. It received recognition from Hong Kong residents as well as the Environmental Protection Department of the SAR Government. In February 2024, Hong Kong Glass Resources Limited successfully won the bid for the food waste recycling project in the West Kowloon District of Hong Kong, marking the further expansion of the Group's environmental protection business segment in Hong Kong.

### *Project implementation and revenue growth*

To effectively execute the bid won in February 2024, as mentioned above, Hong Kong Glass Resources Limited has initiated the operation of the food waste recycling project in the West Kowloon District, in March 2024. At the same time, the Company's glass-out-of-sand business maintained steady growth, reflecting its good performance in responding to market changes.

### *Development planning and environment business expansion*

To further enhance its production capacity and market competitiveness, Hong Kong Glass Resources Limited is actively planning the construction of a third production line and an integrated IT system for wastewater treatment. These new investments are aimed at increasing the Company's treatment capacity and optimizing the recycling of resources, as well as strengthening the environmental protection measures and reducing the environmental impact of the production process.

Capitalizing on its current strengths in environmental protection, the Company is also stepping up its efforts to develop other areas of environmental protection business in Hong Kong. By exploring and implementing new environmental technologies and solutions, Hong Kong Glass Resources Limited aims to become a community leader in the environmental industry and contribute to the sustainable development of Hong Kong's environment.

## **VII. Progress in Robust Operations and Asset Optimization in the Traditional Water Service Segment**

In the first half of 2024, the traditional water service segment maintained a smooth operation, with all subsidiaries achieving treated effluent quality compliance and completing the optimization planning of certain water assets. These achievements have reflected the Group's professional management and technological innovation capabilities in the water sector.

### *Asset optimization and equity transfer*

On 26 July 2024, the Group signed a major equity transfer agreement for the disposal of 51% equity interest in Yichun Water Company and its subsidiaries and associates. This is part of the Group's asset optimization strategy, which aims to further enhance the core competitiveness and market position by divesting non-core assets and focusing resources and efforts on key markets and businesses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Water treatment and financial performance*

In the first half of 2024, Foshan City Gaoming Huaxin Sewage Treatment Company Limited (佛山市高明區華信污水處理有限公司) carried out water treatment of 2,144,545 tons cumulatively, an increase of 24.26% year-on-year. Its sludge disposal volume was 478.86 tons, an increase of 9.88% year-on-year. With an actual water intake of 11,783 cubic meters per day, the Company ensured the collection of sewage treatment fees from the government at a guaranteed rate of 20,000 cubic meters per day. Furthermore, the Company entered into a BOT supplemental agreement with the Foshan municipal government to establish the tentative sewage charges after standard upgrading, providing safeguard for the Company's future profit growth.

Jining City Haisheng Water Treatment Company Limited\* (濟寧市海晟水務有限公司) completed the commissioning of the core process section of the Quasi category water upgrading project. Since 1 January 2024, the sewage treatment fees will be charged according to the new unit price (RMB2.06/tonne). In the first half year, the Company's operating revenue and net profit exceeded the Group's performance targets as the four controllable costs were effectively reduced and net profit exceeded the half-yearly target.

Jining City Haiyuan Water Treatment Company Limited\* (濟寧市海源水務有限公司) has updated some of the old equipment to improve production stability and ensure the efficient operation of the water treatment process.

## **VIII. Promotion and Optimization of Commercial Solicitation Policies in the City-Industry Integration Segment**

The Nanjing property project performed steadily in the first half of 2024 with increasing occupancy. The Huizhou property project continued its suspension due to market factors. The Group will review the market changes and make further decisions in due course.

### *Achievements made by Nanjing Space Big Data Industrial Park*

As the Group's benchmark project in the city-industry integration segment, the Nanjing Space Big Data Industrial Park project has successfully attracted a large number of enterprises. Up till now, the completion rate of property signing for enterprises residing in the Park is over 90%, reflecting not only the attractiveness of the Park but also the high efficiency of its management. The orderly collection of property charges and timely payment ensure the financial stability of the park's operation.

To further enhance the competitiveness of the Park, the Group has added value-added services for new customers to move in within the cost range, such as free registration and bookkeeping services and website mini-program building services. As a result, it greatly enhances the overall competitiveness of the Park, attracting more potential customers to pay visits and sign up, and achieving milestone results.

### *Development of the Huizhou Honghu Blue Valley Wisdom Square\* (鴻鵠藍谷智慧廣場)*

The Huizhou Honghu Blue Valley Wisdom Square project also continued expanding its leasing demand. The management team has been actively monitoring the new local policy on the division and transfer of scientific research land and conducted comprehensive excavations to explore opportunities for project transfer and cooperation. Such a forward-looking strategy has enabled the project to better adapt to market changes and attract more research institutions and high-tech enterprises.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK:

With the growing global concern for environmental protection and sustainable development, China Water Industry Group Limited will adhere to the market positioning of being a “biomass gas operator in China”, and endeavour to facilitate the Group’s strategic transformation and intensive business development. We will grasp market opportunities to promote innovation and strengthen management, and enhance our competitive advantages in the environmental protection sector, striving to realize broader development prospects.

### **Development focus on business segment**

The Group will focus on developing the comprehensive utilization of the agricultural organic waste segment, comprehensive water treatment segment, overseas business expansion, landfill maintenance and engineering support services business and the Hong Kong glass environmental protection segment. Through deepening and expanding these business segments, the Group will further enhance its professional capabilities and good reputation in the environmental protection sector.

### **Strategic transformation and deepening of business development**

In terms of strategic transformation, the Group will refine its business areas and explore the potential of each segment in depth to achieve sustainable and leapfrog corporate development. The Group will constantly explore new technologies and methods to optimize service processes and improve service quality to meet the diversified market needs.

### **Actively explore more financing channels for further expansion Group’s core businesses**

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

### **Corporate culture and organizational optimization**

Adhering to the core values of taking “company as home, pride in performance, unity as harmony and endeavour as the foundation”, the Group will continue to deepen corporate reform and organizational optimization. By enhancing teamwork and technological innovation, and integrating the strengths of corporate culture and human resources, the Group will strengthen its internal drive and external competitiveness to achieve sustainable development.

## INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: HK\$Nil).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2024, the interests and short positions of the Directors or chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") were as follows:

### Interest in the Shares

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Chu Yin Yin, Georgiana	Beneficial owner	1,112,000 (L)	0.04%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 2,873,609,649 shares in issue as at 30 June 2024.

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

Save as disclosed above, as at 30 June 2024, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUPPLEMENTARY INFORMATION

### SUBSTANTIAL SHAREHOLDER'S INTEREST

As at 30 June 2024, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Step Wide Investment Limited	Beneficial owner	707,821,018 (L) (Note 1)	24.63%

Note 1: These shares are held by Step Wide Investment Limited ("Step Wide") of which Mrs. Chu Yuet Wah ("Mrs. Chu") is the beneficial owner. As such, Mrs. Chu is deemed to be interested in the Shares held by Step Wide by virtue of the SFO.

Note 2: The shareholding percentage in the company is calculated on the basis of 2,873,609,649 shares in issue as at 30 June 2024.

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

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at 30 June 2024, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

### SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2024 amounted to HK\$28.74 million divided into 2,873,609,649 ordinary shares of HK\$0.01 each.

### CAPITAL FUND RAISING

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

### DIRECTORS' RIGHTS TO ACQUIRES SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, at no time during the Interim Period 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 "Old Option Scheme"). The adoption date for the New Option Scheme was on 3 June 2021. The principal terms of the New Option Scheme are summarised in the paragraph headed "Share Option Scheme" in the report of the Directors in the annual report of the Company for the year ended 31 December 2023. From the New Option Scheme being adopted up to 30 June 2024, no share options have been granted. Therefore, no share options was exercised or cancelled or has lapsed during the Interim Period and there was no outstanding option as at 30 June 2024. The total number of options available for grant under the scheme mandate of the Old Option Scheme was 159,653,976 as at 1 January 2024 and 30 June 2024 representing 5.56% of the issued share capital of the Company as at 30 June 2024. The New Option Scheme was in compliance with Chapter 17 of the Listing Rules. In any event, any grant of options under the New Option Scheme shall comply with the amended provisions of Chapter 17 of the Listing rules which took effect on 1 January 2023 notwithstanding any provisions of the New Option Scheme. 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 report. The Company maintained the public float requirement as prescribed under the Listing Rules.

### CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the annual report of the Company for the year ended 31 December 2023 required to be disclosed was as follows:

- At the conclusion of the annual general meeting (the "AGM"), the ordinary resolutions regarding the re-election of Mr. Hu Siyun ("Mr. Hu") as executive Director and Ms. Qiu Na ("Ms. Qiu") as independent non-executive (the "INED") were not passed at the AGM, each of Mr. Hu and Ms. Qiu has retired as an executive Director and INED with effect from 14 June 2024.
- Mr. Mak Ka Wing, Patrick ("Mr. Mak") has been appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 3 September 2024.

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



## SUPPLEMENTARY INFORMATION

### 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. As at 30 June 2024, the Company has complied with the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 to the Listing Rules throughout the Interim Period except for the deviation from the code provision of B(f) of Part 1 and C.2.1 of Part 2 of the CG Code as below:

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

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

- Pursuant to the code provision B(f) of Part 1 of the CG Code requires the appointment of a sufficient number of independent non-executive directors and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. Following the retirement of Ms. Qiu, the Company now has (i) only two independent non-executive Directors, which is below the minimum requirement under Rule 3.10(1) of the Listing Rules; (ii) independent non-executive Directors representing less than one-third of the Board, which is below the minimum requirement under Rule 3.10A of the Listing Rules; and (iii) only two audit committee (the "**Audit Committee**") members, which is below the minimum requirement under Rule 3.21 of the Listing Rules.
- Immediately following the appointment of Mr. Mak as independent non-executive Director on 3 September 2024, the Company is in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that every board of directors of a listed issuer must include at least three INEDs; (ii) Rule 3.10A of the Listing Rules, which stipulates that a listed issuer must appoint INEDs representing of at least one-third of the board; and (iii) Rule 3.21 of the Listing Rules, which stipulates that the Audit Committee of a listed issuer must comprise a minimum of three members. For details, please refer to the announcement of the Company dated 3 September 2024.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules as the code of the conduct for securities transactions by directors (the “**Model Code**”). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to 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 report.

### 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 period ended 30 June 2024.

### AUDIT COMMITTEE

The Audit Committee comprises two INEDs of the Company including Mr. Wong Siu Keung, Joe (“**Mr. Wong**”) (Committee Chairman) and Mr. Lam Cheung Shing, Richard (“**Mr. Lam**”), 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 (iii) financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2024. Mr. Mak has been appointed as an independent non-executive Director and a member of the Audit Committee of the Company with effect from 3 September 2024. The term of reference of the Audit Committee is available on the Company’s website and on the Stock Exchange’s website.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director of the Company including Mr. Wong (Committee Chairman), Mr. Zhu and Mr. Lam. It is mainly responsible for reviewing and evaluating the remuneration policies of executive Directors and senior management and making recommendations to the Board from time to time. The term of reference of the Remuneration Committee is available on the Company’s website and on the Stock Exchange’s website.

### NOMINATION COMMITTEE

The Nomination Committee comprises two INEDs and one executive Director of the Company including Mr. Zhu (Committee Chairman), Mr. Wong and Mr. Lam. The Nomination Committee is mainly responsible for reviewing the Board composition, board diversity policy, advising the Board on the appointment and succession planning of Directors and assessing the independence of INEDs. The term of reference of the Nomination Committee is available on the Company’s website and on the Stock Exchange’s website.

### INVESTMENT COMMITTEE

The Investment Committee consists of two executive Directors including Mr. Zhu (Committee Chairman), and Ms. Chu Yin Yin, Georgiana, four senior management including Mr. Tang Po Shing, Mr. Zhong Wei Guang, Mr. Pan Yimin and Ms. Xie Ye. The role of Investment Committee is to oversee the Company’s strategic and investment policy on a regular basis and to advise the Board on the investment of the Company including asset allocation and new investment proposal. The term of reference of the Investment Committee is available on the Company’s website.

## SUPPLEMENTARY INFORMATION

### PUBLICATION OF THE INTERIM RESULTS AND REPORT

The interim results announcement is published on the websites of the Company ([www.chinawaterind.com](http://www.chinawaterind.com)) and the Stock Exchange (<http://www.hkex.com.hk>). The interim report of the Company for the six months ended 30 June 2024 containing all information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course in the compliance with the relevant time frame pursuant to the Listing Rules.

### ACKNOWLEDGEMENTS:

On behalf of the Board of Directors, I would like to express my sincerest gratitude and best wishes to all our employees as well as investors and financial institutions who have supported the Group. In the second half year, we will continue to live up to our expectations, forge ahead and work hard to create more value for our customers, shareholders, and society.

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

Hong Kong, 29 August 2024

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