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## **CHINA EVERBRIGHT INTERNATIONAL LIMITED**

**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 257)**

### **ANNOUNCEMENT**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **HIGHLIGHTS**

- Revenue increased by 13% to HK\$18,377,460,000 (2019: HK\$16,225,718,000)
- EBITDA increased by 16% to HK\$6,369,203,000 (2019: HK\$5,500,987,000)
- Profit before tax increased by 9% to HK\$4,695,835,000 (2019: HK\$4,297,013,000)
- Profit attributable to equity holders of the Company increased by 15% to HK\$3,028,747,000 (2019: HK\$2,630,366,000)
- Interim dividend of HK14.0 cents per share (2019: HK13.0 cents per share)

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of China Everbright International Limited (the “Company” or “Everbright International”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020. The interim financial results are unaudited, but have been reviewed by Ernst & Young (“EY”), in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), whose report on review of interim financial information is included in the interim report to be sent to the shareholders of the Company (the “Shareholders”). The interim financial results have also been reviewed by the Company’s Audit Committee.

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	4	<b>18,377,460</b>	16,225,718
Direct costs and operating expenses		<b>(11,888,239)</b>	(10,572,459)
Gross profit		<b>6,489,221</b>	5,653,259
Other revenue		<b>345,173</b>	408,931
Other income and gains/(losses), net		<b>(48,365)</b>	(23,447)
Administrative expenses		<b>(1,069,769)</b>	(1,008,402)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>5,716,260</b>	5,030,341
Finance costs	6	<b>(1,132,042)</b>	(828,778)
Share of profits of joint ventures		<b>106,668</b>	84,846
Share of profits of associates		<b>4,949</b>	10,604
<b>PROFIT BEFORE TAX</b>	5	<b>4,695,835</b>	4,297,013
Income tax	7	<b>(1,065,690)</b>	(1,046,525)
<b>PROFIT FOR THE PERIOD</b>		<b>3,630,145</b>	3,250,488
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>3,028,747</b>	2,630,366
Non-controlling interests		<b>601,398</b>	620,122
		<b>3,630,145</b>	3,250,488
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	9		
– Basic and diluted		<b>HK49.30 cents</b>	HK42.82 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>3,630,145</b>	3,250,488
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(927,584)</u>	<u>(383,937)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(927,584)</u>	<u>(383,937)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Other financial assets measured at fair value through other comprehensive income:		
Changes in fair value	<u>(2,044)</u>	<u>(2,163)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(2,044)</u>	<u>(2,163)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b><u>(929,628)</u></b>	<b><u>(386,100)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>2,700,517</u></b>	<b><u>2,864,388</u></b>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<u>2,244,037</u>	2,324,317
Non-controlling interests	<u>456,480</u>	<u>540,071</u>
	<b><u>2,700,517</u></b>	<b><u>2,864,388</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties		165,841	159,393
Property, plant and equipment		4,951,964	4,637,701
Right-of-use assets		<u>682,158</u>	<u>597,673</u>
		<b>5,799,963</b>	5,394,767
Goodwill		1,876,091	1,908,783
Intangible assets		20,225,025	18,401,533
Interests in joint ventures		1,418,055	1,163,597
Interests in associates		380,769	381,220
Contract assets	<i>10</i>	65,217,837	58,900,254
Finance lease receivables		15,195	15,390
Other financial assets		508,851	510,110
Debtors, other receivables, deposits and prepayments	<i>11</i>	2,659,817	2,300,788
Deferred tax assets		<u>223,647</u>	<u>165,319</u>
Total non-current assets		<u><b>98,325,250</b></u>	<u>89,141,761</u>
<b>CURRENT ASSETS</b>			
Inventories		1,193,201	823,528
Contract assets	<i>10</i>	10,810,758	8,804,372
Finance lease receivables		312	622
Debtors, other receivables, deposits and prepayments	<i>11</i>	9,770,821	8,278,232
Tax recoverable		3,477	–
Pledged bank deposits		417,061	537,989
Deposits with banks with maturity period over three months		5,475	22,180
Cash and cash equivalents		<u>10,169,832</u>	<u>11,742,819</u>
Total current assets		<u><b>32,370,937</b></u>	<u>30,209,742</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

30 June 2020

		<b>30 June</b>	31 December
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Creditors, other payables and accrued expenses	12	<b>13,988,906</b>	14,011,899
Interest-bearing borrowings			
– Secured		<b>3,003,582</b>	2,674,780
– Unsecured		<b>9,179,444</b>	7,793,220
		<b>12,183,026</b>	10,468,000
Tax payable		<b>204,580</b>	191,628
Total current liabilities		<b>26,376,512</b>	24,671,527
<b>NET CURRENT ASSETS</b>		<b>5,994,425</b>	5,538,215
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>104,319,675</b>	94,679,976
<b>NON-CURRENT LIABILITIES</b>			
Other payables	12	<b>707,641</b>	703,702
Interest-bearing borrowings			
– Secured		<b>23,678,937</b>	18,410,530
– Unsecured		<b>26,150,375</b>	24,301,343
		<b>49,829,312</b>	42,711,873
Deferred tax liabilities		<b>7,151,479</b>	6,537,822
Total non-current liabilities		<b>57,688,432</b>	49,953,397
<b>NET ASSETS</b>		<b>46,631,243</b>	44,726,579
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital	13	<b>17,329,537</b>	17,329,537
Reserves		<b>20,582,802</b>	19,017,414
		<b>37,912,339</b>	36,346,951
Non-controlling interests		<b>8,718,904</b>	8,379,628
<b>TOTAL EQUITY</b>		<b>46,631,243</b>	44,726,579

Notes:

## 1. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 December 2019 except for the changes in accounting policies made thereafter in adopting the revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, which became effective for the first time for the current period’s financial information, as further detailed in note 2 below. The unaudited interim financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in this unaudited interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the financial statements for the year ended 31 December 2019. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs had no significant effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

## 3. OPERATING SEGMENT INFORMATION

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented four reportable segments.

- Environmental energy project construction and operation: this segment engages in the construction and operation of waste-to-energy plants, food waste treatment projects, sludge treatment and disposal projects, leachate treatment projects, methane-to-energy plants, fecal treatment project, fly ash landfill project, medical waste treatment project and solid waste treatment project, to generate revenue from construction services, revenue from operation services as well as finance income.
- Greentech project construction and operation: this segment engages in the construction and operation of integrated biomass utilisation projects, hazardous and solid waste treatment projects, solar energy projects and wind power projects, and provision of environmental remediation services, to generate revenue from construction services, revenue from operation services as well as finance income.
- Environmental water project construction and operation: this segment engages in the construction, upgrade and operation of waste water treatment plants, water supply, reusable water treatment plants, sludge harmless treatment, sponge city construction, river-basin ecological restoration, waste water source heat pump projects, leachate treatment, research and development of water environment technologies and engineering projects, to generate revenue from construction services, revenue from operation services as well as finance income.
- Others: this segment engages in the conduct of environmental protection technology research and development, provision of environmental-related technological services, design of environmental protection projects, provision of environmental protection project equipment construction and installation services and sales of related equipment, provision of waste sorting, renewable resources utilisation, sanitation operation services, and sales of energy-saving streetlights, from which it generates revenue.

### 3. OPERATING SEGMENT INFORMATION *(continued)*

For the purpose of assessing segment performance and allocating resource between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, goodwill, interests in associates and joint ventures, investments in other financial assets, deferred tax assets and current assets with the exception of intercompany receivables and other corporate assets. Segment liabilities include current taxation, deferred tax liabilities, creditors, other payables and accrued expenses attributable to the activities of the individual segment and borrowings managed directly by the segments, with the exception of intercompany payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of equipment and provision of technological services, assistance provided by one segment to another, including technical know-how, is not measured.

The measure used for reporting segment profit is "earnings before interest, taxes, depreciation and amortisation" ("EBITDA"). To arrive at EBITDA, the Group's earnings are further adjusted for items not specifically attributed to the individual segment, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning EBITDA, management is provided with segment information concerning revenue (including inter-segment sales and revenue from technological services), depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

The Group redefined its business divisions to align its organisation structure for the purpose of managing its strategic direction. Accordingly, the segment information of certain subsidiaries previously included in the "Others" segment have been reclassified to the "Environmental energy project construction and operation" segment. Accordingly, the comparative segment information has been reclassified to conform to the current period's presentation.



### 3. OPERATING SEGMENT INFORMATION *(continued)*

#### (i) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

*For the six months ended 30 June*

	Environmental energy project construction and operation		Greentech project construction and operation		Environmental water project construction and operation		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Segment revenue:</b>										
Revenue from external customers	11,672,778	9,244,770	4,245,687	4,241,313	2,120,086	2,485,366	338,909	254,269	18,377,460	16,225,718
Inter-segment revenue	-	-	188	12	-	-	1,153,669	334,522	1,153,857	334,534
Reportable segment revenue	<u>11,672,778</u>	<u>9,244,770</u>	<u>4,245,875</u>	<u>4,241,325</u>	<u>2,120,086</u>	<u>2,485,366</u>	<u>1,492,578</u>	<u>588,791</u>	<u>19,531,317</u>	<u>16,560,252</u>
<i>Reconciliation:</i>										
Elimination of inter-segment revenue									<u>(1,153,857)</u>	<u>(334,534)</u>
Reportable segment revenue derived from the Group's external customers									<u>18,377,460</u>	<u>16,225,718</u>
<b>Segment results:</b>										
Reportable segment profit (EBITDA)	<u>4,084,822</u>	<u>3,372,852</u>	<u>1,595,103</u>	<u>1,372,635</u>	<u>810,659</u>	<u>832,378</u>	<u>334,729</u>	<u>102,803</u>	<u>6,825,313</u>	<u>5,680,668</u>
Elimination of inter-segment profits									<u>(367,208)</u>	<u>(167,083)</u>
Reportable segment profit derived from the Group's external customers									<u>6,458,105</u>	<u>5,513,585</u>
Finance costs									<u>(1,132,042)</u>	<u>(828,778)</u>
Depreciation and amortisation, including unallocated portion									<u>(541,326)</u>	<u>(375,196)</u>
Unallocated head office and corporate income									<u>7,367</u>	<u>64,849</u>
Unallocated head office and corporate expenses									<u>(96,269)</u>	<u>(77,447)</u>
Consolidated profit before tax									<u>4,695,835</u>	<u>4,297,013</u>
<b>Other segment information:</b>										
Depreciation and amortisation	182,059	120,234	275,135	172,888	46,684	48,336	29,070	24,700	532,948	366,158
Impairment of debtors, net	35,145	-	-	-	8,959	1,997	-	18,292	44,104	20,289
Impairment of other receivables	-	-	-	-	3,435	-	-	-	3,435	-
Additions to investment properties, property, plant and equipment and right-of-use assets/ prepayment of land lease during the period	93,283	74,806	562,208	260,061	11,584	14,005	26,632	58,416	693,707	407,288
Additions to intangible assets and non-current portion of prepayments during the period	1,517,756	1,433,665	1,157,564	2,062,454	75,183	134,844	14,796	12,415	2,765,299	3,643,378
Additions to non-current portion of contract assets during the period	<u>7,672,902</u>	<u>6,012,372</u>	<u>1,056,263</u>	<u>550,131</u>	<u>1,385,235</u>	<u>1,625,401</u>	<u>-</u>	<u>-</u>	<u>10,114,400</u>	<u>8,187,904</u>

### 3. OPERATING SEGMENT INFORMATION *(continued)*

#### (i) Information about profit or loss, assets and liabilities *(continued)*

	Environmental energy project construction and operation		Greentech project construction and operation		Environmental water project construction and operation		Others		Total	
	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Reportable segment assets	<u>70,580,919</u>	<u>62,211,440</u>	<u>28,845,852</u>	<u>26,216,428</u>	<u>23,053,999</u>	<u>22,383,618</u>	<u>3,736,716</u>	<u>3,808,971</u>	<u>126,217,486</u>	<u>114,620,457</u>
Unallocated head office and corporate assets									<u>4,478,701</u>	<u>4,731,046</u>
Consolidated total assets									<u>130,696,187</u>	<u>119,351,503</u>
Reportable segment liabilities	<u>30,896,692</u>	<u>26,158,807</u>	<u>17,772,558</u>	<u>15,671,070</u>	<u>13,538,686</u>	<u>13,120,503</u>	<u>2,337,777</u>	<u>2,323,164</u>	<u>64,545,713</u>	<u>57,273,544</u>
Unallocated head office and corporate liabilities									<u>19,519,231</u>	<u>17,351,380</u>
Consolidated total liabilities									<u>84,064,944</u>	<u>74,624,924</u>

#### (ii) Information about a major customer

For the six months ended 30 June 2020 and 2019, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenues.

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Revenue from contracts with customers</b>		
Revenue from environmental energy project construction services	<b>7,817,908</b>	6,477,245
Revenue from greentech project construction services	<b>1,735,471</b>	2,234,898
Revenue from environmental water project construction services	<b>854,948</b>	1,381,311
Revenue from environmental energy project operation services	<b>2,558,226</b>	1,743,397
Revenue from greentech project operation services	<b>2,388,147</b>	1,916,386
Revenue from environment water project operation services	<b>808,167</b>	712,232
Revenue from equipment construction and installation services and sales	<b>242,401</b>	197,039
Others	<b>96,508</b>	57,230
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>16,501,776</b>	14,719,738
Finance income from service concession arrangements	<b>1,875,684</b>	1,505,980
	<hr/>	<hr/>
Total revenue	<b>18,377,460</b>	16,225,718
	<hr/>	<hr/>

The aggregated revenues from environmental energy project construction and operation services, greentech project construction and operation services, environmental water project construction and operation services and finance income derived from the local government authorities in the PRC amounted to HK\$16,765,982,000 (six months ended 30 June 2019: HK\$14,710,818,000) for the six months ended 30 June 2020. The revenues are included in “Environmental energy project construction and operation”, “Greentech project construction and operation” and “Environmental water project construction and operation” segments as disclosed in note 3 to this unaudited interim financial information.

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation		
– property, plant and equipment	<b>180,120</b>	151,410
– right-of-use assets	<b>26,182</b>	13,016
Amortisation – intangible assets	<b>335,024</b>	210,770
Dividend income	<b>(2,104)</b>	(181)
Interest income	<b>(36,116)</b>	(97,643)
Government grants*	<b>(86,104)</b>	(56,012)
Value-added tax refund**	<b>(137,524)</b>	(172,924)
Impairment of debtors, net	<b>44,104</b>	20,289
Impairment of other receivables	<b>3,435</b>	–
Fair value losses/(gains), net:		
Other financial assets – unlisted equity investment	<b>(429)</b>	(358)
Other financial assets – unlisted investments	<b>(6,260)</b>	3,814
Contingent consideration receivable	<b>7,692</b>	(727)
Employee benefit expense:		
Wages, salaries, allowances and benefits in kind	<b>920,009</b>	822,386
Retirement scheme contributions	<b>170,373</b>	187,020
	<b><u>1,090,382</u></b>	<b><u>1,009,406</u></b>

\* Government grants of HK\$86,104,000 (six months ended 30 June 2019: HK\$56,012,000) were granted during the six months ended 30 June 2020 mainly to subsidise certain environmental energy, greentech and environmental water projects of the Group in the PRC and Poland. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

\*\* Value-added tax refund of HK\$137,524,000 (six months ended 30 June 2019: HK\$172,924,000) was received/receivable during the six months ended 30 June 2020 in relation to certain environmental energy, greentech and environmental water project operations of the Group in the PRC. There are no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.

## 6. FINANCE COSTS

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank and other loans	<b>1,057,314</b>	774,818
Interest on corporate bonds	<b>62,553</b>	60,726
Interest on lease liabilities	<b>2,231</b>	1,940
Others	<b>15,792</b>	3,732
Less: Interest expenses capitalised into construction in progress*	<b>(5,848)</b>	(12,438)
	<b><u>1,132,042</u></b>	<u>828,778</u>

\* The borrowing costs have been capitalised at rates ranging from 4.08% to 4.90% (six months ended 30 June 2019: 4.90% to 5.39%) per annum during the six months ended 30 June 2020.

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Tax for the PRC operations is charged at the statutory rate of 25% of the assessable profits under tax rules and regulations in the PRC. During the period, certain PRC subsidiaries are subject to tax at 50% of the standard tax rate or fully exempted from income tax under the relevant tax rules and regulations.

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current – Elsewhere:		
Charge for the period	<b>429,081</b>	324,201
Overprovision in prior periods	<b>(12,197)</b>	(10,052)
Deferred	<b>648,806</b>	732,376
	<b><u>1,065,690</u></b>	<u>1,046,525</u>
Total tax expense for the period		

## 8. DIVIDENDS

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend attributable to the period:		
Interim – HK14.0 cents (six months ended 30 June 2019: HK13.0 cents) per ordinary share	<u>860,017</u>	<u>798,587</u>
Final dividend in respect of the previous financial year paid during the period: – HK13.0 cents (six months ended 30 June 2019: HK12.0 cents) per ordinary share	<u>798,587</u>	<u>737,157</u>

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the six months ended 30 June 2020 is based on the profit for the period attributable to equity holders of the Company of HK\$3,028,747,000 (six months ended 30 June 2019: HK\$2,630,366,000) and 6,142,975,292 (six months ended 30 June 2019: 6,142,975,292) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

## 10. CONTRACT ASSETS

	<i>Notes</i>	At	At
		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current</b>			
Service concession assets	(a)	<u>65,217,837</u>	<u>58,900,254</u>
<b>Current</b>			
Service concession assets	(a)	<u>5,199,704</u>	4,567,265
Unbilled renewable energy tariff subsidy	(b)	<u>4,889,215</u>	3,646,473
Other contract assets	(c)	<u>721,839</u>	<u>590,634</u>
		<u>10,810,758</u>	<u>8,804,372</u>
Total		<u>76,028,595</u>	<u>67,704,626</u>
Contract assets arising from performance under construction contracts in connection with service concession arrangements, which are included in “intangible assets”		<u>4,245,011</u>	<u>4,060,698</u>

## 10. CONTRACT ASSETS (continued)

### Notes:

- (a) Included in “Service concession assets” are amounts of HK\$521,557,000 (31 December 2019: HK\$542,172,000) and HK\$718,881,000 (31 December 2019: HK\$730,733,000) which are related to the construction service under Build-Operate-Transfer (“BOT”) and certain Build-Operate-Own (“BOO”) arrangements or upgrade services under Transfer-Operate-Transfer (“TOT”) arrangements rendered by the Group to a non-controlling shareholder of a non wholly-owned subsidiary and a related company, respectively.

“Service concession assets” arose from the Group’s revenue from construction under BOT and certain BOO arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 4.90% to 7.83% (31 December 2019: 4.90% to 7.83%) per annum. Among the total of HK\$70,417,541,000 (31 December 2019: HK\$63,467,519,000), HK\$43,637,492,000 (31 December 2019: HK\$41,971,452,000) relates to BOT, TOT and BOO arrangements with operations commenced.

Pursuant to the BOT, TOT and BOO arrangements, the Group receives no payment from the grantors during the construction period and receives service fees when relevant services are rendered during the operating periods. The service concession assets are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will be transferred to debtors (note 11).

All of the current portion of service concession assets are expected to be recovered within one year.

- (b) The balance represented government on-grid tariff subsidy for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.
- (c) The balance as at 30 June 2020 comprised contract assets of HK\$229,104,000 (31 December 2019: HK\$217,435,000) arising from performance under environmental remediation service contracts, HK\$380,393,000 (31 December 2019: HK\$270,317,000) arising from performance under construction management service contracts, and HK\$112,342,000 (31 December 2019: HK\$102,882,000) arising from performance under operation service contracts.

Such contracts include payment schedules which require stage payments over the service periods once milestones are reached.

## 11. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
<b>Non-current</b>		
Debtors	–	4,714
Other receivables, deposits and prepayments	<u>2,659,817</u>	<u>2,296,074</u>
	<u>2,659,817</u>	<u>2,300,788</u>
<b>Current</b>		
Debtors	4,518,781	3,699,034
Less: Impairment	<u>(179,367)</u>	<u>(137,443)</u>
	4,339,414	3,561,591
Other receivables, deposits and prepayments	5,434,805	4,708,933
Less: Impairment – other receivables	<u>(3,398)</u>	<u>–</u>
	<u>5,431,407</u>	<u>4,708,933</u>
	<u>9,770,821</u>	<u>8,270,524</u>
Contingent consideration receivable	<u>–</u>	<u>7,708</u>
	<u>9,770,821</u>	<u>8,278,232</u>
Total	<u>12,430,638</u>	<u>10,579,020</u>



## 11. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The movements in the loss allowance for impairment of debtors are as follows:

	<i>HK\$'000</i>
As at 1 January 2019	87,980
Impairment losses, net	52,414
Exchange realignment	<u>(2,951)</u>
As at 31 December 2019 and 1 January 2020	137,443
Impairment losses, net <i>(note 5)</i>	44,104
Exchange realignment	<u>(2,180)</u>
As at 30 June 2020 (unaudited)	<u>179,367</u>

The movements in the loss allowance for impairment of other receivables are as follows:

	<i>HK\$'000</i>
As at 1 January 2019, 31 December 2019 and 1 January 2020	–
Impairment losses <i>(note 5)</i>	3,435
Exchange realignment	<u>(37)</u>
As at 30 June 2020 (unaudited)	<u>3,398</u>

Included in “Debtors, other receivables, deposits and prepayments” are debtors, that were not individually nor collectively considered to be impaired, with the following ageing analysis as at the end of the reporting period:

	At <b>30 June</b> <b>2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Current	<u>2,639,487</u>	<u>2,609,767</u>
Within 1 month past due	<b>389,053</b>	335,705
More than 1 month but within 3 months past due	<b>307,834</b>	112,650
More than 3 months but within 6 months past due	<b>374,312</b>	171,397
More than 6 months but within 12 months past due	<b>418,738</b>	108,774
More than 12 months past due	<u>209,990</u>	<u>228,012</u>
Amounts past due	<u>1,699,927</u>	<u>956,538</u>
	<u><b>4,339,414</b></u>	<u>3,566,305</u>

## 11. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The ageing analysis of debtors, based on the date of invoice (or date of revenue recognition, if earlier) and net of loss allowance, as at the end of the reporting period is as follows:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 1 month	1,421,079	1,791,988
More than 1 month but within 2 months	498,686	371,069
More than 2 months but within 4 months	507,247	443,686
More than 4 months but within 7 months	562,938	305,638
More than 7 months but within 13 months	483,705	233,098
More than 13 months	865,759	420,826
	<u>4,339,414</u>	<u>3,566,305</u>

Debtors are due within 30 to 90 days from the date of billing.

Included in “Debtors, other receivables, deposits and prepayments” of the Group are debtors of HK\$4,339,414,000 (31 December 2019: HK\$3,566,305,000), of which HK\$141,147,000 (31 December 2019: HK\$151,337,000), HK\$57,457,000 (31 December 2019: HK\$83,698,000), HK\$82,421,000 (31 December 2019: HK\$70,615,000) and HK\$11,473,000 (31 December 2019: HK\$11,072,000) are due from the Group’s joint ventures, an associate, a non-controlling shareholder of a non wholly-owned subsidiary and a related company, respectively. Debtors mainly represent revenue from the provision of operation services for environmental energy projects, greentech projects, environmental water projects and the provision of environmental protection project equipment construction and installation services and sales of related equipment and the billed amounts of the service concession assets.

Included in “Debtors, other receivables, deposits and prepayments” at 30 June 2020 are advances made to local government authorities in relation to service concession arrangements amounting to HK\$42,759,000 (31 December 2019: HK\$51,752,000) which are unsecured, interest-bearing at rates ranging from the rates announced by the People’s Bank of China to 110% of the rates announced by the People’s Bank of China, and will be settled by instalments from 2020 to 2026.

Included in “Debtors, other receivables, deposits and prepayments” under non-current assets at 30 June 2020 is other receivable of HK\$22,545,000 (31 December 2019: HK\$22,180,000) due from the Group’s non-controlling shareholder of a non wholly-owned subsidiary, which is unsecured, interest-bearing at 110% of the rates announced by the People’s Bank of China and repayable by December 2022.

Included in “Debtors, other receivables, deposits and prepayments” under current assets at 30 June 2020 is an advance of HK\$8,260,000 (31 December 2019: HK\$8,181,000) to the Group’s associate for daily operation, which is unsecured, interest-bearing at a rate of 4.75% per annum and repayable in 2020.

## 11. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Included in “Debtors, other receivables, deposits and prepayments” under current assets at 31 December 2019 was contingent consideration receivable of HK\$7,708,000 in relation to the acquisition of a subsidiary, Xuzhou Engineering Design Institute Co., Ltd. during the year ended 31 December 2018. The contingent consideration receivable constitutes a derivative within the scope of HKFRS 9, and is recognised at its fair value as asset on initial recognition and is subsequently remeasured at fair value with changes in fair value recognised in profit or loss.

All of the current portion of the above balances are expected to be recovered or recognised as expenses within one year.

## 12. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Creditors	11,103,255	11,147,856
Other payables, accrued expenses and deferred income		
– government grants	<u>3,593,292</u>	<u>3,567,745</u>
	14,696,547	14,715,601
Less: Non-current portion		
– other payables, accrued expenses and deferred income		
– government grants	<u>(707,641)</u>	<u>(703,702)</u>
Current portion	<u>13,988,906</u>	<u>14,011,899</u>

## 12. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES (continued)

Included in “Creditors, other payables and accrued expenses” are creditors with the following ageing analysis based on the date of invoice as at the end of the reporting period:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 6 months	9,107,199	9,608,132
Over 6 months	1,996,056	1,539,724
	<u>11,103,255</u>	<u>11,147,856</u>

Creditors totalling HK\$7,757,859,000 (31 December 2019: HK\$8,059,785,000) represent construction payables for the Group’s BOT, TOT and certain BOO arrangements, of which HK\$518,000 (31 December 2019: HK\$2,218,000) is due to a non-controlling shareholder of a non wholly-owned subsidiary. The construction payables are not yet due for payment.

Included in “Creditors, other payables and accrued expenses” are creditors of HK\$8,257,000 (31 December 2019: HK\$8,361,000) due to the Group’s associate, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate to its major customers.

Included in “Other payables, accrued expenses and deferred income – government grants” at 30 June 2020 are other payables of HK\$36,084,000 (31 December 2019: HK\$3,005,000) and HK\$20,666,000 (31 December 2019: HK\$20,931,000) due to the Group’s associate and a non-controlling shareholder of a non wholly-owned subsidiary, respectively, which are unsecured, interest-free and repayable on demand. Included in “Other payables, accrued expenses and deferred income – government grants” at 30 June 2020 are other payables of HK\$55,000 (31 December 2019: HK\$16,635,000) due to non-controlling shareholders of non wholly-owned subsidiaries, which are unsecured, interest-bearing at the rates announced by the People’s Bank of China and repayable within one year.

## 13. SHARE CAPITAL

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Issued and fully paid:		
6,142,975,292 (31 December 2019: 6,142,975,292) ordinary shares	<u>17,329,537</u>	<u>17,329,537</u>

## **BUSINESS REVIEW AND PROSPECTS**

### **OPERATING RESULTS**

During the first half of 2020 (“period under review”), factors such as the novel coronavirus (the “Pandemic”) and the trade dispute wreaked havoc on major global economies, the growth and recovery of which slowed across the board. Amid weak inflation and a lack of confidence, the world continued to face rising uncertainties. Under this context, as China’s economy was confronted with increased downside pressure, the government authorities stepped up its counter-cyclical adjustment effort to press ahead at full pace to ensure stability on the six fronts and security in the six areas. The domestic economy demonstrated extraordinary resilience with its recovery gaining traction overall. As ecological conservation and the battle against pollution remain China’s two priorities in 2020, although the environment, resource and energy sectors are not immune to the influence of the macro environment, these sectors maintained good growth momentum with the support of the country’s policies for stable growth.

During the period under review, the State Council of the People’s Republic of China (“PRC”) emphasised in its work report that the country shall win the battle against air, water and soil pollution, and achieve the goals set for the phase of its battle for pollution prevention and control. Amid the Pandemic, China launched the Action Plan for Development of Centralised Medical Waste Treatment Facility and Capability, encouraging effort to fill the gaps of rules in relation to medical and hazardous waste treatment facilities. In addition, the Solid Waste Pollution Prevention and Control Law of the PRC was enacted, which promotes a domestic waste sorting system, attaching great importance to public participation in the prevention and control of solid waste against environmental pollution. On top of that, China also published the Energy Law of the PRC (Draft for Solicitation of Comments), emphasising that the exploration and utilisation of energy should be reconciled with ecological progress, and an innovation-driven energy development strategy designed as per domestic conditions, which prioritises energy conservation and focuses on green and low-carbon sources. Such policies and guidelines have set more stringent requirements and goals for environmental protection, environmental health, resource utilisation and green energy development. These policies have also led the way for the evolution of relevant industries. Moreover, the phased-in roll-out of the “zero-waste cities” development pilot program, the transformation and upgrade of the green economy in the Guangdong-Hong Kong-Macau Greater Bay Area and the further implementation of the ecological and environmental protection plan for the Yangtze River Economic Belt have also created new opportunities for these industries.

As China's largest environmental protection enterprise, an industry-leading player in Asia and a world-renowned environmental group, the Company adheres to its corporate mission of being "Devoted to Ecology and Environment for a Beautiful China" and upholds its corporate values of "Creating Better Investment Value and Undertaking More Social Responsibility", in a bid to realise the strategic goal of becoming "a world-leading ecological and environmental group". It has been following its development strategies that focus on 3 major areas, 5 major capabilities, 8 major business sectors and 7 major aspects as safeguards, facing up to external changes and challenges, while actively planning and making innovations to carry out all work stably. As a result, the Group solidified its market position in traditional business areas, accelerated the development of emerging businesses, and optimised its overall business layout, to further boost its overall competitiveness and cement its industry-leading position.

In terms of market expansion, during the period under review, the Group came together as one to make a concerted effort, shouldered responsibilities, and worked hard with a diligent attitude. Therefore, it maintained stable growth momentum, securing a total of 32 new projects, 2 supplemental agreements for the existing projects and 2 project acquisition agreements, which command a total investment of approximately RMB10.684 billion. The Group also undertook 4 environmental remediation services, 1 supplemental agreement of the existing environmental remediation service, 1 energy management contract ("EMC") project and 1 operation and management ("O&M") project, with a total contract value of approximately RMB149 million. As a result, the Group's business footprint expanded to new regional markets, such as Zhangjiakou, Jinzhong and Xiangtan, which further bolstered its advantages and status in its traditional business sectors, such as waste-to-energy, waste water treatment, and hazardous and solid waste treatment. Moreover, it made substantive progress in new business fields, such as waste sorting, energy-saving lighting and environmental sanitation integration. The new projects are designed to have a daily household waste processing capacity of 11,210 tonnes; a daily food waste processing capacity of 730 tonnes; a daily waste water treatment capacity of 170,000 m<sup>3</sup> (treatment capacity of the O&M project inclusive), a daily reusable water supply of 30,000 m<sup>3</sup>, as well as an annual steam supply of 820,000 tonnes and an annual hazardous waste and solid waste treatment capacity of 392,500 tonnes.

In terms of project construction, during the period under review, despite impacted by the Pandemic, the Group took a positive attitude and best effort to deploy the project construction work. As a result, the Group achieved the Pandemic control for its construction works and resumed construction works in an orderly manner. In the meantime, the Group adhered to the principle of “productivity, efficiency, quality, cost-effectiveness, legitimacy, safety and integrity”, enhanced dynamic management of all construction work, and therefore carried out construction work with high quality, which brought an increase in construction service revenue. In the first half of 2020, 45 projects commenced construction, 24 projects commenced operation (inclusive of 22 projects that completed construction and commenced operation), and 3 environmental remediation services were completed and delivered. Among them, Shandong Rizhao Streetlight Retrofitting EMC Project, which belongs to the Group’s greenergy sector, has been accepted and commenced operation; and greenergy’s Shandong Ji’nan Streetlight Retrofitting EMC Project commenced construction, during the period under review. The smooth progress of the 2 projects provides valuable experience for the Group to carry out relevant business and work in the future. As of 30 June 2020, 11 environmental remediation services of the Group were underway, 2 such services were in the preparatory stage, and a total of 18 services of this type had been completed and delivered.

In terms of operations management, the Group’s operating projects are managed according to the industry’s highest standard. Also, the Group has firmly followed its principles of the “Three Zeroes” (zero safety accidents, zero excessive discharge and zero cases of violation of regulations or disciplinary action), “Two Nevers” (the Group would rather fail to meet its target income than allow for non-compliance with relevant discharge standards; it would rather miss a project but never fail one), “Two Percentages” (put in 100% of effort for the prevention of even 1% of risk), and “Four Withstands” (performing well in terms of factory appearance, odour management, noise control and emission indicators). The Group pays great attention to safety and environmental management to ensure the cost of each of its projects is well under control. During the period under review, the Group followed the demands of its business development and carried out a number of measures, including the improvement of the managerial systems and procedures relating to safety and environmental management; the adoption of tiered management and control measures; launch of activities, such as lectures and training, to promote information exchange; improvements of environmental monitoring platform and platforms of other types; and enhancement of risk control during operations management.

Facing the sudden outbreak of the Pandemic this year, the Group took quick actions with effective instructions, establishing a three-level Pandemic prevention mechanism that covers the headquarters, all business sectors and project companies, to identify Pandemic control responsibilities at each level. It adopted proper preventive measures, with stringent management and control practices, issuing working guidelines on Pandemic prevention and sourcing relevant supplies, to ensure Pandemic control measures were taken properly. The Group also carried out work resumption in an orderly manner and enhanced effort to protect its staff, to ensure the effect of the Pandemic control. Over 200 operating environmental protection projects of the Group ensured no loophole in Pandemic prevention to safeguard the staff's health and safety. As a result, the Group achieved "zero infection" in work places of its operating projects. On the other hand, the staff of the Group showed a strong sense of responsibility during the period of the Pandemic prevention. They were committed to their duties to ensure the projects could be operated smoothly and in compliance with relevant discharge standards. These projects provided the harmless treatment of household waste, medical waste and waste water for the local communities, which effectively prevented the secondary containment by the virus through the waste, safeguarding the environment and hygiene of the local communities with efficient and high-quality environmental protection services.

The Group firmly believes that effective environmental management and timely disclosure of environmental information are necessary for enterprises to implement their pollution control responsibilities, as well as a basic right for the public to pursue a quality living environment. During the period under review, the Group continued to promote the opening up of its operating projects for public visits across all its business sectors, with more than 33,000 visitors from China and overseas visiting the projects. Although the physical public visits to the projects were slowed or halted due to the Pandemic, the Group was flexible and adjusted to carry out project opening-up activities through virtual platforms. For example, the Group carried out science popularisation lectures to coincide with environmental protection-themed activities such as the World Environment Day on 5 June, and launched an environmental protection-themed poetry webcast contest. Such activities effectively eliminated the impact brought by the Pandemic on public visiting, while continued to promote topics to the public relating to environmental protection, ecological conservation, energy conservation and others. During the period under review, the opening up and upgrading project of Jiangsu Changzhou Waste-to-energy Project ("Changzhou Project") progressed in an orderly manner and was completed and commenced operation. Changzhou Project has transformed from a "no access" environmental protection facility, which might cause the "Not-In-My-Back-Yard" (NIMBY) effect, into a "community-friendly" factory and an "urban public living room", which is fenceless, fully-opened and equipped with accessible amenities such as library, basketball court and kids playground – first of this type in China. This provides a good reference for tackling the NIMBY effect, represents good exploration for shared interests among the government authorities, enterprises and residents, and showcases the Group's leading role in setting industry benchmarks.



During the period under review, Everbright International Environmental Protection Charitable Foundation, founded by the Group, continued to fully support and participate in various philanthropic activities in environmental education, energy conservation and emission reduction, ecological conservation and community care. Activities included supporting the Earth Hour campaign hosted by WWF Hong Kong as the lead sponsor for the seventh consecutive year. At the project level, employees of the Group's projects continued to volunteer to organise various charitable and public welfare activities, strengthening interaction with, and providing mutual support to, the local communities. In response to the prevention and control of the Pandemic, the Group had actively gathered and donated money and materials, and fully supported the "anti-pandemic" effort in the areas where its businesses are located. The Group has been praised by the local governments, institutions, the public and mainstream media.

During the period under review, the Group was awarded many domestic and international honours for its hard work in business development, sustainable development, corporate governance and social responsibility. In the evaluation of the annual performance of China's 143 listed environmental protection companies by the E20 Environment Platform, the Group ranked first in terms of operating income and net profit, marking its remarkable results for the second consecutive year. In the Report on the HKIoD Corporate Governance Scorecard 2020 announced by the Hong Kong Institute of Directors, the Company was shortlisted in the list of the Top 10 Listed Companies with the highest CGI scores for the first time. The Group's bid for, and procurement of, an electronic trading platform received the "Triple Stars" certification issued by the China Cybersecurity Review Technology and Certification Centre, becoming the first electronic bidding and procurement platform in the domestic solid waste industry to obtain this certification. The Qingdao Institute of Technology and Environmental Technology ("Qingdao Institute"), a subsidiary of the Group, was recognised as a Laboratory of Excellence by the Environmental Resources Association ("ERA") in an international proficiency test, for its excellent dioxin in water testing technology capabilities. During the ninth China Charity Festival, the Group was presented the Social Responsibility Brand of the Year for the sixth consecutive year. At the project level, Shandong Zhangqiu Waste Water Treatment Project was named the National Environmental Protection Facilities and Urban Waste and Waste Treatment Facilities Opened to the Public by the Ministry of Ecology and Environment of the PRC ("MEE") and the Ministry of Housing and Urban-Rural Development of the PRC. A number of the Group's environmental protection projects in various locations, including Guangdong, Anhui, Jiangsu, Zhejiang, Henan and Liaoning provinces, were also awarded as the provincial and municipal hubs for environmental education, science education or ecological conservation.

Regarding operating results, during the period under review, the Group's consolidated revenue amounted to HK\$18,377,460,000, an increase of 13% over HK\$16,225,718,000 in the same period last year. EBITDA amounted to HK\$6,369,203,000, an increase of 16% over HK\$5,500,987,000 in the same period last year. Profit attributable to the Company's equity holders was HK\$3,028,747,000, 15% more than HK\$2,630,366,000 in the same period last year. Basic earnings per share for the first half of 2020 was HK49.30 cents, HK6.48 cents higher than HK42.82 cents in the same period last year. The Group has smooth access to financing channels, with abundant capital and a healthy gearing ratio. It also performed well across all financial indicators, with healthy financial conditions, which laid a solid foundation for the Group's next phase of development and the establishment of "the world's leading ecological environmental group".

To ensure sustainable development and capital needs for mid- and long-term development, during the period under review, the Group actively explored different financing channels, to strengthen its capital capability, in preparation for future development. In April 2020, the Company, through its wholly-owned subsidiary, entered into a limited partnership agreement with China Everbright Group Ltd. ("Everbright Group"), a controlling shareholder of the Company, and wholly-owned subsidiaries of China Everbright Limited, to participate in the Everbright Belt and Road Green Equity Investment Fund, and would contribute RMB500 million to the fund. This could help diversify the Group's financing channels, enrich the market expansion methods and boost its market position, providing strong financial support for the Group's implementation of its long-term development strategy. Furthermore, in June 2020, China Everbright Greentech Limited ("Everbright Greentech") issued its first tranche of medium-term notes ("MTNs") with a principal amount of RMB1 billion in the national inter-bank bond market of the PRC, and China Everbright Water Limited ("Everbright Water") also issued asset-backed securities to qualified investors in the mainland China, with a size of issue of RMB300 million, further strengthening their financing structures and maintaining finance costs at a reasonable level.

The Group remains dedicated to creating value for the Shareholders. To reward the Shareholders for their support and taking into account the Group's long-term sustainable development, the Board declared to pay an interim dividend of HK14.0 cents per share for the six months ended 30 June 2020 to the Shareholders (2019: HK13.0 cents per share).

As of 30 June 2020, the Group's business footprint had expanded to more than 190 locations across 23 provinces, municipalities and autonomous regions in China, as well as overseas markets in Germany, Poland and Vietnam. The Group secured 435 projects in total, with a total investment of RMB134.542 billion, as well as undertaking 31 environmental remediation services, 11 engineering, procurement and construction ("EPC") projects, 3 EMC projects and 4 O&M projects.

As of 30 June 2020, as Asia's largest waste-to-energy investor and operator, the Group's environmental energy sector and greentech sector had secured 154 waste-to-energy projects in total (2 O&M projects inclusive), with a total designed daily household waste processing capacity of 134,410 tonnes. Of which, the Group had 92 waste-to-energy projects in operation, with a designed daily household waste processing capacity of 75,900 tonnes; 47 waste-to-energy projects under construction, with a designed daily household waste processing capacity of 41,200 tonnes; and 15 waste-to-energy projects in preparation stages, with a designed daily household waste processing capacity of 17,310 tonnes.

During the period under review, the Group's environmental energy, greentech and environmental water projects generated total revenue of HK\$18,038,551,000, of which construction service revenue increased by 3% to HK\$10,408,327,000 and operation service revenue increased by 32% to HK\$5,754,540,000, compared with the same period of 2019. The proportions of revenue are as follows: construction service revenue accounts for 58%, operation service revenue accounts for 32%, and finance income accounts for 10%.

Major financial data relating to the three major environmental protection business sectors in the first half of 2020 are summarised in the table below:

	For the six months ended 30 June 2020				For the six months ended 30 June 2019			
	Environmental energy projects HK\$'000	Greentech projects HK\$'000	Environmental water projects HK\$'000	Total HK\$'000	Environmental energy projects HK\$'000 (Restated)	Greentech projects HK\$'000	Environmental water projects HK\$'000	Total HK\$'000 (Restated)
Revenue								
- Construction services	7,817,908	1,735,471	854,948	10,408,327	6,477,245	2,234,898	1,381,311	10,093,454
- Operation services	2,558,226	2,388,147	808,167	5,754,540	1,743,397	1,916,386	712,232	4,372,015
- Finance income	1,296,644	122,069	456,971	1,875,684	1,024,128	90,029	391,823	1,505,980
	<u>11,672,778</u>	<u>4,245,687</u>	<u>2,120,086</u>	<u>18,038,551</u>	<u>9,244,770</u>	<u>4,241,313</u>	<u>2,485,366</u>	<u>15,971,449</u>
EBITDA	<u>4,084,822</u>	<u>1,595,103</u>	<u>810,659</u>	<u>6,490,584</u>	<u>3,372,852</u>	<u>1,372,635</u>	<u>832,378</u>	<u>5,577,865</u>

The Group placed equal emphasis on generating social, environmental and economic benefits concerning its commitment to adhere to environmental protection and social responsibility, and promote energy conservation and emissions reduction, and achieved remarkable results. During the period under review, the Group processed 14,724,000 tonnes of household waste, 86,000 tonnes of hazardous waste and solid waste and 2,891,000 tonnes of agricultural and forestry waste, and generated 7,854,563,000 kWh of green electricity. This output can support the annual electricity consumption needs of 6,545,000 households, equivalent to saving 3,142,000 tonnes of standard coal while reducing carbon dioxide (CO<sub>2</sub>) emissions by 10,260,000 tonnes. The Group also treated 746,291,000 m<sup>3</sup> of waste water, 3,122,000 m<sup>3</sup> of leachate produced from waste-to-energy plants, and reduced COD (Chemical Oxygen Demand) emissions by 262,000 tonnes. Since the Group's first environmental protection project commenced operation in 2005, it has processed an accumulated total of 108,684,000 tonnes of household waste, 975,000 tonnes of hazardous waste and solid waste and 14,822,000 tonnes of agricultural and forestry waste, and generated 49,228,759,000 kWh of green electricity. This fulfilled the annual electricity consumption needs of 41,024,000 households, which was equivalent to saving 19,692,000 tonnes of standard coal while reducing CO<sub>2</sub> emissions by 54,487,000 tonnes, and preventing 6,399,739,000 trees from being cut down. The Group has treated an accumulated 10,450,787,000 m<sup>3</sup> of waste water and 22,265,000 m<sup>3</sup> of leachate produced from waste-to-energy plants, and reduced COD emissions by 3,895,000 tonnes.

## **I. Environmental Energy**

As of 30 June 2020, the Group's environmental energy sector had signed 177 projects in total, including 133 waste-to-energy projects, 25 food waste treatment projects, 6 sludge treatment and disposal projects, 3 leachate treatment projects, 2 methane-to-energy projects, 1 fecal treatment project, 2 fly ash landfill projects, 1 medical waste treatment project, 1 construction and decoration waste treatment project, 2 waste sorting and transferring projects and 1 solid waste treatment project, with a total investment of approximately RMB79.450 billion and undertook 2 O&M projects. These projects are designed to have an annual household waste processing capacity of approximately 45,829,000 tonnes, which can generate approximately 15,142,309,000 kWh of on-grid electricity annually, an annual food waste processing capacity of approximately 1,110,000 tonnes, an annual sludge treatment capacity of approximately 193,000 tonnes, and an annual medical waste treatment capacity of approximately 4,000 tonnes.

In terms of market expansion, during the period under review, environmental energy expanded its waste-to-energy business with high quality, with the principle of “Three Priorities and One Clarification”; expanded the business chain and enhanced effort in developing synergistic business; carried out the “Five Points in One Line” development strategy to access the upstream business of the waste-to-energy industry; and explored new business models, such as asset-light and “equity participation + dual entrustment”, to look for project investment opportunities. In the first half of 2020, environmental energy signed a total of 21 new projects, in addition to 2 project acquisition agreements, which in aggregate commanded a total investment of RMB8.798 billion. Among these projects, there were 10 new waste-to-energy projects, contributing a designed daily household waste processing capacity of 11,210 tonnes; and 7 new food waste treatment projects, contributing a designed daily food waste processing capacity of 670 tonnes. Other new projects included 1 sludge treatment and disposal project, 2 waste sorting and transferring projects, 1 construction and decoration waste treatment project and 1 fly ash landfill project.

In terms of operations management, during the period under review, environmental energy established standardised operations management modules, to promote the development of a standardised operations management system; adopted various measures like technological innovation, to enhance the meticulous management proficiency for operations; and organised exchanges and activities through online and offline platforms, as well as optimising its internal competition on operational skills, to encourage operations management staff to improve their capabilities. During the period under review, the average electricity generated per tonne of waste incinerated of environmental energy’s waste-to-energy projects exceeded 450 kWh, with an integrated power consumption ratio of approximately 15%.

Regarding project construction, environmental energy adopted a mindset of full-process management, optimised its engineering management structure, and established a grid-style management system. During the period under review, in the environmental energy sector, 12 projects commenced operation (inclusive of 11 projects that completed construction and commenced operation), with a designed daily household waste processing capacity of 6,100 tonnes, and a designed daily food waste processing capacity of 80 tonnes; 27 projects commenced construction, with a designed daily household waste processing capacity of 16,550 tonnes, and a designed daily food waste processing capacity of 400 tonnes.

As of 30 June 2020, environmental energy had 79 waste-to-energy projects in operation and 2 O&M projects with a designed daily household waste processing capacity of 70,950 tonnes, an increase of 35% as compared with the first half of 2019; 40 waste-to-energy projects under construction, with a designed daily household waste processing capacity of 37,700 tonnes, an increase of 34% as compared with the first half of 2019; and 14 waste-to-energy projects in the preparatory stage, with a designed daily household waste processing capacity of 16,910 tonnes, a decrease of 10% as compared with the first half of 2019.

In the first half of 2020, the Group's environmental energy sector obtained various subsidies of approximately RMB118 million in total.

During the period under review, the Group's environmental energy projects processed a total of 13,647,000 tonnes of household waste, an increase of 28% as compared with the first half of 2019. All projects generated 4,372,440,000 kWh of on-grid electricity, an increase of 41% as compared with the first half of 2019. Environmental energy projects contributed an EBITDA of HK\$4,084,822,000, an increase of 21% as compared with the first half of 2019. Environmental energy projects contributed a net profit attributable to the Group of HK\$2,542,451,000, an increase of 24% as compared with the first half of 2019. The increase in profit was mainly attributable to the growth in the number of construction projects and the continuing increase in the aggregate processing capacity of the operating projects, driving an increase in construction service revenue and operation service revenue.

As of 30 June 2020, environmental energy had 2 overseas environmental protection projects, namely the Polish solid waste treatment company NOVAGO Sp. z o.o. ("NOVAGO") and Vietnam Can Tho Waste-to-energy Project ("Can Tho Project"). During the period under review, NOVAGO underwent in-depth optimisation of various areas like compliance and management, which had helped the company to operate more smoothly and orderly. Can Tho Project operated stably and in compliance with relevant emission standards, providing the local communities with the harmless treatment, reduction and reuse of waste, as well as continuously generating green electricity.

Major operating and financial data relating to environmental energy projects during the first half of 2020 are summarised in the table below:

	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
<b>Environmental energy projects</b>		
Household waste processing volume (tonnes)	<b>13,647,000</b>	10,688,000
On-grid electricity (MWh)	<b>4,372,440</b>	3,105,243
EBITDA (HK\$'000)	<b>4,084,822</b>	3,372,852

## **II. Greentech**

As of 30 June 2020, the Group had a 69.7% stake in Everbright Greentech, which is listed on the Main Board of the Stock Exchange. Everbright Greentech's main businesses cover integrated biomass utilisation, hazardous waste and solid waste treatment, environmental remediation, among others.

As of 30 June 2020, Everbright Greentech had secured a total of 117 projects, including 49 integrated biomass utilisation projects (urban-rural integration projects inclusive), 58 hazardous waste and solid waste treatment projects, 7 solar energy projects, 2 wind power projects and 1 acquired environmental protection company, with a total investment of approximately RMB30.210 billion. These projects are designed to have an annual biomass raw materials processing capacity of approximately 8,089,800 tonnes, an annual household waste processing capacity of approximately 3,252,200 tonnes, and an annual hazardous waste and solid waste treatment capacity of approximately 2,621,900 tonnes, which are expected to generate on-grid electricity of approximately 6,359,867,000 kWh and steam supply of approximately 3,999,000 tonnes per annum. In addition, Everbright Greentech had accumulatively undertaken 31 environmental remediation services, with an aggregate contract value of approximately RMB874 million.



Regarding market expansion, during the period under review, Everbright Greentech made a breakthrough in the area of general solid waste treatment through incineration, promoted transformation and upgrading of its integrated biomass utilisation projects, and continued to enhance its environmental remediation services capabilities. It secured 5 new projects and signed 2 supplemental agreements of the existing projects, with a total investment of approximately RMB1.081 billion; and undertook 4 environmental remediation services and signed 1 supplemental agreement of existing environmental remediation services, with a total contract value of approximately RMB149 million. These projects contribute an annual designed steam supply of approximately 820,000 tonnes, and an annual designed hazardous waste and solid waste treatment capacity of approximately 392,500 tonnes.

Regarding project construction, during the period under review, 4 projects of Everbright Greentech completed construction and commenced operation, in addition to 1 project commenced operation. These projects are designed with an annual biomass raw materials processing capacity of approximately 850,000 tonnes, an annual household waste processing capacity of 127,750 tonnes, and an annual hazardous waste and solid waste treatment capacity of approximately 7,000 tonnes. 3 environmental remediation services were completed and delivered in the first half of 2020. During the period under review, 10 projects commenced construction and 5 environmental remediation services started respective remediation work.

Regarding operations management, during the period under review, Everbright Greentech proactively conducted a series of works, such as benchmarking, technical exchanges and structural optimisation, so as to improve the operational efficiency of its projects, enhance the synergistic effect among different business regions, and strengthen its safety and environmental management proficiency. In addition, by adopting an informatisation approach, Everbright Greentech improved the development of three information systems that are dedicated to hazardous waste treatment, clean energy and environmental information.

As of 30 June 2020, 20 hazardous waste and solid waste treatment projects of Everbright Greentech completed construction and commenced operation, with a designed annual hazardous waste and solid waste treatment capacity of 403,600 tonnes. Regarding integrated resource utilisation, approximately 2,400 tonnes of recycled products were sold. In addition, there were 13 hazardous waste and solid waste treatment projects under construction, with a designed annual hazardous waste and solid waste treatment capacity of approximately 754,800 tonnes.



As of 30 June 2020, 36 integrated biomass utilisation projects of Everbright Greentech were in operation, which are expected to generate on-grid electricity of approximately 5,211,246,500 kWh annually. These projects are designed with an annual biomass raw materials processing capacity of approximately 7,069,800 tonnes and an annual household waste processing capacity of approximately 4,950 tonnes. As of 30 June 2020, Everbright Greentech had 11 integrated biomass utilisation projects under construction, which are expected to generate on-grid electricity of approximately 1,083,740,800 kWh per annum, and are designed with an annual biomass raw materials processing capacity of approximately 1,020,000 tonnes and an annual household waste processing capacity of approximately 3,500 tonnes.

During the first half of 2020, Everbright Greentech obtained various subsidies totaling RMB47.59 million.

In April 2020, Everbright Greentech was approved to issue MTNs in the national inter-bank bond market of the PRC, with an aggregate principal amount of not more than RMB3.5 billion. In June 2020, it completed the issuance of the first tranche of the MTNs, with a principal amount of RMB1 billion, a maturity period of “3+2” years, and a coupon rate of 3.68% per annum for the first three years. The proceeds from the issuance are expected to be used for general working capital and loan repayment by Everbright Greentech.

During the period under review, greentech projects provided approximately 2,650,532,000 kWh of on-grid electricity in total, an increase of 48% compared with the corresponding period in 2019. Greentech projects contributed an EBITDA of HK\$1,595,103,000, a 16% increase compared with the corresponding period in 2019. Greentech projects contributed a net profit attributable to the Group of HK\$604,949,000, a 6% increase compared with the corresponding period in 2019. The increase in profit was mainly due to the steady growth in operation service revenue during the period under review.

Major operating and financial data relating to greentech projects during the first half of 2020 are summarised in the table below:

	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
<b>Greentech projects</b>		
Waste processing volume (tonnes)	<b>1,077,000</b>	632,000
Biomass raw materials processing volume (tonnes)	<b>2,891,000</b>	2,020,000
Hazardous waste and solid waste processing volume (tonnes)	<b>86,000</b>	86,000
On-grid electricity (MWh)	<b>2,650,532</b>	1,792,258
EBITDA (HK\$'000)	<b>1,595,103</b>	1,372,635

### III. Environmental Water

As of 30 June 2020, the Group had a 72.87% stake in Everbright Water. Everbright Water is listed on the Mainboard of the Singapore Exchange Securities Trading Limited and the Main Board of the Stock Exchange. It has developed a full-fledged business coverage, which includes raw water protection, water supply, municipal waste water treatment, industrial waste water treatment, reusable water, river-basin ecological restoration, and sludge treatment and disposal. Meanwhile, it has also formed a full industry chain on the water business, including project investment, planning and design, technological research and development (“R&D”), engineering and construction, operations management, among others.

As of 30 June 2020, Everbright Water had 135 waste water treatment projects, including 1 raw water protection project, 3 water supply projects, 103 municipal waste water treatment projects, 12 industrial waste water treatment projects, 1 leachate treatment project, 7 reusable water projects, 6 river-basin ecological restoration projects and 2 waste water source heat pump projects, commanding a total investment of approximately RMB24.291 billion. It also secured 2 EPC projects, with the contract value of approximately RMB146 million, and 2 O&M projects. These projects are designed to have an annual waste water treatment capacity of approximately 1,953,334,000 m<sup>3</sup>, an annual reusable water supply capacity of approximately 71,759,000 m<sup>3</sup>, and an annual water supply capacity of approximately 310,250,000 m<sup>3</sup>. The waste water source heat pump projects provide heating and cooling services to an area of 295,000 m<sup>2</sup>.

In terms of market expansion, during the period under review, Everbright Water continued to solidify its market position in the waste water treatment segment and other traditional business areas, as well as in regional markets such as the Yangtze River Economic Belt and the Bohai Bay Rim Economic Zone, by securing 6 new projects, with a total investment of approximately RMB805 million. It also secured 1 O&M project. The new projects contribute a designed daily waste water treatment capacity of 170,000 m<sup>3</sup> and a designed daily reusable water supply capacity of 30,000 m<sup>3</sup>.

In terms of project construction, during the period under review, Everbright Water had 6 projects that completed construction and commenced operation. These projects are designed to have a daily waste water treatment capacity of approximately 80,000 m<sup>3</sup> and a daily reusable water supply capacity of approximately 40,000 m<sup>3</sup>. It also had 6 projects that had commenced construction, which are designed to have a daily waste water treatment capacity of approximately 115,000 m<sup>3</sup>, a daily reusable water supply capacity of approximately 33,000 m<sup>3</sup>, and a daily water supply capacity of approximately 600,000 m<sup>3</sup>.

In terms of operations management, during the period under review, Everbright Water continued to fine-tune regulations and rules relating to operations management, and promote the development of its “Intelligent Water” management system, in order to reduce relevant costs and enhance efficiency. In addition, it carried out various activities with various themes, such as safety management and standardised operations in confined spaces, disaster prevention and mitigation, and safety production, to enhance its employees’ awareness of safe operation and standardise relevant practices at all levels.

As of 30 June 2020, Everbright Water had 108 projects in operation. These projects are designed to have a daily municipal waste water treatment capacity of 4,555,000 m<sup>3</sup>, a daily industrial waste water treatment capacity of 105,000 m<sup>3</sup>, a daily reusable water supply capacity of 121,600 m<sup>3</sup>, a daily water supply capacity of 150,000 m<sup>3</sup>, and a daily leachate treatment capacity of 600 m<sup>3</sup>. Everbright Water also had 13 projects under construction. These projects are designed to have a daily municipal waste water treatment capacity of 325,000 m<sup>3</sup>, a daily industrial waste water treatment capacity of 16,000 m<sup>3</sup>, a daily reusable water supply capacity of 33,000 m<sup>3</sup>, and a daily water supply capacity of 600,000 m<sup>3</sup>.

In the first half of 2020, the Group’s environmental water sector obtained various subsidies totaling approximately RMB29.59 million.

During the period under review, Everbright Water issued asset-backed securities to qualified investors in the PRC for the first time, with a size of issue of RMB300 million. The proceeds from the issuance will be used to replenish working capital of Everbright Water and its subsidiaries. The issuance of the asset-backed securities not only helps to further optimise Everbright Water’s financing structure, strengthen its capital management abilities, and control its finance costs within a reasonable range, but also marks important progress achieved by Everbright Water in terms of diversifying its financing channels.

During the period under review, the environmental water projects treated a total of 746,818,000 m<sup>3</sup> of waste water, an increase of 11% as compared with the first half of 2019. The environmental water projects contributed an EBITDA of HK\$810,659,000, a decrease of 3% as compared with the first half of 2019. The environmental water projects contributed a net profit attributable to the Group of HK\$294,833,000, a decrease of 6% as compared with the first half of 2019. The decrease in profit was mainly attributable to the decrease in construction service revenue impacted by the Pandemic.

Major operating and financial data relating to the Group’s environmental water projects in the first half of 2020 are summarised in the table below:

	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
<b>Environmental water projects</b>		
Waste water treatment volume (’000 m <sup>3</sup> )	<b>746,818</b>	673,051
EBITDA (HK\$’000)	<b>810,659</b>	832,378

#### **IV. Equipment Manufacturing**

In the first half of 2020, the Group’s equipment manufacturing sector rode on the philosophy of “accelerating marketisation, satisfying market demands”. It further enhanced its branding, and strengthened its full-process servicing system covering R&D, manufacturing and maintenance, in order to improve its sustainability.

In terms of market expansion, during the period under review, equipment manufacturing signed 15 external sales contracts and sold 34 sets of equipment to the external markets, including 22 sets of grate furnaces, 8 sets of flue gas purification systems and 4 sets of leachate treatment systems. In the first half of 2020, the total external contract sales of equipment amounted to RMB517 million.

In terms of equipment supply and services, during the period under review, equipment manufacturing commenced a total of 41 service items, spanning 16 provinces and municipalities in China. It provided 55 sets of grate furnaces to projects of the Group and external customers, a 77% increase as compared with the first half of 2019. The designed daily waste processing capacity of these grate furnaces reached 25,430 tonnes, an increase of 63% as compared with the first half of 2019. Moreover, equipment manufacturing sold 48 sets of grate furnaces, 24 sets of flue gas purification systems and 11 sets of leachate treatment systems.

In terms of after-sales service, during the period under review, the after-sales market of equipment manufacturing saw a further increase. Of which, the sector signed 69 external after-sales service contracts, with a total value of RMB82.12 million. A total of 109 after-sales service projects were provided during the period under review, recording an increase of 16% as compared with the first half of 2019, of which 55 were internal projects and 54 were external projects.

Regarding R&D, equipment manufacturing continues to enhance its capability of independent technological design, in order to better support the development of the other sectors under the Group. During the period under review, equipment manufacturing established the technological management department; focused on the R&D of water-cooling grate furnaces, conducted optimisation of its 1,000 tonnes/day grate furnace, the first of this type in China, in terms of the equipment structure and other aspects; conducted R&D of the integrated distributed control system (“DCS”) for furnace flue gas treatment, which had been applied to and tested at projects of the Group; and completed intelligent waste sorting equipment, preliminary design proposals, and the prototype of an intelligent waste sorting station. During the period under review, equipment manufacturing completed 18 design optimisation projects and 32 independent design projects. A total of 7 new product development projects were also completed in the same time frame.

In the first half of 2020, the Group’s equipment manufacturing sector received various subsidies totaling approximately RMB2.66 million.

Furthermore, during the period under review, phase III of the Group’s equipment manufacturing centre in Changzhou City commenced trial production. This has effectively expanded the equipment manufacturing capacity of the Group, and serves as a resilient infrastructure safeguard for the rapid development of the Group’s equipment manufacturing capability.

## V. Eco-recycling

During the period under review, the Group's eco-recycling sector refined its development strategy as "light assets, new technologies, high returns". It focuses on three main business areas, namely environmental sanitation integration, waste sorting, and renewable resource utilisation, and has established the "Five Points in One Line" full-chain business regime, which covers waste sorting and collection, sanitary transferring, intelligent selecting, resource utilisation and end disposal.

During the period under review, eco-recycling followed the "Five Points in One Line" process model, which includes the sorting, transferring, selecting, utilising and incinerating of waste, and actively seek synergy with the other business sectors of the Group. Looking into this process model, waste generated from communities will be sorted by an intelligent waste sorting system, which enables a full-process, automatic and intelligent management procedure; then, the sorted waste will be transferred through a waste transferring system to different treatment platforms, such as waste selection centres, hazardous waste treatment centres and waste transferring stations; at waste selection centres, waste will be automatically selected by multiple assembly lines, supplemented by manual selection, with renewable resources to be sold or transferred to renewable resource centres; at renewable resource centres, renewable resources will be transformed into raw production materials or recycled products; finally, waste that cannot be recycled will be transferred to waste-to-energy plants, hazardous waste treatment centres or landfill for end disposal. The whole process can achieve the harmless treatment, reduction and reuse of waste.

During the period under review, eco-recycling made adjustments according to the overall strategic planning of the Group, and transferred several waste sorting projects, for which it has won the bids, to the Group's environmental energy sector for handling, in order to achieve better synergistic effects among projects. At the same time, eco-recycling actively explored businesses relating to environmental sanitation integration, waste sorting, renewable resource utilisation, and comprehensive ecological and environmental management for urban construction, in key domestic cities and regions, and has reached the intention of cooperation with some cities and regions.

During the period under review, eco-recycling continued integration work for the waste sorting technology company that the Group invested in 2019, and optimised the planning of the intelligent waste recycling machines and other related businesses. In addition, Yunnan Yuxi Environmental Sanitation Integration Project operated smoothly. The project positively contributed to the local communities during the Pandemic period, by collecting and transferring local waste promptly, helping to prevent secondary contamination.

As an important component of eco-recycling, Everbright International Zero-Waste City Research Institute actively conducted case studies, analysis and exchanges, with focuses on areas of waste sorting, resource recycling and utilisation, and the development of zero-waste cities, during the period under review. The institute is committed to being fully engaged in the process of waste sorting and zero-waste city development in China through the comparison and research of relevant experiences from home.

## **VI. Greenergy**

The Group leveraged on its joint venture company, Everbright Greenergy and Lighting (Shenzhen) Limited, as its main business platform, with Everbright new sodium lamp (“Lamp”) as the core product. By adhering to the development philosophy of “Healthy, Energy-saving and Intelligent Lighting”, the Group’s greenergy sector focuses on the R&D and manufacturing of energy-saving lighting, urban outdoor lighting projects and other types of energy-saving lighting products, to develop a full-chain business. Greenergy provides integrated lighting solutions to the users based on three major business models, namely EMC, EPC and direct sales.

In terms of market expansion, during the period under review, greenergy won the bid for a streetlight upgrading project that will upgrade approximately 11,000 streetlights for the urban districts of Tengzhou City, Shandong Province, based on the EMC model. By replacing the high-pressure sodium lamps of streetlight devices with the Lamps, the urban street lighting effect in Tengzhou City is expected to be improved, with as much as 50% less energy consumption. In the meantime, it signed 57 contracts for the Lamps via direct sales, with a total contract value of approximately RMB2.42 million. During the period under review, greenergy established the Greenergy Intelligent Industrial Park in Ji’nan City, Shandong Province. The industrial park will be responsible for manufacturing the Lamps and other products, to facilitate the city to replace old growth drivers with new ones and develop emerging business sectors. Greenergy also aims to develop the industrial park into a national technological innovation base.

Regarding project construction, greenergy adheres to the principle of “Safety as Priority, Precaution in Line, Comprehensive Management”. During the period under review, greenergy’s Shandong Rizhao Streetlight Retrofitting EMC Project completed construction. Approximately 12,000 streetlights in the city were retrofitted, with zero errors and zero accidents during the construction process. Shandong Ji’nan Streetlight Retrofitting EMC Project commenced construction, and is expected to retrofit more than 120,000 streetlights in urban districts of the city. The smooth progress of the two projects has provided valuable experience for greenergy to carry out projects of this type, as well as to promote the EMC business model, in the future.



During the period under review, greenergy carried out work to improve the performance and capacity of the Lamp. In the meantime, it proactively explored new intelligent lighting products and technologies, with a focus on the development of intelligent urban construction and management platforms. By doing so, greenergy aims to broaden its vision for development and expand its business chain.

During the period under review, as an emerging business sector of the Group, greenergy proactively formulated various management rules and standards; developed platforms for operations management, team building and other functions; and established a committee that is dedicated to quality, safety and environment. By taking these measures, greenergy has gradually established a comparatively comprehensive management system, which is expected to lay a good foundation for rapid business development in the future.

## **VII. Envirotech**

During the period under review, the Group's envirotech sector further carried out optimisation and integration. It substantially established the "Four-in-One" technological innovation and R&D layout with platforms in Hong Kong, Shenzhen, Nanjing and Qingdao cities, in order to better promote the Group's strategic planning of pursuing development that is driven by technology and innovation, as well as to ensure the commercialisation of the R&D results.

During the period under review, the Group continued its investment in technological R&D. In terms of R&D, the Group successfully upgraded its intelligent technologies that could start or stop relevant equipment with one single click, at Jiangyin Waste-to-energy Project Phase III; completed the identification process of the plasma melting technology for fly ash treatment; optimised hazardous waste incineration technologies, and upgraded relevant technologies at the Group's Lianyungang Hazardous Waste Incineration Project; achieved smooth operation of the automatic combustion control (ACC) system at Boluo Waste-to-energy Project; completed the "72+24" hour trial run of its self-developed wet deacidification project, the first of this type in China, at Changzhou Project, marking the Group's international-standard level in the field of ultra-low emission technology. In addition, Qingdao Institute was awarded a certificate of "Laboratory of Excellence" by ERA's international proficiency testing during the period under review, due to its excellent water dioxin testing capability. This represents that the testing results of Qingdao Institute's dioxin laboratory have received international recognition, marking Qingdao Institute's dioxin testing capability has reached the international standard.

During the period under review, envirotech strengthened scientific and technological management proficiency, by carrying out the following: evaluation and adjustment of the value of R&D projects, development of a "pyramid" management process for R&D projects, optimisation and adjustment of a science and technology information management platform, enhancement of the R&D standards and informatisation management proficiency, commercialisation of scientific research results.



In the first half of 2020, the Group was granted 144 patents and software copyright licenses in total, including 3 invention patents, 137 utility patents, 3 software copyright license and 1 appearance patent. A total of 8 important essays were published in core journals and international conferences. As of 30 June 2020, the Group had been granted 917 patents and software copyright licenses in total, including 108 invention patents, 725 utility model patents, 79 software copyright licenses and 5 appearance patents.

## **VIII. Environmental Planning**

The Group's environmental planning sector leverages on Everbright Ecological and Environmental Planning and Design Institute ("Environmental Planning and Design Institute") as the main platform, with focuses on the fields of environmental protection and energy. It strives to build core technological capabilities, expand the business scope and drill technological depth, to become a first-class planning and design institute in China.

During the period under review, Environmental Planning and Design Institute accomplished design works of the Group's Wujiang Waste-to-energy Project, involving the 1,000 tonnes/day waste incineration treatment line, integrated treatment of industrial waste, household waste and sludge, steel-reinforced concrete crane beams, etc. So far, it has developed the design capacity of a full range of waste incineration treatment lines, with the capacity ranging from 300 tonnes/day to 1,000 tonnes/day. It had expanded its design and consulting services to the fields of food waste treatment, sludge treatment and disposal, integrated slag utilisation, medical waste treatment, etc., strongly supporting the development of the Group's other business sectors, with a total contract value of approximately RMB70.39 million. The 2 EPC projects signed in 2019 was progressing smoothly, with the work involving engineering design, equipment procurement, construction management, etc. In addition, the Environmental Planning and Design Institute actively communicated with the other business sectors of the Group, so as to enhance the understanding of relevant business demands; organised various training to absorb external experiences and expand professional vision; participated in collaborative design projects, to learn good design concepts and improve its design capabilities.

Environmental Planning and Design Institute possesses a set of design and consultancy qualifications in areas such as electric power, municipal administration and environment, as well as the national qualification for pressure pipeline design. During the period under review, it closely followed trends relating to industry qualification policies, made adjustments as appropriate, and prepared for applications of qualifications in areas such as ecological environment, water pollution prevention and environmental sanitation.

## EVENTS AFTER THE END OF REPORTING PERIOD

In July 2020, the Group launched a ceremony in Changzhou City, Jiangsu Province, to celebrate its self-developed 1,000 tonnes/day grate furnace being manufactured and coming off the production line. This marks the Group's grate furnace product series has become more comprehensive. The 1,000 tonnes/day grate furnace also demonstrates that the Group has achieved a new height in terms of the R&D, design and manufacturing of large-scale grate furnace, once again filling a void in the domestic market in respect of large-scale grate furnace.

Reference is made to the announcement of the Company dated 15 July 2020. As set out therein, the Board proposed to change the English name of the Company from "China Everbright International Limited" to "China Everbright Environment Group Limited" and the Chinese name of the Company from "中國光大國際有限公司" to "中國光大環境(集團)有限公司" (the "Change of Company Name").

The Change of Company Name will be subject to the following conditions:

- (i) the passing of a special resolution by the Shareholders to approve the Change of Company Name at the extraordinary general meeting to be held on 14 August 2020; and
- (ii) the Companies Registry in Hong Kong (the "Companies Registry") granting the approval for the Change of Company Name.

Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect from the date of issuance of a certificate of change of name by the Companies Registry. The Company will carry out the necessary filing procedures with the Companies Registry. Up to the date of this announcement, the Change of Company Name is yet to complete.

In July and August 2020, with excellent operating results, steady financial performance, effective corporate governance and high sense of social and environmental responsibilities, the Group was granted several recognitions, including: the Award for Enterprises in Excellent Response to Climate Change in the CDP (Disclosure Insight Action) China Report 2019; and the Most Honored Company in Asia in the Institutional Investor's All-Asia Executive Team Rankings 2020, for the fourth consecutive year. In the rankings, Mr. Wang Tianyi, CEO of the Company, and Mr. Raymond Wong, CFO of the Company, were named Asia's Best CEO and Asia's Best CFO, respectively, for the second consecutive year.

On 4 August 2020 (the "Issue Date"), Everbright Water announced that it has recently received the notice of registration acceptance from the National Association of Financial Market Institutional Investors of the PRC, to issue MTNs to the institutional investors of the inter-bank bond market in the mainland China. The MTNs have a registered principal amount of RMB3 billion, with a validity period of 2 years from 24 April 2020. Everbright Water completed issuance of the first tranche of MTNs, with a principal amount of RMB1 billion, a coupon rate of 3.60% and maturity period of 3 years from the Issue Date.

## **BUSINESS PROSPECTS**

The year 2020 marks the final year of China’s “13th Five-Year Plan” and also the intermediate year of the Group’s five-year development plan. During the period under review, despite the significant impact of the Pandemic and industry policy changes, the Group’s staff stood up to the challenges, with one heart and one mind, forging ahead with sustainable development endeavors. All the work proceeded steadily with good progress. Looking ahead, the Group will pay close attention to the Pandemic and changes in the industry policies, focusing on both the Pandemic prevention and control, as well as a smooth business operation. It will proactively study the industry’s new policies, discuss new measures and new models that could benefit its business development, in order to ensure the reasonable return and sustainable development of the business.

Looking at the picture across the industry, in 2020, the MEE issued the Opinions on Proactively Serving and Implementing the “Security in the Six Areas” Tasks under the Premise of Ongoing Pandemic Prevention and Control, Determined to Win the Tough Battle of Pollution Prevention and Control. The document requires that the MEE follows the ongoing Pandemic prevention and control, focuses on the security in the 6 areas, and pushes forward ecological and environmental management precisely and firmly, in order to achieve the goal of building a moderately prosperous society in all respects as scheduled and the objectives set for the current phase of pollution prevention and control under the “13th Five-Year Plan”. Many local governments have issued household waste management regulations following the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste. The National Development and Reform Commission and the National Energy Administration issued the Guiding Opinions on 2020’s Tasks for Energy Security, emphasising that China promotes quality development in the energy sector and enhances energy security capabilities, to provide strong support for the healthy development of the economic and social order. In light of the industry’s future development prospects as a result of relevant policies, the Group will review and analyse the timing and momentum, and take advantage of external trends, to comprehensively plan for innovation, transformation and high-quality development.

After years of proactive planning and dedicated efforts, the advantages of the Group’s traditional businesses have continued to emerge, and the market position of its new business sectors continues to improve. Under Everbright Group’s “Four, Three, Three” Initiative and the work requirements of “pursuing progress while ensuring stability, seeking opportunities through changes, and pursuing innovation in growth”, the Group will leverage pressure to seek transformation for development and continuously implement its development strategy that focuses on 3 major areas, 5 major capabilities, 8 major business sectors and 7 major aspects as safeguards. It will focus on the three areas of the environment, resources and energy as its “3 Domains” business layout, improving its “5 Development Capabilities”, including

market expansion, engineering construction, project operation, equipment manufacturing and technological innovation, to boost its sustainable development momentum. The Group will expand and strengthen its “8 Business Sectors”, including environmental energy, greentech, environmental water, equipment manufacturing, eco-recycling, greenenergy, envirotech and environmental planning, in order to form a comprehensive and synergistic industrial model. Additionally, the Group will make improvements in “7 Major Aspects as Safeguards”, including finance, procurement, budget, safety and environment, human resources, efficiency and corporate culture. It will also ensure compliant discharge and safe operation of its projects as the bottom line; and enhance its proficiencies in information management, project construction and operation, and technological R&D and research project pipeline.

Looking forward, the Group believes that under the strategic guidance and full support of Everbright Group and the Board, together with the concerted efforts of its management and all employees of the Group, as well as with the long-term trust and support from the society, the Group will be able to adhere to its original intentions, maintain its determination in the ever-changing internal and external environments. It will strive to achieve a new height for sound and sustainable development, and continue moving towards the goal of “becoming a world-leading ecological and environmental group”.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL POSITION**

As at 30 June 2020, the Group’s total assets amounted to approximately HK\$130,696,187,000 with net assets amounting to HK\$46,631,243,000. Net asset value per share attributable to equity holders of the Company was HK\$6.172 per share, representing an increase of 4% as compared to HK\$5.917 per share as at the end of 2019. As at 30 June 2020, gearing ratio (calculated by total liabilities over total assets) of the Group was 64%, representing an increase of 1 percentage point as compared with that of 63% as at the end of 2019.

### **FINANCIAL RESOURCES**

The Group adopts a prudent approach on cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2020, the Group had cash and bank balances of HK\$10,592,368,000, representing a decrease of HK\$1,710,620,000 as compared to HK\$12,302,988,000 at the end of 2019. Most of the Group’s cash and bank balance, representing approximately 99%, was denominated in Hong Kong dollars and Renminbi.

## **BORROWINGS**

The Group is dedicated to enhancing the ways of financing and improving banking facilities to reserve funding to support the development of the environmental protection business. As at 30 June 2020, the Group had outstanding interest-bearing borrowings of HK\$62,012,338,000, representing an increase of HK\$8,832,465,000 as compared to HK\$53,179,873,000 as at the end of 2019. The borrowings included secured interest-bearing borrowings of HK\$26,682,519,000 and unsecured interest-bearing borrowings of HK\$35,329,819,000. The borrowings are mainly denominated in Renminbi, representing approximately 56% of the total, and the remainder is denominated in Hong Kong dollars, US dollars and Polish zloty. Most of the borrowings are at floating rates. As at 30 June 2020, the Group had banking facilities of HK\$96,284,404,000, of which HK\$39,602,903,000 have not been utilised. The banking facilities are of 1 to 19 years terms.

## **FOREIGN EXCHANGE RISKS**

The Company's financial statements are denominated in Hong Kong dollars, which is the functional currency of the Company. The Group's investments made outside Hong Kong (including mainland China) may incur foreign exchange risks. The Group's operations are predominantly based in mainland China, which makes up over 99% of its total investments and revenue. The Group's assets, borrowings and major transactions are mainly denominated in Renminbi, and as such, it forms a natural hedging effect. With this in mind, the Group also pursues an optimal allocation of borrowings in different currencies while setting appropriate levels of borrowing in non-base currencies, and adoption of proper financial instruments to closely manage foreign exchange risk.

## **PLEDGE OF ASSETS**

Certain banking facilities of the Group were secured by revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages over property, plants and equipment, right-of-use assets and the equity interests of certain subsidiaries of the Company. As at 30 June 2020, the aggregate net book value of pledged assets and equity interests in subsidiaries amounted to approximately HK\$62,168,593,000.

## **COMMITMENTS**

As at 30 June 2020, the Group had purchase commitments of HK\$11,591,897,000 outstanding in connection with the construction contracts.

## **CONTINGENT LIABILITIES**

As at 30 June 2020, the Company granted financial guarantee to 1 subsidiary. The Board considers it is not probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company as at 30 June 2020 for the provision of the guarantee was HK\$330,370,000.

## **USE OF PROCEEDS FROM THE COMPANY'S RIGHTS ISSUE**

In September 2018, the Company completed the issue of rights shares to the qualifying Shareholders on the basis of 10 rights shares for every 27 existing shares held on the record date (the "Rights Issue") at the subscription price of HK\$6.00 per rights share, and raised gross proceeds of approximately HK\$9,962 million and actual net proceeds of approximately HK\$9,924 million (the "Net Proceeds") from the Rights Issue.

As disclosed in the prospectus of the Rights Issue dated 30 August 2018, by 2020, China's waste-to-energy market is expected to enjoy relatively large potential for development. Since the completion of the Rights Issue in September 2018, the Company has recorded remarkable achievements in market expansion by securing a number of new waste-to-energy projects, so as to further strengthen the Group's core business and maintain its leading foothold in the market.

The Board considers that reallocation of more funding to the waste-to-energy projects through deploying of proceeds originally intended for other environmental protection business will enhance the financial flexibility and capacity of the Group to further develop the waste-to-energy business, which is fair and reasonable and in the interests of the Company and the Shareholders as a whole. On 10 December 2019, the Board resolved to reallocate the Net Proceeds, details of which are set out in the announcement of the Company dated 10 December 2019 (the "Change in Use of Proceeds Announcement").

As at 30 June 2020, the Net Proceeds had been fully utilised, details of which are as listed below:

<b>Net proceeds raised (Appr.) and originally intended use</b>	<b>Amended use of the Net proceeds (Appr.) as disclosed in the Change in Use of Proceeds Announcement</b>	<b>Full use of the Net Proceeds up to 30 June 2020 (Appr.)</b>
1. HK\$5,947,000,000 (representing about 60% of the Net Proceeds) for implementation of existing and future waste-to-energy projects and other environmental protection projects	HK\$7,962,000,000 (representing about 80% of the Net Proceeds) for implementation of existing and future waste-to-energy projects and other environmental protection projects	HK\$7,962,000,000 was used for waste-to-energy projects
2. HK\$2,478,000,000 (representing about 25% of the Net Proceeds) for pursuing other environmental protection businesses including but not limited to technological R&D, equipment manufacturing, waste sorting and management, and atmospheric monitoring and testing services	HK\$463,000,000 (representing about 5% of the Net Proceeds) for pursuing other environmental protection businesses including but not limited to technological R&D, equipment manufacturing, waste sorting and management, and atmospheric monitoring and testing services	HK\$432,832,000 was used in the development of technological R&D, equipment manufacturing, waste sorting and management, and atmospheric monitoring and testing services HK\$30,168,000 was used in the development of food waste treatment projects
3. HK\$1,499,123,000 (representing about 15% of the Net Proceeds) for general working capital of the Group (approximately HK\$499,000,000) and repayment of bank loans (approximately HK\$1,000,000,000)	HK\$1,499,123,000 (representing about 15% of the Net Proceeds) has been fully utilised for general working capital of the Group and repayment of bank loans and therefore remains unchanged	HK\$1,499,123,000 was used for repayment of bank loans



## **INTERNAL MANAGEMENT**

The Group adheres to the management principle of “People-oriented, Pragmatism, Creativity and Systematic Management”, and has built a comprehensive management structure to maximise efficiency. The Company’s management holds Management Decision Committee meeting on a monthly basis to review current operations and management, with a view to ensuring the sustainable development of the Company. The responsibilities of each functional department and business sector of the Company are clear with various comprehensive management systems. Internal control procedures are sound and have been implemented effectively. The Company’s Internal Audit Department performs its internal monitoring functions to ensure that each functional department and business sector would strictly comply with the relevant internal control requirements. During the period under review, in response to the Pandemic, management and department heads convened special meetings every week to discuss the prevention and control of the Pandemic, which safeguarded the health and safety of staff and ensured the normal production of every project.

The Group is committed to building a comprehensive risk management culture. It implements the risk management model of “Integration of Policy, Procedure and System with Risk-oriented”, to comprehensively strengthen risk management and risk control. During the period under review, the Group updated the list of risk factors according to the progress of the implementation of risk management system, with a view to continuously enhancing the systematisation and normalisation level of risk management.

During the period under review, the Group continued to uphold the fundamental principle of “maintaining safe and stable operations while ensuring compliance with relevant emission standards”. In terms of safety, environment and occupational health, it proactively carried out routine inspections. Apart from incorporating “Safe Production Month” into its operation, the Group paid close attention to safety management and carried out safety risk assessments to ensure all projects – whether under construction or in operation – strictly comply with all safety policies. These steps secured the stable operation of environmental protection projects including waste-to-energy, integrated biomass utilisation, waste water treatment projects, etc, while enhancing their economic benefits as well. Besides, the Group continued to push forward project construction works while accelerating the finalisation of projects in the preparatory stage. It also went through due formalities to ensure that all project construction works were carried out in compliance with laws and regulations. At the same time, the Group continued to put in more efforts in construction safety management to ensure professional and safe construction.



## **HUMAN RESOURCES**

Human Resources are the key strategy of corporate development which require appropriate personnel to execute this core strategy. The Group highly values its human resources management and puts great emphasis on staff training. It believes that realising the full potential of its employees is crucial to its long-term growth. The Group continued to improve its human resources through internal training as well as local, overseas, and on-campus recruitment.

During the period under review, in response to the Pandemic, training of the Group has been adjusted to live and video training programmes. Training courses in relation to staff's awareness of information security, budget management standard, the use of electronic transaction platform for tendering and procurement, purchase price analysis and cost control have been held to enhance management's and staff's general competence.

To enhance management's general competence as well as enabling them to understand the operation of different business sections and regions more comprehensively, the Group conducted internal selection and recruitment for management staff in new business sectors. Besides, through internal transfer for re-assignment, management of regional management centres could learn and grow in new business sections and regions.

To continue to improve internal management, the Group issued the "Interim Measures Governing Performance Evaluation of Headquarters Staff" as well as the "20 Measures on Leaders' and Cadres' Integrity Building".

As at 30 June 2020, the Group had approximately 13,800 employees. Employees within the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary performance bonus, the Group also provides other benefits such as medical insurance and a mandatory provident fund scheme to employees in Hong Kong.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

During the period under review, the Group continuously implemented relevant work of the risk management system to effectively control the principal risks faced by the Group, which included policy changing risk, environmental compliance risk, construction project management risk, accounts receivable risk, staff management risk, market competitive risk, not-in-my-backyard risk and cost control risk, the details of which are set out in the 2020 interim report.

## **ENVIRONMENTAL AND SOCIAL MANAGEMENT**

The Group pays close attention to the operational impacts brought to the environment and society. The Environmental and Social Management System (“ESMS”) has been established in accordance with the Safeguard Policy Statement of the Asian Development Bank (“ADB”) and other best practices worldwide. The ESMS covers the entire cycle of projects from early-stage planning and design till the final-stage operation and management, with specific requirements in place in relation to environmental and social impact screening and categorisation, resettlement, indigenous people, environmental impact assessment, information disclosure, consultation and participation, gender equality, grievance redress mechanism, due diligence and review, and monitoring and reporting. The system ensures the Group’s operational activities comply with the environmental and social safeguard principles and requirements internationally.

The Group has fully implemented the environmental, safety, health and social responsibility (“ESHS”) management system since 2016, with an aim to further integrate the system requirements into operational practices. The system comprises management standards to provide procedural guidelines on the identification on significant environmental, safety, health and social issues, auditing, incident investigation and reporting, work injury treatment and contractor ESHS management. Implementation of the system has not only promoted sustainable development within the Group, but also extended its safety culture and relevant policies to the supply chain.

The Board and senior management review sustainability strategies of the Group on a regular basis, and revise the strategies when appropriate.

The Group’s waste-to-energy projects are designed and operated fully in compliance with the Standard for Pollution Control on the Municipal Solid Waste Incineration (GB18485-2014) as well as other requirements as set forth in the environmental impact assessment reports approved by the local government, while the daily average values of online continuously monitored parameters are well below the respective emission limits as stipulated under the Industrial Emissions Directive (2010/75/EU) and its relevant annexes and amendments. Moreover, all of the Group’s biomass combustion operations meet the Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011) as well as other requirements as set forth in the environmental impact assessment reports approved by the local government.

The Group continued timely disclosing emissions data and environmental management information of its projects on Everbright International's corporate website, including the ground-breaking initiative of online disclosure of hourly average emission rates of all the Group's operating waste-to-energy projects. The Group also devoted in improving the information sharing platforms which connects with the Group's Hong Kong headquarters and Shenzhen management office for real-time capture of projects' operational information to ensure compliant operation, and to timely report the performance of the Group's high-quality projects to the stakeholders.

## **CORPORATE GOVERNANCE**

### **Compliance with the CG Code**

The Group strives to maintain a high standard of corporate governance as it believes good corporate governance practices are increasingly important for maintaining and promoting the confidence of the Shareholders. They are crucial for the development of the Group's business and protection of the Shareholders' interests. The Group upholds the management principle of "People-oriented, Pragmatism, Creativity and Systematic Management", and through a set of rules and regulations, has continuously strengthened internal control and risk management systems. Furthermore, by full and timely public disclosure of information, the Group has maintained transparency and accountability which also enhanced its corporate values.

The Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Listing Rules have been duly adopted by the Board as the code on corporate governance practices of the Company.

The Company complied with all Code Provisions as set out in the CG Code throughout the six months ended 30 June 2020. The Company will continue to commit itself to enhancing its corporate governance appropriate to the conduct and growth of its business, and from time to time, to reviewing its corporate governance practices to ensure the same comply with the CG Code and align with the latest developments.

Please refer to the Company's 2019 annual report published in April 2020 for more information on our corporate governance practices.

## **The Board**

The Board currently comprises 5 executive Directors and 4 independent non-executive Directors (“INED(s)”). The number of INEDs represents more than one-third of the Board and at least one of whom possess the appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. Details of the composition of the Board are set out in the “Corporate Information” section of the Company’s 2020 interim report to be published in September 2020. The INEDs offer diversified experience and professionalism, serve to advise the Board on strategic development and provide checks and balances for safeguarding the interest of the Shareholders and the Group as a whole.

During the period under review, the Board has met regularly. When necessary, written resolutions accompanying related explanatory materials, are circulated to the Directors for approval in between regular meetings.

## **Board Committees**

As an integral part of good corporate governance, the Board has established the following 5 Board committees with specific written terms of reference which deal clearly with their respective authority and duties:

### **1. Audit Committee**

The Audit Committee, currently comprising 3 INEDs, namely Mr. Mar Selwyn (Chairman), Mr. Fan Yan Hok, Philip and Mr. Zhai Haitao, is primarily responsible for reviewing the Group’s financial reporting process, risk management and internal control systems, internal and external audit and such other financial and accounting matters of the Group, etc. Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and EY, the external auditor of the Company. The terms of reference of the Audit Committee are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEx”).

During the period under review, the Audit Committee reviewed with the management and EY, including but not limited to the accounting principles and practices adopted by the Group, significant audit matters such as significant accounting estimates and judgmental areas, and discussed the Group’s risk management and internal control systems and financial reporting matters, etc., including review of the annual results for the year ended 31 December 2019 and reports from Internal Audit Department and Risk Management Department of the Company.

## **2. Risk Management Committee**

The Risk Management Committee currently comprises Mr. Fan Yan Hok, Philip (Chairman), an INED, Mr. Mar Selwyn, an INED, Mr. Suo Xuquan, an INED, Mr. Wong Kam Chung, Raymond, the executive Director and the Chief Financial Officer, Mr. Hu Yanguo, the executive Director and the Deputy General Manager, and Ms. Guo Ying, the General Manager of Internal Audit Department and Risk Management Department of the Company. Its main duties are to provide oversight of the Company's risk management programs, and to review the effectiveness of the management's processes for identifying, assessing, mitigating and monitoring enterprise-wide risks. The terms of reference of the Risk Management Committee had been established in writing.

During the period under review, the Group carried out risk assessment and analysis to identify the annual changes in risks, and the internal control assessment to ensure the effectiveness of the internal control management. The Risk Management Committee reviewed the 2020 Risk Appetite of the Group, the major risk management in 2019 and the annual risk assessment results of 2020.

## **3. Nomination Committee**

The Nomination Committee currently comprises Mr. Cai Yunge (Chairman), an executive Director and the Chairman of the Board, Mr. Wang Tianyi, the executive Director and the Chief Executive Officer, and all the 4 INEDs, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Zhai Haitao and Mr. Suo Xuquan. Its primary responsibilities include but not limited to reviewing annually the structure, size and composition (including the skills, knowledge and experience) of the Board, reviewing and reporting the Board diversity to the Board, assessing the independence of the INEDs, making recommendations to the Board, by taking into account the Board Diversity Policy and the Nomination Policy, on appointment or re-appointment or re-designation of Directors and assessing the qualifications and competencies of the candidates, so as to ensure that all nominations are fair and transparent. The terms of reference of the Nomination Committee are available on the websites of the Company and HKEx.

During the period under review, the Nomination Committee discussed and made recommendations to the Board on the re-election of the retiring Directors at the 2020 annual general meeting of the Company.

#### **4. Remuneration Committee**

The Remuneration Committee currently comprises Mr. Zhai Haitao (Chairman), an INED, Mr. Cai Yunge, the executive Director and the Chairman of the Board, and 3 other INEDs, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn and Mr. Suo Xuquan. The terms of reference of the Remuneration Committee, which are available on the websites of the Company and HKEx, set out the duties of the Remuneration Committee, including but not limited to determining, with delegated responsibilities by the Board, the remuneration packages of the individual executive Directors and senior management.

During the period under review, the Remuneration Committee enforced the policy for the remuneration of the executive Directors, assessed performance of the executive Directors, and reviewed the 2020 bonus proposal, 2019 bonus payment and the remuneration package of the individual executive Directors and the senior management of the Company.

#### **5. Disclosure Committee**

The Disclosure Committee currently comprises 4 executive Directors, namely, Mr. Wang Tianyi (Chairman), the Chief Executive Officer, Mr. Wong Kam Chung, Raymond, the Chief Financial Officer, Mr. Hu Yanguo, the Deputy General Manager and Mr. Qian Xiaodong, the Deputy General Manager as well as Mr. An Xuesong, the Deputy General Manager and Ms. Poon Yuen Ling, the Company Secretary. The Board has delegated the day-to-day execution of its continuous disclosure obligations to the Disclosure Committee to ensure the compliance of the Company with its disclosure obligations. The terms of reference of the Disclosure Committee had been established in writing.

Other than the 5 Board committees above, the Management Decision Committee, being chaired by the Chief Executive Officer of the Company, is responsible for handling the day-to-day business activities and making collective decisions on major matters relating to the Group's daily business operations, management and personnel matters, etc. The Management Decision Committee also takes charge of reviewing the investment projects of the Group, after recommended by the Project Advisory Committee, pursuant to the power delegated from the Board to the Chief Executive Officer. For project risk management and project technological risk management, the Group has set up a Project Advisory Committee to monitor and assess risks regularly, boost related management standards and evaluate investment projects as well as assess the technologies used in different investment projects. For project financial control, the Group insists on stringent budget management, and has set up a Budget Management Centre that focuses on monitoring construction budgets. In addition, the Group has also set up Internal Audit Department and Risk Management Department to perform internal audits, and risk management and control functions respectively to bolster the Group's management standards.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted the Model Code as its own code of conduct for Directors' transactions in securities of the Company. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2020.

## **INTERIM DIVIDEND**

The Board has declared payment of an interim dividend of HK14.0 cents per share (2019 HK13.0 cents per share) for the six months ended 30 June 2020, payable to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Friday, 11 September 2020. The interim dividend will be paid to the Shareholders on or around Monday, 5 October 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining the Shareholders' entitlement to the interim dividend, the Register of Members will be closed from Wednesday, 9 September 2020 to Friday, 11 September 2020, both days inclusive, during which period no transfer of shares will be registered. Shareholders, whose names appear on the Register of Members on the record date, i.e. Friday, 11 September 2020, will be entitled to the interim dividend. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 8 September 2020.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Audit Committee has reviewed the interim financial information of the Company for the six months ended 30 June 2020 for the Board's approval.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.ebchinaintl.com/en/ir/announcements.php](http://www.ebchinaintl.com/en/ir/announcements.php)) and HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 interim report containing all the information required by the Listing Rules will be published on the websites of the Company and HKEx and dispatched to the Shareholders in due course.

By Order of the Board  
**China Everbright International Limited**  
**Wang Tianyi**  
*Chief Executive Officer*

Hong Kong, 13 August 2020

*As at the date of this announcement, the Board comprises: (i) five executive Directors, namely Mr. Cai Yunge (Chairman), Mr. Wang Tianyi (Chief Executive Officer), Mr. Wong Kam Chung, Raymond, Mr. Hu Yanguo and Mr. Qian Xiaodong; and (ii) four independent non-executive Directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Zhai Haitao and Mr. Suo Xuquan.*