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CHINA EVERBRIGHT ENVIRONMENT GROUP LIMITED

中國光大環境(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 257)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- Revenue decreased by 19% to HK\$21,448,683,000 (2021: HK\$26,495,324,000)
- EBITDA decreased by 14% to HK\$7,047,794,000 (2021: HK\$8,197,532,000)
- Profit before tax decreased by 28% to HK\$4,326,092,000 (2021: HK\$5,983,990,000)
- Profit attributable to equity holders of the Company decreased by 28% to HK\$2,811,148,000 (2021: HK\$3,887,378,000)
- Interim dividend of HK15.0 cents per share (2021: HK19.0 cents per share)

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Everbright Environment Group Limited (the “Company” or “Everbright Environment”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022. 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, 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 (the “Audit Committee”).

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	4	21,448,683	26,495,324
Direct costs and operating expenses		<u>(13,819,872)</u>	<u>(17,994,592)</u>
Gross profit		7,628,811	8,500,732
Other revenue		594,138	412,678
Other income and gains/(losses), net		(700,501)	(171,940)
Administrative expenses		<u>(1,605,785)</u>	<u>(1,388,868)</u>
PROFIT FROM OPERATING ACTIVITIES		5,916,663	7,352,602
Finance costs	6	(1,684,504)	(1,436,973)
Share of profits of joint ventures		61,575	46,050
Share of profits of associates		<u>32,358</u>	<u>22,311</u>
PROFIT BEFORE TAX	5	4,326,092	5,983,990
Income tax	7	<u>(983,339)</u>	<u>(1,379,777)</u>
PROFIT FOR THE PERIOD		<u>3,342,753</u>	<u>4,604,213</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		2,811,148	3,887,378
Holders of perpetual capital instruments		16,255	–
Non-controlling interests		<u>515,350</u>	<u>716,835</u>
		<u>3,342,753</u>	<u>4,604,213</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
– Basic and diluted		<u>HK45.76 cents</u>	<u>HK63.28 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	3,342,753	4,604,213
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(4,010,470)	1,934,608
Debt instrument at fair value through other comprehensive income:		
Changes in fair value	<u>16,972</u>	<u>–</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>(3,993,498)</u>	<u>1,934,608</u>
Other comprehensive income 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>–</u>	<u>5,213</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>–</u>	<u>5,213</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(3,993,498)</u>	<u>1,939,821</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(650,745)</u>	<u>6,544,034</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(509,511)	5,480,073
Holders of perpetual capital instruments	16,255	–
Non-controlling interests	<u>(157,489)</u>	<u>1,063,961</u>
	<u>(650,745)</u>	<u>6,544,034</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		175,369	181,512
Property, plant and equipment		8,691,871	8,921,701
Right-of-use assets		966,325	1,009,094
		9,833,565	10,112,307
Goodwill		1,891,751	2,353,687
Intangible assets		31,341,547	30,474,870
Interests in joint ventures		921,978	811,375
Interests in associates		651,053	606,970
Contract assets	<i>10</i>	101,276,740	101,971,151
Finance lease receivables		14,402	15,464
Other financial assets		205,646	142,748
Other receivables, deposits and prepayments	<i>11</i>	3,905,121	4,076,627
Deferred tax assets		383,119	440,770
Total non-current assets		150,424,922	151,005,969
CURRENT ASSETS			
Inventories		1,014,070	1,258,539
Contract assets	<i>10</i>	12,446,999	11,907,704
Finance lease receivables		807	771
Other financial assets		237,716	222,880
Debtors, other receivables, deposits and prepayments	<i>11</i>	21,051,251	20,138,476
Tax recoverable		123,481	96,303
Pledged bank deposits		577,356	553,704
Deposits with banks with maturity period over three months		60,856	4,339
Cash and cash equivalents		14,074,339	15,046,943
Total current assets		49,586,875	49,229,659

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
CURRENT LIABILITIES			
Creditors, other payables and accrued expenses	12	23,216,373	25,636,846
Interest-bearing borrowings			
– Secured		3,402,012	3,410,134
– Unsecured		13,385,784	10,530,590
		16,787,796	13,940,724
Tax payable		136,608	190,832
Total current liabilities		40,140,777	39,768,402
NET CURRENT ASSETS		9,446,098	9,461,257
TOTAL ASSETS LESS CURRENT LIABILITIES		159,871,020	160,467,226
NON-CURRENT LIABILITIES			
Other payables	12	797,033	839,348
Interest-bearing borrowings			
– Secured		42,944,566	44,506,065
– Unsecured		39,805,637	40,678,875
		82,750,203	85,184,940
Deferred tax liabilities		10,250,178	10,100,716
Total non-current liabilities		93,797,414	96,125,004
NET ASSETS		66,073,606	64,342,222
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		17,329,537	17,329,537
Reserves		33,017,543	34,447,950
		50,347,080	51,777,487
Non-controlling interests		12,254,837	12,564,735
Perpetual capital instruments		3,471,689	–
TOTAL EQUITY		66,073,606	64,342,222

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2022 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 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 2021 except for the changes in accounting policies 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 2021 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 2021.

The financial information relating to the year ended 31 December 2021 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 2021 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 2021. 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>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 or amendment that has been issued but is not yet effective.

In addition, the Group has adopted the following new accounting policy:

Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay the principal or to pay any distribution are classified as part of the equity. Fees, commissions and other transaction costs of the instruments issuance are deducted from equity. The distributions on the instruments are accrued as profit distribution.

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 and kitchen waste treatment projects, sludge treatment and disposal projects, leachate treatment projects, methane-to-energy plants, fecal treatment projects, fly ash landfill projects, medical waste treatment projects and solid waste treatment projects, 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

- 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 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, sales of energy-saving street lamps, and energy management contract projects from which it generates revenue.

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" ("Adjusted EBITDA"). To arrive at Adjusted 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 segment results, 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.

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Revenue from external customers	13,145,944	18,613,894	4,219,870	4,318,203	3,478,939	3,112,935	603,930	450,292	21,448,683	26,495,324
Inter-segment revenue	-	-	421	539	-	-	586,123	1,032,675	586,544	1,033,214
Reportable segment revenue	<u>13,145,944</u>	<u>18,613,894</u>	<u>4,220,291</u>	<u>4,318,742</u>	<u>3,478,939</u>	<u>3,112,935</u>	<u>1,190,053</u>	<u>1,482,967</u>	<u>22,035,227</u>	<u>27,528,538</u>
<i>Reconciliation:</i>										
Elimination of inter-segment revenue									(586,544)	(1,033,214)
Reportable segment revenue derived from the Group's external customers									<u>21,448,683</u>	<u>26,495,324</u>
Segment results:										
Reportable segment profit (Adjusted EBITDA)	<u>4,906,602</u>	<u>5,520,997</u>	<u>1,334,647</u>	<u>1,636,791</u>	<u>1,067,376</u>	<u>1,085,657</u>	<u>145,181</u>	<u>349,818</u>	<u>7,453,806</u>	<u>8,593,263</u>
Elimination of inter-segment profits									(161,179)	(334,846)
Reportable segment profit derived from the Group's external customers									<u>7,292,627</u>	<u>8,258,417</u>
Finance costs									(1,684,504)	(1,436,973)
Depreciation and amortisation, including unallocated portion									(1,037,198)	(776,569)
Unallocated head office and corporate income									50,028	2,693
Unallocated head office and corporate expenses									(294,861)	(63,578)
Consolidated profit before tax									<u>4,326,092</u>	<u>5,983,990</u>
Other segment information:										
Depreciation and amortisation	386,502	296,770	467,334	358,498	118,345	59,932	55,578	41,520	1,027,759	756,720
Impairment of debtors	55,665	121,109	28,127	-	124,054	21,808	12,100	-	219,946	142,917
Impairment of other receivables	53,886	-	-	-	17,420	5,459	-	-	71,306	5,459
Impairment of contract assets	5,479	5,983	435	-	919	2,275	-	-	6,833	8,258
Impairment of goodwill	376,705	-	-	-	-	-	-	-	376,705	-
Impairment of intangible assets	-	-	-	-	14,699	-	-	-	14,699	-
Additions to property, plant and equipment and right-of-use assets during the period	146,897	234,008	252,312	880,804	48,645	13,149	62,406	105,410	510,260	1,233,371
Additions to intangible assets and non-current portion of prepayments during the period	1,875,272	1,732,453	568,766	757,552	458,679	138,102	2,638	20,065	2,905,355	2,648,172
Additions to non-current portion of contract assets during the period	<u>6,114,013</u>	<u>12,577,310</u>	<u>386,392</u>	<u>705,205</u>	<u>1,597,479</u>	<u>1,846,679</u>	<u>-</u>	<u>-</u>	<u>8,097,884</u>	<u>15,129,194</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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Reportable segment assets	<u>112,384,544</u>	<u>113,894,359</u>	<u>41,331,875</u>	<u>40,623,673</u>	<u>34,206,429</u>	<u>32,645,367</u>	<u>4,291,041</u>	<u>4,470,619</u>	<u>192,213,889</u>	<u>191,634,018</u>
Unallocated head office and corporate assets									<u>7,797,908</u>	<u>8,601,610</u>
Consolidated total assets									<u>200,011,797</u>	<u>200,235,628</u>
Reportable segment liabilities	<u>56,010,150</u>	<u>58,577,871</u>	<u>26,829,561</u>	<u>26,475,112</u>	<u>20,915,207</u>	<u>19,802,079</u>	<u>2,819,101</u>	<u>3,384,255</u>	<u>106,574,019</u>	<u>108,239,317</u>
Unallocated head office and corporate liabilities									<u>27,364,172</u>	<u>27,654,089</u>
Consolidated total liabilities									<u>133,938,191</u>	<u>135,893,406</u>

(ii) Information about a major customer

For the six months ended 30 June 2022 and 2021, 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:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Revenue from environmental energy project construction services	6,686,723	13,139,142
Revenue from greentech project construction services	711,460	1,117,502
Revenue from environmental water project construction services	1,436,836	1,417,596
Revenue from environmental energy project operation services	4,426,421	3,711,837
Revenue from greentech project operation services	3,318,029	3,018,959
Revenue from environmental water project operation services	1,466,836	1,150,697
Revenue from equipment construction and installation services and sales	213,639	388,887
Others	382,282	61,405
	<hr/>	<hr/>
Total revenue from contracts with customers	18,642,226	24,006,025
Finance income from service concession arrangements	2,806,457	2,489,299
	<hr/>	<hr/>
Total revenue	21,448,683	26,495,324
	<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 People's Republic of China ("PRC") amounted to HK\$19,074,471,000 (six months ended 30 June 2021: HK\$25,311,524,000) for the six months ended 30 June 2022. 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.

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation		
– property, plant and equipment	324,572	249,745
– right-of-use assets	34,941	31,901
Amortisation – intangible assets	677,685	494,923
Dividend income	–	(155)
Interest income	(79,361)	(65,467)
Government grants*	(111,895)	(121,240)
Value-added tax refund**	(120,593)	(88,671)
Impairment of debtors	219,946	142,917
Impairment of other receivables	71,306	5,459
Impairment of contract assets	6,833	8,258
Impairment of goodwill#	376,705	–
Impairment of intangible assets	14,699	–
Fair value losses/(gains), net:		
Other financial assets – unlisted equity investment	(318)	(475)
Other financial assets – unlisted investments	11,396	17,363
Employee benefit expense:		
Wages, salaries, allowances and benefits in kind	1,780,644	1,363,032
Retirement scheme contributions	122,043	120,671
	<u>1,902,687</u>	<u>1,483,703</u>

* Government grants of HK\$111,895,000 (six months ended 30 June 2021: HK\$121,240,000) were granted during the six months ended 30 June 2022 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\$120,593,000 (six months ended 30 June 2021: HK\$88,671,000) was received/receivable during the six months ended 30 June 2022 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.

Impairment of goodwill for the six months ended 30 June 2022 was included in “Other income and gains/(losses), net” on the face of consolidated income statement.

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interest on bank and other loans	1,481,788	1,246,611
Interest on corporate bond, asset-backed securities, medium-term notes and super and short-term commercial papers	220,713	122,149
Interest on lease liabilities	2,583	1,939
Asset-backed notes arrangement fee	–	94,328
Others	–	2,812
Less: Interest expenses capitalised into construction in progress*	(20,580)	(30,866)
	<u>1,684,504</u>	<u>1,436,973</u>

* The borrowing costs have been capitalised at rates ranging from 3.65% to 4.55% (six months ended 30 June 2021: 3.89% to 4.70%) per annum during the six months ended 30 June 2022.

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 2022 (six months ended 30 June 2021: 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.

	For the six months ended 30 June	
	2022	2021
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Current – Elsewhere:		
Charge for the period	354,116	606,785
Underprovision in prior periods	28,772	5,528
Deferred	600,451	767,464
	<u>983,339</u>	<u>1,379,777</u>
Total tax expense for the period	<u>983,339</u>	<u>1,379,777</u>

8. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividend attributable to the period:		
Interim – HK15.0 cents (six months ended 30 June 2021: HK19.0 cents) per ordinary share	<u>921,446</u>	<u>1,167,165</u>
Final dividend in respect of the previous financial year paid during the period: – HK15.0 cents (six months ended 30 June 2021: HK16.0 cents) per ordinary share	<u>921,446</u>	<u>982,876</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 2022 is based on the profit for the period attributable to equity holders of the Company of HK\$2,811,148,000 (six months ended 30 June 2021: HK\$3,887,378,000) and 6,142,975,292 (six months ended 30 June 2021: 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 2022 and 2021.

10. CONTRACT ASSETS

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
Non-current			
Service concession assets	(a)	101,358,739	102,050,909
Less: Impairment		(81,999)	(79,758)
		<u>101,276,740</u>	<u>101,971,151</u>
Current			
Service concession assets	(a)	8,582,913	8,724,603
Unbilled renewable energy tariff subsidy	(b)	3,387,293	2,606,313
Other contract assets	(c)	602,795	707,037
Less: Impairment		(126,002)	(130,249)
		<u>12,446,999</u>	<u>11,907,704</u>
Total		<u>113,723,739</u>	<u>113,878,855</u>
Contract assets arising from performance under construction contracts in connection with service concession arrangements, which are included in "intangible assets"		<u>2,476,939</u>	<u>3,762,581</u>

Notes:

- (a) Included in "Service concession assets" are amounts of HK\$495,746,000 (31 December 2021: HK\$534,155,000) and HK\$777,519,000 (31 December 2021: HK\$822,617,000) which are related to the construction service under Build-Operate-Transfer ("BOT"), Build-Operate-Own ("BOO") and Transfer-Operate-Transfer ("TOT") arrangements rendered by the Group to a non-controlling shareholder of a non wholly-owned subsidiary and a related company of a non wholly-owned subsidiary, respectively.

"Service concession assets" arose from the Group's revenue from construction services under BOT, BOO and TOT arrangements and bear interest at rates ranging from 4.45% to 7.83% (31 December 2021: 4.65% to 7.83%) per annum. Among the total of HK\$109,941,652,000 (31 December 2021: HK\$110,775,512,000), HK\$107,533,702,000 (31 December 2021: HK\$102,196,885,000) relates to BOT, BOO and TOT arrangements with operations commenced.

10. CONTRACT ASSETS (continued)

Notes: (continued)

(a) (continued)

Pursuant to the BOT, BOO and TOT 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).

The current portion of service concession assets is 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 2022 comprised contract assets of HK\$399,338,000 (31 December 2021: HK\$415,871,000) arising from performance under environmental remediation service contracts, and HK\$203,457,000 (31 December 2021: HK\$291,166,000) arising from performance under construction management service contracts.

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

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

	<i>HK\$'000</i>
As at 1 January 2021	70,445
Impairment losses, net	135,133
Exchange realignment	4,429
	<hr/>
As at 31 December 2021 (audited) and 1 January 2022	210,007
Impairment losses (note 5)	6,833
Exchange realignment	(8,839)
	<hr/>
As at 30 June 2022 (unaudited)	<u>208,001</u>

11. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Non-current		
Other receivables, deposits and prepayments	3,928,316	4,083,594
Less: Impairment – other receivables	<u>(23,195)</u>	<u>(6,967)</u>
Total non-current portion	<u>3,905,121</u>	<u>4,076,627</u>
Current		
Debtors	16,459,176	13,772,488
Less: Impairment	<u>(826,008)</u>	<u>(661,888)</u>
	15,633,168	13,110,600
Other receivables, deposits and prepayments	5,483,499	7,041,259
Less: Impairment – other receivables	<u>(65,416)</u>	<u>(13,383)</u>
	<u>5,418,083</u>	<u>7,027,876</u>
Total current portion	<u>21,051,251</u>	<u>20,138,476</u>
Total	<u>24,956,372</u>	<u>24,215,103</u>

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

	<i>HK\$'000</i>
As at 1 January 2021	274,248
Impairment losses, net	373,870
Exchange realignment	<u>13,770</u>
As at 31 December 2021 (audited) and 1 January 2022	661,888
Impairment losses	197,269
Exchange realignment	<u>(33,149)</u>
As at 30 June 2022 (unaudited)	<u>826,008</u>

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

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

	<i>HK\$'000</i>
As at 1 January 2021	3,521
Impairment losses	16,451
Exchange realignment	<u>378</u>
As at 31 December 2021 (audited) and 1 January 2022	20,350
Impairment losses <i>(note 5)</i>	71,306
Exchange realignment	<u>(3,045)</u>
As at 30 June 2022 (unaudited)	<u>88,611</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 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Current	<u>4,877,589</u>	<u>5,823,916</u>
Within 1 month past due	1,141,779	2,673,351
More than 1 month but within 3 months past due	826,052	842,527
More than 3 months but within 6 months past due	2,042,776	820,758
More than 6 months but within 12 months past due	4,366,370	2,018,077
More than 12 months past due	<u>2,378,602</u>	<u>931,971</u>
Amounts past due	<u>10,755,579</u>	<u>7,286,684</u>
	<u>15,633,168</u>	<u>13,110,600</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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 month	2,900,375	3,510,032
More than 1 month but within 2 months	915,345	942,775
More than 2 months but within 4 months	1,532,410	1,367,976
More than 4 months but within 7 months	1,506,945	2,579,633
More than 7 months but within 13 months	4,693,881	2,354,411
More than 13 months	4,084,212	2,355,773
	<u>15,633,168</u>	<u>13,110,600</u>

Included in “Debtors, other receivables, deposits and prepayments” are debtors of HK\$4,429,488,000 (31 December 2021: HK\$3,299,533,000), which were measured at fair value through other comprehensive income as these debtors are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. During the six months ended 30 June 2022, HK\$22,677,000 (six months ended 30 June 2021: Nil) was recognised in profit or loss as impairment for expected credit losses of these debtors.

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 which HK\$26,405,000 (31 December 2021: HK\$9,948,000), HK\$16,129,000 (31 December 2021: HK\$17,343,000), HK\$9,748,000 (31 December 2021: HK\$14,211,000), and nil (31 December 2021: HK\$11,657,000) are due from the Group’s joint ventures, associates, a related company of a non wholly-owned subsidiary and a non-controlling shareholder of a non wholly-owned subsidiary, 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 2022 is an advance made to local government authority in relation to service concession arrangement amounting to HK\$24,938,000 (31 December 2021: HK\$25,941,000) which is unsecured, interest-bearing at the rates announced by the People’s Bank of China, and will be settled by instalments from 2022 to 2026.

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

Included in “Other receivables, deposits and prepayments” under current assets at 30 June 2022 is loan to the Group’s non-controlling shareholder of a non wholly-owned subsidiary of HK\$26,625,000 (31 December 2021: HK\$27,115,000), which is secured, 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 2022 are advances of HK\$9,638,000 (31 December 2021: HK\$9,843,000) to the Group’s associate, which are unsecured, repayable on demand and interest-bearing at a rate of 4.75% per annum, and other receivables of HK\$1,872,000 (31 December 2021: HK\$1,520,000) due from the Group’s associates, which are unsecured, interest-free and repayable within one year.

Included in “Debtors, other receivables, deposits and prepayments” at 30 June 2022 are loans to the Group’s joint venture of HK\$27,554,000 (31 December 2021: HK\$11,612,000), which are unsecured, interest-bearing at 125% of loan prime rate announced by the People’s Bank of China (“LPR”) and repayable in 2022 to 2024, and other receivables and advances to the Group’s joint ventures of HK\$20,868,000 (31 December 2021: HK\$21,389,000), which are unsecured, interest-free and repayable within one year.

12. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

	At 30 June 2022 (Unaudited) <i>HK\$’000</i>	At 31 December 2021 (Audited) <i>HK\$’000</i>
Creditors	18,824,199	20,031,592
Other payables, accrued expenses and deferred income – government grants	5,189,207	6,444,602
	24,013,406	26,476,194
Less: Non-current portion	(797,033)	(839,348)
Current portion	23,216,373	25,636,846

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 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Within 6 months	15,868,026	17,013,449
Over 6 months	2,956,173	3,018,143
	<u>18,824,199</u>	<u>20,031,592</u>

Creditors totalling HK\$13,588,664,000 (31 December 2021: HK\$14,354,194,000) represent construction payables for the Group’s BOT, BOO and TOT arrangements. The construction payables are not yet due for payment.

Included in “Creditors, other payables and accrued expenses” are creditors of HK\$4,316,000 (31 December 2021: HK\$12,970,000) and HK\$79,462,000 (31 December 2021: HK\$85,758,000) due to the Group’s associate and non-controlling shareholders of non wholly-owned subsidiaries, respectively, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate or the non-controlling shareholders to their major customers.

Included in “Other payables, accrued expenses and deferred income – government grants” at 30 June 2022 are other payables of HK\$438,000 (31 December 2021: HK\$309,000) and HK\$10,388,000 (31 December 2021: HK\$11,438,000) due to the Group’s associate and non-controlling shareholders of non wholly-owned subsidiaries, respectively, which are unsecured, interest-free and repayable on demand. Included in “Other payables, accrued expenses and deferred income – government grants” at 30 June 2022 is other payable of HK\$1,261,000 (31 December 2021: HK\$1,314,000) due to a non-controlling shareholder of a non wholly-owned subsidiary, which is unsecured, interest-free and repayable within one year. Included in “Other payables, accrued expenses and deferred income – government grants” at 30 June 2022 are other payables of HK\$222,985,000 (31 December 2021: HK\$228,468,000) due to non-controlling shareholders of non wholly-owned subsidiaries, which are unsecured, interest-bearing at rates ranging from LPR to the rates announced by the People’s Bank of China and repayable on demand.

BUSINESS REVIEW AND PROSPECTS

OPERATING RESULTS

Business Overview

During the first half of 2022, volatility resulting from the resurgence of the COVID-19 pandemic (the “Pandemic”) continued to drag on the global economic recovery and worsen the long-term economic damage. The anemic economic recovery, coupled with geopolitical conflicts, soaring inflation and other challenges, has intensified changes in the global landscape and posed many challenges to various industries. However, the Chinese economy continued to show strong resilience in the face of difficulties and hardships while surmounting obstacles in the internal and external environment. With the steady effect of the economic stabilisation policy, the domestic economy has gradually stabilised, keeping pace with China’s 14th Five-year Plan. The country’s overall development has continued to improve steadily.

The 14th Five-year Plan period is a critical period for China to respond to climate change and achieve the goal of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality” (“Dual Carbons”), while also being a critical five-year period for enterprises to achieve green and low-carbon transformations. Achieving the “Dual Carbons” goal is not only an extensive and profound systemic and technology reform in economic and social aspects, but also a huge change in production and consumption patterns which involves systems, policies, industries, financial markets and other facets. In respect to the environmental protection industry, since the beginning of the year, new industry policies continued to roll out, covering the promotion of the development of zero waste cities, effort to win the battle against pollution, continued enhancement of pollution prevention and control effort through legal measures, and reform to the environmental information disclosure system in accordance with the law, with an emphasis on the strength and effectiveness of the implementation of relevant policies. By doing so, the industry is striving to pursue high-quality development from all aspects. In particular, the *Report on the Work of the Government 2022* highlighted the importance of environmental protection and the “Dual Carbons” goal, which required continuous improvement of the environment and promotion of green and low-carbon development. The report also requires the creation of a new pattern to promote economic development, enhancement of effort in pollution control and ecological protection and restoration, and effective management of relations between development and emission reduction, in an attempt to pursue harmony between humans and nature.

As a one-stop integrated environmental management service provider, during the period under review, China Everbright Environment Group Limited (the “Company” or “Everbright Environment”, together with its subsidiaries, collectively the “Group”), despite the severe external challenges, was committed to its original aspiration of carrying out “Green Business”, focused on its major businesses, and insisted on developing high-quality and efficient environmental protection projects and services to protect the living and ecological environment in various locales. At the same time, the Group closely followed the strategic deployment of China Everbright Group Ltd. (“China Everbright Group”), and focused on the 4 major areas, namely environment, resources, energy and climate. The Group focused on “Reduction of Pollution and Carbon Emissions” and “Pursuit of Synergy and Efficiency”, continued the innovation-driven development approach, and moved forward despite all pressures and difficulties. As a result, the Group steadily carried out the strategic transformation and high-quality development, solidifying its overall competitiveness and its industry-leading position.

In terms of operating results, during the period under review, the Group continued to adhere to a “steady” pace of development, focused on pursuing high-quality development, and steadily carried out various works relating to development transformation, technological innovation, corporate governance, engineering construction, operations management and others. The proportion of operation service revenue in total revenue increased significantly. Financing channels were further diversified and finance costs were well under control, with abundant capital and good results across all financial indicators.

Major operating indicators in the first half of 2022 are summarised in the table below:

	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000	Percentage Change
Revenue	21,448,683	26,495,324	-19%
EBITDA	7,047,794	8,197,532	-14%
Profit attributable to equity holders of the Company	2,811,148	3,887,378	-28%
Basic earnings per share (HK cents)	45.76	63.28	-28%

During the period under review, the Group recorded a total revenue of HK\$20,844,753,000 from its environmental energy, greentech and environmental water sectors, of which revenue from construction services decreased by 44% from the first half of 2021 to HK\$8,835,019,000, and revenue from operation services increased by 17% from the first half of 2021 to HK\$9,211,286,000. The revenue from construction services, operation services and finance income accounted for 43%, 44% and 13% of the total revenue, respectively.

In order to ensure the sustainable development of the Group and provide solid capital backing for its medium- to long-term development, the Group continued to expand its financing channels during the period under review and built up a portfolio of both long- and short-term financing tools. In addition, the Group made greater efforts to collect various types of accounts receivables, negotiated with banks to secure additional facility support, and obtained various domestic subsidies amounting to RMB184 million. As at 30 June 2022, the Group had cash on hand amounting to HK\$14.713 billion, a reasonable gearing level and healthy financial position.

The Group's major financing arrangements in the first half of 2022 are summarised in the table below:

Issue date	Financing arrangements and uses of proceeds	Issue size (RMB)
June 2022	China Everbright Water Limited (“Everbright Water”), the Company’s listed subsidiary, issued the first tranche of perpetual medium-term notes (“MTN”) in the national inter-bank bond market for the replacement of the due debts of Everbright Water and its subsidiaries.	700 million
May 2022	China Everbright Greentech Limited (“Everbright Greentech”), the Company’s listed subsidiary, issued the first tranche of perpetual MTN in the national inter-bank bond market for the repayment of interest-bearing debts of Everbright Greentech and its subsidiaries.	700 million
April 2022	The Company issued the 2022 perpetual MTN (series 1) in the national inter-bank bond market for the repayment of the Group’s interest-bearing debts.	1.5 billion

Issue date	Financing arrangements and uses of proceeds	Issue size (RMB)
April 2022	Everbright Greentech issued the 2022 green MTN (series 1) (bond connect) in the national inter-bank bond market for the repayment of interest-bearing debts of Everbright Greentech and its subsidiaries, replenishment of their working capital and/or investment and construction of their environmental protection projects and other business development purposes.	1.2 billion
April 2022	Everbright Water issued the third tranche of MTN in the national inter-bank bond market for the replenishment of working capital of Everbright Water's subsidiaries.	1 billion
January 2022	Everbright Water issued the second tranche of super & short-term commercial papers in the national inter-bank bond market for the replenishment of working capital of Everbright Water's subsidiaries.	1 billion

The Group remains dedicated to creating value for and sharing development and operation returns with the shareholders of the Company (the "Shareholders"). To reward the Shareholders for their support, the Board (the "Board") of Directors (the "Director(s)") of the Company has declared to pay an interim dividend of HK15.0 cents per share for the six months ended 30 June 2022 to the Shareholders (2021: HK19.0 cents per share).

As at 30 June 2022, the Group had a business presence in over 210 locations across 25 provinces, municipalities, autonomous regions and special administrative region in China, with overseas business markets in Germany, Poland, Vietnam and Mauritius. The Group secured a total of 540 environmental protection projects, with an aggregate investment of approximately RMB154.077 billion; it also undertook 44 environmental remediation services, 3 waste sorting services, 26 engineering, procurement and construction ("EPC") projects, 5 energy management contract ("EMC") projects and 6 operation and management ("O&M") projects. As the world's largest waste-to-energy investor and operator, the Group had a total of 178 waste-to-energy projects (including an O&M project) under its environmental energy and greentech sectors, with an aggregated designed daily household waste processing capacity of 151,200 tonnes.

During the period under review, the Group continued to consolidate its traditional business areas of waste-to-energy, water environment management, hazardous and solid waste treatment and solar energy. It also actively continued the expansion of synergistic businesses, in the face of a more competitive external market environment. In the meantime, the Group stepped up efforts to promote the development of asset-light businesses, such as waste sorting, resource recycling and energy-saving lighting. In addition, the Group established adaptive workforces to actively explore and follow up high-quality business opportunities in Hong Kong. In the first half of 2022, the Group signed 14 new projects, commanding a total investment of approximately RMB1.757 billion. It also undertook 2 environmental remediation services, 1 waste sorting service, 4 EPC projects and 2 O&M projects, with an aggregate contract value of approximately RMB161 million. In addition, the Group, during the period under review, won the bidding for multiple environmental protection projects, covering businesses such as waste-to-energy, waste water treatment, end-of-life tyre integrated utilisation, in Hubei, Hunan, Guangxi, Anhui, Yunnan and other provinces.

The major designed treatment and supply capacities of the new projects secured in the first half of 2022 are summarised as below:

Project Category	Designed Treatment/Supply Capacity
Household waste	900 tonnes/day
Food waste	990 tonnes/day
Hazardous and Solid waste	1,500 tonnes/year
Water treatment*	101,500 m ³ /day

* Including various types of water business, such as water supply, waste water treatment and reusable water.

In terms of project construction, during the period under review, the Group continued to adhere to the 7 principles of “Productivity, Efficiency, Quality, Cost-Effectiveness, Legitimacy, Safety and Integrity”. It strictly complied with the requirements of ongoing pandemic prevention and control measures in various regions, and gave full play to the dynamic management of the construction progress of each project in relation to areas of safety, quality, cost and compliance, minimising negative effect brought by the Pandemic and ensuring the orderly progress of various project construction works. In the first half of 2022, 20 projects completed construction and commenced operation, and 3 projects completed construction. 2 environmental remediation services and 3 EPC projects were completed and delivered. There were also 27 projects (including EPC projects) commenced construction and 5 services of different types began execution.

In terms of operations management, during the period under review, the Group, with a focus on “Cost Reduction and Efficiency Enhancement” and “Value Creation”, continued to uphold stringent project operations management standards. On the basis of ensuring stable operation and compliance with relevant emission standards, the Group developed its safety and environmental management system. It also proactively adopted digitalisation and intelligent management methods to further reduce operation costs, increase operation efficiency, and continuously boost revenue from operation services.

With the increasing awareness on “Carbon Reduction” worldwide and the full implementation of the national “Dual Carbons” goal, the Group has made steady progress in exploring “Reduction of Pollution and Carbon Emissions” and “Pursuit of Synergy and Efficiency”, with guidance of the “Dual Carbons” goal. The Group’s equipment manufacturing sector further optimised the rooftop solar energy facilities of its plants to enhance solar energy generation capacity to supplement the electricity demand of the plants. The waste-to-energy projects under the environmental energy sector carried out a “low-carbon steam” pilot programme, which supplies industrial steam to enterprises in industrial parks where the projects are located, effectively increasing the source of green energy in the parks. The environmental water sector further promoted its “in-plant solar energy” pilot programme to multiple projects, which further increased the portion of green energy consumed against the overall energy consumption at the projects; additionally, the sector tapped waste water recycling potential from its projects to increase source of green energy. The envirotech sector further optimised the Group’s carbon calculation model and completed calibration of the Group’s contribution of 4.98 million tonnes of greenhouse gas emission reduction in 2021; carried out technology research and development (“R&D”) relating to carbon capture, and completed the development of 100kg-level solid amine carbon dioxide (CO₂) capture materials; actively promoted the pilot development of carbon assets for the Group’s projects; promoted the development of a carbon asset management information platform and developed modules for carbon emission monitoring, data analysis and emission reduction project management and other functions, for waste-to-energy projects.

Having been deeply engaged in the environmental field for nearly two decades, the Group is well aware that high-quality environmental management and environmental disclosure are not only about the basic rights and well-being of the people, but also the responsibility of corporate citizens. During the period under review, under requirements for the on-going pandemic prevention and control, the Group leveraged its environmental protection projects of all types to launch public opening activities, which received a total of approximately 15,000 visits from domestic and overseas visitors across all sectors, in the first half of 2022. The Group’s projects also actively launched online public opening activities to further expand the scope of promotion of concepts relating to environmental protection, environmental science popularisation and sustainable development. At the project level, the Group’s Zhangjiakou Waste-to-energy Project in Hebei Province, as a safeguard project of the XXIV Olympic Winter Games Beijing 2022 (“Winter Olympics”), ensured the harmless treatment of all household waste in key control areas during the Winter Olympics. This project is also regarded as a key heart-winning project locally which properly transfers, transports and processes household waste from 6 local districts and 1 county, taking on multiple important tasks, such as safeguarding the Winter Olympics, spreading the idea of a green Olympics, and protecting the living environment of local residents.

The Group adheres to the concept of environmental protection and social responsibility, and actively promotes energy conservation and the reduction of carbon emissions and pollution, to drive the simultaneous improvement of social, economic and environmental benefits. The Group’s major environmental contributions during the period under review are summarised as below:

	Treatment Capacity	Environmental Contribution
Household waste processed	23,892,000 tonnes	Generating green electricity of 12,266,122,000 kWh. This output could support the annual electricity consumption needs of 10,222,000 households, equivalent to saving 4,906,000 tonnes of standard coal, while reducing CO ₂ emissions by 13,787,000 tonnes.
Hazardous and solid waste processed	223,000 tonnes	
Agricultural and forestry waste processed	4,266,000 tonnes	
Waste water treated	840,525,000 m ³	Reducing Chemical Oxygen Demand (“COD”) discharge of 405,000 tonnes.
Waste-to-energy plants’ leachate treated	5,168,000 m ³	

Since the Group's first environmental protection project commenced operation in 2005, its aggregate major environmental contributions are summarised as below:

	Aggregate Treatment Capacity	Aggregate Environmental Contribution
Household waste processed	192,849,000 tonnes	Generating green electricity of 92,990,151,000 kWh. This output could support the annual electricity consumption needs of 77,492,000 households, equivalent to saving 37,196,000 tonnes of standard coal, while reducing CO ₂ emissions by 93,142,000 tonnes.
Hazardous and solid waste processed	1,563,000 tonnes	
Agricultural and forestry waste processed	30,869,000 tonnes	
Waste water treated	13,802,827,000 m ³	Reducing COD discharge of 5,357,000 tonnes.
Waste-to-energy plants' leachate treated	41,040,000 m ³	

During the period under review, the Group continued to actively support and participate in various philanthropic activities relating to environmental protection education, energy conservation and carbon reduction, ecological conservation and community care. Among which, the Group was invited to participate in China's host event "5th June Environment Day" in conjunction with the "World Environment Day", and the Company's Chief Executive Officer ("CEO") was appointed the 2022 Ecological Environmental Guest Observer by the Ministry of Ecology and Environment of the PRC ("MEE"). In the meantime, the Group's projects launched various unique thematic activities around environmental protection themed festivals, such as "World Environment Day", "World Water Day" and "China Water Week", encouraging surrounding communities to pay attention to sustainable development issues, such as ecological environmental protection, energy conservation and consumption reduction, promoting the integration of projects with the local communities, and actively helping to promote the implementation of the country's "Dual Carbons" goal among in the grassroot communities. In addition, during the period when Hong Kong was severely hit by the Pandemic, internally, the Group made efforts to prevent and fight against the Pandemic to ensure the health and safety of employees in the city; and externally, it proactively organised volunteer activities to donate supplies to the local communities to help residents overcome the difficulties.

In 2022, the Group received a number of honours in recognition of its efforts and positive momentum in various aspects, including business operation, technology R&D, sustainable development and social responsibility. The major awards and recognition are summarised as below:

Category	Award/Recognition	Awarding Organisation(s)
Business model	Blue Ocean Award	Asian Development Bank
	Everbright Water shortlisted in “Top Ten Influential Enterprises in China’s Water Industry” (for the fifth consecutive year)	E20 Environmental Platform
	The Group’s Everbright Environmental Technical Equipment (Changzhou) Limited* (“Changzhou Equipment Company”) was shortlisted in the first batch of High-Quality Development Leader in the Advanced Service Sector of Jiangsu Province	Jiangsu Development & Reform Commission

* For identification purpose only

Category	Award/Recognition	Awarding Organisation(s)
Technology R&D	Everbright-Qingdao University of Technology Research Institute of Environmental Technology received CNAS certificates, being considered a laboratory recognised by the country	China National Accreditation Service for Conformity Assessment (CNAS)
	The research project of “Innovation and Application of Key Technologies for Synergy in Resource Recovery of Autotrophic Desulfurisation and Carbon Reduction of Industrial Waste Water”, in which Everbright Water (Shenzhen) Limited* participated as a key participant, received the first prize of the 2021 Environmental Protection Science and Technology Award	Environmental Protection Science and Technology Awards Committee
	Everbright Water Technology Development (Nanjing) Limited* received the first prize of the 2021 Science and Technology Award of Jiangsu Province	People’s Government of Jiangsu Province

* For identification purpose only

Category	Award/Recognition	Awarding Organisation(s)
Sustainable development	Included in the Sustainability Yearbook (the fifth time)	S&P Global
	Best in Reporting Awards	The BDO ESG Awards
	Everbright Greentech received “ESG Report of the Year”, “Best in ESG Awards” and “Best in Reporting Awards” under the Small Market Capitalisation category of the main board	The BDO ESG Awards
Social responsibility	Social Responsibility Brand of the Year (the eighth consecutive year)	China Charity Festival
	The Group’s Shandong Zibo Waste Water Treatment Project recognised as “Top Ten Opening-Up Environmental Protection Facilities in Shandong Province in 2022”	Centre for Ecological and Environmental Protection Promotion and Education of Shandong Province
	Zhejiang Quzhou Waste-to-energy Project of the Group recognised as “Top Ten Opening-Up Environmental Protection Facilities in 2022”	The MEE and the Central Office for Guiding Cultural and Ethical Progress

Business Review of Eight Business Sectors

(i) ENVIRONMENTAL ENERGY

As a core business sector of the Group, with the largest scale and biggest business portion, environmental energy covers waste-to-energy, food and kitchen waste treatment, sludge treatment and disposal, leachate treatment, fly ash treatment, methane-to-energy, construction and decoration waste treatment and the development of environmental protection industrial parks, amongst others. During the period under review, environmental energy continued to expand the scope of its industrial chain and consolidate its competitive advantage and leading position in the waste-to-energy industry.

As of 30 June 2022, environmental energy had invested in and held 237 projects, commanding a total investment of approximately RMB91.020 billion, and undertook 1 O&M project and 5 EPC projects. These projects (including an O&M project) are designed to have an annual household waste processing capacity of 50,972,250 tonnes, which is expected to generate annual on-grid electricity of 17,159,380,763 kWh, an annual food and kitchen waste processing capacity of 2,573,250 tonnes, an annual sludge treatment capacity of 394,200 tonnes.

As of 30 June 2022, environmental energy's waste-to-energy projects are summarised as follows:

Project Status	Number of projects	Designed processing capacity (tonnes/annum)
In operation*	138	45,625,000
Under construction	11	4,088,000

* including an O&M project

In terms of market development, in the first half of 2022, environmental energy actively responded to the industry adjustments and changes in the market environment, focused on both the existing and potential markets, continuously adjusted its market expansion strategies, improved its industrial chain deployment, and carried out the high-quality development of the business. During the period under review, environmental energy secured 7 new projects for a total investment of approximately RMB1.150 billion. These include 1 waste-to-energy project; 6 waste-to-energy synergistic projects involving food waste treatment, fly ash treatment, slag treatment, amongst others, which further strengthened the Group's synergistic business development strategy for waste-to-energy generation to promote the business synergy and efficiency in general. The newly secured projects contributed a designed daily household waste processing capacity of 500 tonnes and a designed daily food waste processing capacity of 990 tonnes.

In terms of project construction, during the period under review, environmental energy had 17 projects that completed construction and commenced operation, with a total designed daily household waste processing capacity of 10,650 tonnes and a designed daily food waste processing capacity of 400 tonnes. 13 projects commenced construction, with a total designed daily household waste processing capacity of 2,050 tonnes, a designed daily food waste processing capacity of 640 tonnes.

In relation to operations management, environmental energy continued to explore potential opportunities to reduce cost and increase efficiency, while increasing investment in areas related to intelligent power station. During the period under review, multiple intelligent power station related projects, such as the fieldbus technology, unattended slag hanging control system, and automated programming system (APS) solution that could start or stop relevant equipment with one single click and other innovations were implemented and took effect, significantly improving the efficiency of operations management and laying a solid foundation for further promotion of related work. In the first half of 2022, the average electricity generated per tonne of waste incinerated at environmental energy's waste-to-energy projects was approximately 470 kWh, with an integrated power consumption ratio of approximately 15%.

During the period under review, environmental energy contributed an EBITDA of HK\$4,906,602,000, a decline of 11% as compared with the first half of 2021. Environmental energy contributed a net profit attributable to the Group of HK\$2,743,173,000, a decline of 17% as compared with the first half of 2021. The decrease in profit was mainly attributable to the number of construction projects that was affected by the market during the period, which resulted in the decline in revenue and profit from construction services, and the influence of the one-off impairment provision of goodwill.

Major operating data relating to environmental energy during the first half of 2022 are summarised in the table below:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Percentage Change
Waste processing volume (tonnes)	22,175,000	18,690,000	19%
Food and kitchen waste processing volume (tonnes)	446,000	323,000	38%
On-grid electricity (MWh)	7,544,469	6,227,976	21%

(ii) GREENTECH

As of 30 June 2022, the Group held a 69.7% stake in Everbright Greentech, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Everbright Greentech focuses on integrated biomass utilisation, hazardous and solid waste treatment, environmental remediation, solar energy, wind power, amongst others. It positions itself as a leading intelligent energy supplier dedicated to “Carbon Neutrality”, as well as a prominent industrial hazardous waste treatment investor and operator in China.

As of 30 June 2022, Everbright Greentech had invested in and held 141 environmental protection projects, with a total investment of approximately RMB33.120 billion. These projects are designed to have an annual biomass raw material processing capacity of 8,089,800 tonnes, an annual household waste processing capacity of 4,215,750 tonnes, and an annual hazardous and solid waste processing capacity of 2,943,376 tonnes. These projects are expected to generate 6,992,190,013 kWh of on-grid electricity and 5,223,263 tonnes of steam supply per annum.

As of 30 June 2022, Everbright Greentech’s hazardous and solid waste treatment projects are summarised as follows:

Project status	Number of projects	Designed processing capacity (tonnes/annum)
In operation	32	1,078,400
Under construction	7	792,500

In terms of market development, in the first half of 2022, Everbright Greentech proactively “stabilised its major businesses” by maintaining its market position in traditional business areas such as hazardous and solid waste treatment and solar energy, while seeking to “promote transformation” by increasing investment in technical research and business development in areas like resource utilisation of waste tyres and bulk solid waste. During the period under review, Everbright Greentech secured 4 new projects, which commanded a total investment of approximately RMB229 million. It also undertook 2 environmental remediation services, with a total contract value of approximately RMB77.85 million. The new projects are designed to have an annual hazardous and solid waste processing capacity of 1,500 tonnes, household waste processing capacity of 146,000 tonnes, and solar power installed capacity of 3.20 megawatt (“MW”).

With respect to project construction, during the period under review, Everbright Greentech had 2 projects that had completed construction and commenced operation, in addition to 2 projects that had completed construction, contributing a designed annual hazardous and solid waste processing capacity of 180,000 tonnes and a designed solar power installed capacity of 1.15 MW. 2 environmental remediation services were completed and delivered in the first half of 2022. Besides, 7 projects commenced construction, with a designed annual household waste processing capacity of 365,000 tonnes, and a designed solar energy power installed capacity of 6.10 MW. 3 environmental remediation services started their respective remediation work in succession.

During the period under review, the Group's greentech sector contributed an EBITDA of HK\$1,334,647,000, a decrease of 18% as compared with the first half of 2021. Everbright Greentech contributed a net profit attributable to the Group of HK\$296,369,000, a decrease of 41% as compared with the first half of 2021. The profit decrease primarily due to the impact of the Pandemic in China, which resulted in the significant increase in the costs of biomass raw materials, the weak demand for hazardous and solid waste business and the continuous decrease in unit prices for hazardous and solid waste treatment.

Major operating data relating to greentech during the first half of 2022 are summarised in the table below:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Percentage Change
Waste processing volume (tonnes)	1,717,000	1,664,000	3%
Biomass raw material processing volume (tonnes)	4,266,000	3,752,000	14%
Hazardous and solid waste processing volume (tonnes)	223,000	115,000	94%
Steam supply volume (tonnes)	1,172,000	1,059,000	11%
On-grid electricity (MWh)	3,133,233	3,039,347	3%

(iii) ENVIRONMENTAL WATER

As of 30 June 2022, the Group held a 72.87% stake in Everbright Water, which is listed on the Mainboard of the Singapore Exchange Securities Trading Limited and the Main Board of the Stock Exchange. As a leading water environment management service provider in China, Everbright Water has developed a fully-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. It has also formed a full industry chain in the water business, including project investment, planning and design, technology R&D and related services, engineering and construction, operations management and integrated diagnosis.

As of 30 June 2022, Everbright Water had invested in and held 153 projects, commanding a total investment of approximately RMB28.654 billion. It also secured 4 EPC projects and 5 O&M projects. These projects (including the O&M projects) are designed to have an annual waste water treatment capacity of 2,201,497,500 m³, annual reusable water supply capacity of 102,419,000 m³, and annual water supply capacity of 310,250,000 m³.

As of 30 June 2022, Everbright Water's water projects are summarised as follows:

Project status	Number of projects	Designed water treatment capacity (m³/annum)
In operation*	132	2,106,671,000
Under construction	13	328,500,000

* including O&M projects

In terms of market development, in the first half of 2022, Everbright Water continued to concentrate on its major business areas, leveraging its existing business strengths, emphasising its service capability, and bolstering its asset-light business deployment. Moreover, Everbright Water explored the “water-related” business to expand its development vision. During the period under review, Everbright Water secured 2 projects, with a total investment of approximately RMB361 million, and also undertook 2 O&M projects. The new projects (including the O&M projects) are designed to have a daily waste water treatment capacity of 70,000 m³, daily reusable water supply of 30,000 m³, and daily leachate treatment capacity of 1,500 m³.

In terms of project construction, during the period under review, Everbright Water had 1 project that completed construction and commenced operation, with a total designed daily water treatment capacity of 40,000 m³; 3 projects commenced construction, with a total designed daily water treatment capacity of 20,000 m³.

In terms of operations management, during the period under review, Everbright Water actively followed China's "Dual Carbons" strategic goal. It exploited the potential of its existing businesses and enhanced operational efficiency. Since the launch of the "in-plant solar power" pilot programme in 2021, 6 sets of solar power generation facilities were installed at multiple projects with an additional installed capacity of 14 MW, which supplemented electricity needs of the project areas. In the first half of 2022, a total of 3 waste water treatment plants of Everbright Water received regulatory approval for tariff hikes, ranging between 3% and 36%.

During the period under review, the Group's environmental water sector contributed an EBITDA of HK\$1,067,376,000, a 2% decrease compared with the first half of 2021. Environmental water contributed a net profit attributable to the Group of HK\$379,386,000.

Major operating data relating to environmental water during 2022 are summarised in the table below:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Percentage Change
Waste water treatment volume ('000 m ³)	840,525	803,357	5%

(iv) EQUIPMENT MANUFACTURING

As China's backbone environmental protection equipment R&D and manufacturing provider, the Group's equipment manufacturing sector leverages Changzhou Equipment Company as the main platform to actively establish a new development paradigm that integrates traditional and new businesses. The sector also explored the development of zero-carbon plants, which further solidified its industry-leading position.

In terms of market expansion, during the period under review, equipment manufacturing signed 9 external sales contracts and sold 8 sets of equipment to external markets, including 5 sets of grate furnaces and 3 sets of leachate treatment systems. It secured contracts relating to the external sale of complete sets of equipment, which amounted to a total contract value of RMB154 million. In the consumer market, positive progress was made on the sales of the sector's water purifier products.

In terms of equipment supply and services, during the period under review, equipment manufacturing commenced 11 service items, spanning 10 provinces, municipalities and autonomous regions in China. It provided 11 sets of grate furnaces to projects of the Group and external customers, which have a designed daily waste processing capacity of 5,300 tonnes in total. In addition, it sold 54 sets of equipment, covering grate furnace systems and leachate treatment systems.

In terms of after-sales services, during the period under review, equipment manufacturing signed 46 contracts in relation to external after-sales services, worth a total contract value of approximately RMB21.21 million. Throughout the first half of 2022, equipment manufacturing provided 115 after-sales service projects, including 81 internal ones and 34 external ones.

During the period under review, equipment manufacturing continued to promote technology R&D and carried out a number of research projects, covering equipment, technologies and processes. The domestic selective catalytic reduction (SCR) technology was successfully applied to the Group's environmental protection projects in Zhejiang Province with satisfactory results. The Group completed installation of the main equipment of the medical waste incineration technology in its environmental protection projects in Sichuan Province. The higher heating value water-cooled grate furnace system was successfully implemented in the Group's environmental protection projects in Anhui, Jiangsu and Sichuan Provinces, with installation and trial run of the equipment being gradually carried out. The R&D work of a set of equipment on solid waste treatment (processing capacity below 200 tonnes/day) was carried out in an orderly manner.

With respect to development of zero-carbon plants, equipment manufacturing conducted systematic carbon emission calculation, statistics and evaluation for the Changzhou Equipment Company during the period under review, and further optimised the layout of the solar energy facilities that had already been built on the roof of its plants to enhance energy conservation and emission reduction efficiency.

(v) ECO-RECYCLING

The Group's eco-recycling sector closely follows the "Five Points in One Line" process model for waste sorting, with a focus on 3 main business areas, namely waste sorting and zero-waste cities, environmental sanitation integration, and resource recycling. Striving to expand markets, the sector has positioned itself as a first-class investor and operator in waste sorting and resource recycling across China.

During the period under review, eco-recycling undertook every effort to manage the impact of the Pandemic while continuing to boost its effort in market expansion with a focus on the 3 main business areas. The Group secured Jiangsu Yancheng Renewable Resources Project and undertook public restroom operation and maintenance service for the Miaogang of Qidu Town in the Wujiang District of Suzhou City, laying a solid foundation for the subsequent implementation of the environmental sanitation integration in Qidu town. In addition, it undertook the food and kitchen waste collection and transferring project in the Huaiyin District of Ji'nan City, Shandong Province, helping to achieve synergy at the back end with the Group's kitchen waste treatment project in Ji'nan, which is of big significance for the Group to carry out the collection and transferring of food waste and household waste in the future in Ji'nan. In addition, during the period under review, eco-recycling closely followed up on business opportunities involving waste sorting and environmental sanitation integration in Anhui, Jiangsu, Hubei, Guizhou, Yunnan and other provinces.

(vi) GREENERGY

The Group's greenergy sector adheres to the development philosophy of "Green, Healthy and Intelligent" lighting, with its business covering R&D, design, manufacturing and sales of energy-saving healthy lighting products, as well as software and hardware products relating to the development of smart cities that are based on greenergy's intelligent light poles. Greenergy aims to provide lighting services for urban streets, tourism sites and education purposes, as well as for the development of intelligent industrial parks and smart cities. The sector is dedicated to becoming a leading integrated service provider specialised in energy-saving lighting and the development of smart cities in China.

In terms of market expansion, during the period under review, greenery signed 3 energy-saving lighting projects based on an EPC model in Ji'nan and Linyi Cities, with a contract value of approximately RMB16.80 million. The sector also signed 35 contracts for the direct sales of the Everbright New Sodium Lamps and other lighting products, with a contract value of approximately RMB4.55 million.

In terms of construction work, during the period under review, 2 EPC projects completed construction and 3 EPC projects commenced construction in an orderly manner. In addition, greenery Intelligent Industrial Park completed construction, with the aim to become greenery's national R&D and production base and a world-leading R&D and production base of green lighting products. The industrial park will be committed to innovation to facilitate the development of the lighting industry.

In terms of product R&D, during the period under review, greenery carried out optimisation and upgrading of management systems and functions relating to its core products. The intelligent industrial park management platform has integrated the "Dual Carbons" management and other functions and successfully commenced trial run at Greenergy Intelligent Industrial Park. The smart light poles management platform and system were applied in multiple projects. The smart gateway themes, single lamp controller, centralised controller and prefabricated equipment compartment with independent intellectual property rights began production and were applied in multiple projects. More function modules and types of products were added to the study desktop lamps and classroom lamps, which were also used by multiple projects of the Group.

(vii) ENVIROTECH

Being the Group's technology R&D and innovation engine, the envirotech sector has been leveraging its "Four-in-One" technological innovation and R&D layout with platforms in Hong Kong, Shenzhen, Nanjing and Qingdao City, to foster and accelerate the Group's strategic transformation, structure optimisation and new business development. The sector aims to become a global platform dedicated to green technological innovation and conversion.

In terms of R&D layout, during the period under review, envirotech focused on the development of traditional business, new business and the future development needs, while promoting R&D work, with relevant R&D works covering various technological fields such as energy-saving and efficiency-enhancing technologies for waste-to-energy plants, advanced leachate treatment systems, core technologies relating to intelligent internet of things, satellite remote sensing carbon monitoring technologies, waste plastic pyrolysis technologies, efficient biomass pyrolysis and gasification technologies and technologies and equipment for waste incineration at small scales, which helped to build up momentum and provide technical support for the Group's business development.

With a focus on China's "Dual Carbons" strategic goals, during the period under review, envirotech continued to optimise the Group's carbon calculation model; completed 6 pilot carbon monitoring projects by the MEE; actively promoted the development of carbon assets for the Group's environmental protection projects; and developed a carbon asset management information platform with phased results. In addition, envirotech has established the Frontier Technology Research Centre to explore the frontier directions related to clean energy substitution technologies, non-fossil raw material substitution technologies, waste high-value technologies, carbon capture and utilisation technologies and others, actively promoting the green and low-carbon transformation of the Group.

The Group's major technology R&D progress and results in the first half of 2022 are summarised as follows:

Business area	Research Results/Topics
Waste-to-energy	<ul style="list-style-type: none">• Waste leachate distillation nitrogen removal and ammonia nitrogen resource reduction technology passed the technology achievement appraisal and has reached the international advanced level.• The research and optimisation of wet de-acidification technology has been applied and demonstrated in the Group's environmental protection project in Suzhou City.• The application of anaerobic membrane bioreactor (MBR) for waste leachate treatment has been demonstrated in the Group's environmental protection project in Suzhou City.

Business area	Research Results/Topics
Intelligent control	<ul style="list-style-type: none"> The intelligent control system for waste-to-energy incineration has been gradually applied in more than 30 projects of the Group and promoted to external projects in collaboration with the equipment manufacturing sector.
Solid waste treatment	<ul style="list-style-type: none"> The research on fluoroplastic heat exchanger has been applied and demonstrated in the Group's environmental protection project in Suzhou City.
Biomass utilisation	<ul style="list-style-type: none"> A diversified biomass gasification process with better economic and technical feasibility has been developed, which can be used as an effective supplement to direct-combustion power generation.
Environmental sanitation integration	<ul style="list-style-type: none"> The demands and design work of the environmental sanitation integration platform were completed, which will provide relevant services to support the waste separation and sorting centre established by the eco-recycling sector.

As of 30 June 2022, patents that were granted to the Group are summarised in the table below:

	First half of 2022	As of 30 June 2022 (accumulated)
Granted patents	175	1,495
Invention patents	18	152
Utility patents	132	1,110
Software copyright licences	13	197
Appearance patents	12	36
Major technical essays	–	72

(viii) ENVIRONMENTAL PLANNING

The Group's environmental planning sector leverages the Everbright Ecological and Environmental Planning and Design Institute (the "Institute") as the main platform, focusing on environmental protection and energy. It strives to build core technological capabilities, explore diversified business operations, enhance technical capabilities, and expand the business scope and industry chain. The Institute leverages its strengths to gradually develop an integrated engineering consultancy service system, with the aim of becoming a first-class planning and design institute in China.

In terms of business expansion, during the period under review, the Institute continued to actively strive to meet the needs of the Group's other business sectors and undertake relevant services, while further strengthening its ability for market expansion and deployment. It signed multiple internal and external service contracts in the field of consulting and design, EPC and other fields, with a total contract value of approximately RMB93 million.

In terms of capacity enhancement, during the period under review, the Institute was involved in the uptake and application of new technologies in various environmental protection fields, including ultra-low emission retrofitting technologies, ultra-high pressure reheat unit design, solid waste resource recovery technologies and leachate testing capability. In response to the Group's project construction needs, the Institute focused on design enhancement of the steel structures, and for the first time, the steel structure design of the Group's waste-to-energy project in Shihezi, Xinjiang Uygur Autonomous Region, was launched independently.

BUSINESS PROSPECTS

In the second half of 2022, the global economy is expected to face attacks caused by various factors, such as the stagflation, resurgence of the Pandemic, and the emergence of a new round of trade protectionism, which will exacerbate the challenges of recovery, continuing the unprecedented changes in a century. With accelerated changes to the world, China's economy is expected to continue releasing signs of recovery and demonstrating its strong development resilience, in spite of various pressure.

In terms of the ecology and environment, China has demonstrated its tenacity and step-by-step approach in fighting the battle against pollution, promoting the “Dual Carbons” goal, and facilitating the progress of green and low-carbon development. In April 2022, the Central Committee of the Communist Party of China (CPC) and the State Council of the PRC issued the *Opinions on Accelerating the Construction of a Unified National Market*, which specifically mentions green development and proposes the development of a unified national energy market. Under the premise of effectively ensuring energy security supply, combined with the task of achieving the carbon emission peak and carbon neutral targets, the establishment of a national energy market will be promoted in an orderly manner, and the development of a nationwide unified ecological and environmental market will be cultivated. In May 2022, the Ministry of Finance of the PRC issued the *Opinions on Fiscal Support for Carbon Emission Peak and Carbon Neutral Work*, which calls for strengthening the coordination of fiscal resources, optimising the structure of fiscal expenditures, increasing support for the carbon emission peak and carbon neutral work, and supporting the development of low-carbon industries such as green energy and “zero-waste cities”. Although the environmental protection industry is under adjustment and facing challenges such as increasingly saturated traditional markets, new markets that are yet to develop rapidly, intensified industry competition and tightened regulation, it is also engaged in a critical period when the country promotes the comprehensive green transformation at economic and social aspects and the fundamental improvement of the ecology and environment quality, which requires careful study and judgment, and expansion of ideas and practical work in order to seize the development opportunities.

As a leader in the fields of ecology and environment, a dedicated participant in the development of a circular economy and the sustainable development, the Group will adhere to its corporate mission of being “Devoted to Ecology and Environment for a Beautiful China” and the corporate pursuit of “Creating better investment value and undertaking more social responsibility”. With the goal of better fulfilling demands for better environmental protection services and products by the country, society and individuals, the Group will uphold the tone of “Progress with Stability” for all work, adhere to the innovation-driven development approach, identify its target customers and position its market expansion, solidify and further expand the width, length and depth of its traditional business areas, promote concurrent development of asset-light and asset-heavy businesses, enhance synergy among different business areas, and continue to optimise its revenue structure. By doing so, the Group is pursuing a high-quality and sustainable development path to further solidify its industry-leading position. The Group believes that under the strategic guidance and full support of China Everbright Group and the Board, it will be able to actively seize the new round of industry development opportunities driven by the “Dual Carbons” goal and work together with all staff of the Group to build consensus, stay confident, work hard and pragmatically with joint efforts and strive towards the goal of developing the Group into a world-renowned ecological and environmental group, while serving the relevant national strategies with a higher vision and longer-term perspective.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 30 June 2022, the Group’s total assets amounted to approximately HK\$200,011,797,000 with net assets amounting to HK\$66,073,606,000. Net asset value per share attributable to equity holders of the Company was HK\$8.196 per share, representing a decrease of 3% as compared to HK\$8.429 per share as at the end of 2021. As at 30 June 2022, gearing ratio (calculated by total liabilities over total assets) of the Group was 67%, representing a decrease of 1 percentage point as compared with that of 68% as at the end of 2021.

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 2022, the Group had cash and bank balances of HK\$14,712,551,000, representing a decrease of 6% as compared to HK\$15,604,986,000 at the end of 2021. Most of the Group’s cash and bank balance, representing approximately 98%, 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 2022, the Group had outstanding interest-bearing borrowings of HK\$99,537,999,000, representing a similar level as compared to HK\$99,125,664,000 as at the end of 2021. The borrowings included secured interest-bearing borrowings of HK\$46,346,578,000 and unsecured interest-bearing borrowings of HK\$53,191,421,000. The borrowings are mainly denominated in Renminbi, representing approximately 65% of the total, and the remainder is denominated in Hong Kong dollars, US dollars, EURO and Polish zloty. Most of the borrowings are at floating rates. As at 30 June 2022, the Group had banking facilities of HK\$120,492,496,000, of which HK\$34,569,315,000 have not been utilised. The banking facilities are of 1 to 18-year 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 98% 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 adopting proper financial instruments to closely manage foreign exchange risks.

PLEDGE OF ASSETS

Certain banking facilities and lease liabilities 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 2022, the aggregate net book value of pledged assets and equity interests in subsidiaries amounted to approximately HK\$103,907,609,000.

COMMITMENTS

As at 30 June 2022, the Group had purchase commitments of HK\$3,531,206,000 outstanding in connection with the construction contracts.

CONTINGENT LIABILITIES

As at 30 June 2022, the Company granted financial guarantee to its subsidiaries. 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 2022 for the provision of the guarantee was HK\$647,311,000.

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 Group’s management holds Management Decision Committee meeting(s) 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 Group 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 strictly comply with the relevant internal control requirements.

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 its risk management and 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” and strictly complied with the relevant national laws and regulations. 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 inspections for potential safety hazards to ensure all projects, whether under construction or in operation, strictly complied 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 economic benefits. Besides, the Group continued to move forward with 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 more efforts into safety management of construction projects 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. We believe that realizing the full potential of our employees is crucial to our long-term business growth. The Group continued to improve its human resources through internal training as well as community, overseas and on-campus recruitment.

During the period under review, in response to the Pandemic, training of the Group was adjusted to live and video training programmes. Training courses in relation to safety and environmental management, procurement management, and annual and quarterly reviewing meetings were held to enhance management's and staff's general competence.

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

To continue to improve the policy related to evaluation and integrity, the Group issued the *Policy of Evaluation Method, Anti-Corruption, Anti-Bribery and Anti-Money Laundering Policy*.

As at 30 June 2022, the Group had approximately 11,600 employees. Details of the employee benefit expense for the period under review are set out in note 5 to consolidated financial statements in the 2022 interim report. 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 accounts receivable risk, strategic transformation and market competition risk, environmental compliance and safety management risk, staff turnover risk, procurement compliance risk, cost control risk, policy changing risk and construction project management risk, the details of which will be set out in the 2022 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 Asian Development Bank and other best practices worldwide. The ESMS covers the entire project cycle from the early-stage planning and design to the final-stage operation and contains requirements in the fields of environmental and social impact screening and categorisation, resettlement, indigenous peoples, environmental impact assessment, information disclosure, public participation, gender equality, due diligence and review, and monitoring and reporting. The system ensures the Group’s operational activities comply with the international environmental and social safeguard principles and requirements.

The Group has fully implemented the environmental, safety, health and social responsibility (“ESHS”) management system since 2016 to further improve the implementation of supervision system in business operation. The system comprises management standards to provide procedural guidelines on significant ESHS issue identification, auditing, incident investigation and reporting, occupational injury treatment, and contractor ESHS management. The implementation of the system has not only promoted sustainable development within the Group, but also extended its safety culture and relevant policies to the whole 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), local standards, 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 flue gas continuously monitored parameters are well below the respective emissions 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), local standards, as well as other requirements as set forth in the environmental impact assessment reports approved by the local government.

The Group continued proactively and timely disclosing emissions data and environmental management information of its projects on Everbright Environment's corporate website, including the daily average values of the 5 indicators of flue gas and furnace temperature data from the operation of waste-to-energy projects have been connected to the automatic monitoring data information disclosure platform of the MEE: <https://ljgk.envsc.cn/index.html>. The Group was also devoted to improving the information sharing platforms which connect 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 projects to the stakeholders.

THE IMPACT OF THE PANDEMIC

Under the normalization of the Pandemic, the Group has given full consideration to all the pandemic-related risks as well as prevention and control measures in its daily operation. With the joint efforts of the management and all employees, the Group made efforts to prevent and control the pandemic, and completed various production and operation tasks in an orderly manner. The Group also made a donation of HK\$1.95 million in the name of China Everbright Group's companies in Hong Kong and actively set up volunteer teams to support frontline workers in fighting against the pandemic in Hong Kong. In response to the resurgence of the pandemic in various provinces and cities in China this year, the Group reiterated its requirements for all business units to make arrangements for internal staff and personnel of contractors to properly implement pandemic prevention and responsive measures based on the requirements of local governments and actual work conditions. Such measures include minimising the flow of people, reserving sufficient materials for production, daily lives and pandemic prevention, paying attention to employees' health conditions, providing sufficient protection for the employees, and ensuring safe and stable production of projects as well as compliance with relevant emission standards.

CORPORATE GOVERNANCE

Compliance with the CG Code

The Group upholds the management principle of “People-oriented, Pragmatism, Creativity and Systematic Management”. The Board firmly believes that high-quality, comprehensive and high-level corporate governance is the cornerstone of the Group, which can create long-term value for the Group and is vital to the sustainable development of the Group. It can also safeguard the interests of the Shareholders and other stakeholders of the Company, including but not limited to customers, suppliers, employees and the general public. The Board and management strive to maintain high-level corporate governance standards, and continue to strengthen corporate governance, internal control and risk management systems through a series of rules, regulations and policies, and actively improve transparency and accountability. The Company strictly complies with the laws and regulations of the places where it operates, and complies with the applicable guidelines and rules issued by the regulatory authorities. The Board will continue to monitor and review the Company’s corporate governance practices to further enhance corporate governance.

The Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) has 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 2022. The Company will continue to commit to enhancing its corporate governance appropriate to the conduct and growth of its business, and to reviewing from time to time 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 2021 annual report published in April 2022 for more information on the Company’s corporate governance practices.

THE BOARD

The Board currently comprises 5 Executive Directors and 4 Independent Non-executive Directors (“INED(s)”). List of Directors and their Role and Function is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEx”). The number of INEDs represents not less than one-third of the Board as required under the Listing Rules, at least one of whom possesses appropriate professional qualifications or accounting or related financial management expertise. INEDs provide the Group with diversified experience and professionalism. Their advice and views as well as participation in the Board and Board committee meetings bring independent views, advice and judgements on issues relating to the strategy and development of the Group, business operation and performance, risk control, internal controls and conflict of interests, etc., to ensure the Shareholders’ interests are taken into consideration.

BOARD COMMITTEES

Currently, the Board has established 5 Board committees, namely the Audit Committee, Risk Management Committee (the “Risk Management Committee”), Nomination Committee (the “Nomination Committee”), Remuneration Committee (the “Remuneration Committee”) and Disclosure Committee (the “Disclosure Committee”), with specific written terms of reference which deal clearly with their respective authorities and duties:

1. Audit Committee

The Audit Committee currently comprises 3 INEDs, namely Ms. Li Shuk Yin, Edwina (chairman), Mr. Fan Yan Hok, Philip and Mr. Zhai Haitao. Its primary responsibilities include but not limited to review 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, and to oversee the relationship between the Company and EY, the external auditor of the Company, etc. The terms of reference of the Audit Committee have been established in writing and are available on the websites of the Company and HKEx.

2. Risk Management Committee

The Risk Management Committee currently comprises 3 INEDs, namely Mr. Fan Yan Hok, Philip (chairman), Mr. Suo Xuquan and Ms. Li Shuk Yin, Edwina, Mr. Luan Zusheng, the Executive Director and the CEO, Mr. An Xuesong, the Executive Director, the Vice President and the Chief Financial Officer (“CFO”), and Ms. Guo Ying, the General Manager of Internal Audit Department and Risk Management Department of the Company. Its primary responsibilities include but not limited 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 have been established in writing.

3. Nomination Committee

The Nomination Committee currently comprises Mr. Huang Haiqing, the Executive Director and the Chairman of the Board (chairman), and all the 4 INEDs, namely Mr. Fan Yan Hok, Philip, Mr. Zhai Haitao, Mr. Suo Xuquan and Ms. Li Shuk Yin, Edwina. Its primary responsibilities include but not limited to review annually the structure, size and composition (including the skills, knowledge and experience) of the Board, to review and report the Board diversity to the Board, to assess the independence of the INEDs, to make recommendations to the Board on the appointment or re-appointment or re-designation of Directors, by taking into account the *Board Diversity Policy* and the *Nomination Policy* to make recommendations to the Board on the appointment or re-appointment of the senior management, and to assess 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 have been established in writing and are available on the websites of the Company and HKEx.

4. Remuneration Committee

The Remuneration Committee currently comprises Mr. Zhai Haitao, the INED (chairman), Mr. Huang Haiqing, the Executive Director and the Chairman of the Board, and 3 other INEDs, namely Mr. Fan Yan Hok, Philip, Mr. Suo Xuquan and Ms. Li Shuk Yin, Edwina. Its primary responsibilities include but not limited to determine, with delegated responsibilities by the Board, the remuneration packages of the individual Executive Directors and senior management of the Company. The terms of reference of the Remuneration Committee have been established in writing and are available on the websites of the Company and HKEx.

5. Disclosure Committee

The Disclosure Committee currently comprises Mr. Luan Zusheng, the Executive Director and the CEO (chairman), Mr. Hu Yanguo, the Executive Director and the Vice President, Mr. Qian Xiaodong, the Executive Director and the Vice President, and Mr. An Xuesong, the Executive Director, the Vice President and the CFO, as well as 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 have been established in writing.

Other than the 5 Board committees above, the Company has established the Management Decision Committee which is responsible for the day-to-day administration, operation and management of the business and affairs of the Group. Its primary responsibilities include but not limited to review the Group's major decisions, major personnel appointment and removal, major project arrangements, as well as the arrangements of large capital amount, and to review and formulate the Group's development strategies and goals, long term business development plans, directions, policies and guidelines, etc. The Management Decision Committee also takes charge of reviewing the investment projects of the Group, after being recommended by the Project Advisory Committee. For project risk management and project technological risk management, the Group has set up the 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 of the projects. 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules 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 throughout their tenure during the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board has declared payment of an interim dividend of HK15.0 cents per share (2021: HK19.0 cents per share) for the six months ended 30 June 2022, payable to the Shareholders whose names appear on the register of members of the Company (the “Register of Members”) on Friday, 9 September 2022. The interim dividend will be paid to the Shareholders on or around Thursday, 6 October 2022.

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, 7 September 2022 to Friday, 9 September 2022, 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, 9 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 6 September 2022.

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

During the six months ended 30 June 2022, 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 RESULTS

The Audit Committee has reviewed the interim financial results of the Company for the six months ended 30 June 2022 for the Board's approval.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.cebenvironment.com/en/ir/announcements.php) and HKEx (www.hkexnews.hk). The 2022 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 Environment Group Limited
Huang Haiqing
Chairman of the Board

Hong Kong, 17 August 2022

As at the date of this announcement, the Board comprises: (i) five Executive Directors, namely Mr. Huang Haiqing (Chairman of the Board), Mr. Luan Zusheng (Chief Executive Officer), Mr. Hu Yanguo (Vice President), Mr. Qian Xiaodong (Vice President) and Mr. An Xuesong (Vice President and Chief Financial Officer); and (ii) four Independent Non-executive Directors, namely Mr. Fan Yan Hok, Philip, Mr. Zhai Haitao, Mr. Suo Xuquan and Ms. Li Shuk Yin, Edwina.