

Singapore Exchange Securities Trading Limited, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA EVERBRIGHT WATER LIMITED

中國光大水務有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- Revenue increased by 12% to HK\$3,478,939,000 (1HFY2021: HK\$3,112,935,000)
- EBITDA increased slightly by 1% to HK\$1,066,673,000 (1HFY2021: HK\$1,059,125,000)
- Profit before tax decreased by 12% to HK\$691,633,000 (1HFY2021: HK\$783,318,000)
- Profit attributable to equity holders of the Company decreased by 5% to HK\$520,056,000 (1HFY2021: HK\$548,178,000)
- Interim dividend of HK5.45 cents (equivalent to 0.98 Sing cent) per ordinary share (1HFY2021: HK5.75 cents (equivalent to 1.01 Sing cents) per ordinary share)

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Everbright Water Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (“1HFY2022” or the “Review Period”), together with the comparative figures for the six months ended 30 June 2021 (“1HFY2021”). The interim financial results are unaudited, but have been reviewed by Ernst & Young LLP, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the International Auditing and Assurance Standards Board. Ernst & Young LLP’s report on review of the interim financial information is included as the Appendix to this announcement. The report does not have any qualification, disclaimer of opinion, adverse opinion or emphasis of matters. The interim financial results have also been reviewed by the Company’s Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>	Increase/ (decrease) %
	<i>Notes</i>			
REVENUE	4	3,478,939	3,112,935	12%
Direct costs and operating expenses		<u>(2,258,975)</u>	<u>(1,873,384)</u>	21%
Gross profit		1,219,964	1,239,551	(2%)
Other income and gains, net	5	23,320	144	NM
Administrative and other operating expenses		(322,235)	(249,746)	29%
Finance income	6	14,510	10,911	33%
Finance costs	6	(256,698)	(212,533)	21%
Share of profits and losses of associates		<u>12,772</u>	<u>(5,009)</u>	NM
PROFIT BEFORE TAX	7	691,633	783,318	(12%)
Income tax	8	<u>(141,096)</u>	<u>(206,184)</u>	(32%)
PROFIT FOR THE PERIOD		<u>550,537</u>	<u>577,134</u>	(5%)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of functional currency to the presentation currency		<u>(757,251)</u>	<u>355,026</u>	(313%)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		<u>(757,251)</u>	<u>355,026</u>	(313%)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(206,714)</u>	<u>932,160</u>	(122%)

NM – Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)**For the six months ended 30 June 2022*

	1HFY2022 (Unaudited) <i>Notes</i> HK\$'000	1HFY2021 (Unaudited) <i>HK\$'000</i>	Increase/ (decrease) %
PROFIT ATTRIBUTABLE TO:			
Equity holders of the Company	520,056	548,178	(5%)
Holders of perpetual capital instruments	1,302	–	NM
Non-controlling interests	29,179	28,956	1%
	<u>550,537</u>	<u>577,134</u>	(5%)
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Equity holders of the Company	(184,799)	880,339	(121%)
Holders of perpetual capital instruments	1,302	–	NM
Non-controlling interests	(23,217)	51,821	(145%)
	<u>(206,714)</u>	<u>932,160</u>	(122%)
EARNINGS PER SHARE ATTRIBUTABLE			
TO EQUITY HOLDERS OF THE COMPANY 10			
– Basic and diluted	<u>HK18.18 cents</u>	<u>HK19.16 cents</u>	(5%)

NM – Not meaningful

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2022

		Group		Company	
		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment		1,017,040	1,043,532	-	-
Right-of-use assets		100,575	104,372	-	-
Investment properties		11,960	12,468	-	-
		1,129,575	1,160,372	-	-
Intangible assets		2,538,627	2,280,920	-	-
Goodwill		1,469,564	1,531,576	-	-
Interests in subsidiaries		-	-	11,164,904	11,505,621
Interests in associates		12,680	231	-	-
Other receivables	11	629,044	771,809	-	-
Contract assets	12	19,512,248	19,750,324	-	-
Other financial assets	13	-	36,122	-	-
Deferred tax assets		4,645	6,127	-	-
Total non-current assets		25,296,383	25,537,481	11,164,904	11,505,621
CURRENT ASSETS					
Inventories		60,638	70,189	-	-
Trade and other receivables	11	3,367,241	2,866,254	10,719,891	8,483,239
Contract assets	12	2,011,293	1,990,466	-	-
Other financial assets	13	237,716	222,880	202,758	222,880
Cash and cash equivalents	14	3,541,467	2,281,986	41,320	134,962
Total current assets		9,218,355	7,431,775	10,963,969	8,841,081

STATEMENTS OF FINANCIAL POSITION *(continued)*

As at 30 June 2022

		Group		Company	
		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>				
CURRENT LIABILITIES					
Trade and other payables	15	3,040,487	3,215,673	143,104	147,539
Borrowings		3,409,986	3,392,028	2,785,339	2,897,360
Tax payable		77,628	78,274	-	-
Lease liabilities		7,286	5,234	-	-
Total current liabilities		<u>6,535,387</u>	<u>6,691,209</u>	<u>2,928,443</u>	<u>3,044,899</u>
NET CURRENT ASSETS		<u>2,682,968</u>	<u>740,566</u>	<u>8,035,526</u>	<u>5,796,182</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,979,351</u>	<u>26,278,047</u>	<u>19,200,430</u>	<u>17,301,803</u>
NON-CURRENT LIABILITIES					
Borrowings		12,392,624	11,049,910	7,567,586	6,047,143
Deferred tax liabilities		1,993,424	2,063,737	-	-
Lease liabilities		727	1,168	-	-
Total non-current liabilities		<u>14,386,775</u>	<u>13,114,815</u>	<u>7,567,586</u>	<u>6,047,143</u>
NET ASSETS		<u>13,592,576</u>	<u>13,163,232</u>	<u>11,632,844</u>	<u>11,254,660</u>
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	16	2,860,877	2,860,877	2,860,877	2,860,877
Reserves		8,628,939	9,009,206	7,963,683	8,393,783
		<u>11,489,816</u>	<u>11,870,083</u>	<u>10,824,560</u>	<u>11,254,660</u>
Perpetual capital instruments		808,284	-	808,284	-
Non-controlling interests		1,294,476	1,293,149	-	-
TOTAL EQUITY		<u>13,592,576</u>	<u>13,163,232</u>	<u>11,632,844</u>	<u>11,254,660</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity holders of the Company										
	Share capital	Share premium	Foreign currency translation reserve	Statutory reserve	Contributed surplus reserve	Other reserves	Retained earnings	Total	Perpetual capital instruments	Non-controlling interests	Total equity
	(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	(Unaudited) HK\$'000
Group											
At 1 January 2022	2,860,877	1,599,765	598,589	578,129	1,229,302	8,203	4,995,218	11,870,083	-	1,293,149	13,163,232
Profit for the period	-	-	-	-	-	-	520,056	520,056	1,302	29,179	550,537
Foreign currency translation differences	-	-	(704,855)	-	-	-	-	(704,855)	-	(52,396)	(757,251)
2021 final dividend declared	-	-	-	-	-	-	(195,468)	(195,468)	-	-	(195,468)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	-	806,982	-	806,982
Capital contribution received by a non wholly-owned subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	24,544	24,544
At 30 June 2022	2,860,877	1,599,765	(106,266)	578,129	1,229,302	8,203	5,319,806	11,489,816	808,284	1,294,476	13,592,576
At 1 January 2021	2,860,877	1,599,765	125,211	524,810	1,229,302	8,203	4,186,125	10,534,293	-	871,566	11,405,859
Profit for the period	-	-	-	-	-	-	548,178	548,178	-	28,956	577,134
Foreign currency translation differences	-	-	332,161	-	-	-	-	332,161	-	22,865	355,026
2020 final dividend declared	-	-	-	-	-	-	(173,266)	(173,266)	-	-	(173,266)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	327,656	327,656
Dividend declared to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	(8,587)	(8,587)
At 30 June 2021	2,860,877	1,599,765	457,372	524,810	1,229,302	8,203	4,561,037	11,241,366	-	1,242,456	12,483,822

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity holders of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Contributed surplus reserve	Other reserves	Retained earnings	Total	Perpetual capital instruments	Total equity
	(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
Company									
At 1 January 2022	2,860,877	389,715	(165,782)	7,639,082	64,953	465,815	11,254,660	-	11,254,660
Profit for the period	-	-	-	-	-	208,888	208,888	1,302	210,190
Foreign currency translation differences	-	-	(443,520)	-	-	-	(443,520)	-	(443,520)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	806,982	806,982
2021 final dividend declared	-	-	-	-	-	(195,468)	(195,468)	-	(195,468)
	<u>2,860,877</u>	<u>389,715</u>	<u>(609,302)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>479,235</u>	<u>10,824,560</u>	<u>808,284</u>	<u>11,632,844</u>
At 30 June 2022									
At 1 January 2021	2,860,877	389,715	(508,101)	7,639,082	64,953	184,693	10,631,219	-	10,631,219
Profit for the period	-	-	-	-	-	194,284	194,284	-	194,284
Foreign currency translation differences	-	-	247,594	-	-	-	247,594	-	247,594
2020 final dividend declared	-	-	-	-	-	(173,266)	(173,266)	-	(173,266)
	<u>2,860,877</u>	<u>389,715</u>	<u>(260,507)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>205,711</u>	<u>10,899,831</u>	<u>-</u>	<u>10,899,831</u>
At 30 June 2021									

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	<i>Notes</i>	1HFY2022 (Unaudited) HK\$'000	1HFY2021 (Unaudited) HK\$'000
Cash flows from operating activities			
Profit before tax		691,633	783,318
Adjustments for:			
Depreciation of property, plant and equipment	7	29,234	21,602
Depreciation of right-of-use assets	7	7,010	6,080
Amortisation of intangible assets	7	82,098	35,592
(Gain)/loss on disposals of property, plant and equipment	7	(222)	5,673
Finance costs	6	256,698	212,533
Interest income	6	(14,510)	(10,911)
Share of profits and losses of associates		(12,772)	5,009
Fair value changes of other financial assets, net	5	11,078	16,888
Provision for impairment of trade receivables, net	7	124,000	21,808
Provision for impairment of other receivables	7	17,420	5,459
Provision for impairment of contract assets	7	974	2,275
Impairment of intangible assets	7	14,699	–
Effect of foreign exchange rates changes, net		56,764	1,156
Operating cash flows before working capital changes		1,264,104	1,106,482
Changes in working capital:			
Decrease in inventories		6,900	39,341
Increase in contract assets		(690,944)	(1,042,905)
Increase in trade and other receivables		(664,582)	(124,540)
Decrease in trade and other payables		(314,673)	(242,825)
Cash used in operations		(399,195)	(264,447)
People's Republic of China ("PRC") income tax paid		(120,618)	(120,991)
Net cash flows used in operating activities		(519,813)	(385,438)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**For the six months ended 30 June 2022*

	1HFY2022 (Unaudited) <i>Notes</i> HK\$'000	1HFY2021 (Unaudited) <i>HK\$'000</i>
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	–	(794,616)
Purchase of property, plant and equipment	(45,986)	(8,514)
Proceeds from disposals of property, plant and equipment	445	3
Payment for additions of intangible assets	(216,776)	(138,102)
Increase in amounts due from an associate	(202)	(374)
Interest received	14,510	10,911
	<hr/>	<hr/>
Net cash flows used in investing activities	(248,009)	(930,692)
Cash flows from financing activities		
Capital contribution from a non-controlling shareholder of a subsidiary	24,544	–
Increase in amounts due to fellow subsidiaries	–	407
Proceeds from the issuance of medium-term notes (“MTN”), net of related expenses paid	1,233,688	1,194,306
Proceeds from the issuance of super and short-term commercial papers (“SCP”), net of related expenses paid	1,222,300	–
Proceeds from issuance of perpetual capital instruments, net of related expenses paid	806,982	–
New bank loans	1,257,465	3,136,087
Repayments of asset-backed securities (“ABS”)	(33,276)	(31,143)
Repayments of SCP	(1,156,300)	–
Repayments of bank loans	(613,345)	(2,334,004)
Interest paid	(227,633)	(144,090)
Principal elements of lease payments	(5,471)	(5,021)
Interest elements of lease payments	(464)	(299)
(Increase)/decrease in pledged bank deposits	(1)	10,115
Dividend paid to shareholders of the Company (the “Shareholders”)	(195,032)	(173,631)
Dividend paid to a non-controlling shareholder of a subsidiary	–	(17,216)
	<hr/>	<hr/>
Net cash flows generated from financing activities	2,313,457	1,635,511
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	2,281,001	1,702,855
Effect of exchange rate fluctuations on cash and cash equivalents, net	(286,115)	41,716
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	3,540,521	2,063,952

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (“IASB”), the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”) (the “SEHK Listing Rules”) and Rule 705 of the Listing Manual (the “SGX Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX”).

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 made thereafter in adopting the new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB, which became effective for the first time for the current period’s financial information, as further detailed below. The unaudited interim financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information herein contains condensed consolidated financial statements and selected explanatory notes. The notes include explanations 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 and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

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.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The adoption of new standards does not have a significant impact on the interim condensed consolidated financial information of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Various IFRS Standards	<i>2018-2020 Annual Improvements to IFRS standards</i>

1. BASIS OF PREPARATION *(continued)*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 *Reference to the Conceptual Framework*

Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*

Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the novel coronavirus ("COVID-19") pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. The amendment did not have any significant impact on the financial position and performance of the Group.

(c) Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

1. BASIS OF PREPARATION *(continued)*

(d) Amendments to IAS 37 *Onerous Contracts — Cost of Fulfilling a Contract*

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it was not yet fulfilled all its obligation at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(e) *2018-2020 Annual Improvements to IFRS standards*

2018-2020 Annual Improvements to IFRS standards set out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendments prospectively to the financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- IFRS 16 *Leases* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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

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.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCE REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this financial information.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to IFRS 4	<i>Extension of the Temporary Exemption from Applying IFRS 9²</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>
IFRS 17	<i>Insurance Contracts¹</i>
Amendments to IFRS 17	<i>Insurance Contracts¹</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information¹</i>

¹ Effective for annual periods beginning on or after 1 January 2023

² No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

Operating segments are identified based on the internal reports about components of the Group that are regularly reviewed by the Company's management (the "Management") and the Board for the purpose of resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expense, interest-bearing borrowings and related expenses and income and deferred taxes. The Group operates in a single business segment which is the water environment management business. No operating segments have been aggregated to form the following reportable operating segment.

Business segment

The Group had only one operating segment for the six months ended 30 June 2022 and 2021, namely the water environment management business, the details of which are set out below:

- Water environment management – Engagement in municipal waste water treatment, industrial waste water treatment, water supply, reusable water, sludge treatment and disposal, sponge city construction, river-basin ecological restoration, waste water source heat pump, leachate treatment, research and development ("R&D") of water environment technologies and engineering construction.

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Mainland China	3,476,287	3,095,876
Germany	2,652	17,059
	<u>3,478,939</u>	<u>3,112,935</u>

The revenue information of continuing operations above is based on the location at which the services were provided.

(b) *Non-current assets*

	At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Mainland China	25,292,742	25,497,214
Hong Kong	2,099	1,646
Singapore	1,342	2,237
Germany	200	262
	<u>25,296,383</u>	<u>25,501,359</u>

The non-current assets information of continuing operations above is based on the locations of the assets and excludes other financial assets.

Major customers

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Customer 1**	N/A*	567,031
Customer 2**	N/A*	333,739
Customer 3**	<u>612,693</u>	<u>N/A*</u>

* The corresponding revenue from this customer is not disclosed as such revenue alone did not account for 10% or more of the Group's revenue.

** The customers are local government authorities.

4. REVENUE

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Construction service revenue from service concession arrangements	1,353,283	1,318,822
Finance income from service concession arrangements	575,267	544,642
Operation income from service concession arrangements	1,466,836	1,150,697
Construction contract revenue and technical service income	83,553	98,774
	<u>3,478,939</u>	<u>3,112,935</u>
Timing of revenue recognition		
At a point in time	58,451	72,397
Over time	2,845,221	2,495,896
	<u>2,903,672</u>	<u>2,568,293</u>
Finance income from service concession arrangements	575,267	544,642
	<u>3,478,939</u>	<u>3,112,935</u>

The aggregated amount of construction services revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK\$3,359,694,000 and HK\$2,975,093,000 for the six months ended 30 June 2022 and 2021, respectively.

5. OTHER INCOME AND GAINS, NET

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Government grants*	12,721	8,378
Value-added tax (“VAT”) refunds**	11,732	3,309
Fair value gain/(loss), net:		
Other financial assets – unlisted investments	(11,396)	(17,363)
Other financial assets – unlisted equity investment	318	475
Sundry income	9,945	5,345
	<u>23,320</u>	<u>144</u>

* Government grants of HK\$12,721,000 and HK\$8,378,000 were granted during the six months ended 30 June 2022 and 2021, respectively, to subsidise certain waste water treatment plants of the Group in the PRC. The receipt of such grants is not subject to any unfulfilled conditions or any other contingencies. There is no assurance that the Group will continue to receive such grants in the future.

** VAT refunds of HK\$11,732,000 and HK\$3,309,000 were received/receivable during the six months ended 30 June 2022 and 2021, respectively, in relation to certain of the Group’s environmental water projects in operation in the PRC. The receipt of such tax refunds is not subject to any unfulfilled conditions or any other contingencies. There is no assurance that the Group will continue to receive such tax refunds in the future.

6. NET FINANCE COSTS

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
<u>Finance income</u>		
Interest income on:		
Bank deposits	14,319	10,560
Amounts due from an associate	191	351
	<u>14,510</u>	<u>10,911</u>
<u>Finance costs</u>		
Interest expense on:		
Bank and other loans	(142,348)	(112,062)
Corporate bonds, ABS, MTN and SCP	(113,886)	(100,172)
Lease liabilities	(464)	(299)
	<u>(256,698)</u>	<u>(212,533)</u>
Net finance costs	<u>(242,188)</u>	<u>(201,622)</u>

7. PROFIT BEFORE TAX

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

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Depreciation*		
– property, plant and equipment	29,234	21,602
– right-of-use assets	7,010	6,080
Amortisation		
– intangible assets*	82,098	35,592
(Gain)/loss on disposals of property, plant and equipment	(222)	5,673
Cost of construction services from service concession arrangements**	1,040,936	1,019,075
R&D costs	21,624	19,888
Rental expense from short-term leases	244	954
Provision for impairment of trade receivables, net	124,000	21,808
Provision for impairment of other receivables	17,420	5,459
Provision for impairment of contract assets	974	2,275
Impairment of intangible assets	14,699	–
Foreign exchange differences, net	<u>(44,442)</u>	<u>(2,196)</u>
Employee benefit expense (including directors' remuneration)*:		
Wages, salaries, allowances and benefits in kind	196,801	176,069
Retirement scheme contributions	21,066	18,832
	<u>217,867</u>	<u>194,901</u>

7. PROFIT BEFORE TAX (continued)

* Amortisation of intangible assets, depreciation and employee benefit expense in total of HK\$212,171,000 and HK\$143,077,000 for the six months ended 30 June 2022 and 2021, respectively, are included in “Direct costs and operating expenses” in the consolidated statement of comprehensive income.

** Included in “Direct costs and operating expenses” in the consolidated statement of comprehensive income.

8. INCOME TAX

No provision for Singapore and Hong Kong income tax was made as the Group did not earn any income subject to Singapore or Hong Kong income tax during the six months ended 30 June 2022 and 2021.

Tax for the PRC operations is charged at the statutory rate of 25% based on the assessable profits in accordance with the tax rules and regulations in the PRC. During the six months ended 30 June 2022 and 2021, certain PRC subsidiaries of the Group were subject to a preferential tax rate of 15% pursuant to the relevant tax rules and regulations. During the six months ended 30 June 2022 and 2021, certain PRC subsidiaries of the Group were subject to tax at half of the foregoing statutory rate or fully exempted from income tax pursuant to the relevant tax rules and regulations.

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Current – PRC:		
Charge for the period	121,394	96,501
Underprovision in prior years	1,849	5,106
Deferred	17,853	104,577
	<hr/>	<hr/>
Total tax expense for the period	<u>141,096</u>	<u>206,184</u>

9. DIVIDENDS

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Dividends attributable to the period:		
Interim – 5.45 Hong Kong cents (“HK cents”) (equivalent to 0.98 Singapore cent (“Sing cent”)) (1HFY2021: HK5.75 cents (equivalent to 1.01 Sing cents)) per ordinary share	<u>156,017</u>	<u>164,651</u>

Dividends paid during the period:

Final in respect of the previous financial year – HK6.83 cents (equivalent to 1.19 Sing cents) (1HFY2021: HK6.07 cents (equivalent to 1.04 Sing cents)) per ordinary share	<u>195,468</u>	<u>173,266</u>
--	----------------	----------------

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group’s profit for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period.

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company	<u>520,056</u>	<u>548,178</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>18.18</u>	<u>19.16</u>

11. TRADE AND OTHER RECEIVABLES

Group

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Non-current		
Other receivables	319,522	333,489
Less: Impairment	<u>(23,195)</u>	<u>(6,967)</u>
	296,327	326,522
VAT receivables	332,717	417,859
Prepayments	<u>–</u>	<u>27,428</u>
	<u>629,044</u>	<u>771,809</u>
Current		
Trade receivables	3,253,890	2,548,697
Less: Impairment	<u>(361,923)</u>	<u>(252,045)</u>
	2,891,967	2,296,652
Other receivables and sundry deposits	128,747	103,817
Less: Impairment	<u>(13,205)</u>	<u>(13,383)</u>
	115,542	90,434
VAT receivables	179,305	192,277
Amounts due from an associate	9,638	9,843
Prepayments	<u>170,789</u>	<u>277,048</u>
	<u>3,367,241</u>	<u>2,866,254</u>
Total	<u>3,996,285</u>	<u>3,638,063</u>

The amounts due from an associate are unsecured, repayable on demand and interest-bearing at a rate of 4.75% (31 December 2021: 4.75%) per annum.

11. TRADE AND OTHER RECEIVABLES (continued)

The movements in allowance for expected credit losses of trade receivables are as follows:

Group

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
At the beginning of the period/year	252,045	97,246
Impairment losses recognised (note 7)	124,000	149,289
Impairment losses reversed	–	(47,308)
Reversal of previous write-off of impairment losses	–	47,308
Exchange realignment	(14,122)	5,510
	<u>361,923</u>	<u>252,045</u>

The movements in allowance for expected credit losses of other receivables are as follows:

Group

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
At the beginning of the period/year	20,350	3,521
Impairment losses recognised (note 7)	17,420	16,451
Exchange realignment	(1,370)	378
	<u>36,400</u>	<u>20,350</u>

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

Group

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 month	679,122	553,679
More than 1 month but within 2 months	208,491	276,958
More than 2 months but within 4 months	348,905	235,831
More than 4 months but within 7 months	525,515	435,829
More than 7 months but within 13 months	595,098	498,179
More than 13 months	534,836	296,176
	<u>2,891,967</u>	<u>2,296,652</u>

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

11. TRADE AND OTHER RECEIVABLES (continued)

Included in “Trade and other receivables” of the Group as at 30 June 2022 and 31 December 2021 were trade receivables of HK\$2,891,967,000 and HK\$2,296,652,000, respectively, of which (a) nil and HK\$11,657,000, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, and (b) HK\$9,748,000 and HK\$14,211,000, respectively, were due from a related company of a non wholly-owned subsidiary.

Included in “Other receivables and sundry deposits” of the Group as at 30 June 2022 and 31 December 2021 were government compensation receivables of HK\$22,896,000 and HK\$19,381,000, arising from compensation of sludge disposal cost as stipulated in the concession service agreement of Everbright Water (Beijing) Limited.

Included in “Other receivables and sundry deposits” of the Group as at 30 June 2022 and 31 December 2021 were consideration receivables of HK\$7,237,000 and HK\$8,095,000, due from third parties arising from the disposals of service concession rights held by Suqian City Cheng Bei Water Treatment Co., Ltd. and Suqian City Cheng Bei Wastewater Treatment Co., Ltd. years ago, for which impairment of HK\$2,652,000 was provided as at 30 June 2022 (31 December 2021: HK\$2,382,000).

12. CONTRACT ASSETS

Group

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 1 January 2021 (Audited) HK\$'000
	<i>Notes</i>			
Non-current				
Service concession assets	(a)	19,528,274	19,766,155	17,360,815
Less: impairment	(c)	(16,026)	(15,831)	(12,195)
		19,512,248	19,750,324	17,348,620
Current				
Service concession assets	(a)	1,949,932	1,949,143	1,679,084
Less: impairment	(c)	(1,600)	(1,561)	(1,179)
		1,948,332	1,947,582	1,677,905
Other contract assets	(b)	62,961	42,884	3,282
		2,011,293	1,990,466	1,681,187
Total		21,523,541	21,740,790	19,029,807

12. CONTRACT ASSETS (continued)

- (a) Included in “Contract assets” as at 30 June 2022 and 31 December 2021 are amounts of HK\$495,746,000 and HK\$534,155,000, respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK\$777,519,000 and HK\$822,617,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 30 June 2022 and 31 December 2021 totalling HK\$21,478,206,000 and HK\$21,715,298,000, respectively, bear interest at rates ranging from 4.45% to 7.83% and 4.90% to 7.83%, respectively, per annum. As at 30 June 2022 and 31 December 2021, HK\$13,568,499,000 and HK\$11,218,763,000, respectively, related to the service concession arrangements with operation commenced. The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (note 11).

- (b) The balance as at 30 June 2022 and 31 December 2021 comprised contract assets arising from performance under construction management service contract. Such contracts include payment schedules which require stage payments over the service periods once milestones are reached.

- (c) Impairment assessment

As at 30 June 2022, HK\$17,626,000 (31 December 2021: HK\$17,392,000) was recognised as an allowance for expected credit losses on contract assets.

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

Group

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
At the beginning of the period/year	17,392	13,374
Impairment losses recognised (note 7)	974	3,533
Exchange realignment	(740)	485
At the end of the period/year	<u>17,626</u>	<u>17,392</u>

12. CONTRACT ASSETS (continued)

As at 30 June 2022 and 31 December 2021, certain of the Group's concession rights of the environmental water projects (comprising concession rights of intangible assets, contract assets and trade receivables) with aggregate carrying amounts of HK\$6,205,981,000 and HK\$5,786,528,000, respectively, were pledged to secure banking facilities granted to the Group and the issuance of the ABS.

13. OTHER FINANCIAL ASSETS

Group

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
<i>Notes</i>		
Non-current		
Unlisted equity investment, at fair value	–	36,122
Current		
Unlisted equity investment, at fair value	34,958	–
Unlisted investments, at fair value	(i) 202,758	222,880
Total	237,716	259,002

As at 30 June 2022 and 31 December 2021, the above unlisted investments were wealth management products issued by financial institutions in Hong Kong and the above unlisted equity investment represents the 6% equity interest in Yancheng CCCC Shanghai Dredging Water Environment Investment Co., Ltd. The wealth management products were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Notes:

- (i) The wealth management products are available for redemption at the option of the Group after the expiry of the applicable lock-up period.

14. CASH AND CASH EQUIVALENTS

Group

	At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Cash on hand and bank balances	3,540,521	2,281,001
Pledged bank deposits	<u>946</u>	<u>985</u>
	<u>3,541,467</u>	<u>2,281,986</u>

Included in “Cash and cash equivalents” of the Group as at 30 June 2022 and 31 December 2021 are deposits of HK\$133,584,000 and HK\$199,771,000, respectively, placed with a related party bank, which is a fellow subsidiary of the Company.

15. TRADE AND OTHER PAYABLES

Group

	At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
Trade payables	2,259,264	2,307,616
Interest payable	136,274	125,637
Payable for acquisition	9,615	10,023
Tax payables	35,579	30,977
Other creditors and accrued expenses	<u>599,755</u>	<u>741,420</u>
	<u>3,040,487</u>	<u>3,215,673</u>

15. TRADE AND OTHER PAYABLES (continued)

Included in “Trade and other payables” are trade payables with the following ageing analysis based on the date of invoice as at the end of the reporting period:

Group

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 6 months	1,686,851	1,451,077
Over 6 months	572,413	856,539
	<u>2,259,264</u>	<u>2,307,616</u>

Trade payables totalling HK\$1,720,333,000 and HK\$1,742,243,000 as at 30 June 2022 and 31 December 2021, respectively, represent construction payables for the Group’s build-operate-transfer, build-own-operate, and transfer-operate-transfer arrangements. The construction payables are not yet due for payment.

Included in “Trade payables” of the Group as at 30 June 2022 and 31 December 2021 were trade payables of HK\$75,879,000 and HK\$80,889,000, respectively, due to non-controlling shareholders of non wholly-owned subsidiaries, which are unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling shareholder to its major customers.

Included in “Trade payables” of the Group as at 30 June 2022 and 31 December 2021 were payables of HK\$4,316,000 and HK\$12,970,000, respectively, due to an associate, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate to its major customers.

Included in “Other creditors and accrued expenses” of the Group as at 30 June 2022 and 31 December 2021 was a guarantee deposit of HK\$14,163,000 and HK\$14,102,000, respectively, from a former director of a subsidiary.

Included in “Other creditors and accrued expenses” of the Group as at 30 June 2022 were payables of HK\$222,399,000 (31 December 2021: HK\$228,468,000), due to a non-controlling shareholder of a non wholly-owned subsidiary, which are unsecured, interest-bearing at the rates announced by the People’s Bank of China and repayable within one year.

16. SHARE CAPITAL

Group and Company

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of par value of HK\$1.00 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid: 2,860,876,723 ordinary shares of par value of HK\$1.00 each	<u>2,860,877</u>	<u>2,860,877</u>
	No. of shares '000	Amount HK\$'000
Issued and fully paid: At 31 December 2021 (Audited), 1 January 2022 and 30 June 2022 (Unaudited)	<u>2,860,877</u>	<u>2,860,877</u>

The Group and the Company did not have any treasury shares as at 30 June 2022 and 31 December 2021.

17. EVENTS AFTER THE REPORTING PERIOD

On 13 July 2022, the Company had entered into a supplemental agreement to secure Dezhou Lingcheng Waste Water Treatment Project (Plant 1) Upgrading II based on a Build-Operate-Transfer model with an investment amount of RMB16.45 million.

BUSINESS REVIEW AND PROSPECTS

Operating Results

In 1HFY2022, the global macro-economy and market had been overwhelmed with volatile development and slow economic recovery. Additionally, the “triple pressure” on the development of China’s economy, from shrinking demands, supply shocks and weak expectations, had further intensified. Nonetheless, the continuing promulgation of various economic stabilisation policies and measures had gradually stabilised the domestic economy.

Amid the economic development pressure and the goals for “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality” (“Dual Carbons”), China has entered into a critical period for ecological conservation, during which, China focuses on “Reducing Pollution and Carbon Emissions” and “Boosting Synergy and Efficiency” with carbon reduction being its key strategic direction, to foster green and low-carbon transformation of the economy and society. While continuing unleashing the potential industry development, China has prescribed higher standards such that all the relevant enterprises are encouraged to enhance their capabilities and actively seek transformation. All these facilitate China in pursuing ecological conservation and achieving the “Dual Carbons” goal with high-quality development.

Against the backdrop of increasingly complex external environment, the Group, during the Review Period, maintained its strategic position. By leveraging on its strengths in project investment, engineering construction, operations management, and techniques and processes, and focusing on its major business area, the Group solidified its strengths and explored new areas. As a result, the Group steadily carried out work relating to business expansion, operations management, and technological innovation, and maintained a steady operational momentum and financial position.

As at 30 June 2022, the Group invested in and held 153 environmental protection projects, with a total investment of approximately RMB28.65 billion. In addition, it undertook 4 engineering, procurement and construction (“EPC”) projects and 5 operation and management (“O&M”) projects.

A summary of the number of projects and water treatment/supply capacity is set out below:

Project Type ⁽¹⁾	Number of Projects	Water Treatment/ Supply Capacity (m³/day)
Municipal waste water treatment projects ⁽²⁾	121	5,679,000
Industrial waste water treatment projects ⁽²⁾	17	236,000
Reusable water projects	8	280,600
River-basin ecological restoration projects	6	115,000
Water supply projects	3	250,000
Raw water protection project	1	600,000
Leachate treatment projects ⁽²⁾	2	2,100
Total	<u>158</u>	<u>7,162,700</u>

Notes:

⁽¹⁾ Excluding EPC projects

⁽²⁾ Including O&M projects

In terms of its operating results for 1HFY2022, the Group demonstrated a steady and high-quality development momentum. The Group's revenue in 1HFY2022 amounted to HK\$3.48 billion, representing an increase of 12% from HK\$3.11 billion in the corresponding period last year; earnings before interest, taxes, depreciation and amortisation ("EBITDA") increased slightly by 1% from HK\$1.06 billion in the corresponding period last year to HK\$1.07 billion; profit attributable to equity holders of the Company was HK\$520.06 million, representing a slight decline of 5% from HK\$548.18 million recorded in the corresponding period last year; basic earnings per share were HK18.18 cents, indicating a decrease of HK0.98 cent or 5% from HK19.16 cents in the corresponding period last year; overall gross profit margin was 35%, 5 percentage points ("ppt") lower than 1HFY2021. Meanwhile, the Group has ready access to various diversified financing channels, holds quality assets and sufficient funds, with a reasonable gearing ratio. In a nutshell, the Group is in a healthy financial position.

In relation to market expansion, the Group, during the Review Period, continued strengthening its advantageous market position in Shandong and Jiangsu Provinces as well as its traditional business areas, such as waste water treatment, reusable water and leachate treatment; and conducted in-depth research and planning in the industrial waste water treatment field. The Group secured 2 industrial waste water treatment projects, further advancing its experience in the market-oriented environmental management of industrial parks. While focusing on its traditional business areas and exploring beyond the water industry, the Group embraced adaptive workforces dedicated to various industry research topics and looked for opportunities arising from other “water-related” areas as part of its future development strategies. In 1HFY2022, the Group secured 2 waste water treatment projects, commanding a total investment of approximately RMB361 million, and undertook 2 O&M water treatment projects. Such projects contribute an additional designed daily water treatment capacity of 101,500 m³ in total, including a daily municipal waste water treatment capacity of 40,000 m³, a daily industrial waste water treatment capacity of 30,000 m³, a daily reusable water supply capacity of 30,000 m³, and a daily leachate treatment capacity of 1,500 m³.

As for technological innovation, the Group has been adhering to “Innovation-driven Development” and boosting its efforts in providing support for the related works. While adhering to its strategic directions, the Group, during the Review Period, focused its technology research and development (“R&D”) on areas including the synergy between pollution and carbon emissions reduction, monitoring and calculation of carbon emissions, and ozone-oxygen separation. Moreover, the Group developed a number of technological processes including shortcut nitrification and denitrification, biochemical treatment E-BioFAS, FBR-Fenton, and freeze crystallisation and concentration, which have been applied to various projects. The Group, during the Review Period, provided its in-house developed technological processes to internal and external clients, which amounted to a total contract value of approximately RMB255 million; and was newly granted 14 patents.

In terms of safety and environmental management, the Group, during the Review Period, continued carrying out specified rectification on safe production, and enhanced the accountability of safety and environmental officers and the dual prevention mechanism. In addition, the Group, through various activities such as “Safe Production Month” initiative, strengthened the effectiveness of safety and environmental management work. In 1HFY2022, the Group achieved “zero incident” and “zero penalty” for its projects and “zero infection” across its projects with its various COVID-19 precautionary and preventive measures.

In relation to project construction, as the COVID-19 situation continued to evolve, the Group, during the Review Period, insisted on developing high-quality projects and adopted a dynamic construction management mechanism for its projects. All such measures had reduced the delay in construction which would have occurred due to the COVID-19 pandemic. At the same time, the Group further integrated its resources on various areas, such as design, budgeting and engineering, thereby ensuring the quality of construction work and reasonably reducing project costs. In 1HFY2022, the Group had 3 projects commencing construction, which have a designed daily industrial waste water treatment capacity of 20,000 m³; and 2 projects completing construction or commencing operation⁽¹⁾, which have a designed daily municipal waste water treatment capacity of 40,000 m³. As at 30 June 2022, the Group had 12 projects in the preparatory stage, with an aggregate designed daily water treatment capacity of 451,000 m³.

In the aspect of operations management, while ensuring high-quality operation of its projects, the Group, during the Review Period, improved the overall efficiency of the projects by tapping on the potential of its operating projects and making positive progress in pollution reduction and carbon emissions reduction, energy saving and cost reduction. By actively adopting the carbon source substitution technology, a number of the Group's projects introduced alternative carbon sources, such as expired beverages and brewery waste water, through collaboration with local enterprises. Therefore, the Group reduced the chemical consumption and increased the economic benefits of its projects. The Group also continued the widespread application of its in-plant solar energy pilot programme by installing 6 sets of solar power generation facilities at its projects, which have an additional solar power generation capacity of 14MW. In addition, the Group's water projects in Tianjin Municipality ventured into waste water recycling business by directly supplying reusable water to the local residential areas, thereby increasing the projects' revenue. In the meantime, the Group continued encouraging digital transformation and launched a new version of its operations management system across its projects. These laid a good foundation for big data control and analysis of operating projects throughout their life cycles. In 1HFY2022, 3 waste water treatment plants of the Group received regulatory approval for tariff hikes, ranging from 3% to 36%, and subsidies of more than RMB3 million in total were granted to the Group.

In terms of capital market, the Group, during the Review Period, actively expanded its financing channels, and effectively diversified its financing instrument portfolio, liquidity and capital structure. The Company had further enriched its experience in debt financing by issuing SCP and MTN. Moreover, the Company had actively explored equity financing by issuing the first tranche of perpetual MTN. All these enabled the Group to create multiple financing tools and to reasonably control its financing cost for future development.

Note:

⁽¹⁾ Including an EPC project

The Group’s major financing arrangements in 1HFY2022 are summarised in the table below:

Issuance date	Financing arrangements and uses of proceeds	Issuance size (RMB)
June 2022	Issuance of the first tranche of perpetual MTN to institutional investors (the “ Institutional Investors ”) in the national inter-bank bond market of mainland China, the proceeds of which were used to repay the outstanding debts of the Group.	700 million
April 2022	Issuance of the third tranche of MTN to the Institutional Investors in mainland China, the proceeds of which were used to replenish the working capital of the Company’s subsidiaries.	1 billion
January 2022	Issuance of the second tranche of SCP to the Institutional Investors in mainland China, the proceeds of which were used to replenish the working capital of the Company’s subsidiaries.	1 billion

In terms of social responsibilities, the Group, during the Review Period, actively supported and participated in various environmental protection activities such as activities in conjunction with the “Nationwide Urban Water Saving Promotion Week”, the “World Water Day” and the “China Water Week”. The Group had, through its projects located in Nanjing, Ji’nan, Zibo and Dalian cities, organised an online event “I am a Junior Ecology Guide” in conjunction with “World Environment Day”, which attracted over 5,000 online views. This showed the Group’s continuous attention and support in organising activities with such theme for five consecutive years. As at 30 June 2022, the Group had a total of 31 projects that were open for public visits and received, during the Review Period, nearly 3,000 visitors from all walks of life, playing an important role in promoting environmental protection-related scientific concepts and knowledge among the local communities.

Thanks to its continuous effort in business development, operations management and technology R&D, the Group received a number of awards during the Review Period, which are as follows:

Award	Awarding Organisation
One of the “Top Ten Influential Enterprises in China’s Water Industry” (for the fifth consecutive year)	E20 Environment Platform
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
The topic of “Key Technologies and Applications of Waste Water Toxicity Reduction and Deep Purification”, in which Everbright Water Technology Development (Nanjing) Limited participated as a key participant, won the first prize of the 2021 Jiangsu Science and Technology Award	Jiangsu Provincial Department of Science and Technology
The Group’s Shandong Zibo Waste Water Treatment Project (Northern Plant) Relocation and Expansion Project was awarded the Shandong Province Quality Structural Engineering Project	Department of Housing and Urban-Rural Development of Shandong Province
The Company is committed to creating value for and sharing its fruitful operating results with the Shareholders. The Board declared an interim dividend of HK5.45 cents (equivalent to 0.98 Sing cent) per ordinary share for 1HFY2022 (1HFY2021: HK5.75 cents (equivalent to 1.01 Sing cents) per ordinary share).	

Business Prospects

Despite the tremendous pressure since the beginning of the financial year 2022 (“FY2022”), China’s economic development has been showing its rapid and stable resilience following the enactment of various economic stabilisation policies and measures. In the second half of FY2022, all such policies and measures are expected to be more effective in terms of boosting the economic recovery. The global economic recovery is expected to slow down as all the pressure exerted by the resurgence of COVID-19 pandemic, geopolitical conflicts and global liquidity tapering since 1HFY2022 may persist.

Since China’s “14th Five-year Plan” period, the environmental protection industry has entered into an adjustment period, during which, the development of enterprises in the industry has been hindered by various challenges clouded by multiple external factors. The resurgence of COVID-19 pandemic and the implementation of COVID-19 precautionary and preventive measures have substantially slowed down the progress of enterprises in various aspects such as business development and project construction. The soaring commodity prices due to the turbulent external situation with no sign of relief, continuously pushed up enterprises’ operating costs. Due to the financial strain of the local governments, the enterprises have been facing slow trade receivables recovery. In the short term, the environmental protection industry and its practitioners are expected to be tempered by a range of challenges and progress with heavy burdens.

Despite tremendous challenges arising from external environment, China’s economy is posed for a stable growth with support from various economic stabilisation policies. Through disciplined implementation of its “Dual Carbons” goals by the nation and the comprehensive green transformation of economy and social development, the environmental protection industry is undergoing a change from “rapid development” to “high-quality development”. In the long term, the industry still has big growth potential.

Moving forward, the future remains uncertain yet filled with opportunities. Therefore, the Group will endeavour to drive its development by prioritising stability and progress and firmly adhere to its philosophy of “Innovation-driven Development”. Additionally, the Group will enhance its strategic vision to be more market-oriented, professional and international. By focusing on its own capabilities, the needs of the nation and the people’s expectations, the Group will actively unleash the potential of the traditional businesses, explore new business areas, optimise its existing assets, explore synergy and efficiency, enhance its core advantages and promote cooperation for win-win situation. The Group is looking forward to soaring to greater and stable heights. With the diligence and persistence of all its staff, the Group is determined to create value to industries through various water-related businesses and develop a new landscape that is innovation-driven, green and low-carbon.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In 1HFY2022, the revenue of the Group increased by 12% to HK\$3,478.94 million compared with that of HK\$3,112.94 million in 1HFY2021, among which the construction service revenue increased to HK\$1,353.28 million (1HFY2021: HK\$1,318.82 million), the operation income increased to HK\$1,466.84 million (1HFY2021: HK\$1,150.70 million) and the finance income increased to HK\$575.27 million (1HFY2021: HK\$544.64 million). Gross profit of the Group slightly decreased from HK\$1,239.55 million in 1HFY2021 to HK\$1,219.96 million in 1HFY2022, representing a decrease of 2%. The profit of the Group decreased from HK\$577.13 million in 1HFY2021 to HK\$550.54 million in 1HFY2022, representing a drop of 5%. The profit attributable to equity holders of the Company in 1HFY2022 amounted to HK\$520.06 million, indicating a decrease of 5% from 1HFY2021.

Consolidated Statement of Comprehensive Income

Revenue

Overall, the Group's revenue increased by HK\$366.00 million or 12%, from HK\$3,112.94 million in 1HFY2021 to HK\$3,478.94 million in 1HFY2022.

Construction service revenue increased to HK\$1,353.28 million in 1HFY2022 from HK\$1,318.82 million in 1HFY2021, representing an increase of HK\$34.46 million or 3%. The increase was mainly due to rise in construction activities in 1HFY2022 compared to 1HFY2021.

Operation income increased by HK\$316.14 million or 27% over 1HFY2021. The increase in operation income was the result of (i) commencement of operation of new projects during the remaining period of the financial year 2021 ("FY2021") and 1HFY2022; (ii) tariff hikes for several projects effected during the remaining period of FY2021 and 1HFY2022; (iii) additional two months of operation income contributed by Tianjin Binhai New Area Huantang Sewage Treatment Co., Ltd., which was acquired in March 2021; and (iv) increase in the operation income due to the change in the VAT incentive policy on the comprehensive utilisation of resources jointly issued by PRC Ministry of Finance and the State Administration of Taxation at end of FY2021.

Direct costs and operating expenses

Direct costs and operating expenses increased by HK\$385.59 million or 21% from HK\$1,873.38 million in 1HFY2021 to HK\$2,258.98 million in 1HFY2022. The increase in 1HFY2022 was generally in line with the increase in construction revenue and operation income. The larger increase of direct costs and operating expenses was due to the increase in operating costs which in turn was attributed to that: (a) soaring price of energy during 1HFY2022 resulted in increase in electricity cost of the Group's water projects; (b) rising price of commodities during 1HFY2022 led to increase in treatment chemical costs of the Group's water projects; and (c) the PRC's newly issued VAT incentive policy has been applied to majority of the Group's subsidiaries since March 2022, and thus, in accordance with the relevant accounting standards, the input VAT of the Group which had been deducted shall be transferred out and then recorded as the direct costs and operating expenses.

Gross profit margin

Overall gross profit margin in 1HFY2022 decreased to 35% (1HFY2021: 40%). Such decrease was due to the above-mentioned increase in operating costs and the election to apply the new VAT exemption policy during the Review Period. These resulted in a reduction in the gross profit margin of the operation services in 1HFY2022.

Other income and gains, net

Other income and gains, net mainly consisted of government grants, VAT refunds, fair value change on financial assets at fair value through profit or loss, and other sundry income. Other income and gains, net increased by HK\$23.18 million from HK\$0.14 million in 1HFY2021 to HK\$23.32 million in 1HFY2022. The increase in other income and gains, net was mainly due to the increase in government grants, VAT refunds and other sundry income. The breakdown of other income and gains, net is set out below.

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Government grants	12,721	8,378
VAT refunds	11,732	3,309
Fair value gain/(loss), net:		
Other financial assets – unlisted investments	(11,396)	(17,363)
Other financial assets – unlisted equity investment	318	475
Sundry income	9,945	5,345
	23,320	144

Administrative and other operating expenses

Administrative and other operating expenses mainly consisted of staff costs, business development expenses, net foreign exchange differences, legal and professional fees, R&D expenses, other taxes and provision for impairment of trade receivables, other receivables, contract assets and intangible assets.

Other operating expenses for 1HFY2022 included (a) the provision for impairment of trade receivables amounting to HK\$124.00 million (1HFY2021: HK\$21.81 million); (b) provision for impairment of other receivables amounting to HK\$17.42 million (1HFY2021: HK\$5.46 million); (c) provision for impairment of contract assets amounting to HK\$0.97 million (1HFY2021: HK\$2.28 million); and (d) impairment of intangible assets amounting to HK\$14.70 million (1HFY2021: nil). The increase of provision for impairment of trade receivables in 1HFY2022 was mainly due to the slowdown of payment of water treatment service fees by local governments as a result of the recurring COVID-19 situation in China, and the Group adopted a more prudent approach to assess the provision for impairment of trade receivables.

Other than the other operating expenses mentioned above, administrative expenses decreased by HK\$55.06 million or 25% from HK\$220.20 million in 1HFY2021 to HK\$165.14 million in 1HFY2022. The decrease in administrative expenses was mainly attributed to the reduction of travelling and business development expenses in 1HFY2022, as a result of the travel control measures issued by various local governments in response to the evolving COVID-19 situation in China. In addition, the Group implemented cost control measures which have produced some effective results.

Administrative expenses for 1HFY2022 included, *inter alia*, net gain on disposals of property, plant and equipment of HK\$0.22 million (1HFY2021: net loss of HK\$5.67 million).

Finance costs

Finance costs increased to HK\$256.70 million in 1HFY2022 from HK\$212.53 million in 1HFY2021. The increase was mainly due to the increase of the average balance of borrowings in 1HFY2022 over the corresponding period of last year, resulting from the issuance of the second tranche of RMB-denominated SCP of RMB1 billion in January 2022 and the third tranche of RMB-denominated MTN of RMB1 billion in April 2022.

Income tax

Income tax in 1HFY2022 decreased by 32% from HK\$206.18 million in 1HFY2021 to HK\$141.10 million, which is in line with the decrease in profits before tax.

Income tax for 1HFY2022 included, *inter alia*, underprovision of income tax in respect of prior years amounting to HK\$1.85 million (1HFY2021: HK\$5.11 million).

Consolidated Statement of Financial Position

As at 30 June 2022, the Group's total assets amounted to approximately HK\$34.51 billion with net assets amounting to HK\$13.59 billion. Net asset value per share attributable to equity holders of the Company was HK\$4.02 per share, representing a decrease of 3% as compared to HK\$4.15 per share as at the end of 2021. As at 30 June 2022, the gearing ratio (total liabilities over total assets) of the Group was 60.6%, which increased slightly by 0.5 ppt from 60.1% at the end of 2021.

Assets

Total assets of the Group increased from HK\$32.97 billion as at 31 December 2021 to HK\$34.51 billion as at 30 June 2022, representing an increase of 5%. The increase in total assets was mainly attributable to the increase in intangible assets, trade and other receivables and cash and cash equivalents.

Investment properties amounted to HK\$11.96 million as at 30 June 2022. Investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. There were no change in fair value during 1HFY2022.

Intangible assets increased from HK\$2.28 billion as at 31 December 2021 to HK\$2.54 billion as at 30 June 2022. The increase in intangible assets was mainly attributable to the recognition of construction service revenue for water environment treatment projects during 1HFY2022.

Trade and other receivables (including both current and non-current) of the Group increased from HK\$3.64 billion as at 31 December 2021 to HK\$4.00 billion as at 30 June 2022. Among them, trade receivables increased by HK\$595.32 million from HK\$2,296.65 million as at 31 December 2021 to HK\$2,891.97 million as at 30 June 2022, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during 1HFY2022; (ii) the seasonal settlement pattern as customers normally settle greater portion of trade receivables towards financial year end; and (iii) slowdown of payment of water treatment service fees by local governments as a result of the recurring COVID-19 situation in China. Other receivables (including current and non-current) decreased by HK\$237.09 million from HK\$1,341.41 million as at 31 December 2021 to HK\$1,104.32 million as at 30 June 2022, which was driven by the decrease in VAT receivables[#] due to the exemption of VAT payments by some of the waste water treatment projects and reusable water projects of the Group as mentioned above and decrease in prepayments for construction works.

[#] VAT receivables represent the excess amount of input VAT over output VAT available for future deduction in the calculation of VAT payment.

Other financial assets as at 30 June 2022 amounted to HK\$237.72 million which comprised unlisted investments of HK\$202.76 million and unlisted equity investment of HK\$34.96 million. The unlisted investments were wealth management products issued by financial institutions in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Decrease in other financial assets by HK\$21.29 million is primarily due to recognition of net fair value losses of HK\$11.08 million for the Review Period.

Liabilities

Total borrowings (including both current and non-current) increased by HK\$1,360.67 million. The increase was mainly due to the issuance of third tranche of MTN with net proceeds amounting to HK\$1,233.69 million, issuance of second tranche of SCP with net proceeds amounting to HK\$1,222.30 million, and new bank loans amounting to approximately HK\$1,257.47 million, offset by repayments of ABS of HK\$33.28 million, repayments of SCP of HK\$1,156.30 million, and repayments of bank loans amounting to HK\$613.35 million in 1HFY2022 with the effect of exchange differences of borrowings.

The Group was in a net current asset position of HK\$2.68 billion as at 30 June 2022, representing an increase of HK\$1.94 billion from HK\$740.57 million as at 31 December 2021.

Equity

The Group's total equity amounted to HK\$13.59 billion as at 30 June 2022 (31 December 2021: HK\$13.16 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HK\$550.54 million in 1HFY2022; (ii) foreign currency translation loss of HK\$757.25 million arising from depreciation of RMB against HK\$; (iii) decrease of HK\$195.47 million in equity due to declaration and payment of 2021 final dividend; (iv) issuance of first tranche of perpetual capital instruments with net proceeds amounting to HK\$806.98 million during 1HFY2022; and (v) capital contribution of HK\$24.54 million by a non-controlling shareholder of a subsidiary during 1HFY2022.

Consolidated Statement of Cash Flows

Cash and cash equivalents in the consolidated statement of cash flows increased from HK\$2.28 billion as at 31 December 2021 to HK\$3.54 billion as at 30 June 2022. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Cash and cash equivalents in the consolidated statement of financial position	3,541,467	2,281,986
Less: Pledged bank deposits	<u>(946)</u>	<u>(985)</u>
Cash and cash equivalents per consolidated statement of cash flows	<u>3,540,521</u>	<u>2,281,001</u>

Cash flows from operating activities

The Group had cash inflow of HK\$1,264.10 million (1HFY2021: HK\$1,106.48 million) before the changes in working capital during 1HFY2022. The changes in working capital resulted in cash outflow of HK\$1,663.30 million in 1HFY2022, and payment of income tax resulted in cash outflow of HK\$120.62 million in 1HFY2022. As a result, the Group recorded a net cash outflow of HK\$519.81 million from operating activities in 1HFY2022. The changes in working capital in 1HFY2022 arose mainly from:

- (i) the decrease in inventories by HK\$6.90 million;
- (ii) the increase in contract assets by HK\$690.94 million;
- (iii) the increase in trade and other receivables by HK\$664.58 million; and
- (iv) the decrease in trade and other payables by HK\$314.67 million.

Cash flows from investing activities

In 1HFY2022, the Group recorded a net cash outflow of HK\$248.01 million from investing activities. The net cash outflow mainly arose from:

- (i) the payment of HK\$45.99 million for the purchase of items of property, plant and equipment;
- (ii) the payment of HK\$216.78 million for the additions of intangible assets; and
- (iii) the receipt of interest of HK\$14.51 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HK\$2,313.46 million in 1HFY2022. The net cash inflow was mainly caused by:

- (i) the capital contribution from a non-controlling shareholder of a subsidiary of HK\$24.54 million;
- (ii) the receipt of net proceeds of HK\$1,233.69 million from the issuance of MTN, net of related expenses paid;
- (iii) the receipt of net proceeds of HK\$1,222.30 million from the issuance of SCP, net of related expenses paid;
- (iv) the receipt of net proceeds of HK\$806.98 million from the issuance of perpetual capital instruments, net of related expenses paid;
- (v) the repayment of ABS of HK\$33.28 million;
- (vi) the repayment of SCP of HK\$1,156.30 million;
- (vii) the receipt of net proceeds from bank loans of HK\$644.12 million;
- (viii) the payment of principal and interest elements of lease payments of HK\$5.94 million;
- (ix) the payment of interest of HK\$227.63 million; and
- (x) the payment of dividend to the shareholders of the Company of HK\$195.03 million.

Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the period.

The Group had no potentially dilutive instruments in issue during 1HFY2022.

	1HFY2022 (Unaudited) <i>HK\$'000</i>	1HFY2021 (Unaudited) <i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company	<u>520,056</u>	<u>548,178</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>18.18</u>	<u>19.16</u>

Net Asset Value Per Share

	Group		Company	
	At 30 June 2022 (Unaudited) <i>HK\$</i>	At 31 December 2021 (Audited) <i>HK\$</i>	At 30 June 2022 (Unaudited) <i>HK\$</i>	At 31 December 2021 (Audited) <i>HK\$</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>4.02</u>	<u>4.15</u>	<u>3.78</u>	<u>3.93</u>

Net asset value per ordinary share was calculated as dividing the net asset value attributable to equity holders of the Company by the number of ordinary shares outstanding, excluding treasury shares, as at the end of the respective financial period.

Financial Resources

The Group adopts a prudent approach to 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, supplemented by funds raised from the issuance of corporate bonds, ABS, MTN, SCP and perpetual capital instruments. As at 30 June 2022, the Group had cash and bank balances of approximately HK\$3.54 billion, representing an increase of HK\$1.26 billion as compared to HK\$2.28 billion at the end of 2021. Most of the Group's cash and bank balances, representing approximately 99%, were denominated in HK\$ and RMB.

Borrowings and Debt Securities of the Group

Amounts payable within one year or less, or on demand

At 30 June 2022		At 31 December 2021	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
526,344	2,883,642	385,514	3,006,514

Amounts payable after one year

At 30 June 2022		At 31 December 2021	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
1,935,876	10,456,748	2,121,674	8,928,236

The Group is dedicated to improving financing methods and increasing banking facility limit to reserve funding for developing the water environment management business. As at 30 June 2022, the Group had outstanding borrowings of HK\$15.80 billion, representing an increase of HK\$1.36 billion as compared to HK\$14.44 billion as at the end of 2021. The borrowings included secured interest-bearing borrowings of HK\$2.46 billion and unsecured interest-bearing borrowings of HK\$13.34 billion. The borrowings are mainly denominated in RMB, representing approximately 69% of the total, and the remainder is denominated in HK\$, United States dollars ("USD") and Euros ("EUR"). Most of the borrowings are at floating rates. As at 30 June 2022, the Group had bank loan facilities of HK\$15.48 billion, of which HK\$5.95 billion had not been utilised. The bank loan facilities are of 1 to 16 years terms.

Foreign Exchange Risks

The Group mainly operates in the PRC. Currency exposure arises within entities of the Group when transactions are mainly denominated in foreign currencies such as USD, EUR, Singapore dollars (“SGD”), HK\$ and RMB. In addition, the Group is exposed to currency translation risk upon translation of the new assets in foreign operations into the Group’s reporting currency of HK\$. During 1HFY2022, the Group was affected by changes in the exchange rates.

Pledge of Assets

Certain bank loan facilities and ABS of the Group as at 30 June 2022 were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group’s service concession arrangements, bank balances and the equity interests in certain subsidiaries of the Company. As at 30 June 2022, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to HK\$8.07 billion.

Commitments

As at 30 June 2022, the Group had outstanding purchase commitments of HK\$816.98 million in connection with the construction contracts and an outstanding capital commitment of HK\$24.48 million in connection with an unlisted equity investment.

Contingent Liabilities

As at 30 June 2022, the Company provided financial guarantees to two subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2022 for the provision of the guarantees was HK\$893.56 million.

Interested Person Transactions Mandate and Aggregate Value of such Transactions

The Company obtained a general mandate (the “IPT Mandate”) from the Shareholders for interested person transactions (the “IPTs”) in its annual general meeting held on 27 April 2021 pursuant to Rule 920 of the SGX Listing Manual. The IPT Mandate was renewed in the Company’s annual general meeting held on 26 April 2022. The aggregate value of the IPTs in excess of SGD100,000 during 1HFY2022 is set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during 1HFY2022 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during 1HFY2022 (excluding transactions less than SGD100,000)
China Everbright Environment Group Limited	Controlling shareholder	Nil	HK\$2,436,000 (equivalent to SGD425,000)
Sun Life Everbright Life Insurance Co., Ltd.	Associate of the controlling shareholder	Nil	HK\$1,031,000 (equivalent to SGD180,000)
Everbright Securities Company Limited	Associate of the controlling shareholder	Nil	HK\$1,779,000 (equivalent to SGD310,000)

Internal Management

Corporate management and risk control are imperative in ensuring efficient, healthy and sustainable corporate development. The Group has established a sound management structure with four committees under the Board (the “Board Committees”), comprising the Audit Committee, the Remuneration Committee, the Nominating Committee and the Strategy Committee. Additionally, the Management Committee has also been established as the decision-making body for its daily management. The Management Committee holds a meeting at least once a month to deliberate the matters regarding the Group’s business and management, ensuring its sustainable development. The Group has also set up various functional departments, including the Legal & Risk Management Department, the Internal Audit Department, the Finance Management Department, the Budget Management Department, the Human Resources Department, the General Management Department, the Operations and Information Management Department, the Safety & Environmental Management Department and the Investment & Development Department. Moreover, in response to business needs, the Group has also set up four regional management centres, in order to manage its projects

by region and create favourable synergies. The Group has continuously improved the internal management, established complete management systems and emergency response capacity, and fully implemented the Environmental, Safety, Health and Social Responsibility (“ESHS”) Management System (the “ESHS Management System”) and the Risk Management System at all levels in order to standardise the management of all aspects in the process of project investment, construction and operations, identify and control risks, and enhance the overall operational efficiency and profitability. The Group has been establishing and improving corporate governance and integrated compliance management into its business activities and processes. During the Review Period, in order to develop a sound information security system, the Group established the Cyberspace and Information Security Leading Team which actively organised trainings for all employees regarding security awareness, cybersecurity self-inspection and firewall configuration and cyberattack drills. Meanwhile, the Group also installed multi-dimensional and all-round security measures to prevent information security incidents. The Group has also introduced Objectives and Key Results (OKR) goal management tool, formulated “Innovation-driven Development” strategy, and improved its headquarter management structure and department functions, in order to embark a new journey of the Company for outstanding development.

HUMAN RESOURCE MANAGEMENT

Talent is the most valuable asset and is the key force to drive the growth of a company. The Group highly values its employees and adheres to the “People-Oriented” philosophy and competency-based recruitment approach. The Group at all times protects and ensures the interests and well-being of its employees by continuously improving its promotion and incentive mechanism, enriching their lifestyles and cultivating their values. By establishing a smooth internal transfer mechanism during the Review Period, the Group is able to improve and strengthen its specialised talent pool, encourage communication between the key talents, further train its employees at their key positions and cultivate well-rounded employees. On the other hand, the Group regularly, steadily and systematically monitors and implements its recruitment plan to actively recruit talents from overseas, ensuring a smooth business implementation.

The Group cares for its employees and always prioritises their personal safety. Following the onset of the COVID-19 pandemic, the Group quickly adopted prevention measures and actively deployed resources to provide its employees with adequate preventive and protective materials and conduct health testing to safeguard their well-being and health, achieving “zero” infection among employees.

As at 30 June 2022, the Group had 2,330 employees, who are remunerated based on their qualifications, experience, job nature, performance and the prevailing market conditions. Apart from discretionary bonuses, the Group also provides employees with other benefits such as pension schemes pursuant to the laws and regulations in the relevant jurisdictions. In addition, the Group is committed to providing all employees with equal opportunities in various aspects and making efforts to employees’ continuous education to keep improving employees’ knowledge, skill and engagement.

PRINCIPAL RISKS AND UNCERTAINTIES

During the Review Period, the Group continued with the implementation of the risk management system, risk identification and assessment, and the adoption and evaluation of risk control measures. Based on the requirements set out under its “Risk Management Policy” and “Risk Management Manual”, the Group has summarised and analysed the principal risks faced during the Review Period including policy changing risk, new business investment and market competition risks, environmental compliance and safe production management risks, accounts receivable risk, engineering management risk, staffing risk, financing management risk, cost control risk, technology and innovation risks, and compliance risk.

During the Review Period, the PRC government continued to implement action plans in relation to “Dual Carbons”, develop and execute relevant policies successively, strengthen the comprehensive ecological and environmental management, improve pollution prevention and treatment infrastructures in cities, and promote green low-carbon development. The uncertainties of the international situation and evolving COVID-19 pandemic situation have severely affected the economy. Additionally, the environmental water industry where the Group operates remains competitive.

Therefore, the new business investment and market competition risks and accounts receivable risk faced by the Group are on an upward trend. Given the effectiveness of the internal controls implemented by the Group during the Review Period and the past years, and taking into account the complexity and diversity of external factors of other key risks which are beyond the Group’s control, the risk levels of other key risks remain unchanged during the Review Period.

Number	Name of risk	Effectiveness of the control measures	Change of trend in risk level (Note)
1	Policy changing risk	Effective	→
2	New business investment and market competition risks	Effective	↑
3	Environmental compliance and safe production management risks	Effective	→
4	Accounts receivable risk	Effective	↑
5	Engineering management risk	Effective	→
6	Staffing risk	Effective	→
7	Financing management risk	Effective	→
8	Cost control risk	Effective	→
9	Technology and innovation risks	Effective	→
10	Compliance risk	Effective	→

Note:

Change of trend in risk level:

→ means that the risk level remains unchanged;

↑ means that the risk level is on an upward trend.

During the Review Period, the Group has effectively controlled and managed the risks faced.

1. Policy Changing Risk

The Group is facing various risks which are associated with changes in regulations and policies in respect of waste water treatment, river-basin ecological restoration, sponge city construction, reusable water, water supply, waste water source heat pump and potential new business investment projects in the PRC. If there are any changes to the legislations, supervisory guidelines or industrial regulations, certain projects or related technologies of the Group become obsolete or its operation and new business investment become commercially unviable, adverse effects may occur to the new business investments, financial condition, operating results and prospects of the Group. In order to maintain its leading position in the environmental water industry and its stable business growth, the Group is required to continuously monitor the PRC government's environmental policies, and study changes in the market and new industry patterns.

During the Review Period, the Group actively responded to the PRC government's policies and closely monitored the changes in government policies and market, by setting up special teams to study topics such as reduction of pollutants and carbon, the eco-environment-oriented development (EOD) model and new business areas, and carrying out pilot projects such as water resource utilisation and solar energy. The existing control measures are effective as a whole and the risk level remains unchanged.

2. New Business Investment and Market Competition Risks

Due to the intense market competition faced by traditional water projects, the Group needs to explore investments in new business areas. A large amount of capital and numerous competitors are flowing into the environmental water industry where the Group operates. If the Group fails to effectively analyse and predict market trends and industry developments in the future, or fails to effectively integrate existing resources based on its own advantages, or fails to discover new business investment and obtain reasonable estimated profits, it may result in unsatisfactory investment return or insignificant competitive advantages. During the Review Period, the Group strengthened its efforts in research and expansion on new businesses and actively explored business opportunities, such as suitable merger and acquisition opportunities, overseas environmental water projects and new business models. The existing control measures are effective as a whole. However, the risk level is on an upward trend due to the intensifying competition in the environmental water industry of China and the fact that new business investment requires an extensive research and preparation of a comprehensive business plan.

3. Environmental Compliance and Safe Production Management Risks

During the Review Period, the Group was able to control the environmental compliance and safe production management risks, and no major risk incident took place. During the Review Period, the PRC government issued and revised various laws and regulations on environmental compliance and safe production management, and provided judicial interpretations on the punitive damages for ecological environmental infringement and strengthened the supervisory and enforcement power on environmental compliance and safe production management. As a result, the corporates are now subject to greater legal consequences and higher amount of penalties should they be found to be in breach of the environmental laws. As such and following the increasing number of its construction and operation projects, the Group was exposed to increasingly stringent pressure in environmental compliance and safe production management. If any incident (such as excessive discharge of pollutants or unsatisfactory safety management) caused by the external environment or any human factors occurs, the Group might be subject to liabilities such as administrative penalties and environmental remediation, affecting its reputation and revenue. The existing control measures are effective as a whole. However, the risk level remains unchanged since the Group has a large number of construction and operation projects.

4. Accounts Receivable Risk

Due to its business model, the Group's business, financial condition, operating results and prospects are significantly affected by the revenue and creditworthiness of the customers of the Group's environmental water projects. If the customers' abilities to settle service charges are affected due to financial difficulties, or if the customers delay their payment of service charges, the Group's capital management and profit may be affected. The major customers of the Group are local PRC governments of the places where the environmental water projects are located. During the Review Period, the Group was subject to high accounts receivable risk since the local PRC economies were financially restrained to varying degrees due to the evolving COVID-19 pandemic situation in China. The Group has put in place various measures to strengthen the recovery of accounts receivable. The existing control measures are effective as a whole. However, the risk level is on an upward trend since the COVID-19 pandemic situation remains fluid and the local economies across China are still subject to different degrees of pressure.

5. Engineering Management Risk

Engineering management risk refers to the risks of loss and non-compliance that arise from the mismanagement in different areas relating to engineering and constructions, such as the safety, quality, progress and budget. Such mismanagement could be due to insufficient staff, tight timelines, and failure of contractors to supervise the participating entities properly. In relation to the environmental water industry where the Group operates, engineering construction is the paramount factor in ensuring the subsequent stable and up-to-standard operation and cost control of projects. The Group has closely monitored the engineering management, and no major risk incident took place during the Review Period. During the Review Period, the progress and budget management of certain engineering construction projects were affected by the fluid COVID-19 pandemic situation in China and volatile labour and materials costs. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the hefty business costs, and a lot of construction units and staff involved as well as the continuity of the COVID-19 pandemic prevention and control.

6. Staffing Risk

The Group relies on the experience and capability of its key management team and qualified staff in managing different businesses. The resignation of key staff or management and technical personnel of the Group could negatively affect its operating activities or related businesses. The training of key staff, management and technical personnel is time-consuming. Due to its business development and the increasingly competitive conditions in the environmental water industry, the Group needs to replenish suitable management and technical talents as and when appropriate to ensure the stable development of the Group's businesses. During the Review Period, the Group committed to cultivating corporate culture, caring for the employees, and enhancing talent training and recruitment. It also implemented management systems such as "*Measures on Management of Reserve Talents*" and "*Measures on Assessment and Recruitment of Professional and Technical Staff*", established and refreshed the talent pool, organised professional training regularly, enhancing the recruitment for a few relatively remote projects. The existing control measures are effective as a whole, and during the Review Period, the team was stable and all relevant works were carried out in an orderly manner. The risk level remains unchanged.

7. Financing Management Risk

In order to maintain its competitiveness and implement growth strategies, the Group is required to have sufficient capital resources. In view of the industry model, the Group invests a large sum of monies in construction during the early stage of projects and gradually receives cash inflow during the operation process at the later stage. If it fails to reasonably control its finance cost or fails to obtain a reasonable scale of financings as and when needed, the Group may face difficulties in carrying out its business and achieving its profit target. To ensure that it maintains a sufficient capital reserve and good control of finance cost, the Group, during the Review Period, continued monitoring the domestic and overseas financing environment and the trend of the RMB exchange rate. Additionally, the Group forecast the reasonable capital required and adjusted borrowing structure through various financing channels, and strictly controlled the gearing ratio and the use of capital. The existing control measures are effective as a whole and the risk level remains unchanged.

8. Cost Control Risk

The Group's business involves engineering construction and operation relating to environmental water projects. Substantial changes in the costs of relevant raw materials, energy, financing and labour would adversely affect the profit of the Group. During the Review Period, the evolving COVID-19 pandemic situation and the revisions to the relevant policies by the PRC government have resulted in the significant fluctuation to the production costs of related upstream industries, the prices of certain raw materials and energy required for the Group's construction and operation. In turn, this led to an adverse impact on the Group's cost control. The Group continuously optimised the tender and procurement systems and procedures, and adopted various measures to control procurement costs and ensure procurement quality. In addition, it strengthened budget management, strictly controlled project investment and operation costs, and conducted regular evaluations. The existing control measures are effective as a whole and the risk level remains unchanged.

9. Technology and Innovation Risks

During the Review Period, the competition in the environmental water industry in which the Group operates became very intense and the PRC government continuously promulgated new policy documents on environmental protection and ecological management. This has accelerated the Group's urgency in bringing technological innovation to drive business development. The Group, during the Review Period, continuously strengthened its efforts and allocated resources in research and development on business technologies, exchanged knowledge and research on new businesses and new technologies, proactively brought in technology specialists and facilitated the technological transformation and new technology project application, with a view to pursuing technology-driven development. The existing control measures are effective as a whole. However, the risk level remains unchanged since technology research and innovation, and the research of new business and new technology are time consuming and the research outcome may not meet the expectation.

10. Compliance Risk

The Group has established a relatively comprehensive compliance procedure, including the provision of effective legal protection through internal legal personnel and external legal experts, to ensure relevant matters are effectively reviewed and handled. During the Review Period, the Group strictly complied with the requirements of the relevant PRC laws and regulations, the SEHK Listing Rules, the SGX Listing Manual and relevant industry specifications, and achieved a good compliance record. On the other hand, the Group also organised various online and offline legal training on various topics, including inviting external industry experts, so as to enhance the level of legal knowledge of the Group's employees. In terms of important matters, the Group performed regular or ad-hoc project inspections during the Review Period to ensure strict control of compliance risks in daily affairs and key tasks. The existing control measures are effective as a whole and the risk level remains unchanged.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

As a leading water environment management enterprise in China, the Group has been continuously promoting and optimising its water environment management business through actively assuming the environmental and social responsibilities and incorporating the environmental and social management framework into its operation. The Group has been evaluating its environmental and social performance against globally recognised standards, including the World Bank Group's *Environmental, Health, and Safety Guidelines*. Since 2016, the Group has been submitting monitoring reports to International Finance Corporation annually. Such monitoring reports cover all projects of the Group, namely projects in the preparatory stage, projects under construction, projects that completed construction and projects in operation. All projects under the Group have obtained or are actively applying for international management standard certificates, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 45001 Occupational Health and Safety Management System. In addition, the Group will identify and assess the project's environmental and social risks prior to investment, and ensure all necessary permits and environmental impact assessment approvals are obtained before the commencement of construction.

The Group strictly complies with laws and regulations concerning environmental protection, safe production, occupational health and social responsibility. Key laws and regulations applicable to the Group include the *Anti-Unfair Competition Law of the PRC*, *Law of the PRC on Product Quality*, *Water Pollution Prevention and Control Law of PRC*, the *Labour Law of PRC*, the *Work Safety Law of PRC*, the *Social Insurance Law of PRC*, *Environmental Protection Law of the PRC*, *Law of the PRC on Environmental Impact Assessment*, *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste*, *Discharge Standard for Pollutants of Municipal Wastewater Treatment Plants (GB18918-2002)* and the relevant discharge standards for pollutants prescribed by local governments, etc. Furthermore, the Group strives to continually improve the environmental and hygiene indicators of the water environment in China, and the majority of its projects comply with or achieve standards better than Grade 1A standard of the *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)*. The projects significantly minimise the environmental pollution caused by waste water discharge and protect the health and well-being of the public. No breach of these laws and regulations which resulted in any significant loss or impact to the Group was recorded in 1HFY2022.

To create long-term value for stakeholders and build a sustainable future, the Group implements the comprehensive ESHS Management System and the Risk Management System, and makes timely and comprehensive information disclosure. In 1HFY2022, the Group continued implementing the ESHS Management System in every department at all levels and across all its employees, on-site third party contractors and subcontractors. This facilitated the standardisation of the internal management and risk control in all different processes, continuous optimisation of the management system, and strengthening of the emergency response ability in order to promote sustainable development. The system also minimises the environmental, safety, health and social impacts on the project areas.

To improve the transparency of its operation, the Group has been proactively uploading such information to its corporate website or relevant websites of government departments for public scrutiny, including environmental impact assessment report approvals, annual environmental monitoring plans, environmental emergency preparedness and response plans, monitoring results of waste water/odour emissions/noise, etc. This demonstrates the Group's willingness and determination to assume greater social and environmental responsibilities for sustainable development.

While actively responding to the “Dual Carbons” strategy, the Group diligently implements green, low-carbon, and high-quality development, and explores the sustainable development of waste water treatment plants with synergies in pollution and carbon emission reduction. In addition to the pilot project of monitoring and evaluation of greenhouse gas emissions, the Group had, during the Review Period, issued and implemented the “*Guidelines on Everbright Water Low-Carbon Waste Water Treatment Plants (Trial)*”. Such guidelines aim to develop low-carbon waste water treatment demonstration plants in No.1 Water Purification Plant of Everbright Water (Zibo) Limited and Tianjin Beitang Waste Water Treatment Plant. The guidelines will provide standardised guidance for the low-carbon operation of the Company's other waste water treatment plants; and target to develop a constellation of low-carbon waste water treatment plant demonstration projects by the end of 2025.

In order to raise public awareness of environmental protection in the water sector and strengthen the soft power of community sustainable development, by actively responding to the government initiatives and continuously opening its waste water treatment facilities and plant areas to the public, the Group is committed to developing and enhancing its role as an environmental protection publicity base which integrates public visits, practice and training. As at 30 June 2022, a total of 31 projects of the Group had been officially opened to the public and during the Review Period received 2,958 visitors in 92 batches in aggregate. Due to the evolving COVID-19 situation, the Group has been launching various online and offline publicity and education activities together with different ecological environment departments, technology associations and government organisations. In addition, various activities were held in conjunction with the “World Environment Day” to encourage the public to cherish and conserve water and gain knowledge on environmental protection. Meanwhile, various waste water treatment plants of the Group have received awards and recognitions, including the honorary titles of “Ecological Civilisation Education Base” and “Science Popularisation Education Base” at provincial and municipal levels.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to ensure investors' confidence in the Company as a trusted business enterprise. The Board and the Management will continue to uphold good corporate governance practices to enhance long-term value of the Company and returns for the Shareholders and protect the Shareholders' interests.

Since the listing of the Company's ordinary shares on the Main Board of the SEHK on 8 May 2019, the Company has adopted the principles and code provisions of the Corporate Governance Code (the "HK CG Code") as set out in Appendix 14 to the SEHK Listing Rules as part of its governance framework, in addition to the principles and provisions under Singapore Code of Corporate Governance 2018 (the "SG CG Code"). In the event of any conflicts between the SG CG Code and the HK CG Code, the Company will comply with the more stringent requirements. Throughout 1HFY2021, the Company has complied with the principles and provisions of the HK CG Code and the SG CG Code.

Please refer to the "Corporate Governance Report" in the FY2021 Annual Report for more information on the Company's corporate governance practices.

BOARD COMMITTEES

The Board holds meetings on a regular basis (at least four times in a year). During 1HFY2022, the Board had four Board Committees, namely the Audit Committee, the Remuneration Committee, the Nominating Committee and the Strategy Committee, the details of which are set out below.

Audit Committee

The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Lim Yu Neng Paul (Chairman), Mr. Zhai Haitao, Ms. Cheng Fong Yee and Ms. Hao Gang. The Audit Committee is primarily responsible for reviewing the significant financial reporting issues and judgements and monitoring the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance; reviewing and reporting to the Board the adequacy and effectiveness of the Group's internal controls and risk management systems, comprising financial, operational, compliance and information technology controls (such review can be carried out internally or by third parties); reviewing the adequacy and effectiveness of the Group's internal audit function; reviewing the scope and results of the internal audit; reviewing the independence and objectivity of the external auditor and the effectiveness of the audit process; and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor. The terms of reference of the Audit Committee are available on the SGXNet (www.sgx.com) and websites of the Company (www.ebwater.com) and Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk).

During 1HFY2022, the members of the Audit Committee reviewed the audited consolidated financial results of the Group for the financial year ended 31 December 2021, the internal auditor's report and the external auditor's report.

Remuneration Committee

The Remuneration Committee currently comprises three independent non-executive Directors, namely Ms. Cheng Fong Yee (Chairman), Mr. Zhai Haitao and Mr. Lim Yu Neng Paul. The Remuneration Committee is primarily responsible for implementing a formal, transparent and objective procedure for fixing the remuneration packages of individual Directors and Key Management Personnel (as defined in SG CG Code) (including senior management), and to ensure that the level and structure of their remuneration are aligned with the long-term interest and risk policies of the Group and should be appropriate to attract, retain and motivate (1) the Directors to provide good stewardship of the Group; and (2) Key Management Personnel (including senior management) to successfully manage the Group. The terms of reference of the Remuneration Committee are available on the SGXNet and the websites of the Company and HKEx.

During 1HFY2022, the members of Remuneration Committee reviewed the 2021 remuneration payment and 2022 remuneration framework for the Directors and the Key Management Personnel (including senior management) of the Company.

Nominating Committee

The Nominating Committee currently comprises two independent non-executive Directors, namely Mr. Zhai Haitao (Chairman) and Mr. Lim Yu Neng Paul, and an executive Director and Chairman of the Board, namely Mr. Hu Yanguo. The Nominating Committee is primarily responsible for implementing a formal and transparent procedure for appointment and re-appointment of Board members, evaluating performance of Board members and Board Committee members and assessing the overall performance of the Board and the Board Committees. The terms of reference of the Nominating Committee are available on the SGXNet and the websites of the Company and HKEx.

During 1HFY2022, the members of the Nominating Committee reviewed (i) the continued independence of independent non-executive Directors; (ii) performance of each individual Director, each individual Board Committee and the Board as a whole; and (iii) re-election of the retiring Directors at the 2022 annual general meeting of the Company.

Strategy Committee

The Strategy Committee currently comprises three executive Directors, namely Mr. Hu Yanguo (Chairman), Mr. Tao Junjie and Mr. Luo Junling, and an independent non-executive Director, namely Ms. Hao Gang. The Strategy Committee is primarily responsible for assisting the Board in providing strategic direction to the Group; overseeing the strategic planning of the Group and implementation of such strategies; reviewing the medium-term and long-term strategic objectives proposed by the Management and overseeing the Management's performance in relation to such strategies; considering sustainability issues in formulating strategies and overseeing the monitoring and management of the environmental, social and governance factors that are material to the business of the Group. The terms of reference of the Strategy Committee are available on the SGXNet and the websites of the Company and HKEx.

DEALINGS IN THE SECURITIES

The Company has adopted an internal code (the “Internal Code”) governing dealings in securities by Directors, officers and relevant employees of the Company and its subsidiaries who are likely to be in possession of unpublished price sensitive information of the Company and its subsidiaries. Following its listing on the Main Board of the SEHK, the Company has updated the Internal Code to be in line with the requirements of the SEHK Listing Rules and HK CG Code on terms no less exacting than the *Model Code for Securities Transactions by Directors of Listed Issuers* (the “Model Code”) as set out in Appendix 10 to the SEHK Listing Rules, in addition to the requirements of the SGX Listing Manual and SG CG Code. This revised Internal Code has been disseminated to all the Directors, officers and relevant employees of the Group.

Directors, officers and relevant employees have been informed not to deal in the Company’s securities at all times whilst in possession of unpublished price-sensitive information and during the periods commencing:

- (a) 30 days immediately preceding the publication date of the announcement of the Company’s interim results (and quarterly results, if any) or, if shorter, the period from the end of the relevant half-year (and the relevant quarter, if applicable) up to the publication date of the results; and
- (b) 60 days immediately preceding the publication date of the announcement of the Company’s full-year results or, if shorter, end of financial year and up to the publication date of the results.

The Directors, officers and relevant employees of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or while they are in possession of unpublished inside information or price-sensitive information of the Company and they are not to deal in the Company’s securities on short-term considerations.

Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code and the Internal Code throughout 1HFY2022.

Interim Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? Yes

As part of the Directors' continuing efforts to enhance the Shareholder's return, when they deem appropriate for the Company to do so, the Directors will recommend or declare a dividend. The Directors have declared an interim dividend of HK5.45 cents (equivalent to 0.98 Sing cent) per ordinary share for 1HFY2022 ("1HFY2022 Interim Dividend").

Name of Dividend	1HFY2022 Interim Dividend
Dividend Type	Cash
Dividend Amount	HK5.45 cents (equivalent to 0.98 Sing cent) per ordinary share
Tax Rate	One-Tier Tax Exempt

(b) Corresponding period of the immediately preceding financial year

Name of Dividend	1HFY2021 Interim Dividend
Dividend Type	Cash
Dividend Amount	HK5.75 cents (equivalent to 1.01 Sing cents) per ordinary share
Tax Rate	One-Tier Tax Exempt

(c) Date payable

The 1HFY2022 Interim Dividend will be paid on or around 9 September 2022 (Friday).

(d) Books closure date(s)

For Singapore Shareholders

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. (Singapore time) on 26 August 2022 (Friday), being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the 1HFY2022 Interim Dividend.

Duly completed registrable transfers of shares received by the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to 5:00 p.m. (Singapore time) on 26 August 2022 (Friday) will be registered before entitlements to the 1HFY2022 Interim Dividend are determined. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5:00 p.m. (Singapore time) on 26 August 2022 (Friday) will rank for the 1HFY2022 Interim Dividend.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 29 August 2022 (Monday) to 30 August 2022 (Tuesday), both days inclusive, and during this period no transfer of shares will be registered. Shareholders whose names appear on the Hong Kong branch register of members of the Company as at 4:30 p.m. (Hong Kong time) on 26 August 2022 (Friday) will be entitled to the 1HFY2022 Interim Dividend.

Duly completed registrable transfers of shares received by the Company's Hong Kong Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 26 August 2022 (Friday), will be registered before entitlements to the 1HFY2022 Interim Dividend are determined.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2022.

Convertibles, Preference Shares and Treasury Shares

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 30 June 2022 and 30 June 2021. During the six months ended 30 June 2022, there were no sales, transfers, disposal, cancellations and/or use of treasury shares.

Disclosure on acquisition or disposal of shares in companies pursuant to Rule 706A of the SGX Listing Manual

During 1HFY2022, there was no acquisition or disposal of shares in subsidiaries ("Subsidiaries"), associated companies ("Associated Companies") of the Company or in any company which became or ceased to be a Subsidiary or Associated Company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A of the SGX Listing Manual.

Where a forecast, or a prospect statement, has been previously disclosed to Shareholders, any variance between it and the actual results.

None.

Publication of Interim Results and Interim Report

The interim results announcement for the six months ended 30 June 2022 is published on the SGXNet (www.sgx.com) and the websites of the Company (www.ebwater.com) and HKEx (www.hkexnews.hk). The 2022 interim report of the Company containing, among others, all the information required by the SEHK Listing Rules, will be published on the SGXNet and the websites of the Company and HKEx and despatched to the Shareholders in due course.

Confirmation that the issuer has procured undertakings from all its Directors and executive officers under Rule 720(1) of the SGX Listing Manual

Pursuant to Rule 720(1) of the SGX Listing Manual, the Company has procured undertakings from all its Directors and executive officers.

Confirmation by the Board pursuant to Rule 705(5) of the SGX Listing Manual

I, Hu Yanguo, do hereby confirm on behalf of the Board that to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the six months ended 30 June 2022 to be false or misleading in any material aspect.

By Order of the Board
China Everbright Water Limited
Hu Yanguo
Executive Director and Chairman

Hong Kong and Singapore, 11 August 2022

As at the date of this announcement, the Board comprises: (i) three executive Directors, namely Mr. Hu Yanguo (Chairman), Mr. Tao Junjie (Chief Executive Officer) and Mr. Luo Junling; and (ii) four independent non-executive Directors, namely Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, Ms. Cheng Fong Yee and Ms. Hao Gang.

APPENDIX

Report on Review of Interim Financial Information

The Board of Directors

China Everbright Water Limited

Introduction

We have reviewed the interim financial information, which comprises the condensed consolidated statement of financial position as at 30 June 2022 of China Everbright Water Limited and its subsidiaries, and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Listing Manual of Singapore Exchange Securities Trading Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Public Accountants and

Chartered Accountants

Singapore

11 August 2022