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## **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 2021**

#### **HIGHLIGHTS**

- Revenue increased by 47% to HK\$3,112,935,000 (1HFY2020: HK\$2,120,086,000)
- EBITDA increased by 30% to HK\$1,059,125,000 (1HFY2020: HK\$813,116,000)
- Profit before tax increased by 34% to HK\$783,318,000 (1HFY2020: HK\$584,718,000)
- Profit attributable to equity holders of the Company increased by 36% to HK\$548,178,000 (1HFY2020: HK\$404,473,000)
- Interim dividend of HK5.75 cents (equivalent to 1.01 Sing cents) per ordinary share (1HFY2020: HK3.74 cents (equivalent to 0.67 Sing cent) 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 2021 (“1HFY2021” or the “Review Period”), together with the comparative figures for the six months ended 30 June 2020 (“1HFY2020”). 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 2021*

		1HFY2021 (Unaudited) <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>	Increase/ (decrease) %
	<i>Notes</i>			
<b>REVENUE</b>	4	<b>3,112,935</b>	2,120,086	47%
Direct costs and operating expenses		<u>(1,873,384)</u>	<u>(1,238,438)</u>	51%
<b>Gross profit</b>		<b>1,239,551</b>	881,648	41%
Other income and gains, net	5	<b>144</b>	39,399	(100%)
Administrative and other operating expenses		<b>(249,746)</b>	(164,247)	52%
Finance income	6	<b>10,911</b>	5,321	105%
Finance costs	6	<b>(212,533)</b>	(179,410)	18%
Share of profits and losses of associates		<u>(5,009)</u>	<u>2,007</u>	(350%)
<b>PROFIT BEFORE TAX</b>	7	<b>783,318</b>	584,718	34%
Income tax	8	<u>(206,184)</u>	<u>(158,156)</u>	30%
<b>PROFIT FOR THE PERIOD</b>		<u><b>577,134</b></u>	<u>426,562</u>	35%
<b>OTHER COMPREHENSIVE INCOME</b>				
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><b>355,026</b></u>	<u>(169,627)</u>	NM
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<u><b>355,026</b></u>	<u>(169,627)</u>	NM
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>932,160</b></u>	<u>256,935</u>	263%

*NM – Not meaningful*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)**For the six months ended 30 June 2021*

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>Notes</i> <b>HK\$'000</b>	1HFY2020 (Unaudited) <i>HK\$'000</i>	Increase/ (decrease) %
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity holders of the Company	<b>548,178</b>	404,473	36%
Non-controlling interests	<b>28,956</b>	22,089	31%
	<b><u>577,134</u></b>	<b><u>426,562</u></b>	35%
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company	<b>880,339</b>	243,697	261%
Non-controlling interests	<b>51,821</b>	13,238	291%
	<b><u>932,160</u></b>	<b><u>256,935</u></b>	263%
<b>EARNINGS PER SHARE ATTRIBUTABLE</b>			
<b>TO EQUITY HOLDERS OF THE COMPANY</b> 10			
– Basic and diluted	<b><u>HK19.16 cents</u></b>	<b><u>HK14.14 cents</u></b>	36%

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021

	Notes	Group		Company	
		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		1,044,469	152,855	2	5
Right-of-use assets		110,083	16,285	-	-
Investment properties		12,364	12,082	-	-
		<b>1,166,916</b>	181,222	<b>2</b>	5
Intangible assets		2,026,636	1,880,919	-	-
Goodwill		1,518,875	1,295,475	-	-
Interests in subsidiaries		-	-	11,131,263	10,880,417
Interests in associates		3,216	8,143	-	-
Trade and other receivables	11	413,317	289,902	-	-
Contract assets	12	18,621,004	17,348,620	-	-
Other financial assets	13	216,597	443,198	181,272	409,147
Deferred tax assets		7,349	-	-	-
Total non-current assets		<b>23,973,910</b>	21,447,479	<b>11,312,537</b>	11,289,569
<b>CURRENT ASSETS</b>					
Inventories		65,004	93,641	-	-
Trade and other receivables	11	2,371,859	1,965,697	8,152,774	6,502,232
Contract assets	12	1,905,270	1,681,187	-	-
Other financial assets	13	219,839	-	219,839	-
Cash and cash equivalents	14	2,065,775	1,719,530	27,407	23,128
Total current assets		<b>6,627,747</b>	5,460,055	<b>8,400,020</b>	6,525,360

**STATEMENTS OF FINANCIAL POSITION** *(continued)*

*As at 30 June 2021*

	Notes	Group		Company	
		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	2,866,738	2,540,938	167,952	99,253
Borrowings		3,226,594	2,246,673	2,630,676	1,954,648
Tax payable		54,332	69,029	-	-
Lease liabilities		9,251	8,388	-	-
Total current liabilities		<u>6,156,915</u>	<u>4,865,028</u>	<u>2,798,628</u>	<u>2,053,901</u>
<b>NET CURRENT ASSETS</b>		<u>470,832</u>	<u>595,027</u>	<u>5,601,392</u>	<u>4,471,459</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>24,444,742</u>	<u>22,042,506</u>	<u>16,913,929</u>	<u>15,761,028</u>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings		10,008,641	8,831,460	6,014,098	5,129,809
Deferred tax liabilities		1,949,994	1,801,819	-	-
Lease liabilities		2,285	3,368	-	-
Total non-current liabilities		<u>11,960,920</u>	<u>10,636,647</u>	<u>6,014,098</u>	<u>5,129,809</u>
<b>NET ASSETS</b>		<u>12,483,822</u>	<u>11,405,859</u>	<u>10,899,831</u>	<u>10,631,219</u>
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	16	2,860,877	2,860,877	2,860,877	2,860,877
Reserves		8,380,489	7,673,416	8,038,954	7,770,342
Non-controlling interests		<u>11,241,366</u>	<u>10,534,293</u>	<u>10,899,831</u>	<u>10,631,219</u>
		<u>1,242,456</u>	<u>871,566</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u>12,483,822</u>	<u>11,405,859</u>	<u>10,899,831</u>	<u>10,631,219</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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	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
<b>Group</b>										
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	<u>2,860,877</u>	<u>1,599,765</u>	<u>457,372</u>	<u>524,810</u>	<u>1,229,302</u>	<u>8,203</u>	<u>4,561,037</u>	<u>11,241,366</u>	<u>1,242,456</u>	<u>12,483,822</u>
At 1 January 2020	2,860,877	1,599,765	(777,967)	398,409	1,229,302	(2,181)	3,501,864	8,810,069	738,683	9,548,752
Profit for the period	-	-	-	-	-	-	404,473	404,473	22,089	426,562
Foreign currency translation differences	-	-	(160,776)	-	-	-	-	(160,776)	(8,851)	(169,627)
2019 final dividend declared	-	-	-	-	-	-	(106,645)	(106,645)	-	(106,645)
Capital contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	17,062	17,062
At 30 June 2020	<u>2,860,877</u>	<u>1,599,765</u>	<u>(938,743)</u>	<u>398,409</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>3,799,692</u>	<u>8,947,121</u>	<u>768,983</u>	<u>9,716,104</u>

## STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Contributed surplus reserve (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
<b>Company</b>							
At 1 January 2021	2,860,877	389,715	(508,101)	7,639,082	64,953	184,693	10,631,219
Profit for the period	-	-	-	-	-	194,284	194,284
Foreign currency translation differences	-	-	247,594	-	-	-	247,594
2020 final dividend declared	-	-	-	-	-	(173,266)	(173,266)
At 30 June 2021	<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>
At 1 January 2020	2,860,877	389,715	(1,181,298)	7,639,082	64,953	187,115	9,960,444
Profit for the period	-	-	-	-	-	74,023	74,023
Foreign currency translation differences	-	-	(126,774)	-	-	-	(126,774)
2019 final dividend declared	-	-	-	-	-	(106,645)	(106,645)
At 30 June 2020	<u>2,860,877</u>	<u>389,715</u>	<u>(1,308,072)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>154,493</u>	<u>9,801,048</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<i>Notes</i>	<b>1HFY2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1HFY2020 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		<b>783,318</b>	584,718
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	7	<b>21,602</b>	8,035
Depreciation of right-of-use assets	7	<b>6,080</b>	5,026
Amortisation of intangible assets	7	<b>35,592</b>	35,927
Loss on disposals of property, plant and equipment	7	<b>5,673</b>	35
Finance costs	6	<b>212,533</b>	179,410
Interest income	6	<b>(10,911)</b>	(5,321)
Share of profits and losses of associates		<b>5,009</b>	(2,007)
Fair value adjustment of contingent consideration receivable	5	–	7,692
Fair value changes of other financial assets, net	5	<b>16,888</b>	(6,689)
Dividend received from other financial assets	5	–	(1,899)
Provision for impairment of trade receivables, net	7	<b>21,808</b>	8,959
Provision for impairment of other receivables	7	<b>5,459</b>	3,435
Provision for impairment of contract assets	12	<b>2,275</b>	–
Effect of foreign exchange rates changes, net		<b>1,156</b>	(861)
<b>Operating cash flows before working capital changes</b>		<b>1,106,482</b>	816,460
<b>Changes in working capital:</b>			
Decrease/(increase) in inventories		<b>39,341</b>	(22,287)
Increase in contract assets		<b>(1,042,905)</b>	(702,283)
Increase in trade and other receivables		<b>(124,540)</b>	(324,586)
Decrease in trade and other payables		<b>(242,825)</b>	(402,738)
<b>Cash used in operations</b>		<b>(264,447)</b>	(635,434)
People's Republic of China ("PRC") income tax paid		<b>(120,991)</b>	(96,501)
<b>Net cash flows used in operating activities</b>		<b>(385,438)</b>	(731,935)



**CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)**For the six months ended 30 June 2021*

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>Notes</i> <b>HK\$'000</b>	1HFY2020 <b>(Unaudited)</b> <i>HK\$'000</i>
<b>Cash flows from investing activities</b>		
Acquisition of a subsidiary, net of cash acquired	<b>(794,616)</b>	–
Purchase of property, plant and equipment	<b>(8,514)</b>	(3,426)
Proceeds from disposals of property, plant and equipment	<b>3</b>	12
Payment for additions of intangible assets	<b>(138,102)</b>	(74,270)
Increase in amounts due from an associate	<b>(374)</b>	(372)
Dividend received from other financial assets	–	1,899
Interest received	<b>10,911</b>	5,321
	<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>	<b>(930,692)</b>	(70,836)
<b>Cash flows from financing activities</b>		
Capital contributions from non-controlling shareholders of subsidiaries	–	17,062
Increase in amounts due to follow subsidiaries	<b>407</b>	–
Proceeds from the issuance of asset-backed securities (“ABS”), net of related expenses paid	–	315,438
Proceeds from the issuance of medium term notes (“MTNs”), net of related expenses paid	<b>1,194,306</b>	–
New bank loans	<b>3,136,087</b>	1,516,963
Repayments of ABS	<b>(31,143)</b>	–
Repayments of bank loans	<b>(2,334,004)</b>	(961,291)
Interest paid	<b>(144,090)</b>	(150,819)
Principal elements of lease payments	<b>(5,021)</b>	(4,699)
Interest elements of lease payments	<b>(299)</b>	(449)
Decrease in pledged bank deposits	<b>10,115</b>	9,499
Dividend paid to shareholders of the Company	<b>(173,631)</b>	(107,038)
Dividend paid to a non-controlling shareholder of a subsidiary	<b>(17,216)</b>	–
	<hr/>	<hr/>
<b>Net cash flows generated from financing activities</b>	<b>1,635,511</b>	634,666
<b>Net increase/(decrease) in cash and cash equivalents</b>		
	<b>319,381</b>	(168,105)
Cash and cash equivalents at beginning of the period	<b>1,702,855</b>	2,052,250
Effect of exchange rate fluctuations on cash and cash equivalents, net	<b>41,716</b>	(30,342)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>2,063,952</b>	1,853,803

Notes:

## 1. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2021 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 2020 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 2020 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 2020 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 2020, except for the adoption of new standards effective as of 1 January 2021. 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.

Several other amendments and interpretations apply for the first time in 2021, but do not have a significant impact on the interim condensed consolidated financial information of the Group.

## 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 Venture</i> <sup>4</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>3</sup>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> <sup>3</sup>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>3</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to IFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> <sup>2</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2</sup>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>2</sup>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>2</sup>
Amendments to IFRSs	<i>2018–2020 Annual Improvements to IFRS standards</i> <sup>2</sup>
Amendments to IFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> 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 2021 and 2020, 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*

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Mainland China	<b>3,095,876</b>	2,118,215
Germany	<b>17,059</b>	1,871
	<b><u>3,112,935</u></b>	<b><u>2,120,086</u></b>

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

(b) *Non-current assets*

	At <b>30 June</b> <b>2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Mainland China	<b>23,750,221</b>	20,997,841
Hong Kong	<b>3,641</b>	5,647
Singapore	<b>3,133</b>	434
Germany	<b>318</b>	359
	<b><u>23,757,313</u></b>	<b><u>21,004,281</u></b>

The non-current assets information of continuing operations above is based on the locations of the assets (excluding other financial assets).

#### Major customers

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Customer 1*	<b>567,031</b>	258,078
Customer 2*	<b>333,739</b>	584,144

\* The customers are local government authorities.

#### 4. REVENUE

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Construction service revenue from service concession arrangements	<b>1,318,822</b>	817,759
Finance income from service concession arrangements	<b>544,642</b>	456,971
Operation income from service concession arrangements	<b>1,150,697</b>	808,167
Construction contract revenue and technical service income	<b>98,774</b>	37,189
	<b><u>3,112,935</u></b>	<b><u>2,120,086</u></b>
<b>Timing of revenue recognition:</b>		
At a point in time	<b>72,397</b>	40,497
Over time	<b>2,495,896</b>	1,622,618
	<b><u>2,568,293</u></b>	<u>1,663,115</u>
Finance income from service concession arrangements	<b>544,642</b>	456,971
	<b><u>3,112,935</u></b>	<b><u>2,120,086</u></b>

The aggregated amount of construction services revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK\$2,975,093,000 and HK\$2,051,962,000 for the six months ended 30 June 2021 and 2020, respectively.

#### 5. OTHER INCOME AND GAINS, NET

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Government grants*	<b>8,378</b>	6,415
Value-added tax (“VAT”) refunds**	<b>3,309</b>	27,892
Fair value gain/(loss), net:		
Contingent consideration receivable	–	(7,692)
Other financial assets – unlisted investments	<b>(17,363)</b>	6,260
Other financial assets – unlisted equity investment	<b>475</b>	429
Dividend received from other financial assets	–	1,899
Sundry income	<b>5,345</b>	4,196
	<b><u>144</u></b>	<b><u>39,399</u></b>

\* Government grants of HK\$8,378,000 and HK\$6,415,000 were granted during the six months ended 30 June 2021 and 2020, 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\$3,309,000 and HK\$27,892,000 were received/receivable during the six months ended 30 June 2021 and 2020, 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

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
<u>Finance income</u>		
Interest income on:		
Bank deposits	10,560	4,995
Amounts due from an associate	351	326
	<u>10,911</u>	<u>5,321</u>
<u>Finance costs</u>		
Interest expense on:		
Bank loans	(112,062)	(118,557)
Corporate bonds, ABS, and MTNs	(100,172)	(60,404)
Lease liabilities	(299)	(449)
	<u>(212,533)</u>	<u>(179,410)</u>
Net finance costs	<u>(201,622)</u>	<u>(174,089)</u>

## 7. PROFIT BEFORE TAX

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

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Depreciation*		
– property, plant and equipment	21,602	8,035
– right-of-use assets	6,080	5,026
Amortisation		
– intangible assets*	35,592	35,927
Loss on disposals of property, plant and equipment	5,673	35
Cost of construction services from service concession arrangements**	1,019,075	643,647
R&D costs	19,888	15,178
Rental expense from short-term leases	954	1,570
Provision for impairment of trade receivables, net	21,808	8,959
Provision for impairment of other receivables	5,459	3,435
Provision for impairment of contract assets	2,275	–
Foreign exchange differences, net	<u>(2,196)</u>	<u>(2,165)</u>
Employee benefit expense (including directors' remuneration)*:		
Wages, salaries, allowances and benefits in kind	156,203	91,122
Retirement scheme contributions	38,698	27,806
	<u>194,901</u>	<u>118,928</u>

## 7. PROFIT BEFORE TAX (continued)

\* Amortisation of intangible assets, depreciation and employee benefit expense in total of HK\$143,077,000 and HK\$109,060,000 for the six months ended 30 June 2021 and 2020, 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 and Hong Kong income tax during the six months ended 30 June 2021 and 2020.

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 2021 and 2020, 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 2021 and 2020, 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.

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Current – PRC:		
Charge for the period	<b>96,501</b>	83,114
Underprovision in prior years	<b>5,106</b>	414
Deferred	<b>104,577</b>	74,628
	<hr/>	<hr/>
Total tax expense for the period	<b>206,184</b>	158,156
	<hr/>	<hr/>

The share of tax attributable to associates amounting to HK\$558,000 and HK\$300,000 for the six months ended 30 June 2021 and 2020 respectively, is included in “Share of profits and losses of associates” in the condensed consolidated statement of comprehensive income.

## 9. DIVIDENDS

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Dividends attributable to the period:		
Interim – HK5.75 cents (equivalent to 1.01 Singapore cents (“Sing cents”)) (1HFY2020: HK3.74 cents (equivalent to 0.67 Sing cent)) per ordinary share	<u>164,453</u>	<u>106,964</u>

Dividends paid during the period:		
Final in respect of the previous financial year – HK6.07 cents (equivalent to 1.04 Sing cents) (1HFY2020: HK3.74 cents (equivalent to 0.67 Sing cent)) per ordinary share	<u>173,266</u>	<u>106,645</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.

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company	<u>548,178</u>	<u>404,473</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>19.16</u>	<u>14.14</u>



## 11. TRADE AND OTHER RECEIVABLES

### Group

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
<b>Non-current</b>		
VAT receivables	357,945	285,324
Other receivables	28,172	4,578
Prepayments	27,200	–
	<u>413,317</u>	<u>289,902</u>
<b>Current</b>		
Trade receivables	1,993,170	1,365,321
Less: Impairment	<u>(126,211)</u>	<u>(97,246)</u>
	1,866,959	1,268,075
Other receivables and sundry deposits	131,589	355,727
Less: Impairment	<u>(9,128)</u>	<u>(3,521)</u>
	122,461	352,206
VAT receivables	175,118	141,426
Amounts due from an associate	18,403	17,614
Prepayments	188,918	186,376
	<u>2,371,859</u>	<u>1,965,697</u>
<b>Total</b>	<u><b>2,785,176</b></u>	<u><b>2,255,599</b></u>

The amounts due from an associate are unsecured, repayable on demand and interest-bearing at a rate of 4.75% (31 December 2020: 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 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
At the beginning of the period/year	97,246	65,902
Impairment losses recognised	21,808	25,492
Exchange realignment	7,157	5,852
	<u>126,211</u>	<u>97,246</u>

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

### Group

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
At the beginning of the period/year	3,521	–
Impairment losses recognised	5,459	3,342
Exchange realignment	148	179
	<u>9,128</u>	<u>3,521</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 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within 1 month	449,274	448,151
More than 1 month but within 2 months	292,872	125,719
More than 2 months but within 4 months	286,454	165,675
More than 4 months but within 7 months	227,350	106,074
More than 7 months but within 13 months	316,527	164,376
More than 13 months	294,482	258,080
	<u>1,866,959</u>	<u>1,268,075</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 2021 and 31 December 2020 were trade receivables of HK\$1,866,959,000 and HK\$1,268,075,000, respectively, of which (a) HK\$13,856,000 and HK\$25,068,000, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, (b) HK\$10,423,000 and HK\$13,596,000, respectively, were due from a related company of a non wholly-owned subsidiary, and (c) HK\$50,983,000 and HK\$61,525,000, respectively, were due from a fellow subsidiary.

Included in “Other receivables and sundry deposits” of the Group as at 30 June 2021 and 31 December 2020 were consideration receivables of HK\$9,118,000 and HK\$11,043,000, 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\$2,903,000 were provided as at 30 June 2021 (31 December 2020: HK\$3,521,000).

Included in “Other receivables and sundry deposits” of the Group as at 30 June 2021 and 31 December 2020 were Government compensation receivables of HK\$22,581,000 and HK\$17,238,000, arising from compensation of sludge disposal cost as stipulated in the concession service agreement of Everbright Water (Beijing) Limited, for which impairment of HK\$6,225,000 were provided as at 30 June 2021 (31 December 2020: nil).

## 12. CONTRACT ASSETS

### Group

		At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current</b>			
Service concession assets	<i>(a)</i>	<b>18,635,518</b>	17,360,815
Less: impairment	<i>(c)</i>	<b>(14,514)</b>	(12,195)
		<b>18,621,004</b>	17,348,620
<b>Current</b>			
Service concession assets	<i>(a)</i>	<b>1,892,735</b>	1,679,084
Less: impairment	<i>(c)</i>	<b>(1,474)</b>	(1,179)
		<b>1,891,261</b>	1,677,905
Other contract assets	<i>(b)</i>	<b>14,009</b>	3,282
		<b>1,905,270</b>	1,681,187
Total		<b>20,526,274</b>	19,029,807

## 12. CONTRACT ASSETS (continued)

- (a) Included in “Contract assets” as at 30 June 2021 and 31 December 2020 are amounts of HK\$545,894,000 and HK\$549,290,000, respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK\$796,359,000 and HK\$789,747,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 30 June 2021 and 31 December 2020 totaling HK\$20,528,253,000 and HK\$19,039,899,000, respectively, bear interest at rates ranging from 4.90% to 7.83% and 4.90% to 7.83%, respectively, per annum. As at 30 June 2021 and 31 December 2020, HK\$11,331,282,000 and HK\$8,677,273,000, 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 2021 and 31 December 2020 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 2021, HK\$15,988,000 (31 December 2020: HK\$13,374,000) was recognised as an allowance for expected credit losses on contract assets. The Group’s trading terms and credit policy with customers are disclosed in note 11 to the financial statements.

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

### Group

	<b>At 30 June 2021 (Unaudited) HK\$'000</b>	<b>At 31 December 2020 (Audited) HK\$'000</b>
At the beginning of the period/year	13,374	–
Impairment losses recognised	2,275	12,695
Exchange realignment	339	679
	<hr/>	<hr/>
At the end of the period/year	<b>15,988</b>	<b>13,374</b>

## 12. CONTRACT ASSETS (continued)

As at 30 June 2021 and 31 December 2020, 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\$5,087,857,000 and HK\$3,627,759,000, 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 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current</b>			
Unlisted investments, at fair value		181,272	409,147
Unlisted equity investment, at fair value		<u>35,325</u>	<u>34,051</u>
		<u>216,597</u>	<u>443,198</u>
<b>Current</b>			
Unlisted investments, at fair value	(i)	<u>219,839</u>	<u>–</u>
<b>Total</b>		<u><b>436,436</b></u>	<u><b>443,198</b></u>

As at 30 June 2021 and 31 December 2020, 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. 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.

### Notes:

- (i) The wealth management products can be redeemed at the option of the Group in accordance with their terms after the expiry of the applicable lock-up period.

#### 14. CASH AND CASH EQUIVALENTS

##### Group

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Cash on hand and bank balances	2,063,952	1,702,855
Pledged bank deposits	<u>1,823</u>	<u>16,675</u>
	<u><b>2,065,775</b></u>	<u><b>1,719,530</b></u>

Included in “Cash and cash equivalents” of the Group as at 30 June 2021 and 31 December 2020 are deposits of HK\$91,508,000 and HK\$253,470,000, respectively, placed with a related party bank, which is a fellow subsidiary of the Company.

#### 15. TRADE AND OTHER PAYABLES

##### Group

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Trade payables	1,972,935	1,796,446
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	8,689	17,025
Amount due to a fellow subsidiary	340	–
Interest payable	149,154	85,745
Payable for acquisition	9,939	9,713
Tax payables	14,428	23,103
Other creditors and accrued expenses	<u>711,253</u>	<u>608,906</u>
	<u><b>2,866,738</b></u>	<u><b>2,540,938</b></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

	<b>At 30 June 2021 (Unaudited) HK\$'000</b>	<b>At 31 December 2020 (Audited) HK\$'000</b>
Within 6 months	<b>1,190,840</b>	1,289,456
Over 6 months	<b>782,095</b>	506,990
	<b><u>1,972,935</u></b>	<b><u>1,796,446</u></b>

Trade payables totalling HK\$1,344,298,000 and HK\$1,085,901,000 as at 30 June 2021 and 31 December 2020 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 2021 and 31 December 2020 were trade payables of HK\$7,769,000 and HK\$1,355,000, respectively, due to a non-controlling shareholder of a non wholly-owned subsidiary, 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 2021 and 31 December 2020 were trade payables of HK\$16,102,000 and HK\$6,962,000, 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 2021 and 31 December 2020 was a guarantee deposit of HK\$14,115,000 and HK\$14,148,000, respectively, from a former director of a subsidiary.

Included in “Other creditors and accrued expenses” of the Group as at 30 June 2021 were trade payables of HK\$222,032,000 (31 December 2020: nil), 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 <b>30 June</b> <b>2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	At 31 December 2020 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of par value of HK\$1.00 each	<b><u>10,000,000</u></b>	<u>10,000,000</u>
Issued and fully paid: 2,860,876,723 ordinary shares of par value of HK\$1.00 each	<b><u>2,860,877</u></b>	<u>2,860,877</u>
	<b>No. of shares '000</b>	<b>Amount HK\$'000</b>
Issued and fully paid: At 31 December 2020 (Audited), 1 January 2021 and 30 June 2021 (Unaudited)	<b><u>2,860,877</u></b>	<u>2,860,877</u>

The Group and the Company did not have any treasury shares as at 30 June 2021 and 31 December 2020.

## 17. EVENTS AFTER THE REPORTING PERIOD

The Company had, on 20 July 2021, released an announcement on the adjustment of interest rate in respect of the second-tranche of RMB-denominated corporate bonds with an aggregate principal amount of RMB800,000,000 (the “Second Tranche Corporate Bonds”), which comprises Type 1 Second Tranche Corporate Bonds with an aggregate principal amount of RMB400,000,000 (“Type 1 Bonds”) and Type 2 Second Tranche Corporate Bonds with an aggregate principal amount of RMB400,000,000 (“Type 2 Bonds”). The Company had adjusted the interest rate in respect of (i) the Type 1 Bonds from 4.60 per cent. per annum to 3.20 per cent. per annum for the period from 16 August 2021 to 15 August 2023 (both dates inclusive) (the “Remaining Term”) and (ii) the Type 2 Bonds from 4.58 per cent. per annum to 3.20 per cent. per annum for the Remaining Term.

As announced by the Company on 10 August 2021, the Company completed the issuance of first tranche of RMB-denominated Super & Short-term Commercial Papers (“SCPs”) in mainland China with a principal amount of RMB800,000,000, an interest rate of 2.40% and a maturity period of 120 days. The proceeds from the first tranche of the SCPs issuance will be used to replenish working capital of the Company’s subsidiaries. The Company, as the issuer of the first tranche of the SCPs, had been given a credit rating of “AAA” by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. China Bohai Bank Co., Ltd. acted as the lead underwriter and bookrunner of the first tranche of the SCPs issuance, and Bank of Ningbo Co., Ltd. acted as the joint lead underwriter.



## **BUSINESS REVIEW AND PROSPECTS**

### **Operating Results**

In 1HFY2021, despite showing signs of easing, the novel coronavirus (“COVID-19”) situation, which is the key factor for the recovery in the global economy, remains fluid. Nonetheless, China has overcome the challenges presented by the ongoing COVID-19 pandemic and demonstrated its great economic resilience. As such, China has gradually returned to normal. This has clearly laid a good foundation for the country to embark on its “14<sup>th</sup> Five-Year Plan”.

China’s “14<sup>th</sup> Five-Year Plan” sets higher standards for environmental management and protection and ecological conservation. It also demonstrates the country’s commitment to promoting a comprehensive green transformation of its economic and social development. In order to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060, reduction of carbon emissions has been included in the “14<sup>th</sup> Five-Year Plan” as the major task for China’s tough battle against pollution and climate change. This shows China’s unwavering determination to strengthen ecological environment protection and to cope with climate change. Besides that, this creates a clearer and more stable policy environment, which benefits the long-term development of related industries and enterprises and gradually promotes and ultimately achieves the low-carbon green development goals.

Amid the complex and constantly changing international market and while operating under a stable macro environment and healthy industry development in China, the Group, during the Review Period, steadily and orderly carried out the relevant work relating to market expansion, project construction, operations management, safety and environmental management, and technological innovation. In addition, the Group made good progress in achieving a balance between asset-light and asset-heavy businesses, refinement of management and expansion of financing channels. With its stable operating conditions, the Group recorded a good operating result, in terms of major financial indicators such as revenue and profit, and strengthened its business strategy and competitive advantages in the field of water environment treatment.

As at 30 June 2021, the Group invested in and held 143 environmental protection projects, with a total investment of approximately RMB25.75 billion. In addition, it undertook four engineering, procurement and construction (“EPC”) projects, which commanded a total contract value of approximately RMB238 million, in addition to two operation and management (“O&M”) projects. A summary of the number of projects and water treatment/supply capacity is set out below:

<b>Project Type <sup>(1)</sup></b>	<b>Number of Projects</b>	<b>Water Treatment/ Supply Capacity (m<sup>3</sup>/day)</b>
Municipal waste water treatment projects <sup>(2)</sup>	112	5,405,000
Industrial waste water treatment projects <sup>(2)</sup>	12	176,000
Reusable water projects	8	241,600
River-basin ecological restoration projects	6	115,000
Water supply projects	3	250,000
Raw water protection project	1	600,000
Leachate treatment project	1	600
Waste water source heat pump projects	2	N/A
<b>Total</b>	<b>145</b>	<b>6,788,200</b>

*Notes:*

- (1) EPC projects excluded
- (2) O&M projects included

In terms of operating results, with its steady operation, the Group’s revenue in 1HFY2021 amounted to HK\$3.11 billion, representing an increase of 47% from HK\$2.12 billion in the corresponding period last year. Earnings before interest, taxes, depreciation and amortisation (“EBITDA”) increased by 30% from HK\$813.12 million in the corresponding period last year to HK\$1.06 billion in 1HFY2021. Profit attributable to equity holders of the Company for 1HFY2021 was HK\$548.18 million, representing an increase of 36% from HK\$404.47 million recorded in the corresponding period last year. Basic earnings per share for 1HFY2021 were HK19.16 cents, indicating an increase of HK5.02 cents or 36% from HK14.14 cents in the corresponding period last year. The Group has ready access to diverse financing channels, holds quality assets and sufficient funds with a reasonable gearing ratio, and is in a healthy financial position.

In relation to market expansion, the Group, during the Review Period, continued solidifying the market position in regions such as the Bohai Economic Rim, the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macau Greater Bay Area, striving for high-quality business development, and making breakthroughs in market expansion and business model. In early 2021, the Group purchased a 65% equity interest in Tianjin Binhai New Area Huantang Sewage Treatment Co., Ltd. (“Tianjin Huantang”), marking an entry into Tianjin’s water market. Moreover, the Group has actively established several working teams which specialised in different areas, such as in-plant solar photovoltaic, waste water source heat pump and reusable water, to provide necessary support for its future strategic development. In 1HFY2021, the Group secured four waste water treatment projects and one reusable water project, commanding a total investment of approximately RMB1.069 billion. Such projects contribute an additional designed daily waste water treatment capacity of 225,000 m<sup>3</sup> and an additional designed daily reusable water supply capacity of 45,000 m<sup>3</sup>. In addition, the Group undertook one EPC project, with a contract value of approximately RMB30.82 million.

As for its safety and environmental management, the Group acknowledges that the health and safety of individuals and the environment are the fundamental rights and demands of its employees and the public in local communities. Therefore, the Group strictly follows its working requirements of “zero work safety accident, zero excessive discharge of pollutants, and zero case for violation of regulations or discipline”. During the Review Period, the Group fostered the accountability of safety and environment, and enhanced the self-inspection and improvement of safety and environment work, so as to ensure safe production and compliant discharge.

In terms of project construction, the Group, during the Review Period, strictly complied with the relevant requirements arising from the new normal of the COVID-19 pandemic prevention and control measures, and carried out construction works in an orderly manner. By stringently controlling the safety and quality of project constructions, the Group had zero work safety accident and achieved all the safe production targets. In 1HFY2021, the Group had two projects that commenced construction, which have an aggregate designed daily waste water treatment capacity of 40,000 m<sup>3</sup>. A total of two projects completed construction and commenced operation, which have an aggregate designed daily waste water treatment capacity of 65,000 m<sup>3</sup>; and four projects completed construction (including an EPC project), which have an aggregate designed daily waste treatment capacity of 48,500 m<sup>3</sup>. As at 30 June 2021, the Group had nine projects in the preparatory stage, with an aggregate designed daily water treatment capacity of 322,000 m<sup>3</sup>.

In relation to operations management, following the country’s goals of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”, the Group, during the Review Period, rolled out a pilot programme at its projects to optimise waste water treatment plants’ energy structure. In addition, the Group participated in the pilot programme which was launched by the Ministry of Ecology and Environment of the PRC in relation to monitoring of greenhouse gas emissions. This is expected to facilitate the Group’s exploration of energy optimisation and carbon emissions reduction for waste water treatment plants. Additionally, the Group co-operated with its partners to participate in market-based electricity transactions in Jiangsu and Shandong Provinces, which has significantly reduced the electricity cost. During the Review Period, four waste water treatment plants of the Group received regulatory approval for tariff hikes ranging from 8% to 58%, and subsidies of approximately RMB31 million in total were granted to the Group.

As for technological innovation, the Group, during the Review Period, continued focusing on improvement and implementation of the “Intelligent Water” management system, and actively fostered commercialisation of research results. In order to improve the intelligence level of its water plants, the Group has applied the operational management system to a number of projects. Furthermore, the Group has completed the installation and testing of the accurate aeration equipment, trials of the smart dosing system, and application of the smart inspection system at selected projects. All these measures have effectively reduced workload of frontline staff, daily operational risks and project costs. In 1HFY2021, the Group provided its in-house developed technological processes to its internal and external clients, which amounted to a total contract value of approximately RMB69 million. During the Review Period, the Group was granted eight patents.

In relation to the capital market, the Group, during the Review Period, continued closely aligning with its pace of business development and carried out appropriate financing activities in a timely manner. At the beginning of 2021, the Company issued the second tranche of MTNs with a principal amount of RMB1 billion, a maturity term of three years, and an interest rate of 3.75%. The proceeds from the MTNs issuance were used to replenish the working capital of the Company’s subsidiaries. In addition, the Company received a notice of registration acceptance from the regulatory authorities in March 2021 to issue SCPs, with a registered principal amount of RMB2.5 billion, to investors in the national inter-bank bond market in mainland China. The Company completed the issuance of first tranche of SCPs in early August 2021, and further details are provided on page 24 of this announcement. While exploring new types of financing channels, the Group continued reviewing its loan structure and financing costs on a regular basis, and made appropriate adjustments where necessary, ensuring a healthy and sustainable development of its business in the future.

As a leading service provider in the area of water environment management in China, the Group closely monitors the domestic and international industry trends and actively participates in industry forums. During the Review Period, the Group's Jiangsu Zhenjiang Sponge City Construction Public-Private Partnership ("PPP") Project ("Zhenjiang Sponge City Project") was presented at the United Nations Economic Commission for Europe's ("UNECE") Fifth International PPP Forum and was recognised as one of the best People-first PPP projects. During the forum, the Group shared its achievements in controlling urban waterlogging and its experience in integrating the PPP and the sponge city construction models.

In terms of social responsibility, the Group proactively and regularly undertakes its responsibilities and commitments as a responsible corporate citizen, by leveraging on its projects and businesses. While ensuring its compliance with the relevant requirements arising from the new normal of COVID-19 pandemic prevention and control, the Group, during the Review Period, held various online and offline charitable environmental protection activities in conjunction with several environmental protection-themed days, such as "World Water Day", "Earth Day" and "World Environment Day". These activities have enhanced local communities' awareness of environmental protection concepts and knowledge and fostered the ties between the Group's projects and local communities. During the Review Period, the Group continued opening up its operating projects for public visits and received nearly 200 groups of more than 5,000 visitors from all walks of life.

In recognition of its solid and stable business performance and outstanding social responsibility, the Group was awarded multiple prestigious domestic and international awards during the Review Period. It was shortlisted as one of the "Top Ten Influential Enterprises in China's Water Industry" for the fourth consecutive year; its Zhenjiang Sponge City Project was shortlisted as the top five for UNECE's "Building Back Better" Infrastructure Award and awarded an "Honorary Mention" by the UNECE. Several projects were selected to be included in the fourth batch of National Environmental Protection Facilities and Urban Waste Water and Waste Treatment Facilities Opened to the Public.

The Company is committed to creating value for and sharing fruitful operating results with the shareholders of the Company (the "Shareholders"). The Board declared an interim dividend of HK5.75 cents (equivalent to 1.01 Sing cents) per ordinary share for 1HFY2021 (1HFY2020: HK3.74 cents (equivalent to 0.67 Sing cent) per ordinary share).

## **Business Prospects**

Marching into the second half of 2021, it is expected that the global market will take further time and effort before fully recovering from the negative impact of COVID-19 pandemic. Despite the varying paces of recovery in different economies and markets, it is increasingly certain that the global market began to bounce back from the crisis. China's economy and market are expected to grow steadily with a good momentum and pursuit of high-quality development, as required by the "14<sup>th</sup> Five-Year Plan". Meanwhile, "Peaking Carbon Dioxide Emissions" and "Achieving Carbon Neutrality" have undeniably become important aspects in China's transition to high-quality development.

The topic of "carbon reduction" is the headline from all around the world – the decision of the United States to rejoin the Paris Agreement and China's pledge of "Peaking Carbon Dioxide Emissions" and "Achieving Carbon Neutrality" have both reflected the determination of governments across the world to tackle climate change. As such, new development opportunities are expected to arise for the relevant industries and enterprises. In China's water environment management industry, the rolling-out of various national policies and requirements such as the "Guideline on Promoting Wastewater Resource Recovery" and the "Urban Wastewater Treatment and Recycling Program for the 14<sup>th</sup> Five-Year Plan" demonstrates the government's firm determination in tackling pollution with consistently high standards. This will further unleash the development potential of the industry while maintaining strict industrial requirements.

Given that the world is actively addressing climate change and China is accelerating the development of ecological conservation, the Group will uphold a sustainability mindset with high-quality development, while continually focusing on the water environment management industry and identifying excellent business opportunities. Meanwhile, the Group will strive to improve its intelligence and digitalisation level, ensure project construction quality, enhance project operations management, and continuously drive its technological innovation. By integrating the industrial and financial strengths for development and adjusting to the new normal arising from the COVID-19 pandemic prevention and control measures, the Group aims to drive its business development to a new level and forge ahead towards the goal of evolving into a top developer and service provider dedicated to urban water environment systems.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

In 1HFY2021, the revenue of the Group increased by 47% to HK\$3,112.94 million compared with the revenue of HK\$2,120.09 million in 1HFY2020, among which the construction service revenue increased to HK\$1,318.82 million (1HFY2020: HK\$817.76 million), the operation income increased to HK\$1,150.70 million (1HFY2020: HK\$808.17 million) and the finance income increased to HK\$544.64 million (1HFY2020: HK\$456.97 million). Gross profit of the Group increased from HK\$881.65 million in 1HFY2020 to HK\$1,239.55 million in 1HFY2021, representing an increase of 41%. The profit of the Group increased from HK\$426.56 million in 1HFY2020 to HK\$577.13 million in 1HFY2021, representing a rise of 35%. The profit attributable to equity holders of the Company in 1HFY2021 amounted to HK\$548.18 million, indicating an increase of 36% from 1HFY2020.

### *Consolidated Statement of Comprehensive Income*

#### *Revenue*

Overall, the Group's revenue increased by HK\$992.85 million or 47%, from HK\$2,120.09 million in 1HFY2020 to HK\$3,112.94 million in 1HFY2021.

Construction service revenue increased to HK\$1,318.82 million in 1HFY2021 from HK\$817.76 million in 1HFY2020, representing an increase of HK\$501.06 million or 61%. The significant increase in construction service revenue was mainly due to a smaller amount of construction service revenue being recorded for 1HFY2020. The local Chinese government had issued temporary policies during 1HFY2020 on the postponement of work resumptions and traffic restrictions to control the COVID-19 outbreak. This resulted in a slowing down of construction progress and a smaller amount of construction service revenue being recorded for 1HFY2020. Following the effective containment of the epidemic in China, such temporary policies were lifted. As such, all the Group's construction projects have resumed constructions since April 2020 and went smoothly in accordance with the schedule in 1HFY2021. Therefore, the Group recorded a bigger amount of construction service revenue for 1HFY2021.

Operation income increased by HK\$342.53 million or 42% over 1HFY2020. The increase in operation income was the result of (i) commencement of operation of new projects during the remaining period of FY2020 and 1HFY2021; (ii) tariff hikes for several projects effected during the remaining period of FY2020 and 1HFY2021; and (iii) operation income contributed by Tianjin Huantang, the newly acquired subsidiary, since March 2021.

### *Direct costs and operating expenses*

Direct costs and operating expenses increased by HK\$634.95 million or 51% from HK\$1,238.44 million in 1HFY2020 to HK\$1,873.38 million in 1HFY2021. Such significant increase in 1HFY2021 was due to a smaller amount of direct costs and operating expenses being recorded for 1HFY2020. As mentioned above, the slowing down of construction progress in 1HFY2020 caused by the COVID-19 control measures had resulted in a smaller amount of construction service revenue and a smaller amount of construction costs being recorded for 1HFY2020. Since April 2020, the Group resumed all its construction activities. Following the effective containment of the epidemic in China, the Group's construction activities went smoothly in accordance with its schedule in 1HFY2021 and as such, the Group recorded a bigger amount of construction service revenue as well as a bigger amount of the construction costs.

### *Gross profit margin*

Overall gross profit margin in 1HFY2021 decreased to 40% (1HFY2020: 42%). The decrease was mainly due to a larger portion of the sum of construction service revenue, construction contract revenue and technical service income recognised in the mix of the total revenue of 1HFY2021 as compared to the corresponding period of last year. The sum of construction service revenue, construction contract revenue and technical service income comprised approximately 45% of total revenue in 1HFY2021 (1HFY2020: 40%). In general, construction services, construction contracts and technical services have a lower gross profit margin than operation services, and thus, a larger (smaller) portion of the sum of construction service revenue, construction contract revenue and technical service income will reduce (increase) the overall gross profit margin.

### *Other income and gains, net*

Other income and gains, net mainly consisted of VAT refunds, government grants, fair value change on financial assets at fair value through profit or loss, dividend received from other financial assets, and other sundry income. Other income and gains, net decreased by 100% to HK\$0.14 million in 1HFY2021 as compared with HK\$39.40 million in 1HFY2020. The decrease in other income and gains, net was mainly due to the significant drop in VAT refunds. Pursuant to the PRC's VAT incentive policy on comprehensive utilisation of resources, the Group's waste water treatment projects and reusable water projects are entitled to enjoy partial refund of VAT and accordingly, the Group recognises such VAT refunds as other income. The amount of VAT refunds is calculated based on the amount of VAT paid. With effect from May 2020, the VAT rate for waste water treatment industry in China has reduced from 13% to 6% and as such, the Group paid a less amount of VAT from then which in turn resulted in a decrease in VAT refunds. In addition, the Group recognised fair value loss on other financial assets at fair value through profit or loss during 1HFY2021 while a gain was recognised during 1HFY2020. The breakdown of other income and gains, net is set out below.



	<b>1HFY2021</b>	1HFY2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Government grants	<b>8,378</b>	6,415
VAT refunds	<b>3,309</b>	27,892
Fair value gain/(loss), net:		
Contingent consideration receivable	–	(7,692)
Other financial assets – unlisted investments	<b>(17,363)</b>	6,260
Other financial assets – unlisted equity investment	<b>475</b>	429
Dividend received from other financial assets	–	1,899
Sundry income	<b>5,345</b>	4,196
	<b>144</b>	39,399

#### *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, provision for impairment of trade receivables, other receivables and contract assets.

Other operating expenses for 1HFY2021 included (a) the provision for impairment of trade receivables amounting to HK\$21.81 million (1HFY2020: HK\$8.96 million); (b) provision for impairment of other receivables amounting to HK\$5.46 million (1HFY2020: HK\$3.44 million); and (c) provision for impairment of contract assets amounting to HK\$2.28 million (1HFY2020: nil).

Administrative and other operating expenses increased by 52% from HK\$164.25 million in 1HFY2020 to HK\$249.75 million in 1HFY2021. The increase of such expenses over the corresponding period of last year was mainly attributable to the increase in staff costs, business development expenses and other operating expenses which were incurred in relation to the business expansion of the Group and the acquisition of Tianjin Huantang which was completed in March 2021.

Administrative expenses for 1HFY2021 included, *inter alia*, net loss on disposals of property, plant and equipment of HK\$5.67 million (1HFY2020: HK\$0.04 million).

#### *Finance costs*

Finance costs increased to HK\$212.53 million in 1HFY2021 from HK\$179.41 million in 1HFY2020. The increase was mainly due to the increase of the average balance of borrowings in 1HFY2021 over the corresponding period of last year, resulting from the issuance of the first tranche of RMB-denominated MTNs of RMB1 billion in August 2020 and the second tranche of RMB-denominated MTNs of RMB1 billion in January 2021.

### *Income tax*

Income tax in 1HFY2021 increased by 30% from HK\$158.16 million in 1HFY2020 to HK\$206.18 million, which is in line with the increase in profits before tax by 34%.

Income tax for 1HFY2021 included, *inter alia*, underprovision of income tax in respect of prior years amounting to HK\$5.11 million (1HFY2020: HK\$0.41 million).

### ***Consolidated Statement of Financial Position***

As at 30 June 2021, the Group's total assets amounted to approximately HK\$30.60 billion with net assets amounting to HK\$12.48 billion. Net asset value per share attributable to equity holders of the Company was HK\$3.93 per share, representing an increase of 7% as compared to HK\$3.68 per share as at the end of 2020. As at 30 June 2021, the gearing ratio (total liabilities over total assets) of the Group was 59.2%, which increased by 1.6 ppt from 57.6% at the end of 2020.

### *Assets*

Total assets of the Group increased from HK\$26.91 billion as at 31 December 2020 to HK\$30.60 billion as at 30 June 2021, representing a growth of 14%. The increase in total assets was mainly attributable to the increase in property, plant and equipment, right-of-use assets, intangible assets, goodwill, contract assets, and trade and other receivables.

Property, plant and equipment, right-of-use assets and goodwill increased from HK\$152.86 million, HK\$16.29 million and HK\$1,295.48 million as at 31 December 2020 to HK\$1,044.47 million, HK\$110.08 million and HK\$1,518.88 million as at 30 June 2021, respectively. Such increase was primarily due to the acquisition of Tianjin Huantang which was completed in March 2021.

Contract assets (including both current and non-current) increased from HK\$19.03 billion as at 31 December 2020 to HK\$20.53 billion as at 30 June 2021, while intangible assets increased from HK\$1.88 billion as at 31 December 2020 to HK\$2.03 billion as at 30 June 2021. The increase in contract assets and intangible assets was mainly attributable to the recognition of construction service revenue for expansion and upgrading projects for several wastewater projects, raw water protection project and other water environment management projects during 1HFY2021.

Trade and other receivables (including both current and non-current) of the Group increased from HK\$2.26 billion as at 31 December 2020 to HK\$2.79 billion as at 30 June 2021. Among them, trade receivables increased by HK\$598.88 million from HK\$1,268.08 million as at 31 December 2020 to HK\$1,866.96 million as at 30 June 2021, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during 1HFY2021; (ii) the seasonal settlement pattern as customers normally settle greater portion of trade receivables towards financial year end; and (iii) the consolidation of trade and other receivables of Tianjin Huantang resulting from the completion of its acquisition in March 2021.

Other financial assets as at 30 June 2021 amounted to HK\$436.44 million which comprised unlisted investments of HK\$401.11 million and an unlisted equity investment of HK\$35.33 million; among them, 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.

### *Liabilities*

Total borrowings (including both current and non-current) increased by HK\$2,157.10 million. The increase was mainly due to the issuance of second tranche of MTNs with net proceeds amounting to HK\$1,194.31 million and new bank loans amounting to approximately HK\$3,136.09 million, offset by repayments of ABS amounting to HK\$31.14 million and repayments of bank loans amounting to HK\$2,334.00 million in 1HFY2021 with the effect of exchange differences of borrowings.

The Group was in a net current asset position of HK\$470.83 million as at 30 June 2021, representing a decrease of HK\$124.20 million from HK\$595.03 million as at 31 December 2020.

### *Equity*

The Group's total equity amounted to HK\$12.48 billion as at 30 June 2021 (31 December 2020: HK\$11.41 billion). The increase was mainly due to the (i) recognition of profit amounting to HK\$577.13 million in 1HFY2021; (ii) foreign currency translation gain of HK\$355.03 million arising from appreciation of RMB against HK\$; (iii) decrease of HK\$173.27 million in equity due to declaration and payment of the 2020 final dividend; (iv) increase of non-controlling interest of HK\$327.66 million in connection with the acquisition of Tianjin Huantang which was completed in March 2021; and (v) decrease of HK\$8.59 million due to distribution of dividend to a non-controlling shareholder of a subsidiary during 1HFY2021.

## *Consolidated Statement of Cash Flows*

Cash and cash equivalents as per consolidated statement of cash flows increased from HK\$1.70 billion as at 31 December 2020 to HK\$2.06 billion as at 30 June 2021. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At <b>30 June</b> <b>2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	At 31 December 2020 (Audited) HK\$'000
Cash and cash equivalents per consolidated statement of financial position	<b>2,065,775</b>	1,719,530
Less: Pledged bank deposits	<u><b>(1,823)</b></u>	<u>(16,675)</u>
Cash and cash equivalents per consolidated statement of cash flows	<u><b>2,063,952</b></u>	<u>1,702,855</u>

### *Cash flows from operating activities*

The Group had cash inflow of HK\$1,106.48 million (1HFY2020: HK\$816.46 million) before the changes in working capital during 1HFY2021. The changes in working capital resulted in cash outflow of HK\$1,370.93 million in 1HFY2021, and payment of income tax resulted in cash outflow of HK\$120.99 million in 1HFY2021. As a result, the Group recorded a net cash outflow of HK\$385.44 million from operating activities in 1HFY2021. The changes in working capital in 1HFY2021 arose mainly from:

- (i) the decrease in inventories by HK\$39.34 million;
- (ii) the increase in contract assets by HK\$1,042.91 million;
- (iii) the increase in trade and other receivables by HK\$124.54 million; and
- (iv) the decrease in trade and other payables by HK\$242.83 million.

### *Cash flows from investing activities*

In 1HFY2021, the Group recorded a net cash outflow of HK\$930.69 million from investing activities. The net cash outflow mainly arose from:

- (i) the payment for acquisition of a subsidiary (net of cash acquired) of HK\$794.62 million;
- (ii) the payment of HK\$8.51 million for the purchase of items of property, plant and equipment;
- (iii) the payment of HK\$138.10 million for the additions of intangible assets; and
- (iv) the receipt of interest of HK\$10.91 million.

### *Cash flows from financing activities*

The Group recorded a net cash inflow from financing activities of HK\$1,635.51 million in 1HFY2021. The net cash inflow was mainly caused by:

- (i) the receipt of net proceeds of HK\$1,194.31 million from the issuance of MTNs, net of related expenses paid;
- (ii) the repayment of ABS of HK\$31.14 million;
- (iii) the receipt of net proceeds from bank loans of HK\$802.08 million;
- (iv) the payment of principal and interest elements of lease payments of HK\$5.32 million;
- (v) the payment of interest of HK\$144.09 million;
- (vi) the decrease in pledged bank deposits of HK\$10.12 million;
- (vii) the payment of dividend to the shareholders of the Company of HK\$173.63 million; and
- (viii) the payment of dividend to a non-controlling shareholder of a subsidiary of HK\$17.22 million.

## Earnings Per Share

The calculation of the basic earnings per share amount 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 1HFY2021.

	<b>1HFY2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2020 (Unaudited) <i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company	<u>548,178</u>	<u>404,473</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>19.16</u>	<u>14.14</u>

## Net Asset Value Per Share

	<b>Group</b>		<b>Company</b>	
	<b>At</b> <b>30 June</b> <b>2021</b> <b>(Unaudited)</b> <i>HK\$</i>	<b>At</b> 31 December 2020 (Audited) <i>HK\$</i>	<b>At</b> <b>30 June</b> <b>2021</b> <b>(Unaudited)</b> <i>HK\$</i>	<b>At</b> 31 December 2020 (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>3.93</u>	<u>3.68</u>	<u>3.81</u>	<u>3.72</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 fund raised from the issuance of corporate bonds, ABS and MTNs. As at 30 June 2021, the Group had cash and bank balances of approximately HK\$2.07 billion, representing an increase of HK\$346.25 million as compared to HK\$1.72 billion at the end of 2020. Most of the Group's cash and bank balances, representing approximately 99%, were denominated in HK\$ and RMB.

### Borrowings of the Group

*Amounts payable within one year or less, or on demand*

At 30 June 2021		At 31 December 2020	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
272,649	2,953,945	217,228	2,029,445

*Amounts payable after one year*

At 30 June 2021		At 31 December 2020	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
1,690,055	8,318,586	1,658,100	7,173,360

The Group is dedicated to improving financing methods and increasing banking facility limit to reserve funding for developing its water environment management business. As at 30 June 2021, the Group had outstanding borrowings of HK\$13.24 billion, representing an increase of HK\$2.16 billion as compared to HK\$11.08 billion as at the end of 2020. The borrowings included secured interest-bearing borrowings of HK\$1.96 billion and unsecured interest-bearing borrowings of HK\$11.27 billion. The borrowings are mainly denominated in RMB, representing approximately 68% 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 2021, the Group had bank facilities of HK\$14.01 billion, of which HK\$6.12 billion had not been utilised. The bank loan facilities are of 1 to 17 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, 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 1HFY2021, the Group was affected by changes in the exchange rates.

## **Pledge of Assets**

Certain bank loan facilities of the Group as at 30 June 2021 were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group's service concession arrangements and the equity interests of certain subsidiaries of the Company. As at 30 June 2021, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to HK\$6.17 billion.

## **Commitments**

As at 30 June 2021, the Group had outstanding purchase commitments of HK\$2.30 billion in connection with the construction contracts and an outstanding capital commitment of HK\$25.31 million in connection with an unlisted equity investment.

## **Contingent Liabilities**

As at 30 June 2021, 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 2021 for the provision of the guarantees was HK\$965.26 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 10 June 2020 pursuant to Rule 920 of the SGX Listing Manual. The IPT Mandate was renewed in the Company’s annual general meeting held on 27 April 2021. The aggregate value of the IPTs in excess of SGD100,000 during 1HFY2021 is set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during 1HFY2021 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during 1HFY2021 (excluding transactions less than SGD100,000)
China Everbright Environment Group Limited (formerly known as China Everbright International Limited)	Controlling shareholder	Nil	HK\$3,716,000 (equivalent to SGD638,000)
Sun Life Everbright Life Insurance Co., Ltd.	Associate of the controlling shareholder	Nil	HK\$1,428,000 (equivalent to SGD245,000)

## Internal Management

Corporate management and risk control are of paramount importance in ensuring efficient, healthy and sustainable corporate development. The Company has established a sound management structure. During the Review Period, there were five committees under the Board (the “Board Committees”), comprising the Audit Committee, the Remuneration Committee, the Nominating Committee, the Strategy Committee and the Management Committee. As the decision-making body for the Company’s daily management, the Management Committee holds meetings at least once a month to deliberate the matters regarding the Group’s business and management, ensuring sustainable development of the Company. The Company 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 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 the Group's projects by region and create good 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 ("ESHS Management System") and the Risk Management System at all levels of the Group 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. During the Review Period, the Group has continuously enhanced and improved the implementation of its corporate governance practices, and integrated compliance management into its business activities and processes. In addition, the Group has established an investigation mechanism, management of family conflict, anti-corruption mechanism and accountability system. Moreover, the Group has clearly stated the relevant rules in the "Sunshine Declaration" entered into with suppliers, so as to enable the suppliers to report misconduct of staff through the channels provided in the agreement. This helps the Group supervise the integrity of staff.

### **Human Resource Management**

The Group highly values its employees, and adheres to the "People-Oriented" philosophy and competency-based recruitment approach. The Group evaluates its employees based on their integrity, knowledge, ability and performance, establishing an open, competitive and merit-based recruitment mechanism. During the Review Period, the Group has established a mechanism to evaluate its management team based on their proficiency and competency in order to effectively identify outstanding high-potential talents; continuously summarised its human resources management experience, optimised human resource management systems, established human resource management information systems, and improved the professional capabilities of its management team, assuring the sustainable development of the Company.

The Company cares for its employees, and puts their personal safety as its top priority at all times. Amid the global pandemic, the Company has quickly deployed pandemic prevention and protective measures, actively allocated various resources, and provided employees with sufficient pandemic prevention and protective supplies and health screenings, to ensure the safety and health of its employees.

As at 30 June 2021, the Group had 2,311 employees. Employees within the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from discretionary bonuses, the Group also provides employees with other benefits such as pension funds as required by the laws and regulations in the relevant jurisdictions. Moreover, the Group strives to provide equal opportunities to all employees in all respects, and enhance their knowledge, skills and work ethics by providing continuing professional development to the employees.

## PRINCIPAL RISKS AND UNCERTAINTIES

During the Review Period, the Group continued with the implementation of the risk management system, the identification and assessment of risks, and the adoption and evaluation of risk control measures. Based on the requirements set out in its “Risk Management Policy” and “Risk Management Manual”, the Group has summarised and analysed the principal risks faced during the Review Period. The principal risks are 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.

The water market in mainland China has become increasingly mature. A surge of investment and constructions in waste water treatment and water environment projects was seen in the past, with an influx of more state-owned capital and investment into the water market in China. As a result, during the Review Period, the industry environment and market landscape of domestic water market in China have changed to a certain extent. With the intense competition in securing new water projects, seeking differentiated products and services and discovering new business growth points have become the focus of major water enterprises. Therefore, the new business investment and market competition risks faced by the Group are on an upward trend. As the internal controls which were implemented during the Review Period and the past years are effective 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.

No.	Name of risk	Effectiveness of the control measures	Change of trend in risk level ( <i>Note</i> )
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 subject to risks associated with changes in regulations and policies in respect of waste water treatment, river-basin ecological restoration, sponge city construction, reusable water, water supply and waste water source heat pump and other relevant businesses in the PRC. As the PRC government aims to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060, “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality” have become the new development opportunities for the environmental industry of China. During the Review Period, the Group actively responded to the PRC government’s national policies of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality” by setting up relevant research teams to study topics such as energy saving, emission reduction and low carbon development, while closely monitoring the impacts that the relevant policies might have on the existing regulations and standards of the environmental water industry. The existing control measures are effective as a whole. However, the risk level remains unchanged.

### **2. New Business Investment and Market Competition Risks**

Massive capital and numerous competitors are entering the environmental water industry. As such, the Group is facing an increasingly fierce market competition, which might affect its business expansion and return on project investment. Although the new water projects are facing competitive tendering process, the Group has remained active in making tender proposals, striving for a breakthrough in market expansion. During the Review Period, the Group strengthened its efforts in research and expansion on new businesses and actively explored development opportunities, such as suitable merger and acquisition opportunities, suitable 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 of the environmental water industry in China and the new policies of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”.

### **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 incidents took place. However, with the increasing number of construction and operation projects of the Group and the tightening of regulations on environmental compliance and safe production of the PRC government, 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 external environment or any individual occurs, the Group might be subject to legal liabilities such as administrative penalties, which might affect its reputation and revenue. The existing control measures are effective as a whole. However, the risk level remains unchanged since the Group had a large number of construction and operation projects.

#### **4. Accounts Receivable Risk**

Due to its business model, the business, financial condition, operating results and prospects of the Group are significantly affected by the revenue and creditworthiness of its customers. If the customers' abilities to settle service charges are affected due to financial difficulties, or 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 where the environmental water projects are located. During the Review Period, the Group was subject to high accounts receivable risk since the local PRC governments' financial capability was affected by the COVID-19 pandemic. The Group has put in place various measures to strengthen the collection of accounts receivable. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the uncontrollability of the external factors.

#### **5. Engineering Management Risk**

Engineering management risk refers to the mismanagement in different areas, such as the safety, quality, progress and budget of engineering constructions, that potentially leads to losses. Such mismanagement could be due to insufficient staff, tight timeline, and failure of contractors to supervise the participating units properly. In relation to the environmental water industry where the Group operates, engineering construction is the paramount factor in ensuring the continuous operation of projects and compliance with effluent discharge standards. The Group has closely monitored the engineering management, and no major risk incidents took place during the Review Period. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the large amount of business and construction workers and staff involved.

#### **6. Staffing Risk**

The Group relies on the experience and capability of its key management team and qualified staff in managing different businesses. The training of key staff, management and technical personnel is a cyclical process. Along with the Group's business development and the increasingly competitive conditions in the environmental water industry, the Group needs to bring in suitable management and technical talents as appropriate. During the Review Period, the Group remained dedicated to talent training and recruitment, 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, and strengthened the effort on external recruitment. 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. However, 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 spends a large sum of monies in construction during the early stage of projects and gradually receives cash flow during the operation process at the later stage. If it fails to reasonably control the financing cost or fails to obtain a reasonable amount of financings from the financial market as and when needed, the Group may face difficulties in carrying out business and achieving its profit target. To ensure that the Group maintains a sufficient capital reserve and good control of financing cost, the Group, during the Review Period, continued monitoring the changes in the domestic and overseas financing environment and the trend of the RMB exchange rate, adjusting the Group's borrowing structure as appropriate, and strictly controlling the use of capital. The existing control measures are effective as a whole. However, 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 Group continuously optimised the tender and procurement systems and procedures, and adopted various measures to reduce procurement costs and ensure procurement quality. In addition, it has strengthened budget management, strictly controlled project investment and operation costs, and conducted regular evaluations. The existing control measures are effective as a whole. However, the risk level remains unchanged.

## **9. Technology and Innovation Risks**

During the Review Period, the environmental water industry has become fiercely competitive and the PRC government has set its targets on the "Peaking Carbon Dioxide Emissions" and "Achieving Carbon Neutrality". This has clearly accelerated the Group's urgency in bringing technology innovation to drive business development. The Group, during the Review Period, continuously strengthened its efforts and allocated resources in R&D of relevant technologies, proactively brought in specialised technology team and facilitated the technological transformation and 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 the technology research and innovation is a time-consuming process and its outcome may not achieve the expected target.

## 10. Compliance Risk

The Group has established a relatively comprehensive compliance procedure, including the provision of safeguards 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. The existing control measures are effective as a whole. However, in view of the Group's wide business coverage and diversified financing channels, the risk level remains unchanged.

## ENVIRONMENTAL AND SOCIAL MANAGEMENT

By continuously promoting and optimising its water environment management business, the Group has actively implemented the concept of water environment management and firmly adhered to the practice of sustainable development. The Group has been actively evaluating its environmental and social performance against internationally recognised standards, including the World Bank Group's *Environmental, Health, and Safety Guidelines*, and has been regularly submitting monitoring reports to International Finance Corporation since 2016. Such monitoring reports cover all projects of the Group, including projects in the preparatory stage, projects under construction, projects that completed construction and projects in operation. All of the Group's projects have obtained or are actively applying for international management standard certificates, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and OHSAS 18001/ISO 45001 Occupational Health and Safety Management System. In addition, the Group will investigate and evaluate the project's environmental and social risks prior to investment so as to effectively control environmental and social risks, and ensure that all necessary permits and administrative permissions are duly obtained before commencing construction.

The Group strictly complies with laws, regulations and standards related to environmental protection, safe production, occupational health and social responsibility. Key laws, regulations, and standards applicable to the Group include *the Environmental Protection Law of the PRC*, *the Water Pollution Prevention and Control Law of the PRC*, *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste*, *Law of the PRC on Environmental Impact Assessment*, *the Work Safety Law of the PRC*, *the Labour Law of the PRC*, *the Social Insurance Law of the PRC*, *Discharge Standard for Pollutants of Municipal Wastewater Treatment Plants (GB18918-2002)* and the relevant discharge standards for pollutants prescribed by local governments, etc. In addition, the Group strives to continually improve the water environmental conditions of the places at which the Group's projects are located, with the majority of its projects complying with or better than Grade 1A standard of the *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)*. The projects greatly minimise the environmental damage caused by sewage water discharge after the treatment 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 1HFY2021.

In order to create long-term value for stakeholders and build a sustainable future, the Group implements the comprehensive ESHS Management System and Risk Management System, and makes timely and comprehensive information disclosure. In 1HFY2021, the Group continued implementing the ESHS Management System in every unit at all levels, which covers all of its employees and on-site third party contractors and subcontractors. This is to standardise the internal management and risk control in all different processes, continuously optimise the management system, and strengthen emergency response ability, for the purpose of sustainable development. The system also minimises the environmental, safety, health and social impacts on the project areas.

The Group strives to improve the transparency of its operation by proactively uploading such information to its corporate website or any other website designated by the government authorities for public checking and scrutiny, including environmental impact assessment reports, annual environmental monitoring plans, environmental emergency preparedness and response plans, and monitoring results of waste water/odour emissions/noise/sludge, etc. This demonstrates the Group's willingness to undertake greater social and environmental responsibilities to actively promote sustainable development.

Furthermore, in order to strengthen the public awareness of environmental protection in the water sector and the soft power of community sustainable development, the Group actively responded to the government initiatives and continued opening up its waste water treatment facilities and plant areas to the public, enhancing its role as an environmental protection publicity base which integrates public visits, practice and training. As at 30 June 2021, a total of 31 projects of the Group had been officially opened to the public. In 1HFY2021, these projects received 4,468 visitors in 118 batches in aggregate. Due to the ongoing COVID-19 situation, the Group continues to launch various online and offline activities in collaboration with different environmental protection, technology associations and government organisations, aiming to encourage the public to treasure and conserve water and gain environmental protection knowledge. Meanwhile, many of the Group's waste water treatment plants were awarded with the honorary titles of "Ecological Environmental and Science Popularisation Base", "Science Popularisation Base", "Ecological Civilisation Education Base", "Practices Base for Ecological Civilisation Development" and "Science Popularisation Education Base" at national, 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 FY2020 Annual Report for more information on the Company's corporate governance practices.

## **BOARD COMMITTEES**

The Board holds meetings on a regular basis. During 1HFY2021, the Board had five Board Committees, namely the Audit Committee, the Remuneration Committee, the Nominating Committee, the Strategy Committee and the Management Committee, the details of which are set out below.

### **Audit Committee**

The Audit Committee 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](http://www.sgx.com)) and websites of the Company ([www.ebwater.com](http://www.ebwater.com)) and Hong Kong Exchanges and Clearing Limited ("HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)).

During 1HFY2021, the members of the Audit Committee reviewed the audited consolidated financial results of the Group for the financial year ended 31 December 2020, the internal auditors report and the external auditors report.

## **Remuneration Committee**

The Remuneration Committee comprises three independent non-executive Directors, namely Ms. Cheng Fong Yee (Chairman), Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, and a non-executive Director and Chairman of the Board, namely Mr. Wang Tianyi. 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 websites of the Company and HKEx.

During 1HFY2021, the members of Remuneration Committee reviewed the 2020 remuneration payment and 2021 remuneration framework for the Directors and the Key Management Personnel (including senior management) of the Company.

## **Nominating Committee**

The Nominating Committee comprises two independent non-executive Directors, namely Mr. Zhai Haitao (Chairman) and Mr. Lim Yu Neng Paul, and a non-executive Director and Chairman of the Board, namely Mr. Wang Tianyi. 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 websites of the Company and HKEx.

During 1HFY2021, the Nominating Committee reviewed (i) the continued independence of independent non-executive Directors; (ii) performance of each individual Director, Board Committee and the Board as a whole; and (iii) re-election of the retiring Directors at the 2021 annual general meeting of the Company.

## **Strategy Committee**

The Strategy Committee comprises a non-executive Director and Chairman of the Board, namely Mr. Wang Tianyi (Chairman), two executive Directors, namely Mr. An Xuesong 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 websites of the Company and HKEx.

## **Management Committee**

The Management Committee comprises two executive Directors, namely Mr. An Xuesong (Chairman) and Mr. Luo Junling, and six Key Management Personnel. The Management Committee is primarily responsible for the management of daily business operations, formulating and implementing annual work tasks and medium-term development plans for the Group. The Management Committee is the decision-making authority for the day-to-day administration, operations, management and personnel matters of the Group. The terms of reference of the Management Committee are available on the SGXNet and websites of the Company and HKEx.

The Management Committee has ceased to be a Board Committee with effect from 11 August 2021. Please refer to the Company's announcement entitled "Management Committee Ceasing to be a Board Committee" dated 11 August 2021 for further details.

## **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 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 1HFY2021.

## **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 HK5.75 cents (equivalent to 1.01 Sing cents) per ordinary share for 1HFY2021 ("1HFY2021 Interim Dividend").

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

### **(b) *Corresponding period of the immediately preceding financial year***

<b>Name of Dividend</b>	1HFY2020 Interim Dividend
<b>Dividend Type</b>	Cash
<b>Dividend Amount</b>	HK3.74 cents (equivalent to 0.67 Sing cent) per ordinary share
<b>Tax Rate</b>	One-Tier Tax Exempt

### **(c) *Date payable***

The 1HFY2021 Interim Dividend will be paid on or around 10 September 2021 (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 2021 (Thursday), being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the 1HFY2021 Interim Dividend.

Duly completed registrable transfers of shares received by the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. (Singapore time) on 26 August 2021 (Thursday) will be registered before entitlements to the 1HFY2021 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 2021 (Thursday) will rank for the 1HFY2021 Interim Dividend.

#### For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 27 August 2021 (Friday) to 30 August 2021 (Monday), both dates 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 2021 (Thursday) will be entitled to the 1HFY2021 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 2021 (Thursday), will be registered before entitlements to the 1HFY2021 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 2021.

#### **Convertibles, Preference Shares and Treasury Shares**

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 30 June 2021 and 30 June 2020. During the six months ended 30 June 2021, 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**

On 1 March 2021, the Company has, through its wholly-owned subsidiary, Beijing Everbright Water Investment Management Co., Ltd. ("BEWIM"), completed the acquisition of 65% equity interest in Tianjin Huantang from an independent third party, Tianjin Binhai Environmental Protection Asset Development Co., Ltd. (the "Acquisition").

The purchase consideration for the Acquisition was RMB666.34 million (the “Purchase Consideration”) and was determined through a competitive online bidding process. In submitting the final bidding price, BEWIM took into account, among others, (i) the appraised value of 100% of the equity interest in Tianjin Huantang as at 30 June 2020 using market-based approach was determined to be RMB912.53 million; (ii) the prospects of the projects of Tianjin Huantang; and (iii) the historical financial performance of Tianjin Huantang. The Purchase Consideration has been paid in full in cash and funded entirely through internal resources.

Save as disclosed above, during 1HFY2021, 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 2021 is published on the SGXNet ([www.sgx.com](http://www.sgx.com)) and the websites of the Company ([www.ebwater.com](http://www.ebwater.com)) and HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 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, An Xuesong, 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 2021 to be false or misleading in any material aspect.

By Order of the Board  
**China Everbright Water Limited**  
**An Xuesong**  
*Executive Director and Chief Executive Officer*

Hong Kong and Singapore, 11 August 2021

*As at the date of this announcement, the Board comprises: (i) a non-executive Director, Mr. Wang Tianyi (Chairman); (ii) two executive Directors, namely Mr. An Xuesong (Chief Executive Officer) and Mr. Luo Junling; and (iii) 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 2021 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 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 2021