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CHINA EVERBRIGHT ENVIRONMENT GROUP LIMITED

中國光大環境(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 257)

ANNOUNCEMENT ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by 16% to HK\$49,895,384,000 (2020: HK\$42,926,426,000)
- EBITDA increased by 17% to HK\$15,027,003,000 (2020: HK\$12,851,501,000)
- Profit attributable to equity holders increased by 13% to HK\$6,804,099,000 (2020: HK\$6,015,863,000)
- Final dividend of HK15.0 cents per share (2020: HK16.0 cents per share). Total dividends for the year of HK34.0 cents per share (2020: HK30.0 cents per share)

2021 ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of China Everbright Environment Group Limited (the “Company” or “Everbright Environment”) announces the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020. The annual results have been reviewed by the Audit Committee of the Company (the “Audit Committee”).

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	4	49,895,384	42,926,426
Direct costs and operating expenses		<u>(33,432,002)</u>	<u>(28,822,593)</u>
Gross profit		16,463,382	14,103,833
Other revenue	5	917,338	717,493
Other income and gains/(losses), net	5	(623,055)	(621,614)
Administrative expenses		<u>(3,530,840)</u>	<u>(2,753,121)</u>
PROFIT FROM OPERATING ACTIVITIES		13,226,825	11,446,591
Finance costs	6	(3,079,448)	(2,279,149)
Share of profits of joint ventures		81,837	207,929
Share of profits of associates		<u>91,377</u>	<u>11,353</u>
PROFIT BEFORE TAX	7	10,320,591	9,386,724
Income tax	8	<u>(2,200,248)</u>	<u>(2,159,764)</u>
PROFIT FOR THE YEAR		<u>8,120,343</u>	<u>7,226,960</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		6,804,099	6,015,863
Non-controlling interests		<u>1,316,244</u>	<u>1,211,097</u>
		<u>8,120,343</u>	<u>7,226,960</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
– Basic and diluted		<u>HK110.76 cents</u>	<u>HK97.93 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR	8,120,343	7,226,960
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	2,637,744	5,085,088
Reclassification adjustments for foreign operations disposed of/deemed disposed of during the year	(25,328)	12,063
Debt instrument at fair value through other comprehensive income:		
Changes in fair value	(131,727)	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>2,480,689</u>	<u>5,097,151</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Other financial assets measured at fair value through other comprehensive income:		
Changes in fair value	5,151	(11,356)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>5,151</u>	<u>(11,356)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>2,485,840</u>	<u>5,085,795</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>10,606,183</u>	<u>12,312,755</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	8,865,879	10,257,466
Non-controlling interests	1,740,304	2,055,289
	<u>10,606,183</u>	<u>12,312,755</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		181,512	176,860
Property, plant and equipment		8,921,701	6,114,910
Right-of-use assets		1,009,094	822,265
		<u>10,112,307</u>	<u>7,114,035</u>
Goodwill		2,353,687	2,016,817
Intangible assets		30,474,870	24,926,597
Interests in joint ventures		811,375	1,011,847
Interests in associates		606,970	495,616
Contract assets	<i>11</i>	101,971,151	79,619,686
Finance lease receivables		15,464	16,100
Other financial assets		142,748	716,807
Other receivables, deposits and prepayments	<i>12</i>	4,076,627	3,587,975
Deferred tax assets		440,770	246,945
		<u>151,005,969</u>	<u>119,752,425</u>
CURRENT ASSETS			
Inventories		1,258,539	1,059,140
Contract assets	<i>11</i>	11,907,704	12,467,366
Finance lease receivables		771	337
Other financial assets		222,880	–
Debtors, other receivables, deposits and prepayments	<i>12</i>	20,138,476	13,201,126
Tax recoverable		96,303	668
Pledged bank deposits		553,704	837,770
Deposits with banks with maturity period over three months		4,339	7,585
Cash and cash equivalents		15,046,943	10,860,693
		<u>49,229,659</u>	<u>38,434,685</u>
Total current assets		49,229,659	38,434,685

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
CURRENT LIABILITIES			
Creditors, other payables and accrued expenses	<i>13</i>	25,636,846	18,193,656
Interest-bearing borrowings			
– Secured		3,410,134	2,989,868
– Unsecured		10,530,590	7,509,306
		<u>13,940,724</u>	<u>10,499,174</u>
Tax payable		<u>190,832</u>	<u>212,959</u>
Total current liabilities		<u>39,768,402</u>	<u>28,905,789</u>
NET CURRENT ASSETS		<u>9,461,257</u>	<u>9,528,896</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>160,467,226</u>	<u>129,281,321</u>
NON-CURRENT LIABILITIES			
Other payables	<i>13</i>	839,348	917,536
Interest-bearing borrowings			
– Secured		44,506,065	31,420,236
– Unsecured		40,678,875	33,059,500
		<u>85,184,940</u>	<u>64,479,736</u>
Deferred tax liabilities		<u>10,100,716</u>	<u>8,339,445</u>
Total non-current liabilities		<u>96,125,004</u>	<u>73,736,717</u>
NET ASSETS		<u>64,342,222</u>	<u>55,544,604</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		17,329,537	17,329,537
Reserves		34,447,950	27,732,520
		<u>51,777,487</u>	<u>45,062,057</u>
Non-controlling interests		<u>12,564,735</u>	<u>10,482,547</u>
TOTAL EQUITY		<u>64,342,222</u>	<u>55,544,604</u>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation adopted in the preparation of the financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2020 except for the effect for the adoption of the revised HKFRSs issued by the HKICPA, which became effective for the first time for the current year’s financial statements, as further detailed in note 2. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated. The financial statements have been reviewed by the Company’s Audit Committee.

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results 2021 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company’s auditor has reported on the financial statements of the Group for the years ended 31 December 2021 and 2020. The auditor’s reports for both years were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change, (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

(i) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

For the year ended 31 December

	Environmental energy project construction and operation		Greentech project construction and operation		Environmental water project construction and operation		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (Note 4):										
Revenue from external customers	33,006,343	26,127,005	8,445,138	9,831,750	6,912,371	5,663,292	1,531,532	1,304,379	49,895,384	42,926,426
Inter-segment revenue	-	-	1,861	3,626	-	-	2,906,252	2,420,417	2,908,113	2,424,043
Reportable segment revenue	<u>33,006,343</u>	<u>26,127,005</u>	<u>8,446,999</u>	<u>9,835,376</u>	<u>6,912,371</u>	<u>5,663,292</u>	<u>4,437,784</u>	<u>3,724,796</u>	<u>52,803,497</u>	<u>45,350,469</u>
Reconciliation:										
Elimination of inter-segment revenue									<u>(2,908,113)</u>	<u>(2,424,043)</u>
Reportable segment revenue derived from the Group's external customers									<u>49,895,384</u>	<u>42,926,426</u>

3. OPERATING SEGMENT INFORMATION (continued)

(i) Segment results, assets and liabilities (continued)

For the year ended 31 December

	Environmental energy project construction and operation		Greentech project construction and operation		Environmental water project construction and operation		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment results:										
Reportable segment profit (Adjusted EBITDA)	<u>10,081,269</u>	<u>7,999,370</u>	<u>2,931,990</u>	<u>3,113,428</u>	<u>2,266,890</u>	<u>1,908,304</u>	<u>1,275,636</u>	<u>757,953</u>	<u>16,555,785</u>	<u>13,779,055</u>
Elimination of inter-segment profits									<u>(1,353,568)</u>	<u>(750,665)</u>
Reportable segment profit derived from the Group's external customers									<u>15,202,217</u>	<u>13,028,390</u>
Finance costs									<u>(3,079,448)</u>	<u>(2,279,149)</u>
Depreciation and amortisation, including unallocated portion									<u>(1,626,964)</u>	<u>(1,185,628)</u>
Unallocated head office and corporate income									<u>13,127</u>	<u>10,247</u>
Unallocated head office and corporate expenses									<u>(188,341)</u>	<u>(187,136)</u>
Consolidated profit before tax									<u>10,320,591</u>	<u>9,386,724</u>
Other segment information:										
Depreciation and amortisation	<u>644,637</u>	<u>389,679</u>	<u>746,090</u>	<u>590,668</u>	<u>115,520</u>	<u>93,284</u>	<u>73,234</u>	<u>79,823</u>	<u>1,579,481</u>	<u>1,153,454</u>
Impairment of debtors, net	<u>222,449</u>	<u>93,769</u>	<u>2,134</u>	<u>-</u>	<u>149,287</u>	<u>25,492</u>	<u>-</u>	<u>1,615</u>	<u>373,870</u>	<u>120,876</u>
Impairment of other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,451</u>	<u>3,342</u>	<u>-</u>	<u>-</u>	<u>16,451</u>	<u>3,342</u>
Impairment/(write-back of impairment) of contract assets, net	<u>132,694</u>	<u>46,648</u>	<u>(1,094)</u>	<u>7,524</u>	<u>3,533</u>	<u>12,695</u>	<u>-</u>	<u>-</u>	<u>135,133</u>	<u>66,867</u>
Impairment of intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,723</u>
Additions to investment properties, property, plant and equipment and right-of-use assets during the year	<u>514,961</u>	<u>225,494</u>	<u>1,594,535</u>	<u>1,363,375</u>	<u>1,026,068</u>	<u>26,851</u>	<u>222,562</u>	<u>144,349</u>	<u>3,358,126</u>	<u>1,760,069</u>
Additions to intangible assets and non-current portion of prepayments during the year	<u>4,495,962</u>	<u>3,282,448</u>	<u>1,359,178</u>	<u>3,261,112</u>	<u>482,237</u>	<u>164,513</u>	<u>8,301</u>	<u>1,393</u>	<u>6,345,678</u>	<u>6,709,466</u>
Additions to non-current portion of contract assets during the year	<u>23,532,993</u>	<u>16,729,416</u>	<u>947,705</u>	<u>2,435,790</u>	<u>3,682,043</u>	<u>3,742,933</u>	<u>-</u>	<u>-</u>	<u>28,162,741</u>	<u>22,908,139</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

(i) Segment results, assets and liabilities *(continued)*

	Environmental energy project construction and operation		Greentech project construction and operation		Environmental water project construction and operation		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	<u>113,894,359</u>	<u>86,929,136</u>	<u>40,623,673</u>	<u>35,244,764</u>	<u>32,645,367</u>	<u>26,593,869</u>	<u>4,470,619</u>	<u>4,361,908</u>	<u>191,634,018</u>	<u>153,129,677</u>
Unallocated head office and corporate assets									<u>8,601,610</u>	<u>5,057,433</u>
Consolidated total assets									<u>200,235,628</u>	<u>158,187,110</u>
Reportable segment liabilities	<u>58,577,871</u>	<u>40,922,430</u>	<u>26,475,112</u>	<u>22,393,118</u>	<u>19,802,079</u>	<u>15,510,291</u>	<u>3,384,255</u>	<u>2,806,506</u>	<u>108,239,317</u>	<u>81,632,345</u>
Unallocated head office and corporate liabilities									<u>27,654,089</u>	<u>21,010,161</u>
Consolidated total liabilities									<u>135,893,406</u>	<u>102,642,506</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers, (ii) the Group's investment properties, property, plant and equipment, right-of-use assets and intangible assets and (iii) the Group's non-current portion of other receivables, deposits and prepayments and non-current portion of contract assets. The geographical location of customers is based on the location at which the services were provided. The geographical location of the assets is based on the physical location of the assets, in the case of investment properties, property, plant and equipment and right-of-use assets, and the location of the operation to which they are allocated, in the case of other receivables, deposits and prepayments, intangible assets and contract assets.

	Revenue from		Investment properties, property, plant and equipment, right-of-use assets and intangible assets		Non-current portion of other receivables, deposits and prepayments and contract assets	
	external customers					
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong						
(place of domicile)	2,294	–	86,716	63,050	–	–
Other parts of the PRC	49,227,707	42,343,709	39,675,658	31,040,957	106,045,421	83,207,336
Germany	10,906	8,059	31,545	37,101	–	–
Poland	589,270	513,220	536,767	633,443	878	325
Vietnam	65,207	61,438	254,254	265,647	1,479	–
Singapore	–	–	2,237	434	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>49,895,384</u>	<u>42,926,426</u>	<u>40,587,177</u>	<u>32,040,632</u>	<u>106,047,778</u>	<u>83,207,661</u>

(iii) Information about a major customer

For the years ended 31 December 2021 and 2020, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

4. REVENUE

An analysis of revenue is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Revenue from environmental energy project construction services	21,781,326	18,097,945
Revenue from greentech project construction services	1,736,617	4,462,629
Revenue from environmental water project construction services	3,321,643	2,932,440
Revenue from environmental energy project operation services	7,733,177	5,365,831
Revenue from greentech project operation services	6,349,087	5,095,015
Revenue from environmental water project operation services	2,522,688	1,825,176
Revenue from equipment construction and installation services and sales	1,183,673	1,005,194
Others	347,859	299,185
	<hr/>	<hr/>
Total revenue from contracts with customers	44,976,070	39,083,415
Finance income from service concession arrangements	4,919,314	3,843,011
	<hr/>	<hr/>
Total revenue	49,895,384	42,926,426
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The aggregated revenues from environmental energy project construction and operation services, greentech project construction and operation services, environmental water project construction and operation services and finance income derived from the local government authorities in the PRC amounted to HK\$45,853,797,000 (2020: HK\$39,249,746,000) for the year ended 31 December 2021. The revenues are included in “Environmental energy project construction and operation”, “Greentech project construction and operation” and “Environmental water project construction and operation” segments as disclosed in note 3 to the financial statements.

5. OTHER REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of other revenue, other income and gains/(losses), net is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other revenue		
Rental income from operating leases	9,054	7,745
Interest income	128,853	97,061
Dividend income	165	7,966
Government grants*	268,013	210,717
Value-added tax refund**	200,491	255,833
Others	310,762	138,171
	<u>917,338</u>	<u>717,493</u>
Other income and gains/(losses), net		
Fair value gains/(losses), net:		
Other financial assets – unlisted equity investment	968	883
Other financial assets – unlisted investments	(58,583)	(48,629)
Contingent consideration receivable	–	(7,814)
Loss on disposal and write-off of property, plant and equipment, net	(4,320)	(28)
Loss on disposal of a subsidiary	–	(14,117)
Loss on disposal/deemed disposal of joint ventures	(47,366)	(144,087)
Gain from disposal of an associate	2	–
Loss on disposal of contract assets	(33,045)	–
Loss on disposal of intangible assets	(3,217)	–
Impairment of debtors, net (<i>note 12</i>)	(373,870)	(120,876)
Impairment of other receivables (<i>note 12</i>)	(16,451)	(3,342)
Impairment of contract assets, net (<i>note 11</i>)	(135,133)	(66,867)
Impairment of intangible assets	–	(216,723)
Others	47,960	(14)
	<u>(623,055)</u>	<u>(621,614)</u>
Total	<u>294,283</u>	<u>95,879</u>

* Government grants of HK\$268,013,000 (2020: HK\$210,717,000) were granted during the year ended 31 December 2021 to subsidise certain environmental energy projects, greentech projects and environmental water projects of the Group in the PRC and Poland. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

** Value-added tax refund of HK\$200,491,000 (2020: HK\$255,833,000) was received/receivable during the year ended 31 December 2021 in relation to certain environmental energy projects, greentech projects and environmental water projects operations of the Group in the PRC. There are no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank and other loans	2,646,824	2,117,260
Interest on corporate bond, asset-backed securities, medium-term notes and super and short-term commercial papers	309,745	158,342
Interest on lease liabilities	4,154	4,264
Asset-backed notes arrangement fees	177,203	–
Others	5,595	18,620
Less: Interest expenses capitalised into construction in progress*	<u>(64,073)</u>	<u>(19,337)</u>
	<u>3,079,448</u>	<u>2,279,149</u>

* The borrowing costs have been capitalised at rates ranging from 3.9% to 4.8% (2020: 3.1% to 5.0%) per annum during the year ended 31 December 2021.

7. PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation		
– property, plant and equipment	507,247	384,899
– right-of-use assets	70,103	60,137
Amortisation of intangible assets	1,049,614	740,592
Research and development costs	121,482	151,014
Lease payments not included		
in the measurement of lease liabilities	37,438	38,701
Auditor's remuneration		
– audit services	13,155	11,611
– other services	4,124	5,506
Employee benefit expense		
(excluding directors' remuneration):		
Wages, salaries, allowances and benefits in kind	3,526,199	2,640,528
Retirement scheme contributions	<u>429,879</u>	<u>234,032</u>
	<u>3,956,078</u>	<u>2,874,560</u>
Foreign exchange differences, net	(239)	(64,073)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<u>415</u>	<u>348</u>

As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years (2020: Nil).

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2021 (2020: Nil).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Elsewhere:		
Charge for the year	960,880	939,986
Overprovision in prior years	(5,510)	(15,490)
Deferred	<u>1,244,878</u>	<u>1,235,268</u>
Total tax expense for the year	<u>2,200,248</u>	<u>2,159,764</u>

9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends attributable to the year:		
Interim – HK19.0 cents (2020: HK14.0 cents) per ordinary share	1,167,165	860,017
Proposed final – HK15.0 cents (2020: HK16.0 cents) per ordinary share	<u>921,446</u>	<u>982,876</u>
	<u>2,088,611</u>	<u>1,842,893</u>
Final dividend in respect of the previous financial year paid during the year – HK16.0 cents (2020: HK13.0 cents) per ordinary share	<u>982,876</u>	<u>798,587</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$6,804,099,000 (2020: HK\$6,015,863,000), and 6,142,975,292 (2020: 6,142,975,292) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

11. CONTRACT ASSETS

		31 December 2021	31 December 2020	1 January 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current				
Service concession assets	(a)	102,050,909	79,680,846	58,900,254
Less: Impairment		(79,758)	(61,160)	–
		101,971,151	79,619,686	58,900,254
Current				
Service concession assets	(a)	8,724,603	6,969,899	4,567,265
Unbilled renewable energy tariff subsidy	(b)	2,606,313	4,815,183	3,646,473
Other contract assets	(c)	707,037	691,569	590,634
Less: Impairment		(130,249)	(9,285)	–
		11,907,704	12,467,366	8,804,372
Total		113,878,855	92,087,052	67,704,626
Contract assets arising from performance under construction contracts in connection with service concession arrangements, which are included in “Intangible assets”		3,762,581	4,906,015	4,060,698

Notes:

- (a) Included in “Service concession assets” are amounts of HK\$534,155,000 (2020: HK\$549,290,000) and HK\$822,617,000 (2020: HK\$789,747,000) which are related to the construction services under Build-Operate-Transfer (“BOT”), Build-Operate-Own (“BOO”) and Transfer-Operate-Transfer (“TOT”) arrangements rendered by the Group to a non-controlling shareholder of a non wholly-owned subsidiary and a related company, respectively.

“Service concession assets” arose from the Group’s revenue from construction under BOT, BOO and TOT arrangements and bear interest at rates ranging from 4.65% to 7.83% (2020: 4.90% to 7.83%) per annum. Among the total of HK\$110,775,512,000 (2020: HK\$86,650,745,000), HK\$102,196,885,000 (2020: HK\$63,744,486,000) relates to BOT, BOO and TOT arrangements with operations commenced.

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

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

11. CONTRACT ASSETS (continued)

Notes: (continued)

- (b) The balance represented government on-grid tariff subsidy for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.
- (c) The balance as at 31 December 2021 comprised contract assets of HK\$415,871,000 (2020: HK\$312,203,000) arising from performance under environmental remediation service contracts, HK\$291,166,000 (2020: HK\$237,126,000) arising from performance under construction management service contracts, and nil (2020: HK\$142,240,000) arising from performance under operation service contracts.

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

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

	2021	2020
	HK\$'000	HK\$'000
At beginning of year	70,445	-
Impairment losses, net (<i>note 5</i>)	135,133	66,867
Exchange realignment	4,429	3,578
	<hr/>	<hr/>
At end of year	210,007	70,445
	<hr/>	<hr/>

12. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current		
Other receivables, deposits and prepayments	4,083,594	3,587,975
Less: Impairment – other receivables	<u>(6,967)</u>	<u>–</u>
	<u>4,076,627</u>	<u>3,587,975</u>
Current		
Debtors	13,772,488	6,466,852
Less: Impairment	<u>(661,888)</u>	<u>(274,248)</u>
	13,110,600	6,192,604
Other receivables, deposits and prepayments	7,041,259	7,012,043
Less: Impairment – other receivables	<u>(13,383)</u>	<u>(3,521)</u>
	<u>7,027,876</u>	<u>7,008,522</u>
	<u>20,138,476</u>	<u>13,201,126</u>
Total	<u>24,215,103</u>	<u>16,789,101</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	274,248	137,443
Impairment losses, net (<i>note 5</i>)	373,870	120,876
Exchange realignment	<u>13,770</u>	<u>15,929</u>
At end of year	<u>661,888</u>	<u>274,248</u>

12. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current	<u>5,823,916</u>	<u>4,520,595</u>
Within 1 month past due	2,673,351	332,404
More than 1 month but within 3 months past due	842,527	309,733
More than 3 months but within 6 months past due	820,758	309,700
More than 6 months but within 12 months past due	2,018,077	437,638
More than 12 months past due	<u>931,971</u>	<u>282,534</u>
Amounts past due	<u>7,286,684</u>	<u>1,672,009</u>
	<u>13,110,600</u>	<u>6,192,604</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	3,510,032	3,020,631
More than 1 month but within 2 months	942,775	502,200
More than 2 months but within 4 months	1,367,976	522,961
More than 4 months but within 7 months	2,579,633	441,831
More than 7 months but within 13 months	2,354,411	672,977
More than 13 months	<u>2,355,773</u>	<u>1,032,004</u>
	<u>13,110,600</u>	<u>6,192,604</u>

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

Included in “Debtors, other receivables, deposits and prepayments” of the Group are debtors of HK\$13,110,600,000 (2020: HK\$6,192,604,000), of which HK\$9,948,000 (2020: HK\$16,940,000), HK\$17,343,000 (2020: HK\$33,895,000), HK\$11,657,000 (2020: HK\$25,068,000) and HK\$14,211,000 (2020: HK\$13,596,000) are due from the Group’s joint ventures, associates, a non-controlling shareholder of a non wholly-owned subsidiary and a related company of a non wholly-owned subsidiary, respectively. Debtors mainly represent revenue from the provision of operation services for environmental energy projects, greentech projects, environmental water projects and the provision of environmental protection project equipment construction and installation services and sales of related equipment and the billed amounts of the service concession assets.

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

Included in “Debtors, other receivables, deposits and prepayments” at 31 December 2021 is advance made to local government authority in relation to service concession arrangements amounting to HK\$25,941,000 (2020: HK\$46,155,000) which is unsecured, interest-bearing at the rates announced by the People’s Bank of China, and will be settled by instalments from 2022 to 2026.

Included in “Other receivables, deposits and prepayments” under non-current assets at 31 December 2021 is loan to the Group’s non-controlling shareholder of a non wholly-owned subsidiary of HK\$27,115,000 (2020: HK\$25,021,000), which is secured, interest-bearing at 110% of the rates announced by the People’s Bank of China and repayable by December 2023.

Included in “Debtors, other receivables, deposits and prepayments” under current assets at 31 December 2021 are advances of HK\$9,843,000 (2020: HK\$17,614,000) to the Group’s associate, which are unsecured, repayable on demand and interest-bearing at a rate of 4.75% per annum, and other receivables of HK\$1,520,000 (2020: Nil) due from the Group’s associates, which are unsecured, interest-free and repayable within one year.

Included in “Debtors, other receivables, deposits and prepayments” under current assets at 31 December 2021 are loan to the Group’s joint venture of HK\$11,612,000 (2020: HK\$17,768,000), which is unsecured, interest-bearing at 125% of the loan prime rate announced by the People’s Bank of China (“LPR”) and repayable in 2022, and other receivables and advances to the Group’s joint ventures of HK\$21,389,000 (2020: HK\$194,995,000), which are unsecured, interest-free and repayable within one year.

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

	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
At beginning of year	3,521	-
Impairment losses (<i>note 5</i>)	16,451	3,342
Exchange realignment	378	179
	<hr/>	<hr/>
At end of year	<u>20,350</u>	<u>3,521</u>

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

13. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Creditors	20,031,592	13,935,970
Other payables, accrued expenses and deferred income		
– government grants	<u>6,444,602</u>	<u>5,175,222</u>
	26,476,194	19,111,192
Less: Non-current portion		
– other payables, accrued expenses and deferred income		
– government grants	<u>(839,348)</u>	<u>(917,536)</u>
Current portion	<u>25,636,846</u>	<u>18,193,656</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 6 months	17,013,449	11,978,444
Over 6 months	<u>3,018,143</u>	<u>1,957,526</u>
	<u>20,031,592</u>	<u>13,935,970</u>

Creditors totalling HK\$14,354,194,000 (2020: HK\$9,481,997,000) represent construction payables for the Group’s BOT, BOO and TOT arrangements. The construction payables are not yet due for payment.

Included in “Creditors, other payables and accrued expenses” are creditors of HK\$12,970,000 (2020: HK\$6,962,000) and HK\$85,758,000 (2020: HK\$1,355,000) due to the Group’s associate and non-controlling shareholders of non wholly-owned subsidiaries, respectively, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate or the non-controlling shareholders to their major customers.

13. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES *(continued)*

Included in “Other payables, accrued expenses and deferred income – government grants” at 31 December 2021 are other payables of HK\$309,000 (2020: HK\$21,241,000) and HK\$11,438,000 (2020: HK\$17,025,000) due to the Group’s associate and non-controlling shareholders of non wholly-owned subsidiaries, respectively, which are unsecured, interest-free and repayable on demand. Included in “Other payables, accrued expenses and deferred income – government grants” at 31 December 2021 is other payable of HK\$1,314,000 (2020: HK\$1,273,000) due to a non-controlling shareholder of a non wholly-owned subsidiary, which is unsecured, interest-free and repayable within one year. Included in “Other payables, accrued expenses and deferred income – government grants” at 31 December 2021 are other payables of HK\$228,468,000 (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 on demand.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

BUSINESS REVIEW AND PROSPECTS

Operating Results

Business Overview

In 2021, the world was still undergoing accelerated changes unseen in a century, with continued attack brought by the COVID-19 pandemic (the “Pandemic”). China maintained its leading position in economic development as well as the Pandemic prevention and control worldwide. Moreover, the building of a moderately prosperous society in all respects across China has started the country’s 14th Five-Year Plan off on the right foot. Under the increasingly complex and severe external environment, as China’s largest environmental enterprise, a leading player in Asia’s environmental protection industry, the world’s largest waste-to-energy investor and operator, and a world-renowned environmental group, Everbright Environment insists on providing quality environmental services as its top priority, cementing its original aspiration, mission and strategy, and working together with all sectors to survive this unprecedented period. During the year under review, facing new situations, challenges and opportunities, the Group closely followed the “Four Three Three”¹ strategic deployment of China Everbright Group Ltd. (“China Everbright Group”). By upholding “Value Creation” as its core, it focused on “Reducing Pollution and Carbon Emissions” and “Solidifying Existing Strength and Pursuing Innovation”. In addition to setting the “Three Carbons” development targets and action plan, the Group implemented its “Three Five Eight Seven” development strategies. By following the trends, striving despite the difficulties, and fighting against various challenges, it steadily carried out the strategic transformation, and continued to achieve growth in both scale and profit, which further built upon its overall competitiveness and solidified its industry-leading position.

¹ China Everbright Group’s “Four Three Three” strategic deployment: To create “Four World-leading”, “Three Domestic First-class”, and “Three Domestically Distinctive” Everbright companies within five to ten years. Among which, the deployment aims to develop Everbright Environment into a world-leading ecological and environmental group.

The “Three Carbons” Development Targets

To become
a carbon-negative enterprise

To develop
zero-carbon plants

To pursue
low-carbon lifestyle

The “Three Five Eight Seven” Development Strategies

Three areas	Five capabilities	Eight business sectors		Seven aspects as safeguards	
Environment	Market expansion	Environmental energy	Eco-recycling	Finance	Human resources
Resources	Project construction	Greentech	Greenergy	Bidding and procurement	Efficiency
Energy	Project operation	Environmental water	Envirotech	Budget	Corporate culture
	Equipment manufacturing	Equipment manufacturing	Environmental planning	Safety and environmental management	
	Technological innovation				

During the year under review, the Group actively followed the national strategic goals of “Peaking Carbon Emissions” and “Achieving Carbon Neutrality” (“Dual Carbons”), and focused on the “Three Carbons” development targets and action plan. It increased investment in and accelerated relevant works relating to “Carbon Emission Reduction”, such as research and studies, technology research, pilot programmes and relevant exploration, with satisfying progress. In terms of research and studies, the Group organised a number of discussion and exchange activities around the “Dual Carbons” theme, such as lectures, seminars and symposiums during the year under review, to enhance the knowledge, depth of understanding and breadth of vision in the field of “Dual Carbons”; the Group also organised the drafting of reports, action plans and *the White Paper on Environmental Protection and Carbon Neutrality*, relating to the “Dual Carbons” theme. In terms of technology research, the Group independently developed and improved its carbon emission calculation model in line with the domestic situation and its own condition, to assess the Group’s carbon emission level and develop future carbon emission reduction plans; additionally, the Group established the Carbon-Neutrality Technology Research and Development Center, in a bid to build an innovation platform for the “Dual Carbons” strategies; it also carried out research into core technologies relating to the “Dual Carbons” theme, such as carbon capture technology and equipment. In terms of pilot programmes and relevant practices, the Group undertook a pilot project on the on-site monitoring of greenhouse gas emission monitoring, which was initiated by the Ministry of Ecology and Environment of the People’s Republic of China (“PRC”) (“MEE”), helping to lay a solid foundation for the national carbon emission calculation for relevant industries; in addition, China Everbright Water Limited (“Everbright Water”), a listed subsidiary of the Company, launched an “in-plant solar energy” pilot programme at its waste water treatment project in Zibo, Shandong Province, and such solar energy facilities were connected to the power grid in August 2021; in the meantime, the Group’s equipment manufacturing sector built solar energy facilities on the roof of its plants, which were also connected to the power grid as early as in July 2021, laying a good foundation for future expansion of such pilot projects.

In terms of operating results, during the year under review, the Group’s traditional business sectors continued to develop and progress steadily, while the emerging business sectors gained momentum through active exploration. Operating indicators, including revenue and profit attributable to equity holders of the Company, recorded significant growth. The Group proceeded with project construction in a safe and orderly manner, continuing to drive the growth of construction service revenue. Meanwhile, operation service revenue saw a continued increase due to various measures taken to expand revenue streams, reduce expenditure and improve efficiency, in addition to the increase in the number of operating projects. With regard to finance, the Group had diverse access to financing channels, including both short- and long-term financing tools, with abundant capital and good results across all financial indicators.

Major operating indicators in 2021 are summarised in the table below:

	2021	2020	Percentage
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change
Revenue	49,895,384	42,926,426	16%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	15,027,003	12,851,501	17%
Profit attributable to equity holders of the Company	6,804,099	6,015,863	13%
Basic earnings per share (HK cents)	110.76	97.93	13%

During the year under review, the Group recorded a total revenue of HK\$48,363,852,000 from its environmental energy, greentech and environmental water sectors, of which revenue from construction services increased by 5% from 2020 to HK\$26,839,586,000, and revenue from operation services increased by 35% from 2020 to HK\$16,604,952,000. The revenue from construction services, operation services and finance income accounts for 56%, 34% and 10% of the total, respectively.

During the year under review, with an aim to better align the capital needs for development in a timely and flexible approach, the Group paid close attention to market dynamics, continued to explore and diversify financing channels, balanced the expansion of long-term and short-term financing tools, enhanced liquidity management proficiency, optimised its financing structure, and kept financial costs within reasonable levels, in order to further improve financial security for the Group’s future development. In addition, the Group actively collected accounts receivable, negotiated with banks to secure additional facility support, and obtained various domestic subsidies worth RMB677 million in total. As of 31 December 2021, the Group had cash on hand amounting to HK\$15.605 billion, with a reasonable gearing level and healthy financial position.

The Group's major financing arrangements in 2021 are summarised in the table below:

Issue date	Financing activities and uses of proceeds	Issue size (RMB)
December 2021	Everbright Environmental Protection (China) Limited* (“EEP China”), the Company’s wholly-owned subsidiary, issued Series 1 Green Private Placement Asset-backed Notes (Carbon Neutrality Bond)* for the year 2021 in the national inter-bank bond market. The proceeds were used by EEP China and its subsidiaries for replenishment of working capital, repayment of debts to financial institutions and/or any other purposes in compliance with relevant national industrial policies and applicable laws and regulations.	approximately 672 million
August 2021	Everbright Water issued its first tranche of RMB-denominated super & short-term commercial papers in the national inter-bank bond market. The proceeds were used to replenish the working capital of Everbright Water’s subsidiaries.	800 million
July 2021	China Everbright Greentech Limited (“Everbright Greentech”), the Company’s listed subsidiary, issued the Green Medium-Term Notes (“MTN”) (Series 1) (Bond Connect/Carbon-Neutral Bond/Rural Vitalisation), China’s first green MTN relating to carbon neutrality and rural vitalisation in the national inter-bank bond market. The proceeds were used to repay project loans of relevant agricultural and forestry biomass projects of Everbright Greentech.	1 billion

* For identification purpose only

Issue date	Financing activities and uses of proceeds	Issue size (RMB)
June 2021	The Company issued its first tranche of 2021 MTN (Bond Connect) in the national inter-bank bond market. The proceeds were used to replenish the daily working capital for the Company's subsidiaries and repayment of bank borrowings.	2 billion
April 2021	Everbright Greentech's subsidiary issued its first asset-backed notes in the national inter-bank bond market, with receivables relating to the national subsidies for renewable energy power prices as the underlying assets. The proceeds were used to replenish the general working capital of Everbright Greentech or repayment of borrowings.	589 million
January 2021	Everbright Water issued its second tranche of MTN in the national inter-bank bond market. The proceeds were used to replenish the working capital of Everbright Water's subsidiaries.	1 billion

The Group remains dedicated to creating value for and sharing development returns with the shareholders of the Company (the "Shareholders"). To reward the Shareholders for their support, and taking into account the Group's long-term development, the Board proposed to pay a final dividend of HK15.0 cents per share as of 31 December 2021 to the Shareholders (2020: HK16.0 cents per share), with the total dividend for the year amounting to HK34.0 cents per share (2020: HK30.0 cents per share).

As of 31 December 2021, the Group had a business presence in more than 210 locations across 25 provinces, municipalities, autonomous regions and special administrative region in China, with overseas business markets in Germany, Poland, Vietnam and Mauritius. The Group secured a total of 528 environmental protection projects, with an aggregate investment of approximately RMB152.455 billion. It also undertook 42 environmental remediation services, 2 waste sorting services, 22 engineering, procurement and construction ("EPC") projects, 5 energy management contract ("EMC") projects and 4 operation and management ("O&M") projects. As the world's largest waste-to-energy investor and operator, the Group had a total of 176 waste-to-energy projects under its environmental energy and greentech sectors, with an aggregate designed daily household waste processing capacity of 150,300 tonnes.

During the year under review, the Group made steady progress against fierce market competition. While steadily expanding its traditional businesses such as waste-to-energy and water treatment, the Group also actively made a great effort in developing synergistic businesses such as food and kitchen waste treatment, sludge treatment and disposal, as well as waste sorting and transfer, and fully promoted the expansion of emerging businesses such as resource recycling, energy-saving lighting and environmental planning and design. In doing so, the Group aims to build a business portfolio with the co-development of asset-light and asset-heavy businesses, co-development of municipal and consumer businesses, and expansion of domestic and overseas businesses. During the year under review, the Group made breakthroughs in the solid waste treatment market in the Xinjiang Uygur Autonomous Region (“Xinjiang”), the water services markets in Tianjin Municipality, Hebei Province and Mauritius, the solar energy market in the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), and the waste sorting market in Changzhou City and Wujiang District of Suzhou City, Jiangsu Province, further improving the Group’s domestic and overseas market presence. In 2021, the Group signed 69 new projects (including projects secured through acquisitions) and 2 supplementary agreements on existing projects, commanding a total investment of approximately RMB13.248 billion, covering various business areas such as waste-to-energy, food and kitchen waste treatment, waste sorting, solar energy and water treatment. It also undertook 2 waste sorting services, 6 environmental remediation services, 8 EPC projects, 2 EMC projects, 1 O&M project and 1 equipment supply service, with an aggregate contract value of approximately RMB331 million.

The major designed treatment and supply capacities of the new projects secured in 2021 are summarised as below:

Project Category	Designed Treatment/Supply Capacity
Household waste	13,100 tonnes/day
Food and kitchen waste	1,780 tonnes/day
Hazardous and solid waste	100,000 tonnes/year
Steam supply	598,800 tonnes/year
Water treatment*	543,000 m ³ /day

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

In terms of safety and environmental management, during the year under review, the Group focused on one overall target, two critical areas, four integrated aspects and six key work priorities, making every effort to provide solid safety and environmental protection to achieve high-quality transformation and development. In 2021, while continuously improving the safety and environmental protection management system, the Group organised training and examinations for safety and environmental management qualifications, which further strengthened the awareness of safety and environmental management at the sector level and across the project companies. At the same time, the focus of work was placed at a basic level, and the supervision and inspection of projects in various business sectors were strengthened. The relevant work progressed well and achieved remarkable results.

In respect to project construction, during the year under review, the Group continued to adhere to the seven principles of “Productivity, Efficiency, Quality, Cost-Effectiveness, Legitimacy, Safety and Integrity” and strictly complied with the requirements of effective pandemic prevention and control measures in various places, and gave full play to the dynamic management of the construction progress of each project, ensuring the orderly progress of various project construction works, which continued to boost construction service revenue. In 2021, 91 projects completed construction and commenced operation, and 8 projects completed construction. Meanwhile, 51 projects commenced construction, together with 6 environmental remediation services, 1 waste sorting service, 4 EMC projects and 9 EPC projects that were completed and delivered.

In terms of operations management, during the year under review, the Group, with a focus on “Cost Reduction and Efficiency Enhancement” and “Value Creation”, continued to uphold stringent management standards. On the basis of ensuring stable operation and compliance with relevant emission standards, the Group proactively promoted digitalisation and intelligent management, as well as enhanced the platform roles of its projects, to further strengthen and refine its operations management proficiency, reduce costs and increase efficiency.

As an environmental protection enterprise and responsible corporate citizen, the Group regards efficient environmental management along with timely and accurate environmental information disclosure as necessities to fulfill its corporate obligations, as well as the basic right of the people. During the year under review, the Group continued to open projects for public visits, to improve the standardisation, normalisation and localisation of the project open-up, and to forge a closer relationship with relevant local authorities and communities, in a bid to promote the long-term development of the shared interests among government authorities, businesses and residents. During the year under review, the Group’s environmental protection projects received more than 80,000 local and foreign visitors from all social circles. As of 31 December 2021, a total of 138 projects had opened up for public visits. Under the backdrop of ongoing pandemic prevention and control, the Group’s project companies organised online and offline project open-up activities, which effectively maintained attention and interest of the communities in topics relating to ecological protection, sustainable development, and low-carbon life.

During the year under review, the Group spared no effort in promoting synergy between pollution reduction and carbon emission reduction, continuously driving the simultaneous improvement of economic, social and environmental benefits, and integrating relevant measures and concepts into daily business operations. The Group’s major environmental contribution in 2021 is summarised as below:

	Treatment Capacity	Environmental Contribution
Household waste processed	43,452,000 tonnes	Generating green electricity of 22,271,602,000 kWh. This output could support the annual electricity consumption needs of 18,559,000 households, equivalent to saving 8,909,000 tonnes of standard coal, while reducing Carbon Dioxide (CO ₂) emissions by 20,211,000 tonnes.
Hazardous and solid waste processed	269,000 tonnes	
Agricultural and forestry waste processed	7,964,000 tonnes	
Waste water treated	1,698,710,000 m ³	Reducing Chemical Oxygen Demand (“COD”) discharge of 740,000 tonnes.
Waste-to-energy plants’ leachate treated	9,635,000 m ³	

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

	Aggregate Treatment Capacity	Aggregate Environmental Contribution
Household waste processed	168,957,000 tonnes	Generating green electricity of 80,724,029,000 kWh. This output could support the annual electricity consumption needs of 67,270,000 households, equivalent to saving 32,290,000 tonnes of standard coal, while reducing CO ₂ emissions by 78,673,000 tonnes.
Hazardous and solid waste processed	1,340,000 tonnes	
Agricultural and forestry waste processed	26,603,000 tonnes	
Waste water treated	12,962,302,000 m ³	Reducing COD discharge of 4,952,000 tonnes.
Waste-to-energy plants' leachate treated	35,872,000 m ³	

During the year under review, the Group continued to actively support and participate in various philanthropic activities relating to environmental protection education, energy conservation and emission reduction, ecological conservation, and community care. Among which, the Solar Dome at the Island House in Yuen Chau Tsai, Taipo, Hong Kong, commenced operation. The Solar Dome was built by the World Wide Fund Hong Kong with support from the Group through its Everbright Environment Charitable Foundation. The facility is developed to serve as a sustainability educational base for Hong Kong students and other social groups to promote their concepts and knowledge of renewable energy, sustainable development and ecological conservation. In addition, the Group signed a memorandum of understanding with the Asian Development Bank ahead of World Oceans Day in 2021 for strategic cooperation toward the circular economy and the reduction of marine debris through strengthening of the solid waste management system in Asia to foster ocean health. During the year under review, colleagues from the Group's Hong Kong office voluntarily participated in the Salvation Army Recycling Programme, donating used clothes to people in need in Hong Kong, or selling them in the Salvation Army Family Store to use proceeds to carry out community care services. Such programmes have effectively helped people in need to rebuild normal lives during the Pandemic, and at the same time practice the concept of resource conservation and recycling. At the project level, the Group's project companies across multiple locations continued to actively respond to various environmental protection themed festivals, such as "World Environment Day", "World Water Day" and "China Water Week", promoting ecological environmental protection, and sustainable development with diverse and lively activities, strengthening local communities' understanding of environmental protection and sustainable development issues, as well as solidifying the Group's connections and mutual support with local residents.

In 2021, the Group received many honors in recognition of its effort in many aspects, including business operation, business model, sustainable development and social responsibility. The major awards and recognition are summarised as below:

Category	Award/Recognition	Awarding Organisation(s)
Business performance	First place in “Top 50 Environmental Enterprises in China” (the third consecutive year)	China Environment Chamber of Commerce
	First place in “Top 10 Influential Solid Waste Treatment Enterprises in China” (the 11th consecutive year)	E20 Environmental Platform
	Shortlisted in Fortune China 500 list for the first time (ranking the 283rd place)	<i>Fortune China</i>
	Everbright Water Shortlisted in “Top Ten Influential Enterprises in China’s Water Industry” (the fourth consecutive year)	E20 Environmental Platform

Category	Award/Recognition	Awarding Organisation(s)
Corporate management	Wang Tianyi, Chairman of the Board, recognised as “Asia’s Best CEO” (the fourth consecutive year)	“The Asian Excellence Awards” by <i>Corporate Governance Asia</i>
	Excellent ESG Enterprise of 2020-2021	“Excellent ESG Recognition Scheme” by <i>Hong Kong Economic Times</i>
	Everbright Greentech and Everbright Water received “A Special Mention for ESG” (Small Market Capitalisation Category)	“Best Corporate Governance and ESG Awards in 2021” by Hong Kong Institute of Certified Public Accountants
	Everbright Water received “Award of Excellence in Corporate Governance” (Category for Newly-Listed Companies) and “Award of Excellence in ESG” (Category for Newly-Listed Companies)	Hong Kong Corporate Governance and ESG Excellence Awards 2021, jointly launched by organisations including the Chamber of Hong Kong Listed Companies
Business model	Jiangsu Changzhou Waste-to-energy Project, Hainan Sanya Waste-to-energy Project and Hunan Yiyang Waste-to-energy Project shortlisted in first batch of green Public-Private-Partnership (“PPP”) project case studies	National Development and Reform Commission of the PRC
	Jiangsu Zhenjiang Sponge City Construction PPP Project shortlisted as top 5 in UNECE’s Building Back Better Infrastructure Award 2021	United Nations Economic Commission for Europe (“UNECE”)

Category	Award/Recognition	Awarding Organisation(s)
Engineering and construction	Zhejiang Quzhou Waste-to-energy Project (“Quzhou Project”) won the Luban Prize for the second batch between 2020 and 2021 in China’s construction industry	China Construction Industry Association
Technology research and development (“R&D”)	Ranked among “2021 China Top 100 New Technology Companies”	Organisations including the <i>Internet Weekly</i> of Chinese Academy of Sciences and Informatisation Research Center of Chinese Academy of Social Sciences
	The research project on “Key Technologies and Applications for Intelligent Monitoring and Optimal Operation of Municipal Waste Water Treatment Plants”, in which Everbright Water (Shenzhen) Limited participated as a key participant, received the second prize of the 2020 State Scientific and Technological Progress Award	The Office of the National Science Progress Awards
Sustainable development	Included in the <i>Sustainability Yearbook 2021</i> (the fourth time)	S&P Global
	Included in the Dow Jones Sustainability Indices (the sixth consecutive year)	Dow Jones
	Included in the Hang Seng Corporate Sustainability Benchmark Index (the eleventh consecutive year)	Hang Seng Indexes

Category	Award/Recognition	Awarding Organisation(s)
Social responsibility	Over 30 environmental protection projects of the Group included in the fourth batch of environmental facilities and municipal wastewater and waste treatment facilities opening up to the public in China	MEE and the Ministry of Housing and Urban Rural Development of the PRC
	Social Responsibility Brand of the Year (the seventh consecutive year)	China Charity Festival
	Outstanding Enterprise in Fighting Against the Pandemic	China Charity Festival
	Best Environmental Responsibility (the third consecutive year)	Asian Excellence Award of <i>Corporate Governance Asia</i>

I. ENVIRONMENTAL ENERGY

As a core business sector of the Group, the environmental energy sector keeps the largest scale and makes up the Group's biggest business portion, covering waste-to-energy, food and kitchen waste treatment, leachate treatment, fly ash treatment, methane-to-energy, sludge treatment and disposal, construction and decoration waste treatment, the development of environmental protection industrial parks, among others. During the year under review, the Group's environmental energy sector kept its leading position in the waste-to-energy industry.

As of 31 December 2021, environmental energy had invested in and held 230 projects, commanding a total investment of approximately RMB89.865 billion, and undertook 1 O&M project and 5 EPC projects, which are designed to have an annual household waste processing capacity of 50,789,750 tonnes, which is expected to generate 17,103,380,763 kWh of annual on-grid electricity; an annual food and kitchen waste processing capacity of 2,215,550 tonnes; an annual sludge treatment capacity of 394,200 tonnes; and an annual medical waste processing capacity of 12,775 tonnes.

As of 31 December 2021, environmental energy's waste-to-energy projects are summarised as follows:

Project Status	Number of Projects	Designed Processing Capacity (tonnes/annum)
In operation*	129	41,737,750
Under construction	16	7,227,000

* including an O&M project

In terms of market development, environmental energy faced challenges in the market, with increasingly fierce market competition in 2021. The sector focused on three major business areas and leveraged the Group's "Five Points in One Line" process model for waste sorting, which includes sorting, transferring, selecting, recycling and incinerating waste. While solidifying its leading position in the waste-to-energy industry, environmental energy deeply explored the value of the industrial chain, while extending its business value chain, in an attempt to effectively control destinations of waste at the front end and ensure efficient incineration of waste at the back end. During the year under review, environmental energy secured 23 waste-to-energy synergistic projects, covering waste sorting and transferring, food and kitchen waste treatment, sludge treatment and disposal, medical waste treatment, fly ash treatment, heat supply, among others. During the year under review, the sector secured 36 new projects (including projects secured through acquisition), with a total investment of approximately RMB7.842 billion, in addition to undertaking 1 EPC project, with a contract value of approximately RMB28 million. The newly secured projects contribute a designed daily household waste processing capacity of 11,800 tonnes and a designed daily food and kitchen waste processing capacity of 1,780 tonnes. Among these projects, the signing of Shihezi Integrated Waste Treatment PPP Project in Xinjiang marks the expansion of the Group's business into the autonomous region and enhancement of the Group's strategic position in northwest China. During the year under review, the Group purchased the remaining 51% equity interest in the project company of Zhejiang Hangzhou Fuyang Waste-to-energy Project, turning it into a wholly-owned project of the Group.

In terms of project construction, during the year under review, environmental energy had 64 projects that completed construction and commenced operation. These projects are designed to have a daily household waste processing capacity of 38,400 tonnes and a daily food and kitchen waste processing capacity of 2,945 tonnes. 35 projects (including 1 EPC project) commenced construction, with a designed daily household waste processing capacity of 13,000 tonnes and a designed daily food and kitchen waste processing capacity of 2,290 tonnes. It is worth mentioning that, during the year under review, Quzhou Project received the Luban Prize, the highest recognition in China's construction industry. The project represents the Group's third environmental protection project that has received this prestigious honor, following Shandong Ji'nan Waste-to-energy Project and Zhejiang Hangzhou Waste-to-energy Project. The latest recognition fully reflects the excellence of the Group and environmental energy in terms of engineering planning, construction and management in the field of environmental protection.

In terms of operations management, all projects under environmental energy strictly followed relevant emission standards, optimised their safety and environmental management systems, conducted preliminary planning for an information-based monitoring platform, and advanced progress of a new intelligent management platform to the trial stage, in an attempt to boost management efficiency through internal optimisation. In 2021, the average electricity generated per tonne of waste incinerated at environmental energy's waste-to-energy projects reached 470 kWh, with an integrated power consumption ratio of approximately 15%.

During the year under review, environmental energy contributed an EBITDA of HK\$10,081,269,000, an increase of 26% as compared with 2020. Environmental energy contributed a net profit attributable to the Group of HK\$5,974,688,000, an increase of 19% as compared with 2020. The increase in profit was mainly attributable to the growth in the number of construction projects, and the continuing increase in the aggregate processing capacity of the operating projects, driving an increase in construction service revenue and operation service revenue.

Major operating data relating to environmental energy during 2021 are summarised in the table below:

	2021	2020	Percentage Change
Waste processing volume (<i>tonnes</i>)	40,534,000	29,273,000	38%
Food and kitchen waste processing volume (<i>tonnes</i>)	519,000	439,000	18%
On-grid electricity (<i>MWh</i>)	13,263,566	9,380,822	41%

II. GREENTECH

As of 31 December 2021, the Group held a 69.7% stake in Everbright Greentech, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Everbright Greentech focuses on hazardous and solid waste treatment, integrated biomass utilisation, solar energy and wind power, environmental remediation, among others. It positions itself as a leading intelligent energy supplier dedicated to “Carbon Neutrality”, as well as a prominent industrial hazardous waste treatment investor and operator in China.

As of 31 December 2021, Everbright Greentech had invested in 137 environmental protection projects, with a total investment of approximately RMB32.891 billion. These projects are designed to have an annual biomass raw material processing capacity of 8,089,800 tonnes, an annual household waste processing capacity of 4,069,750 tonnes, and an annual hazardous and solid waste processing capacity of 2,941,900 tonnes, which are expected to generate 6,960,034,055 kWh of annual on-grid electricity and 5,118,000 tonnes of annual steam supply.

As of 31 December 2021, Everbright Greentech’s hazardous and solid waste treatment projects are summarised as follows:

Project Status	Number of Projects	Designed Processing Capacity (tonnes/annum)
In operation	31	958,400
Under construction	10	972,500

With respect to market development, Everbright Greentech has been exploring the development potential of its existing business areas by improving its management efficiency and technical capabilities. In the meantime, Everbright Greentech, with a focus on China’s “Dual Carbons” strategic goals, proactively carried out business transformation and explored new businesses and models such as energy storage. During the year under review, Everbright Greentech acquired 60% equity stake in Kellon Green Energy Limited, achieving a breakthrough in Hong Kong’s solar energy market, which marks the Group’s business entry into the city. In 2021, Everbright Greentech secured 17 new projects and signed 2 supplementary agreements for existing projects, which command a total investment of approximately RMB1.201 billion. It also undertook 6 environmental remediation services, with a total contract value of approximately RMB150 million. The new projects are designed to have an annual household waste processing capacity of 474,500 tonnes, an annual steam supply capacity of 598,800 tonnes, an annual hazardous and solid waste processing capacity of 100,000 tonnes, and an installed capacity of 7.07 MW for solar energy.

In respect to project construction, during the year under review, Everbright Greentech had 16 projects that completed construction and commenced operation, in addition to 5 projects that completed construction, contributing a designed annual household waste processing capacity of 1,007,400 tonnes, and an annual hazardous and solid waste processing capacity of 753,800 tonnes. 6 environmental remediation services were completed and delivered in 2021. Separately, 11 projects commenced construction, with a designed annual hazardous and solid waste processing capacity of 852,500 tonnes. 6 environmental remediation services started respective remediation work in succession.

During the year under review, the Group's greentech sector contributed an EBITDA of HK\$2,931,990,000, a decrease of 6% as compared with 2020. Greentech contributed a net profit attributable to the Group of HK\$870,487,000, a decrease of 21% as compared with 2020. The profit decrease reflected primarily the adjustment of greentech's development strategy to accommodate changes in national policies and market developments, which resulted in the decline in revenue and profit from construction services. Profit contributions from operations were also affected by rising prices for biological raw materials and the decline in unit prices for hazardous and solid waste treatment.

Major operating data relating to greentech during 2021 are summarised in the table below:

	2021	2020	Percentage Change
Waste processing volume (<i>tonnes</i>)	2,919,000	2,272,000	28%
Biomass raw material processing volume (<i>tonnes</i>)	7,964,000	6,708,000	19%
Hazardous and solid waste processing volume (<i>tonnes</i>)	269,000	182,000	48%
Steam supply volume (<i>tonnes</i>)	2,154,671	1,343,552	60%
On-grid electricity (<i>MWh</i>)	6,310,119	5,623,505	12%

III. ENVIRONMENTAL WATER

As of 31 December 2021, the Group held a 72.87% stake in Everbright Water, which is listed on the Mainboard of the Singapore Exchange Securities Trading Limited and the Main Board of the Stock Exchange. As a leading water environment management service provider in China, Everbright Water has developed fully-fledged business coverage, which includes raw water protection, water supply, municipal waste water treatment, industrial waste water treatment, reusable water, river-basin ecological restoration, and sludge treatment and disposal. It has also formed a full industry chain in the water business, including project investment, planning and design, technology R&D, engineering and construction and operations management, among others.

As of 31 December 2021, Everbright Water had invested in and held 153 water projects, commanding a total investment of approximately RMB28.434 billion. It also secured 4 EPC projects and 3 O&M projects. These projects are designed to have an annual waste water treatment capacity of 2,175,619,000 m³, an annual reusable water supply capacity of 91,469,000 m³, and an annual water supply capacity of 310,250,000 m³. The waste water source heat pump projects provide heating and cooling services to an area of 295,000 m².

As of 31 December 2021, Everbright Water's water projects are summarised as follows:

Project Status	Number of Projects	Designed Water Treatment Capacity (m³/annum)
In operation*	131	2,082,398,000
Under construction	11	335,800,000

* including O&M projects

In terms of market development, Everbright Water maintained an excellent momentum of expansion during the year under review: It strode into two new domestic markets, Tianjin and Hebei, and consolidated its business layout in the Beijing-Tianjin-Hebei strategic region. Everbright Water also undertook its first overseas O&M project in Mauritius, laying a good foundation for further breakthroughs in overseas markets going forward. During the year under review, Everbright Water secured 15 new projects, with a total investment of approximately RMB3.756 billion, and also undertook 1 O&M project and 1 EPC project. The new projects are designed to have a daily waste water treatment capacity of 489,000 m³ and a daily reusable water supply of 54,000 m³.

In terms of project construction, Everbright Water continued to carry out its project construction work in an orderly manner. During the year under review, 6 projects (including 1 EPC project) commenced construction, with a total designed daily water treatment capacity of 130,000 m³. 11 projects completed construction and commenced operation and 5 projects (including EPC projects) completed construction, with a total designed daily water treatment capacity of 321,500 m³.

In terms of operations management, Everbright Water actively focused on the national "Dual Carbons" strategic goals during the year under review. It took the lead in launching pilot projects to optimise the energy structure of waste water treatment plants based on its projects, participating in MEE's pilot project on the on-site monitoring of greenhouse gas emissions, and exploring the energy structure model and carbon emission reduction plan of waste water treatment plants. In addition, Everbright Water launched its first set of solar energy facilities at its Zibo Waste Water Treatment Project in Shandong Province. The facilities were officially connected to the power grid in August 2021 and are expected to satisfy about 9% of the project area's electricity consumption annually, providing valuable experience for the future promotion of solar energy in project areas. In 2021, a total of 9 waste water treatment plants of Everbright Water received regulatory approval for tariff hikes, ranging between 4% and 58%.

During the year under review, the Group's environmental water sector contributed an EBITDA of HK\$2,266,890,000, a 19% increase compared with 2020. Environmental water contributed a net profit attributable to the Group of HK\$897,011,000, a 22% increase compared with 2020. The increase in profit was mainly attributable to the rise in construction activities, improvements to operations and the expansion of business, driving the increase in construction service revenue and operation service revenue.

Major operating data relating to environmental water during 2021 are summarised in the table below:

	2021	2020	Percentage Change
Waste water treatment volume ('000 m ³)	1,698,700	1,559,096	9%

IV. EQUIPMENT MANUFACTURING

As China's backbone environmental protection equipment R&D and manufacturing provider, the Group's equipment manufacturing sector leverages Everbright Environmental Technical Equipment (Changzhou) Limited* as the main platform to actively establish a new development structure that combines traditional and new business. The sector has also further solidified its industry-leading position.

In terms of market expansion, during the year under review, equipment manufacturing actively explored the business fields of food and kitchen waste treatment, hazardous waste treatment, medical waste treatment and industrial waste treatment, as well as expanded into overseas markets including India, Bulgaria and Thailand. In 2021, the sector signed 26 external sales contracts and sold 44 sets of equipment to external markets, including 24 sets of grate furnaces, 12 sets of flue gas purification systems and 8 sets of leachate treatment systems. It also secured contracts relating to external sale of completed sets of equipment amounting to a total contract value of RMB926 million in 2021. In addition, equipment manufacturing set up the Everbright Electric Appliance Division and launched a series of water purifier products during the year under review. Beginning with the water purifier series, the division actively explores and deploys strategic layout of the consumer market, with positive progress in the sales of such consumer products.

* For identification purpose only

In terms of equipment supply and services, during the year under review, equipment manufacturing commenced 53 service items, spanning 19 provinces, municipalities and autonomous regions in China. It provided 38 sets of grate furnaces to projects of the Group and external clients, which have a designed daily waste processing capacity of 19,500 tonnes. In addition, it sold 109 sets of equipment, covering grate furnace systems, flue gas purification systems and leachate treatment systems.

In terms of after-sales services, during the year under review, equipment manufacturing actively developed services that cover projects' full-life cycles. Equipment manufacturing signed 160 contracts in relation to external after-sales services, worth a total contract value of approximately RMB124 million. Throughout 2021, the sector provided 217 after-sales service projects.

During the year under review, the sector insisted on technological innovation and put emphasis on market demand and changes, and made a great effort to promote technology and product optimisation and innovative R&D, carrying out a number of technical projects and researches. The sector's self-developed water-cooled grate system for high-calorific-value industrial solid waste and the prototype of completed sets of equipment were manufactured for trial; the domestic selective catalytic reduction ("SCR") technology was optimised to ensure denitrification efficiency while meeting relevant emission standards; the distributed control system ("DCS") was adopted to realise the integration of grate furnace and gas control systems, with good operational outcome and marketing value; the membrane module of disc and tube type reverse osmosis ("DTRO") was developed and manufactured with stable application parameters, and the Company started the self-developed external tubular ultrafiltration membrane to achieve a performance level similar to products imported from the overseas while significantly reducing the procurement cost of ultrafiltration membrane. In addition, the Group's self-developed 1,000 tonnes/day grate furnace was successfully applied in the Group's Jiangsu Wujiang Waste-to-energy Project ("Wujiang Project") during the year under review.

V. ECO-RECYCLING

The Group's eco-recycling sector rides on the "Five Points in One Line" process model for waste sorting and the strategic plan of "One Body and Two Wings", with a focus on three main business areas, namely waste sorting and zero-waste cities, environmental sanitation integration, and resource recycling. It has positioned itself as a first-class investor and operator in waste sorting and resource recycling across China.

During the year under review, eco-recycling actively followed up on business opportunities involving waste sorting, environmental sanitation integration, recycling of construction waste and resource recycling in Jiangsu, Yunan, Guangdong and other provinces. In 2021, the sector secured Shandong Ji’nan Kitchen Waste Treatment Project (“Ji’nan Kitchen Waste Project”) with an investment of approximately RMB449 million. It also signed contracts for Changzhou Economic Zone Waste Sorting Pilot Service (“Changzhou Waste Sorting Service”) and Region-wide waste sorting service in Suzhou Wujiang Qidu Town, Jiangsu Province, with a total contract value of approximately RMB6.7 million. During the year under review, Changzhou Waste Sorting Service commenced operation, and Ji’nan Kitchen Waste Project commenced construction. In terms of business innovation, eco-recycling rode on the “Five Points in One Line” process model for waste sorting and innovated payment mechanism during the year under review to explore and improve their capabilities to generate profit from the waste sorting business. It also actively responded to the synergistic demands of different sectors within the Group and explored research into phase change energy storage technology and the heat supply business to broaden the mindset of future business development.

VI. GREENERGY

The Group’s greenergy sector adheres to the development philosophy of “Green, Healthy and Intelligent” lighting. It focuses on the R&D, manufacturing and sales of energy-saving healthy lighting products, as well as software and hardware products relating to the development of smart cities that are based on greenergy’s intelligent light poles. Greenergy aims to provide lighting services for different scenarios and purposes, including urban streets and tourism sites, in addition to solutions for the development of smart cities. The sector targets to become a leading integrated service provider specialised in energy-saving lighting and the development of smart cities in China.

In terms of market expansion, during the year under review, greenergy signed contracts, based on an EMC model, for Tianjin Jinghai Urban District Streetlight Retrofitting Project (“Tianjin Jinghai Project”) and Jiangsu Nanjing Jiangbei New Material Science and Technology Park Project (“Nanjing Jiangbei Project”). In addition, greenergy secured 6 EPC projects (including 1 project secured through acquisition) in Shandong, Jiangsu, Shaanxi, Zhejiang and Guangdong Provinces; the sector also obtained 1 equipment supply service in Guangdong, with a total contract value of approximately RMB115 million. Greenergy also signed 74 contracts for the external direct sales of the Everbright New Sodium Lamps (the “Lamp”) and LED lamps, with a contract value of approximately RMB12.69 million in total. In addition, during the year under review, greenergy completed the acquisition of 70% equity interest in Jiangsu Wuxi Beijing Enterprises Smart City Technology Co., Ltd. to further enhance its capabilities and experience in intelligent control and management.

In terms of project construction, during the year under review, greenergy's Tianjin Jinghai Project, Nanjing Jiangbei Project, Shandong Ji'nan Streetlight Retrofitting EMC Project and Tengzhou Streetlight Retrofitting EMC Project completed construction. In terms of EPC projects, Shandong Ji'nan Sungeng Street Streetlight Retrofitting Project and 3 EPC projects secured by greenergy during the year under review also completed construction. Additionally, Greenergy Intelligent Industrial Park proceeded construction work in an orderly manner, which will serve as greenergy's national R&D and production base to capitalise on its advantages in energy-saving lighting technology and product scale production.

In addition, greenergy actively promoted the R&D and optimisation of its lighting products, which laid a solid foundation to improve its product portfolio and expand the business scope. The achievements included completion of the development of the Lamp products with low color temperature and full power models, which have obtained relevant verification reports from the National Quality Supervision Testing Center; and completion of the development of several study desktop lamps and craft lamps; the intelligent light poles management platform has entered the testing stage with stable performance and has the preliminary ability to provide market-oriented services; the management software platform for intelligent industrial parks is at a fledgling stage of development; sample production of the smart gateway themes, single lamp controller and prefabricated equipment compartment with independent intellectual property rights have been completed. Additionally, greenergy's Shenzhen branch obtained the 3A Enterprise Credit Certification and 5A Energy Performance Contracting Certification; while the sector's Ji'nan branch obtained the qualification for Municipal Construction General Contracting Works as well as Grade III Qualification for Urban and Road Lighting Project and Nanjing branch obtained "Three-System" Certification.

VII. ENVIROTECH

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

In terms of R&D layout, in 2021, envirotech strived to cater to the development of traditional business, new business and the future development needs, and to promote R&D work. By responding to the needs of the Group’s other business sectors to facilitate their business development, envirotech completed many technical support services for system designs, covering grate furnace, flue gas purification, leachate treatment, control systems and others. Additionally, envirotech was actively carrying out “Dual Carbons”-related theoretical and technical researches, achieving positive progress in many areas, such as optimisation of carbon calculation model(s), pilot programmes on onsite monitoring of greenhouse gas emissions. During the year under review, the Group reached a cooperation agreement with Hong Kong Science and Technology Parks Corporation to become strategic partners with each other, in an attempt to launch a green technology incubation and commercialisation platform in Hong Kong to support the development of start-ups in the industry, jointly fostering the development of green technological innovation in the city.

The Group's major R&D progress and results in 2021 are summarised as follows:

Business Area	Research Result(s)/Topic(s)
Solid waste treatment	<ul style="list-style-type: none">• Passed the national appraisal of achievements on R&D and optimisation of technologies relating to high-capacity wet de-acidification systems for waste incineration, and overall, the technologies reached the international advanced level with some reaching the international leading level• Completed testing on the 1,000 tonnes/day large-scale solid waste incineration technologies at Wujiang Project which has filled the gap between large-scale waste incineration and synergetic incineration at home and abroad• Completed technology development relating to the 60 tonnes/day ash plasma melting system and the detailed design and engineering conversion of the full set of plasma melting equipment
Flue gas treatment	<ul style="list-style-type: none">• Completed trial runs of the optimisation of application and exploration of flue gas recirculation system at Wujiang Project
Intelligent control	<ul style="list-style-type: none">• Self-developed intelligent control research and application technologies for waste incineration, which had completed trial runs at the Group's waste-to-energy projects in Boluo County of Guangdong Province and Lantian County of Shaanxi Province, passed the national appraisal of achievements and reached the international advanced level

Business Area	Research Result(s)/Topic(s)
Biomass utilisation	<ul style="list-style-type: none"> Completed the trial runs of activated carbon coupling technologies for biomass power generation plants, which could significantly reduce carbon emissions
Waste sorting	<ul style="list-style-type: none"> Everbright Intelligent Renewable Resources Recycling System (EB-iRRS) was put into commercial use and achieved satisfactory results in the trial runs at the Group's waste sorting projects in Changzhou City of Jiangsu Province and Yingtian City of Jiangxi Province
Smart cities	<ul style="list-style-type: none"> R&D of smart city systems based on smart light poles had been carried out for the smart cities and smart gateway, with relevant R&D results tested in selected streets in Tianjin and Jiaozhou City of Shandong Province
Others	<ul style="list-style-type: none"> Carried out R&D and productisation of new air disinfection and fresh air equipment, in which the Group completed technical design of pollutant purification and first prototype unit for trial

As of 31 December 2021, patents that were granted to the Group are summarised in the table below:

	2021	As of 31 December 2021 (Accumulated)
Granted patents	283	1,320
Invention patents	24	134
Utility patents	161	978
Software copyright licences	81	184
Appearance patents	17	24
Major technical essays	18	72

VIII. ENVIRONMENTAL PLANNING

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

During the year under review, the Institute made an active effort to meet the needs of the Group's business sectors and undertake relevant services, while continuing to strengthen its effort to explore external business opportunities and carry out business planning. It signed a number of internal and external service contracts in the field of consulting and design, EPC and other fields, with a total contract value of approximately RMB143 million.

During the year under review, the Institute actively focused on China's "Dual Carbons" strategic goals and was equipped with technical consulting capabilities on "carbon emission report verification" and "planning for low-carbon, zero-waste and circular economy industrial parks" at an early stage through training, studies and case practice. Meanwhile, the Institute pushed ahead with the planning and construction of a solution that can simplify waste-to-energy projects and help such projects better meet the challenges of narrowed development opportunities in the industry by optimising space, saving land use and reducing investment costs.

In terms of obtaining qualifications, during the year under review, the Institute obtained the Grade I Qualification for Professional Contracting of Environmental Protection Engineering Work, Grade A Qualification for Environmental Engineering Work for Solid Waste, and Grade B Qualification for Architecture Construction, progressing smoothly towards the goal of becoming a Grade A design institute. As of now, the Institute has obtained a set of important qualifications relating to design and consulting, ecological construction, as well as environmental engineering in the fields of electricity, municipalities and the environment.

Events After the Reporting Period

- (i) On 18 February 2022, the Company announced that the application had been made to the National Association of Financial Market Institutional Investors (“NAFMII”) for the perpetual medium-term notes to be traded in the inter-bank bond market. The registered issue size of the perpetual medium-term notes shall not exceed RMB6 billion, subject to the amount accepted for registration by the NAFMII. The base term of the perpetual medium-term notes shall not exceed five years (inclusive).
- (ii) On 12 January 2022, Everbright Water completed the issuance of the second tranche of RMB-denominated Super & Short-term Commercial Papers in the national inter-bank bond market of mainland China, with a principal amount of RMB1 billion, an interest rate of 2.50% per annum and a maturity period of 150 days. The proceeds from the issuance arrangement were used to replenish working capital of Everbright Water’s subsidiaries.
- (iii) On 25 February 2022, Everbright Water announced the result of the resale exercise in respect of the third tranche RMB-denominated corporate bonds with an aggregate principal amount of RMB700 million (“Third Tranche Corporate Bonds”). Everbright Water had (i) repurchased Third Tranche Corporate Bonds with an aggregate value of RMB251 million (“Repurchased Third Tranche Corporate Bonds”); and (ii) resold the Repurchased Third Tranche Corporate Bonds with an aggregate value of RMB251 million. Accordingly, there were no unsold Repurchased Third Tranche Corporate Bonds which required to be cancelled.
- (iv) On 11 March 2022, Everbright Greentech announced that the application had been made to the NAFMII for the perpetual medium-term notes to be traded in the inter-bank bond market. The registered issue size of the perpetual medium-term notes shall not exceed RMB4 billion, subject to the amount accepted for registration by the NAFMII. The base term of the perpetual medium-term notes shall not exceed three years (inclusive).

Business Prospects

Going into 2022, the world is still shadowed by the Pandemic with economic recovery momentum continuing to slow down, resulting in a more complex and critical market environment. Despite global volatility, China has been able to cope with all kinds of changes, risks and challenges in the past, forging ahead with confidence and tackling difficult situations. In addition to its accumulated understanding of various routine development tasks, China has been able to consolidate development resilience, carry out deep reform and high-quality development, accelerate the formation of a new development paradigm, and therefore maintain positive long-term prospects.

Regarding the environment, the frequent occurrence of extreme weather events and the continuing outbreak of the Pandemic since 2021 have forced all countries to face the challenge of climate change and sustainability-linked issues, leading to a global focus on “Carbon Emission Reduction”. The “Dual Carbons” have become a key phrase for China’s pursuit of sustainable development. Several important policies related to the “Dual Carbons” theme have been introduced, establishing a clear national direction and accelerating green and low-carbon development in China. The Central Economic Working Conference at the end of 2021 also pointed out that achieving the “Dual Carbons” goals is an inherent requirement for promoting high-quality development. Multiple measures are necessary to achieve such goals. While putting forward “carbon emission reduction” as a key strategic direction, the country has continued to enhance the importance and policy oversight of “pollution reduction” and has intensively introduced various policies to steadily promote the construction of “zero-waste cities”, fight the critical battle for the prevention and control of pollution, continuously strengthen pollution control in accordance with the law, and introduce reform to the environmental information disclosure system in accordance with the law. By promoting synergy and efficiency, China aims to continue the improvement of the quality of the country’s ecology and environment, as well as the green transformation of the country’s economic and social development, by leveraging methods to reduce carbon emissions and pollution. This is expected to bring strong impetus to relevant industries and unleash more market space.

After going through a rather difficult period, we are entering another year of challenges and opportunities. As a leading ecological and environmental group, a supporter and participant of the “Dual Carbons” strategies, the Group will adhere to the general principle of “Prioritising Stability” and the principles of “Making Progress in Stability, Pursuing Excellence in Progress, and Seeking Innovation in Excellence”; stick to its corporate mission of being “Devoted to Ecology and Environment for a Beautiful China” and the corporate pursuit of “Creating Better Investment Value and Undertaking More Social Responsibility”; and further enrich and improve its new development paradigm with a focus on “Four Major Areas”, namely “environment, resources, energy and climate”, based on its existing focus on the areas of “environment, resources and energy”, following its “Three Carbons” development targets and action plan. The Group will seize opportunities arising from relevant policies and focus on the “Dual Carbons” goals, to comprehensively carry out planning and measures relating to “Reduction of Pollution and Carbon Emissions” and “Pursuit of Synergy and Efficiency”. Despite pressure from transformation, it will balance its business portfolio by continuing to enhance the development of its asset-light and asset-heavy businesses, develop the domestic and overseas businesses, solidify its traditional and advantageous businesses, and explore new businesses as new sources of growth. With an emphasis on “Innovation-Driven Development”, the Group will closely monitor the country’s major demands, consider market demand as guidance and value creation as the principle, give full play to its advantages, optimise relevant mechanisms, enhance its various platforms, and accelerate its progress of green and low-carbon technology R&D and application, in an attempt to solidify its industry-leading position. Additionally, the Group will continue to strengthen its financial and capital management capabilities, and further diversify its financing channels, to provide stronger financial security for its development. Last but not least, the Group will seek value that is created by management proficiency, by continuing to refine, standardise and informatise its management model, in a bid to boost the operating quality and efficiency.

The Group believes that under the strategic guidance and support of China Everbright Group and the Board, for the critical year of transformation and development, Everbright Environment will be able to grasp opportunities brought by the “Dual Carbons” strategies, address challenging issues with concerted effort, consolidate its existing strength, and seek innovation to steadily pursue a high-quality development path that prioritises ecology and emphasise green and low-carbon themes, taking great strides towards its goal of becoming a world-leading ecological and environmental management group. By working hard and keeping moving forward, the Group will view things from a higher and a broader perspective and become stronger in order to better facilitate the national strategies!

FINANCIAL REVIEW

Financial Results

In 2021, the Group's consolidated revenue amounted to HK\$49,895,384,000, an increase of 16% over HK\$42,926,426,000 in 2020. The increase in revenue was mainly attributable to the smooth progress of construction work, driving continued growth of the construction service revenue, and the growth in operation service revenue as a result of continuous increase of operating capacity during the year. Consolidated gross profit was HK\$16,463,382,000, an increase of 17% over HK\$14,103,833,000 in 2020. The Group's consolidated gross margin was maintained at approximately 33%, similar to that of 2020. The EBITDA amounted to HK\$15,027,003,000, an increase of 17% over HK\$12,851,501,000 in 2020. Profit attributable to equity holders of the Company for 2021 was HK\$6,804,099,000, 13% more than HK\$6,015,863,000 as compared with 2020. Basic earnings per share for 2021 were HK110.76 cents, HK12.83 cents more than the amount of HK97.93 cents in 2020.

Financial Position

As of 31 December 2021, the Group's total assets approximately amounted to HK\$200,235,628,000 with net assets amounting to HK\$64,342,222,000. Net asset value per share attributable to equity holders of the Company was HK\$8.429 per share, representing an increase of 15% as compared to HK\$7.336 per share as at the end of 2020. As of 31 December 2021, the gearing ratio (total liabilities over total assets) of the Group was 68%, an increase of 3 percentage points as compared with that of 65% as at the end of 2020.

Financial Resources

The Group adopts a prudent approach on cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As of 31 December 2021, the Group had cash and bank balances of HK\$15,604,986,000, representing an increase of HK\$3,898,938,000 as compared to HK\$11,706,048,000 at the end of 2020. Most of the Group's cash and bank balance, representing approximately 99%, was denominated in Hong Kong dollars and Renminbi.

Borrowings

The Group is dedicated to enhancing the ways of financing and improving banking facilities to reserve funding to support the development of the environmental protection business. As of 31 December 2021, the Group had outstanding borrowings of HK\$99,125,664,000, representing an increase of HK\$24,146,754,000 as compared to HK\$74,978,910,000 at the end of 2020. The borrowings included secured interest-bearing borrowings of HK\$47,916,199,000 and unsecured interest-bearing borrowings of HK\$51,209,465,000. The borrowings are mainly denominated in Renminbi, representing approximately 67% of the total, and the remainder is denominated in Hong Kong dollars, US dollars and Polish zloty. Most of the borrowings are at floating rates. As of 31 December 2021, the Group had banking facilities of HK\$124,709,269,000, of which HK\$38,726,623,000 have not been utilised. The banking facilities are of 1 to 19 years terms.

Foreign Exchange Risks

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

Pledge of Assets

Certain banking facilities, lease liabilities and asset-backed securities of the Group were secured by revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages over property, plants and equipment, right-of-use assets and the equity interests of certain subsidiaries of the Company. As of 31 December 2021, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to approximately HK\$110,660,679,000.

Commitments

As of 31 December 2021, the Group had purchase commitments of HK\$4,735,386,000 outstanding in connection with the construction contracts.

Contingent Liabilities

As of 31 December 2021, the Company granted financial guarantees to its 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 of 31 December 2021 for the provision of the guarantees was HK\$1,358,104,000.

INTERNAL MANAGEMENT

The Group adheres to the management principle of “People-oriented, Pragmatism, Creativity and Systematic Management”, and has built a comprehensive management structure. The Group’s management holds Management Decision Committee meeting on a monthly basis to review current operations and management. The responsibilities of each functional department and business sector of the Company are clear with various comprehensive management systems. Internal control procedures are sound and have been implemented effectively. The Company’s Internal Audit Department performs its internal monitoring functions to ensure that each functional department and business sector will strictly comply with the relevant internal control requirements.

The Group is committed to building a comprehensive risk management culture. It implements the risk management model of “Integration of Policy, Procedure and System with Risk-oriented” to comprehensively strengthen its risk control. During the year under review, the Group prepared the Annual Risk Management Instructions according to the progress of the implementation of risk management system in an effort to enhance the normalisation level of risk management.

HUMAN RESOURCES

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

During the year under review, the Group continued to adopt the prevention measures of the Pandemic and encouraged employees to be vaccinated as early as possible. Annual physical examinations and eye examinations have been arranged to protect the health and safety of employees. To cope with the development requirement of the Group, the Group successively held safety and environmental management training, “Dual Carbons” seminars, the cybersecurity training, tendering management training, construction cost training, corporate culture training, anti-corruption training, etc. through online and offline blended training mode. The management and employees were well equipped with relevant knowledge and skills with a view to address new opportunities and challenges.

The Group makes full use of the advantages of diversified business and rapid development to provide employees with a broad development platform. In addition to cross-sector and cross-regional job rotation, the Group has enriched the backup management talent pool and international talent pool to prepare for the sustainable and steady development of the Group.

As at 31 December 2021, the Group had approximately 11,330 employees. Details of the total employee benefit expense for the year under review will be set out in the 2021 annual report. Employees within the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary performance bonus, the Group also provides other benefits such as medical insurance and a mandatory provident fund scheme to employees in Hong Kong.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year under review, the Group continued to promote work in relation to its risk management. The principal risks faced by the Group during the year were adequately identified and assessed, which included policy changing risk, environmental compliance and safety management risk, accounts receivable risk, construction project management risk, staff assignment risk, investment and market competitive risk and procurement compliance risk, the details of which will be set out in the 2021 annual report.

THE IMPACT OF THE PANDEMIC

The Group actively responded to the Pandemic and established respective “Leading Group for Prevention and Control of the Pandemic and Safe Production” in the Company, business sectors, and project companies, forming a three-level management system for pandemic prevention and control. The Office of the Leading Group for Prevention and Control of the Pandemic paid close attention to the development of the Pandemic nationwide with the normalization of measures to adapt to and cope with the Pandemic and the formulation of plans thereof as the main focus of its daily operation. It strictly implemented the principal responsibility, properly carried out its production and secured reserves for pandemic prevention supplies. Proactive efforts have been made to guide and organise vaccination for the staff, thereby reinforcing a safety shield to facilitate effective prevention and control of the Pandemic. Meanwhile, leveraging its professional advantages in medical waste treatment, the Group assisted various local governments by providing professional treatment for a massive amount of medical waste in quarantine areas, pandemic-related medical waste in nucleic acid testing sites and waste generated by COVID-19 patients.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

The Group pays close attention to the operational impacts brought to the environment and society. The Environmental and Social Management System (“ESMS”) has been established in accordance with the Safeguard Policy Statement of Asian Development Bank and other best practices worldwide. The ESMS covers the entire cycle of projects from early-stage planning and design till the final-stage operation and management, with specific requirements in relation to environmental and social impact screening and categorisation, resettlement, indigenous people, environmental impact assessment, information disclosure, consultation and participation, gender equality, grievance redress mechanism, due diligence and review, and monitoring and reporting in place. The system ensures the Group’s operational activities comply with the environmental and social safeguard principles and requirements internationally. Meanwhile, the Group is also committed to maintaining a close relationship with its key stakeholders, including investors, the Shareholders, governments, employees, local communities, suppliers and non-governmental organisations, through various communication channels.

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

The operating and environmental performance of the Group’s projects strictly adheres to the applicable environmental protection standards and requirements. The key regulations and standards which are applicable to the Group’s business include the Environmental Protection Law of the PRC, Production Safety Law of the PRC, Labour Law of the PRC, the Standard for Pollution Control on Municipal Solid Waste Incineration (GB18485-2014) and the Industrial Emissions Directive (2010/75/EU) and its relevant annexes and amendments (for environmental energy projects), the Emission Standard for Air Pollutants of Thermal Power Plants (GB13223- 2011) (for biomass power generation projects under greentech sector), and the Discharge Standard for Pollutants of Municipal Wastewater Treatment Plants (GB18918-2002) (for environmental water projects), etc. No significant loss or impact to the Group caused by the breach of these regulations and environmental protection standards were recorded in 2021.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

The Corporate Governance Code and Corporate Governance Report (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) have been duly adopted by the Board as the code on corporate governance practices of the Company.

The Company complied with all Code Provisions as set out in the CG Code throughout the year ended 31 December 2021 with the exception of Code Provision A.2.1 due to the roles of the Chairman of the Board and the Chief Executive Officer of the Company (the “CEO”) performed concurrently by Mr. Wang Tianyi (“Mr. Wang”) during the period from 25 September 2020 to 31 May 2021. The Board believed that the balance of power and authority for the then arrangement was not impaired and the then arrangement enabled the Company to make and implement decisions promptly and efficiently. With effect from 1 June 2021, Mr. Luan Zusheng was appointed as the CEO in place of Mr. Wang (“Change of CEO”), and Mr. Wang remains as the Chairman of the Board. Thereafter, Mr. Wang no longer performed the roles of the Chairman of the Board and the CEO concurrently. This arrangement brought the Company back to conformity with the Code Provision A.2.1 of the CG Code. Please refer to the Company’s announcement published on 27 May 2021 for more information on the Change of CEO.

The Company will continue to commit itself to enhancing its corporate governance appropriate to the conduct and growth of its business, and from time to time, to reviewing its corporate governance practices to ensure the same comply with the CG Code and align with the latest developments.

The details of the Company’s corporate governance practices will be set out in the 2021 annual report.

The Board

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

Board Committees

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

1. Audit Committee

The Audit Committee currently comprises 3 INEDs, namely Mr. Mar Selwyn (chairman), Mr. Fan Yan Hok, Philip and Mr. Zhai Haitao. Its primary responsibilities include but not limited to review the Group's financial reporting process, risk management and internal control systems, internal and external audit and such other financial and accounting matters of the Group, and to oversee the relationship between the Company and Ernst & Young, the external auditor of the Company, etc. The Terms of Reference of the Audit Committee are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

2. Risk Management Committee

The Risk Management Committee of the Company (the "Risk Management Committee") currently comprises 3 INEDs, namely Mr. Fan Yan Hok, Philip (chairman), Mr. Mar Selwyn, Mr. Suo Xuquan, Mr. Luan Zusheng, the Executive Director and the CEO, Mr. An Xuesong, the Executive Director, the Vice President and the Chief Financial Officer (the "CFO"), and Ms. Guo Ying, the General Manager of Internal Audit Department and Risk Management Department of the Company. Its primary responsibilities include but not limited to provide oversight of the Company's risk management programs, and to review the effectiveness of the management's processes for identifying, assessing, mitigating and monitoring enterprise-wide risks. The terms of reference of the Risk Management Committee had been established in writing.

3. *Nomination Committee*

The Nomination Committee of the Company (the “Nomination Committee”) currently comprises Mr. Wang Tianyi, the Executive Director and the Chairman of the Board (chairman), and all the 4 INEDs, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Zhai Haitao and Mr. Suo Xuquan. Its primary responsibilities include but not limited to review annually the structure, size and composition (including the skills, knowledge and experience) of the Board, to review and report the Board diversity to the Board, to assess the independence of the INEDs, to make recommendations to the Board, by taking into account the Board Diversity Policy and the Nomination Policy (please refer to sections headed “Board Diversity Policy” and “Nomination Policy” in the 2021 annual report for more details) on appointment or re-appointment or re-designation of Directors and to make recommendations to the Board on the appointment or re-appointment of the senior management, and to assess the qualifications and competencies of the candidates, so as to ensure that all nominations are fair and transparent. The Terms of Reference of the Nomination Committee are available on the websites of the Company and HKEx.

4. *Remuneration Committee*

The Remuneration Committee of the Company (the “Remuneration Committee”) currently comprises Mr. Zhai Haitao, the INED (chairman), Mr. Wang Tianyi, the Executive Director and the Chairman of the Board, and 3 other INEDs, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn and Mr. Suo Xuquan. Its primary responsibilities include but not limited to determine, with delegated responsibilities by the Board, the remuneration packages of the individual Executive Directors and senior management. The Terms of Reference of the Remuneration Committee are available on the websites of the Company and HKEx.

5. *Disclosure Committee*

The Disclosure Committee of the Company (the “Disclosure Committee”) currently comprises Mr. Luan Zusheng, the Executive Director and the CEO (chairman), Mr. Hu Yanguo, the Executive Director and the Vice President, Mr. Qian Xiaodong, the Executive Director and the Vice President, and Mr. An Xuesong, the Executive Director, the Vice President and the CFO, as well as Ms. Poon Yuen Ling, the Company Secretary. The Board has delegated the day-to-day execution of its continuous disclosure obligations to the Disclosure Committee to ensure the compliance of the Company with its disclosure obligations. The terms of reference of the Disclosure Committee had been established in writing.

Other than the 5 Board committees above, the Company has established the Management Decision Committee which is responsible for the day-to-day administration, operation and management of the business and affairs of the Group. Its primary responsibilities include but not limited to review the Group's major decisions, major personnel appointment and removal, major project arrangements, as well as the arrangements of large capital amount, and to review and formulate the Group's development strategies and goals, long term business development plans, directions, policies and guidelines, etc. The Management Decision Committee also takes charge of reviewing the investment projects of the Group, after being recommended by the Project Advisory Committee. For project risk management and project technological risk management, the Group has set up the Project Advisory Committee to monitor and assess risks regularly, boost related management standards and evaluate investment projects as well as assess the technologies used in different investment projects. For project financial control, the Group insists on stringent budget management, and has set up a Budget Management Centre that focuses on monitoring construction budgets. In addition, the Group has also set up Internal Audit Department and Risk Management Department to perform internal audits, and risk management and control functions respectively to bolster the Group's management standards.

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors' transactions in securities of the Company. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout their tenure during the year ended 31 December 2021.

FINAL DIVIDEND

The Board has proposed to pay a final dividend of HK15.0 cents per share (2020: HK16.0 cents per share) for the year ended 31 December 2021, payable to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Friday, 27 May 2022. Subject to approval by the Shareholders of the payment of final dividend at the forthcoming annual general meeting of the Company to be held on Wednesday, 18 May 2022 (the "2022 AGM"), the final dividend will be paid to the Shareholders on or around Friday, 17 June 2022.

ANNUAL GENERAL MEETING

The 2022 AGM is expected to be held on Wednesday, 18 May 2022 and the notice of the 2022 AGM will be published and dispatched in the manner as required by the Listing Rules.

Due to the ongoing Pandemic, the Company may need to postpone the convening of the 2022 AGM in accordance with the relevant government legislation and guidelines. Further announcements and notices will be made by the Company as and when necessary.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the 2022 AGM and entitlement to the final dividend, the Register of Members will be closed in accordance with the following timetable:

- (i) For determining the Shareholders' eligibility to attend and vote at the 2022 AGM:
 - (a) Latest time to lodge transfer documents for registration 4:30 pm on Thursday, 12 May 2022
 - (b) Closure of Register of Members Friday, 13 May 2022 to Wednesday, 18 May 2022 (both dates inclusive)

- (ii) For determining entitlement to the final dividend:
 - (a) Latest time to lodge transfer documents for registration 4:30 pm on Tuesday, 24 May 2022
 - (b) Closure of Register of Members Wednesday, 25 May 2022 to Friday, 27 May 2022 (both dates inclusive)
 - (c) Record date Friday, 27 May 2022

During the above closure periods, no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, and to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the relevant latest time set out above.

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

During the year under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.cebenvironment.com/en/ir/announcements.php) and HKEx (www.hkexnews.hk). The 2021 annual report containing all the information required by the Listing Rules will be published on the websites of the Company and HKEx and dispatched to the Shareholders in due course.

By Order of the Board
China Everbright Environment Group Limited
Wang Tianyi
Chairman of the Board

Hong Kong, 15 March 2022

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