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## **CHINA EVERBRIGHT ENVIRONMENT GROUP LIMITED**

**中國光大環境(集團)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 257)**

### **ANNOUNCEMENT**

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **HIGHLIGHTS**

- Revenue decreased by 24% to HK\$16,297,167,000 (2022: HK\$21,448,683,000)
- EBITDA increased by 5% to HK\$7,376,488,000 (2022: HK\$7,047,794,000)
- Profit before tax increased by 4% to HK\$4,505,649,000 (2022: HK\$4,326,092,000)
- Profit attributable to equity holders of the Company decreased by 1% to HK\$2,784,923,000 (2022: HK\$2,811,148,000)
- Interim dividend of HK14.0 cents per share (2022: HK15.0 cents per share)

### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of China Everbright Environment Group Limited (the “Company” or “Everbright Environment”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023. The interim financial results are unaudited, but have been reviewed by Ernst & Young (“EY”), in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose report on review of interim financial information is included in the interim report to be published.

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	4	<b>16,297,167</b>	21,448,683
Direct costs and operating expenses		<u>(9,103,734)</u>	<u>(13,819,872)</u>
Gross profit		<b>7,193,433</b>	7,628,811
Other revenue		<b>542,504</b>	594,138
Other income and gains/(losses), net		<b>(203,372)</b>	(700,501)
Administrative expenses		<u>(1,340,565)</u>	<u>(1,605,785)</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>6,192,000</b>	5,916,663
Finance costs	6	<b>(1,739,255)</b>	(1,684,504)
Share of profits of joint ventures		<b>47,000</b>	61,575
Share of profits of associates		<u><b>5,904</b></u>	<u>32,358</u>
<b>PROFIT BEFORE TAX</b>	5	<b>4,505,649</b>	4,326,092
Income tax	7	<u><b>(1,114,018)</b></u>	<u>(983,339)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>3,391,631</b></u>	<u>3,342,753</u>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>2,784,923</b>	2,811,148
Holders of perpetual capital instruments		<b>110,013</b>	16,255
Non-controlling interests		<u><b>496,695</b></u>	<u>515,350</u>
		<u><b>3,391,631</b></u>	<u>3,342,753</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	9		
– Basic and diluted		<u><b>HK45.34 cents</b></u>	<u>HK45.76 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>3,391,631</b>	3,342,753
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(1,396,660)	(4,010,470)
Debt instrument at fair value through other comprehensive income:		
Changes in fair value	(89,506)	16,972
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(1,486,166)	(3,993,498)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(1,486,166)</b>	(3,993,498)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>1,905,465</b>	(650,745)
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	1,580,722	(509,511)
Holders of perpetual capital instruments	110,013	16,255
Non-controlling interests	214,730	(157,489)
	<b>1,905,465</b>	(650,745)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		<b>30 June 2023</b>	31 December 2022
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties		<b>164,516</b>	168,581
Property, plant and equipment		<b>9,072,785</b>	8,943,821
Right-of-use assets		<b>887,876</b>	907,321
		<b>10,125,177</b>	10,019,723
Goodwill		<b>1,537,219</b>	1,561,486
Intangible assets		<b>30,933,112</b>	30,794,582
Interests in joint ventures		<b>1,011,642</b>	965,932
Interests in associates		<b>588,061</b>	592,922
Contract assets	<i>10</i>	<b>95,478,520</b>	96,984,420
Finance lease receivables		<b>12,794</b>	13,367
Other financial assets		<b>178,784</b>	197,546
Other receivables, deposits and prepayments	<i>11</i>	<b>2,862,744</b>	3,105,883
Deferred tax assets		<b>380,052</b>	376,031
<b>Total non-current assets</b>		<b>143,108,105</b>	144,611,892
<b>CURRENT ASSETS</b>			
Inventories		<b>1,089,752</b>	1,014,432
Contract assets	<i>10</i>	<b>13,312,444</b>	12,445,930
Finance lease receivables		<b>757</b>	770
Other financial assets		<b>209,889</b>	221,717
Debtors, other receivables, deposits and prepayments	<i>11</i>	<b>22,827,985</b>	20,476,261
Tax recoverable		<b>3,686</b>	44,053
Pledged bank deposits		<b>301,887</b>	1,163,850
Deposits with banks with maturity period over three months		<b>33,741</b>	27,651
Cash and cash equivalents		<b>8,534,904</b>	10,591,242
<b>Total current assets</b>		<b>46,315,045</b>	45,985,906

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

30 June 2023

		<b>30 June 2023</b>	31 December 2022
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CURRENT LIABILITIES</b>			
Creditors, other payables and accrued expenses	12	<b>18,570,061</b>	22,437,850
Interest-bearing borrowings			
– Secured		<b>3,847,213</b>	3,742,461
– Unsecured		<b>17,868,213</b>	16,435,727
		<u><b>21,715,426</b></u>	<u>20,178,188</u>
Tax payable		<b>419,524</b>	197,011
<b>Total current liabilities</b>		<u><b>40,705,011</b></u>	<u>42,813,049</u>
<b>NET CURRENT ASSETS</b>		<u><b>5,610,034</b></u>	<u>3,172,857</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>148,718,139</b></u>	<u>147,784,749</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	12	<b>868,992</b>	533,657
Interest-bearing borrowings			
– Secured		<b>37,749,200</b>	39,663,880
– Unsecured		<b>33,895,608</b>	34,882,432
		<u><b>71,644,808</b></u>	<u>74,546,312</u>
Deferred tax liabilities		<b>10,263,605</b>	10,105,887
<b>Total non-current liabilities</b>		<u><b>82,777,405</b></u>	<u>85,185,856</u>
<b>NET ASSETS</b>		<u><b>65,940,734</b></u>	<u>62,598,893</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>17,329,537</b>	17,329,537
Reserves		<b>31,069,452</b>	30,044,571
		<u><b>48,398,989</b></u>	<u>47,374,108</u>
Non-controlling interests		<b>11,823,128</b>	11,769,351
Perpetual capital instruments		<b>5,718,617</b>	3,455,434
<b>TOTAL EQUITY</b>		<u><b>65,940,734</b></u>	<u>62,598,893</u>

NOTES:

**1. BASIS OF PREPARATION**

The unaudited interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 December 2022 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, which became effective for the first time for the current period’s financial information, as further detailed in note 2 below. The unaudited interim financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

The financial information relating to the year ended 31 December 2022 that is included in this unaudited interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the financial statements for the year ended 31 December 2022. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

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

## 3. OPERATING SEGMENT INFORMATION

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

- Environmental energy project construction and operation: this segment engages in the construction and operation of waste-to-energy plants, food and kitchen waste treatment projects, sludge treatment and disposal projects, leachate treatment projects, methane-to-energy plants, fecal treatment projects, fly ash landfill projects, medical waste treatment projects and solid waste treatment projects, and provision of waste sorting, renewable resources utilisation, and sanitation operation 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 treatment and disposal projects, 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.

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

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

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

Segment assets include all tangible assets, intangible assets, goodwill, interests in associates and joint ventures, investments in other financial assets, tax recoverable, deferred tax assets and current assets with the exception of intercompany receivables and other corporate assets. Segment liabilities include tax payable, 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.

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



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

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

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

*For the six months ended 30 June*

	Environmental energy project construction and operation		Environmental water project construction and operation		Greentech project construction and operation		Others		Total	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
		(Restated)						(Restated)		
<b>Segment revenue:</b>										
Revenue from external customers	<b>9,130,530</b>	13,512,668	<b>3,082,000</b>	3,478,939	<b>3,818,651</b>	4,219,870	<b>265,986</b>	237,206	<b>16,297,167</b>	21,448,683
Inter-segment revenue	<b>49,406</b>	49,212	-	-	<b>1,293</b>	421	<b>308,587</b>	536,911	<b>359,286</b>	586,544
Reportable segment revenue	<b><u>9,179,936</u></b>	<u>13,561,880</u>	<b><u>3,082,000</u></b>	<u>3,478,939</u>	<b><u>3,819,944</u></b>	<u>4,220,291</u>	<b><u>574,573</u></b>	<u>774,117</u>	<b><u>16,656,453</u></b>	<u>22,035,227</u>
<i>Reconciliation:</i>										
Elimination of inter-segment revenue									<b><u>(359,286)</u></b>	<b><u>(586,544)</u></b>
Reportable segment revenue derived from the Group's external customers									<b><u>16,297,167</u></b>	<b><u>21,448,683</u></b>

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

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

*For the six months ended 30 June*

	Environmental energy project construction and operation		Environmental water project construction and operation		Greentech project construction and operation		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)						(Restated)		
<b>Segment results:</b>										
Reportable segment profit (Adjusted EBITDA)	<u>4,726,705</u>	<u>4,968,829</u>	<u>1,289,680</u>	<u>1,067,376</u>	<u>1,281,035</u>	<u>1,334,647</u>	<u>77,627</u>	<u>82,954</u>	<u>7,375,047</u>	7,453,806
Elimination of inter-segment profits									<u>(84,776)</u>	<u>(161,179)</u>
Reportable segment profit derived from the Group's external customers									<u>7,290,271</u>	7,292,627
Finance costs									<u>(1,739,255)</u>	(1,684,504)
Depreciation and amortisation, including unallocated portion									<u>(1,131,584)</u>	(1,037,198)
Unallocated head office and corporate income									<u>206,095</u>	50,028
Unallocated head office and corporate expenses									<u>(119,878)</u>	<u>(294,861)</u>
Consolidated profit before tax									<u>4,505,649</u>	<u>4,326,092</u>

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

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

For the six months ended 30 June

	Environmental energy project construction and operation		Environmental water project construction and operation		Greentech project construction and operation		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)						(Restated)		
<b>Other segment information:</b>										
Depreciation and amortisation	489,967	400,417	108,153	118,345	482,845	467,334	49,349	41,663	1,130,314	1,027,759
Impairment of debtors	56,563	55,665	123,398	124,054	6,284	28,127	-	12,100	186,245	219,946
Impairment/(write-back of impairment) of other receivables, net	-	53,886	(2,768)	17,420	-	-	-	-	(2,768)	71,306
Impairment/(write-back of impairment) of contract assets, net	(2,153)	5,479	445	919	438	435	-	-	(1,270)	6,833
Impairment of goodwill	-	376,705	-	-	-	-	-	-	-	376,705
Impairment of intangible assets	-	-	-	14,699	-	-	-	-	-	14,699
Additions to property, plant and equipment and right-of-use assets during the period	341,536	146,897	23,529	48,645	192,039	252,312	15,898	62,406	573,002	510,260
Additions to intangible assets and non-current portion of prepayments during the period	906,370	1,876,048	171	458,679	541,826	568,766	8,102	1,862	1,456,469	2,905,355
Additions to non-current portion of contract assets during the period	<u>2,817,176</u>	<u>6,114,013</u>	<u>1,401,791</u>	<u>1,597,479</u>	<u>179,809</u>	<u>386,392</u>	<u>-</u>	<u>-</u>	<u>4,398,776</u>	<u>8,097,884</u>

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

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

	Environmental energy project construction and operation		Environmental water project construction and operation		Greentech project construction and operation		Others		Total	
	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Reportable segment assets	<u>107,473,305</u>	<u>110,305,556</u>	<u>33,310,969</u>	<u>33,172,387</u>	<u>39,697,943</u>	<u>39,250,554</u>	<u>2,569,472</u>	<u>3,084,121</u>	<u>183,051,689</u>	<u>185,812,618</u>
Unallocated head office and corporate assets									<u>6,371,461</u>	<u>4,785,180</u>
Consolidated total assets									<u>189,423,150</u>	<u>190,597,798</u>
Reportable segment liabilities	<u>54,065,322</u>	<u>52,448,424</u>	<u>20,348,472</u>	<u>20,454,421</u>	<u>26,228,787</u>	<u>25,694,727</u>	<u>1,885,406</u>	<u>2,163,579</u>	<u>102,527,987</u>	<u>100,761,151</u>
Unallocated head office and corporate liabilities									<u>20,954,429</u>	<u>27,237,754</u>
Consolidated total liabilities									<u>123,482,416</u>	<u>127,998,905</u>

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

For the six months ended 30 June 2023 and 2022, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenues.

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<i>Revenue from contracts with customers</i>		
Revenue from environmental energy project construction services	<b>2,656,834</b>	6,953,356
Revenue from environmental water project construction services	<b>950,232</b>	1,436,836
Revenue from greentech project construction services	<b>463,148</b>	711,460
Revenue from environmental energy project operation services	<b>4,539,897</b>	4,518,503
Revenue from environmental water project operation services	<b>1,557,186</b>	1,466,836
Revenue from greentech project operation services	<b>3,175,693</b>	3,318,029
Revenue from equipment construction and installation services and sales	<b>228,708</b>	213,639
Others	<b>37,278</b>	23,567
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>13,608,976</b>	18,642,226
Finance income from service concession arrangements	<b>2,688,191</b>	2,806,457
	<hr/>	<hr/>
Total revenue	<b><u>16,297,167</u></b>	<b><u>21,448,683</u></b>

The aggregated revenues from environmental energy project construction and operation services, environmental water project construction and operation services, greentech project construction and operation services and finance income derived from the local government authorities in the People's Republic of China ("PRC") amounted to HK\$13,681,661,000 (six months ended 30 June 2022: HK\$19,074,471,000) for the six months ended 30 June 2023. The revenues are included in "Environmental energy project construction and operation", "Environmental water project construction and operation" and "Greentech project construction and operation" segments as disclosed in note 3.

## 5. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation		
– property, plant and equipment	<b>335,137</b>	324,572
– right-of-use assets	<b>37,035</b>	34,941
Amortisation – intangible assets	<b>759,412</b>	677,685
Dividend income	<b>(857)</b>	–
Interest income	<b>(64,855)</b>	(79,361)
Government grants*	<b>(72,630)</b>	(111,895)
Value-added tax refund**	<b>(204,507)</b>	(120,593)
Impairment of debtors	<b>186,245</b>	219,946
Impairment/(write-back of impairment) of other receivables, net	<b>(2,768)</b>	71,306
Impairment/(write-back of impairment) of contract assets, net	<b>(1,270)</b>	6,833
Impairment of goodwill#	–	376,705
Impairment of intangible assets	–	14,699
Fair value losses/(gains), net:		
Other financial assets – unlisted equity investment	<b>2,098</b>	(318)
Other financial assets – unlisted investments	<b>22,659</b>	11,396
Employee benefit expense:		
Wages, salaries, allowances and benefits in kind	<b>1,854,552</b>	1,780,644
Retirement scheme contributions	<b>126,773</b>	122,043
	<b><u>1,981,325</u></b>	<b><u>1,902,687</u></b>

\* Government grants were granted during the six months ended 30 June 2023 mainly to subsidise certain environmental energy, environmental water and greentech 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 was received/receivable during the six months ended 30 June 2023 in relation to certain environmental energy, environmental water and greentech project operations of the Group in the PRC. There are no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.

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

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank and other loans	1,509,945	1,481,788
Interest on corporate bond, asset-backed securities, medium-term notes ("MTNs") and super and short-term commercial papers ("SCPs")	238,349	220,713
Interest on lease liabilities	2,963	2,583
Less: Interest expenses capitalised into construction in progress*	(12,002)	(20,580)
	<u>1,739,255</u>	<u>1,684,504</u>

\* The borrowing costs have been capitalised at rates ranging from 3.30% to 3.50% (six months ended 30 June 2022: 3.65% to 4.55%) per annum during the six months ended 30 June 2023.

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current – Elsewhere:		
Charge for the period	582,572	354,116
Underprovision in prior periods	18,985	28,772
Deferred	<u>512,461</u>	<u>600,451</u>
Total tax expense for the period	<u>1,114,018</u>	<u>983,339</u>

## 8. DIVIDENDS

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Dividend attributable to the period:		
Interim – HK14.0 cents (six months ended 30 June 2022: HK15.0 cents) per ordinary share	<u>860,017</u>	<u>921,446</u>
Final dividend in respect of the previous financial year paid during the period – HK9.0 cents (six months ended 30 June 2022: HK15.0 cents) per ordinary share	<u>552,868</u>	<u>921,446</u>

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

The calculation of basic earnings per share amount for the six months ended 30 June 2023 is based on the profit for the period attributable to equity holders of the Company of HK\$2,784,923,000 (six months ended 30 June 2022: HK\$2,811,148,000) and 6,142,975,292 (six months ended 30 June 2022: 6,142,975,292) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.



## 10. CONTRACT ASSETS

		At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current</b>			
Service concession assets	(a)	95,403,589	96,907,828
Other contract assets		156,307	158,808
Less: Impairment		<u>(81,376)</u>	<u>(82,216)</u>
		<b>95,478,520</b>	<b>96,984,420</b>
<b>Current</b>			
Service concession assets	(a)	8,405,258	8,339,084
Unbilled renewable energy tariff subsidy	(b)	4,606,145	3,804,093
Other contract assets	(c)	439,939	445,589
Less: Impairment		<u>(138,898)</u>	<u>(142,836)</u>
		<b>13,312,444</b>	<b>12,445,930</b>
Total		<b><u>108,790,964</u></b>	<b><u>109,430,350</u></b>
Contract assets arising from performance under construction contracts in connection with service concession arrangements, which are included in “intangible assets”		<b><u>2,962,401</u></b>	<b><u>3,265,071</u></b>

### Notes:

- (a) Included in “Service concession assets” are amounts of HK\$634,985,000 (31 December 2022: HK\$525,427,000) and HK\$710,819,000 (31 December 2022: HK\$704,322,000) which are related to the construction service under Build-Operate-Transfer (“BOT”), Build-Operate-Own (“BOO”) and Transfer-Operate-Transfer (“TOT”) arrangements rendered by the Group to a non-controlling shareholder of a non wholly-owned subsidiary and a related company of a non wholly-owned subsidiary, respectively.

“Service concession assets” arose from the Group’s revenue from construction under BOT, BOO and TOT arrangements and bear interest at rates ranging from 4.30% to 7.83% (31 December 2022: 4.40% to 7.83%) per annum. Among the total of HK\$103,808,847,000 (31 December 2022: HK\$105,246,912,000), HK\$86,070,876,000 (31 December 2022: HK\$86,250,171,000) relates to BOT, BOO and TOT arrangements with operations commenced.

## 10. CONTRACT ASSETS (continued)

Notes: (continued)

(a) (continued)

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

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

- (b) The balance represented government on-grid tariff subsidy for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.
- (c) The balance as at 30 June 2023 comprised contract assets of HK\$358,984,000 (31 December 2022: HK\$377,322,000) arising from performance under environmental remediation service contracts, and HK\$237,262,000 (31 December 2022: HK\$227,075,000) arising from performance under construction management service contracts.

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

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

	<i>HK\$'000</i>
As at 1 January 2022	210,007
Impairment losses	34,793
Exchange realignment	<u>(19,748)</u>
As at 31 December 2022 (audited) and 1 January 2023	225,052
Write-back of impairment losses, net ( <i>note 5</i> )	(1,270)
Exchange realignment	<u>(3,508)</u>
As at 30 June 2023 (unaudited)	<u>220,274</u>

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

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
<b>Non-current</b>		
Other receivables, deposits and prepayments	2,895,348	3,139,237
Less: Impairment – other receivables	<u>(32,604)</u>	<u>(33,354)</u>
	<u>2,862,744</u>	<u>3,105,883</u>
<b>Current</b>		
Debtors	19,724,921	16,252,797
Less: Impairment	<u>(1,074,011)</u>	<u>(937,452)</u>
	<u>18,650,910</u>	15,315,345
Other receivables, deposits and prepayments	4,260,577	5,248,258
Less: Impairment – other receivables	<u>(83,502)</u>	<u>(87,342)</u>
	<u>4,177,075</u>	<u>5,160,916</u>
	<u>22,827,985</u>	<u>20,476,261</u>
Total	<u>25,690,729</u>	<u>23,582,144</u>

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

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

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

	<b>At 30 June 2023 (Unaudited) HK\$'000</b>	<b>At 31 December 2022 (Audited) HK\$'000</b>
Within 1 month	<b>2,837,814</b>	2,495,283
More than 1 month but within 2 months	<b>1,025,208</b>	1,480,883
More than 2 months but within 4 months	<b>2,208,358</b>	1,402,981
More than 4 months but within 7 months	<b>2,254,362</b>	1,809,460
More than 7 months but within 13 months	<b>3,255,611</b>	2,480,817
More than 13 months	<b>7,069,557</b>	5,645,921
	<b><u>18,650,910</u></b>	<b><u>15,315,345</u></b>

Included in “Debtors, other receivables, deposits and prepayments” are debtors of HK\$6,239,887,000 (31 December 2022: HK\$5,212,657,000), which were measured at fair value through other comprehensive income as these debtors are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The movements in the loss allowance for impairment of debtors measured at amortised cost are as follows:

	<i>HK\$'000</i>
As at 1 January 2022	661,888
Impairment losses, net	338,451
Exchange realignment	<u>(62,887)</u>
As at 31 December 2022 (audited) and 1 January 2023	937,452
Impairment losses	157,653
Exchange realignment	<u>(21,094)</u>
As at 30 June 2023 (unaudited)	<b><u>1,074,011</u></b>

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

The movements in the loss allowance for impairment of debtors measured at fair value through other comprehensive income are as follows:

	<i>HK\$'000</i>
As at 1 January 2022	–
Impairment losses, net	157,888
Exchange realignment	<u>(7,312)</u>
As at 31 December 2022 (audited) and 1 January 2023	150,576
Impairment losses	28,592
Exchange realignment	<u>(3,190)</u>
As at 30 June 2023 (unaudited)	<u>175,978</u>

## 12. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

	<b>At 30 June 2023 (Unaudited) <i>HK\$'000</i></b>	<b>At 31 December 2022 (Audited) <i>HK\$'000</i></b>
Creditors	<b>13,980,937</b>	16,251,484
Other payables, accrued expenses and deferred income – government grants	<b><u>5,458,116</u></b>	<u>6,720,023</u>
	<b>19,439,053</b>	22,971,507
Less: Non-current portion		
– other payables, accrued expenses and deferred income – government grants	<b><u>(868,992)</u></b>	<u>(533,657)</u>
Current portion	<b><u>18,570,061</u></b>	<u>22,437,850</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:

	<b>At 30 June 2023 (Unaudited) <i>HK\$'000</i></b>	<b>At 31 December 2022 (Audited) <i>HK\$'000</i></b>
Within 6 months	<b>10,407,927</b>	12,548,564
Over 6 months	<b><u>3,573,010</u></b>	<u>3,702,920</u>
	<b><u>13,980,937</u></b>	<u>16,251,484</u>

## **BUSINESS REVIEW AND PROSPECTS**

### **OPERATING RESULTS**

#### **Business Overview**

In the first half of 2023, the world’s economic growth momentum was weak and the global trade growth slowed down. As one of the world’s major economies, China has been in a critical period for economic recovery and industry upgrading, fully demonstrating its economic resilience and vitality, with the overall economic operations recovering with an upward trend. China’s high-quality development has continued to guide the transformation of the domestic environmental protection industry from high-speed development into high-quality development, as well as to foster the extension of the industry chain towards directions relating to pollution and carbon emission reduction and clean production. The environmental protection industry has been further empowered by actions relating to China’s goals of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality” (“Dual Carbons”).

As a one-stop integrated environmental management service provider, during the period under review, the Group made progress with stability. With a strong resilience for development, the Group solidified its industry-leading position, continuously enhanced its brand value, and gradually achieved results in high-quality development.

In terms of operating results, during the period under review, the Group further clarified thoughts for transformation and development, by identifying its two major development directions (the “Two Development Directions”), including consolidation of its industry-leading position by focusing on its advantages and pursuit of high-quality development by focusing on management enhancement, in addition to focusing on its three major business areas (the “Three Major Business Areas”), namely solid waste, water-related business and clean energy. The Group’s industry-leading position was further solidified, as it continued to consolidate its traditional businesses, make breakthroughs in new business areas, and implement the development idea of balancing the asset-light and asset-heavy businesses. The Group’s development quality was also improved, as its corporate management practices were further standardised, revenue structure was further optimised, and measures relating to cost reduction and efficiency enhancement took effect. Additionally, more efforts were made by the Group to technological innovation, empowering all works of the Group, boosting technology management, further developing its technology research and development (“R&D”) platforms, and enhancing its digital management proficiency.

Major operating indicators in the first half of 2023 are summarised in the table below:

	<b>For the six months ended 30 June 2023 HK\$'000</b>	For the six months ended 30 June 2022 HK\$'000	Percentage Change
Revenue	<b>16,297,167</b>	21,448,683	-24%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	<b>7,376,488</b>	7,047,794	5%
Profit attributable to equity holders of the Company	<b>2,784,923</b>	2,811,148	-1%
Basic earnings per share (HK cents)	<b>45.34</b>	45.76	-1%

During the period under review, the Group recorded a total revenue of HK\$16,297,167,000, of which revenue from operation services was similar as the first half of 2022 amounting to HK\$9,538,762,000, and revenue from construction services decreased by 55% from the first half of 2022 to HK\$4,070,214,000. The revenue from operation services, construction services and finance income accounted for 59%, 25% and 16% of the total revenue, respectively.

During the period under review, the Group actively expanded its financing channels and built up a portfolio of both long-term and short-term financing instruments to effectively reduce financing costs, improve liquidity, and provide capital backing for its medium- to long-term development. Additionally, the Group enhanced efforts to collect and manage its debtors, negotiated with banks to secure additional facility support, and obtained various domestic subsidies amounting to RMB129 million. As at 30 June 2023, the Group had cash on hand amounting to HK\$8.871 billion, with a reasonable gearing level and a healthy financial position.

The Group's major financing arrangements in the first half of 2023 are summarised in the table below:

<b>Issue date</b>	<b>Financing arrangements and uses of proceeds</b>	<b>Issue size (RMB)</b>
May 2023	The Company issued the 2023 perpetual MTNs (series 2) in the national inter-bank bond market for the repayment of the Group's interest-bearing debts, which is subject to adjustment.	2 billion
May 2023	China Everbright Greentech Limited ("Everbright Greentech"), the Company's listed subsidiary, issued the 2023 first tranche of the green MTNs in the national inter-bank bond market for the repayment of interest-bearing debts of Everbright Greentech and its subsidiaries, replenishment of their working capital and/or to invest and construct their environmental protection projects and for other business development purposes.	1 billion
April 2023	China Everbright Water Limited ("Everbright Water"), the Company's listed subsidiary, issued the 2023 first tranche MTNs in the national inter-bank bond market for the replenishment of working capital of Everbright Water's subsidiaries.	1 billion
March 2023	Everbright Water issued the 2023 first tranche of SCPs in the national inter-bank bond market for the repayment of Everbright Water's outstanding debts.	1 billion
March 2023	The Company issued the 2023 MTNs (series 1) in the national inter-bank bond market for the repayment of the Company's bank borrowings.	2 billion



The Group remains dedicated to creating value for and sharing development and operation returns with the shareholders of the Company (“Shareholders”). To reward the Shareholders for their support, the Board has declared to pay an interim dividend of HK14.0 cents per share for the six months ended 30 June 2023 to the Shareholders (2022: HK15.0 cents per share).

As at 30 June 2023, the Group had a business presence in more than 220 cities, counties and districts across 26 provinces, municipalities, autonomous regions and special administrative region in China, with overseas business markets in Germany, Poland, Vietnam and Mauritius. The Group invested in and secured a total of 578 environmental protection projects, with an aggregate investment of approximately RMB158.044 billion. It also undertook various asset-light projects and services, such as environmental remediation, waste sorting, engineering, procurement and construction (“EPC”), operation and management (“O&M”), equipment supply, and technical services. As the world’s largest waste-to-energy investor and operator, the Group had a total of 188 waste-to-energy projects (including 1 O&M project and a project based on the “Engineering Design, Procurement, Construction and Operation” (“EPCO”) model) under its environmental energy and greentech sectors, with a designed daily household waste processing capacity of 157,200 tonnes.

In terms of market expansion, during the period under review, the Group continued to focus on the three major areas, namely solid waste, water-related business and clean energy. It actively extended and improved the relevant industry chain layout and achieved practical results in solidifying its existing business areas and exploring new business fields, improving efficiency through synergy, and balancing both asset-light and asset-heavy businesses. In the first half of 2023, the Group invested in and secured a total of 25 new projects and signed 1 supplementary agreement to an existing project, for a total investment of approximately RMB3.122 billion. These new projects involve waste-to-energy and the synergistic businesses, municipal and industrial waste water treatment, biomass integrated utilisation, and solar energy, among others. The Group also undertook various asset-light businesses, with a total contract value of approximately RMB2.014 billion.

In respect to market expansion highlights, during the period under review, in terms of the traditional business areas, the Group continued to secure new projects in areas like waste-to-energy, waste water treatment and integrated biomass utilisation. In terms of new breakthroughs, for the first time, the Group secured multiple environmental protection projects based on the EPCO model, as well as new businesses in county-level markets such as Dafang County in Guizhou Province and Shen County in Shandong Province. In terms of synergistic development, the Group successively signed multiple synergistic projects related to waste-to-energy, including food and kitchen waste treatment, fecal treatment, slag treatment, heat supply, and environmental sanitation integration, consolidating the Group's waste-to-energy industry chain deployment in the local markets. In terms of asset-light businesses, in addition to securing multiple EPCO projects, the Group secured Sichuan Marinkan Boiler and Flue Gas Purification Project, in which the Group provided its self-developed small-tonnage household waste mechanical grate furnace to external clients for the first time. This marked the realisation of the Group's strategic plans for expansion into the county-level small-tonnage household waste treatment market and the commercialisation of its technological equipment. In addition, based on the principle of "Openness, Sharing and Win-win Cooperation", the Group carried out exchanges with more than 60 local government authorities, enterprises and organisations, to enhance strategic partnership, explore collaboration opportunities, and foster joint long-term development.

The major designed treatment and supply capacities of the new projects secured in the first half of 2023 are summarised as below:

<b>Project Category</b>	<b>Designed Treatment/Supply Capacity</b>
Household waste	2,000 tonnes/day <sup>#</sup>
Food and kitchen waste	775 tonnes/day <sup>#</sup>
Biomass raw materials	50,000 tonnes/year
Water treatment*	180,000 m <sup>3</sup> /day <sup>#</sup>
Solar power installed capacity	32.5 megawatt (“MWp”)

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

# Including treatment capacity of EPCO project(s)

In terms of operations management, during the period under review, the Group insisted on stable operation and meeting emission standards, and improved the fine operations management proficiency through the application of information and smart technology and construction of relevant platforms. Environmental energy continuously optimised related technical processes and management procedures, which boosted power generation capacity per tonne of waste in the waste-to-energy plants, offered heat supply services to external clients via more than 30 of its projects, and strengthened coordination and integration of waste sources, which resulted in more waste delivered to and more electricity generated at the Group’s waste-to-energy projects as compared with the same period of last year, improving the projects’ operating efficiency. Environmental water continued the “in-plant solar energy” pilot programme to supplement project site electricity consumption with green power, effectively reducing project operating costs. Greentech piloted new hazardous waste treatment technologies and processes, improving project capacity utilisation rate and reducing related costs.

In terms of project construction, during the period under review, the Group continued to adhere to the seven principles of “Productivity, Efficiency, Quality, Cost-Effectiveness, Legitimacy, Safety and Integrity”, and adopted dynamic management among other measures. It also strengthened the control of safety risk factors and smoothly carried out all project construction works. In the first half of 2023, 21 projects completed construction and commenced operation, and 3 projects completed construction. 2 environmental remediation services were completed and delivered. Additionally, 35 projects (including EPC and EPCO projects) commenced construction and 4 environmental remediation services began execution.

During the period under review, the Group continued to actively engage in various “Cost Reduction and Efficiency Enhancement” activities and achieved effective results. In terms of financial management, the Group optimised financing structure, continued to reduce loan interest rates, replaced overseas loans of high interest rates with those of lower interest rates, and optimised its domestic and overseas loan structure, further reducing its finance costs. In terms of project construction management, the Group optimised the review procedure relating to project construction budgeting, inspected issues relating to technical improvement costs for operating projects, and effectively reduced project construction costs through measures such as optimisation of relevant systems, expense management and technical improvement. In terms of information technology management, the Group developed its intelligent management platform to promote business synergy and data integration, improving decision-making and analysis efficiency relating to its business operation. In the meantime, the Group proactively carried out the development of platforms relating to business and finance integrated management and intelligent management, improving the operation-related decision making efficiency. In terms of tendering and procurement management, the Group optimised procurement levels, expanded the scope of centralised procurement, and completed 30 centralised procurement cases, effectively reducing procurement costs.

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

	<b>Treatment Capacity</b>	<b>Environmental Contribution</b>
Household waste processed	25,634,000 tonnes	Generating green electricity of 12,986,000,000 kWh. This output could support the annual electricity consumption needs of 10,821,000 households, equivalent to saving 5,194,000 tonnes of standard coal, while reducing Carbon Dioxide (“CO <sub>2</sub> ”) emissions by 15,894,000 tonnes.
Hazardous and solid waste processed	186,000 tonnes	
Agricultural and forestry waste processed	3,750,000 tonnes	
Waste water treated	845,823,000 m <sup>3</sup>	Reducing Chemical Oxygen Demand (“COD”) discharge of 407,000 tonnes.
Waste-to-energy plants’ leachate treated	5,653,000 m <sup>3</sup>	

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

	<b>Treatment Capacity</b>	<b>Environmental Contribution</b>
Household waste processed	243,559,000 tonnes	Generating green electricity of 118,472,000,000 kWh. This output could support the annual electricity consumption needs of 98,726,000 households, equivalent to saving 47,389,000 tonnes of standard coal, while reducing CO <sub>2</sub> emissions by 114,961,000 tonnes.
Hazardous and solid waste processed	1,957,000 tonnes	
Agricultural and forestry waste processed	38,539,000 tonnes	
Waste water treated	15,578,385,000 m <sup>3</sup>	Reducing COD discharge of 6,183,000 tonnes.
Waste-to-energy plants' leachate treated	52,882,000 m <sup>3</sup>	

During the period under review, the Group continued to fulfill its corporate citizenship responsibilities by providing comprehensive high-quality environmental management services to protect the natural and human living environment. The Group also actively participated in various public welfare and charitable activities to promote the concepts relating to ecological environmental protection and sustainable development. In the first half of 2023, by leveraging on its business sectors and operating projects, the Group organised a series of activities, including public open days, knowledge competitions, public welfare lectures and parent-child activities, in conjunction with environmental protection holidays such as "World Environment Day", to strengthen interaction and integration with local government departments, institutions, schools and community residents. These helped to strengthen the shared interests among the government, enterprises and public, and to implement the relevant spirit and requirements of the national ecological civilisation construction among the general public. In addition, to support the "Strive and Rise Programme" of the Government of the Hong Kong Special Administrative Region ("HKSAR"), the Group leveraged its business characteristics to hold environmental protection lectures in Hong Kong, advocating environmental protection concepts and enhancing the understanding and recognition of ecological environmental protection and sustainable development among secondary school students in Hong Kong. As of 30 June 2023, the Group accumulatively opened up 201 projects for public visit. In the first half of 2023, the Group received over 52,000 domestic and overseas visitors across all sectors.

In the first half of 2023, the Group received many honors from home and abroad in recognition of its fulfillment of its responsibility and continued efforts in various aspects, including business operation, sustainable development and social responsibility. The major awards and honors are summarised as below:

<b>Category</b>	<b>Award/Recognition</b>	<b>Awarding Organisation(s)</b>
Brand influence	Top of the List for Brand Value of Listed Environmental Protection Companies in 2022	National Business Daily (“NBD”) and NBD Brand Value Research Institute
Operation and Management	Everbright Water was shortlisted in the Top Ten Influential Enterprises in China’s Water Industry (the sixth consecutive year)	E20 Environmental Platform
	Everbright Greentech was awarded the EcoChallenger	Federation of Hong Kong Industries and Bank of China (Hong Kong)
Project Construction	The Group’s Jiangxi Ji’an Waste-to-energy Project received the China Installation Engineering Quality Award	China Installation Association
Sustainable Development	Inclusion in the Sustainability Yearbook (the sixth time)	S&P Global
	Inclusion in the Sustainability Yearbook (China Edition) for the first time	S&P Global
	The Group’s Vietnam Can Tho Waste-to-energy Project was named the “2022 Vietnam Sustainable Energy Development Enterprise”	Vietnamese Ministry of Industry and Trade and other government authorities
	The Group’s Hangzhou Waste-to-energy Project and Quzhou Waste-to-energy Project (“Quzhou Project”) in Zhejiang were included in the “2022 Zhejiang Provincial Green Low-Carbon Factory” list	Economy and Information Technology Department of Zhejiang Province

<b>Category</b>	<b>Award/Recognition</b>	<b>Awarding Organisation(s)</b>
Social Responsibility	Social Responsibility Brand of the Year (the ninth consecutive year)	China Charity Festival
	The Group’s Hainan Danzhou Waste-to-energy Project was recognised as the “National Science Popularisation Education Base” for 2021-2025	China Association for Science and Technology
	The Group’s Shandong Pingdu Waste-to-energy Project, Rizhao Waste-to-energy Project and Zibo Hazardous Waste Integrated Treatment Project were shortlisted in the “Top 10 Environmental Protection Facilities for Public Opening” in Shandong Province for 2023	Ecology and Environment Department and Housing and Urban-Rural Development Department of Shandong Province
	The Group’s Hunan Yiyang Waste-to-energy Project and Xiangyin Waste-to-energy Project were shortlisted in the “Top 10 Ecological Environment Education Bases in Hunan Province for 2023”	Ecology and Environment Department of Hunan Province
	The Group’s Hunan Ningyuan Waste-to-energy Project and Hengnan Waste-to-energy Project were recognised as the “Ecological Environment Education Base(s) in Hunan Province for 2022”	Ecology and Environment Department of Hunan Province
	The Group’s Henan Xinzheng Waste-to-energy Project, Nanyang Waste-to-energy Project, Lankao Waste-to-energy Project and Xinyang Waste-to-energy Project were shortlisted in the “Top 10 Environmental Protection Facilities for Public Opening in Henan Province”	Department of Ecology and Environment of Henan Province

<b>Category</b>	<b>Award/Recognition</b>	<b>Awarding Organisation(s)</b>
Social Responsibility (Cont'd)	Quzhou Project was recognised as “Water Conservation Promotion and Education Base(s) in Zhenjiang Province”	Water Conservation Office of Zhejiang Province and Department of Water Resources of Zhejiang Province
	The Group’s Jiangsu Danyang Waste-to-energy Project was awarded the “Urban Household Waste Sorting Popularisation Education Base in Jiangsu Province for 2023”	Department of Housing and Urban-Rural Development of Jiangsu Province

## I. ENVIRONMENTAL ENERGY

Environmental energy is a core business sector of the Group, with the largest scale and 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, development of environmental protection industrial parks, integrated urban services, waste sorting, resource utilisation and recycling, as well as technical consultancy, engineering design and EPC relating to environmental protection. During the period under review, environmental energy further improved the deployment of the Group’s waste-to-energy industry chain, facilitated integrated development of the resources and energy integrated utilisation businesses, and continuously consolidated its leading position in the industry.

As of 30 June 2023, environmental energy had invested in and held 274 projects, with a total investment of approximately RMB95.995 billion, and undertook 2 O&M projects, 2 EPCO projects, and other types of asset-light businesses. These projects (including processing capacity under the O&M model) are designed to have an annual household waste processing capacity of 53,162,250 tonnes, an annual on-grid electricity of 17,825,554,700 kWh, an annual food and kitchen waste processing capacity of 3,169,295 tonnes, an annual sludge treatment capacity of 503,700 tonnes, and an annual medical waste processing capacity of 20,258 tonnes.



As of 30 June 2023, environmental energy's waste-to-energy projects are summarised as follows:

<b>Project Status</b>	<b>Number of Projects</b>	<b>Designed Processing Capacity (tonnes/annum)</b>
In operation*	148	47,906,250
Under construction	8	3,522,250

\* including O&M project(s)

As of 30 June 2023, environmental energy's waste-to-energy synergistic projects\* are summarised as follows:

<b>Project Status</b>	<b>Number of Projects</b>	<b>Designed Processing Capacity (tonnes/annum)</b>
In operation#	74	3,907,015
Under construction	17	1,030,760

\* including various waste-to-energy synergistic projects such as food and kitchen waste treatment, sludge treatment and disposal, and medical waste treatment

# including O&M project(s)

In terms of market development, in the first half of 2023, environmental energy made steady and solid progress in business expansion, with a focus on the balanced development of waste-to-energy and synergistic businesses as well as asset-light and asset-heavy businesses. In particular, environmental energy successively implemented a number of synergistic projects like environmental sanitation integration and food and kitchen waste treatment projects, achieving practical results in synergistic business development by leveraging on the strengths of the waste-to-energy business. It also implemented Guizhou Dafang Waste-to-energy Project, further opening up the county waste-to-energy market. Through acquisition, it secured Yunnan Zhaotong Waste-to-energy Project (subject to completion of the relevant settlement procedures) and secured Sichuan Yibin Second Household Waste-to-energy Project (Phase I) EPCO Project based on the EPCO model for the first time, further broadening the scope of the Group's asset-light business. During the period under review, environmental energy invested in and secured 17 new projects, covering the areas of waste-to-energy, food and kitchen waste treatment, environmental sanitation integration and medical waste treatment, with a total investment of approximately RMB1.722 billion. It also newly undertook 2 EPCO projects and other types of asset-light businesses, with a total contract value of approximately RMB648 million. The newly secured projects contribute a designed daily household waste processing capacity of 2,000 tonnes (including processing capacity under the O&M model), a designed daily food and kitchen waste processing capacity of 775 tonnes, and a designed annual steam supply capacity of 468,340 tonnes.

In terms of project construction, during the period under review, environmental energy carried out project construction works in an effective manner. Among which, the Group completed the construction of a number of projects in Hainan Boao Zero-Carbon Demonstration Zone EPC Project in just three months with high quality, by overcoming the challenges of tight construction schedules, complex and sophisticated projects, and high technical requirements, demonstrating “zero-carbon” related philosophy and outcome and contributing the “Everbright” strength to a sustainability benchmark with the Chinese characteristics. During the period under review, 13 projects completed construction and commenced operation, with a total designed daily household waste processing capacity of 3,050 tonnes, and a designed daily food and kitchen waste processing capacity of 1,305 tonnes. 18 projects commenced construction, with a total designed daily household waste processing capacity of 2,900 tonnes, and a designed daily food waste processing capacity of 1,268 tonnes.

During the period under review, environmental energy contributed an EBITDA of HK\$4,726,705,000, a decline of 5% as compared with the first half of 2022. Environmental energy contributed a net profit attributable to the Group of HK\$2,725,376,000, a decline of 1% as compared with the first half of 2022. The decrease in profit was mainly attributable to the decrease in the number of construction projects affected by the market during the period under review, which resulted in the decline in revenue and profit from construction services.

Major operating data relating to environmental energy during the first half of 2023 are summarised in the table below:

	<b>For the six months ended 30 June 2023</b>	For the six months ended 30 June 2022	Percentage Change
Waste processing volume (tonnes)	<b>23,865,000</b>	22,175,000	8%
Food and kitchen waste, sludge, and other waste processing volume (tonnes)	<b>1,262,000</b>	955,000	32%
On-grid electricity (MWh)	<b>7,893,385</b>	7,544,469	5%

## II. ENVIRONMENTAL WATER

As of 30 June 2023, 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 first-class water environment management service provider in China, Everbright Water focused on the “water-related” business. It has developed a fully-fledged business coverage, which includes raw water protection, water supply, municipal waste water treatment, industrial waste water treatment, reusable water, river-basin ecological restoration, and sludge treatment and disposal. It has also formed a full industry chain in the water business, including project investment, planning and design, technology R&D and related services, engineering and construction, operations management and integrated diagnosis, among others. Everbright Water is proactively creating value to industries through various water businesses.

As of 30 June 2023, Everbright Water had invested in and held 166 projects, with a total investment of approximately RMB30.765 billion. It also undertook 5 O&M projects, 2 EPCO projects and other types of asset-light businesses. These projects (including treatment capacity under the O&M model) are designed to have an annual waste water treatment capacity of 2,286,031,500 m<sup>3</sup>, an annual reusable water supply capacity of 115,194,000 m<sup>3</sup>, an annual water supply capacity of 310,250,000 m<sup>3</sup>, and an annual sludge treatment capacity of 793,900 tonnes.

As of 30 June 2023, Everbright Water's water projects are summarised as follows:

<b>Project Status</b>	<b>Number of Projects</b>	<b>Designed Treatment Capacity (m<sup>3</sup>/annum)</b>
In operation*	139	2,194,270,500
Under construction#	15	302,950,000

\* including O&M project(s)

# including EPCO project(s)

In terms of market development, in the first half of 2023, Everbright Water adhered to “water” as the fundamental factor of its business. By solidifying its existing business areas and exploring new business fields, as well as balancing asset-light and asset-heavy businesses, Everbright Water constantly solidified its advantages of traditional business fields such as municipal and industrial waste water treatment and leveraged such advantages to achieve new breakthroughs in the asset-light business. During the period under review, Everbright Water exported its experience and strengths in operations management and successively secured Huai'an Lianshui Konggang Industrial Park Industrial Waste Water Treatment Plant EPCO Project and Jiangyin High-tech Zone Waste Water Treatment Plant Phase I Stage 1 EPCO Project in Jiangsu Province, which marked the significant achievements of Everbright Water's exploration of new mechanism and implementation of new model in the industrial waste water treatment field. During the period under review, Everbright Water secured 5 projects and signed 1 supplementary agreement to an existing project, with a total investment of approximately RMB1.163 billion, and newly undertook 2 EPCO projects and other types of asset-light businesses, with a total contract value for the external customers of approximately RMB1.01 billion. The new projects are designed to have a daily waste water treatment capacity of 165,000 m<sup>3</sup> (including treatment capacity under the O&M model), and a daily reusable water supply of 15,000 m<sup>3</sup>.

In terms of project construction, during the period under review, Everbright Water had 4 projects that completed construction and commenced operation and 3 projects that completed construction, with a designed daily water treatment capacity of 130,000 m<sup>3</sup>; 9 projects commenced construction, with a designed daily water treatment capacity of 40,000 m<sup>3</sup>.

In terms of operations management, during the period under review, adhering to China’s “Dual Carbons” strategic goals, Everbright Water consolidated and promoted its “in-plant solar energy” pilot programme. As of 30 June 2023, 5 solar energy pilot programmes had commenced operation, with the solar energy facilities having a total installed capacity of 9.01 MWp, which are expected to generate 5.10 million kWh green electricity per annum. Additionally, Everbright Water made continual and rapid progress in the construction of the “Intelligent Water” platform during the period under review, as evidenced by the commencement of the construction of a master data platform, further and in-depth application of digital tools, and the testing of a precise catalyst application system in various projects. In the first half of 2023, 1 waste water treatment plant of Everbright Water received regulatory approval for tariff hike at 5%.

During the period under review, the Group’s environmental water sector contributed an EBITDA of HK\$1,289,680,000, an 21% increase compared with the first half of 2022. Environmental water contributed a net profit attributable to the Group of HK\$459,246,000, an 21% increase compared with the first half of 2022. The increase in profit was mainly due to the tariff hike for a project effected during the period under review and the effect of the implementation of value added tax (VAT) exemption incentive policy which resulted in an increase of operating costs in one-off basis during 2022.

Major operating data relating to environmental water during the first half of 2023 are summarised in the table below:

	<b>For the six months ended 30 June 2023</b>	For the six months ended 30 June 2022	Percentage Change
Waste water treatment volume (’000 m <sup>3</sup> )	<b>845,823</b>	840,525	1%

### III. GREENTECH

As of 30 June 2023, the Group held a 69.7% stake in Everbright Greentech, which is listed on the Main Board of the Stock Exchange. Everbright Greentech focuses on integrated biomass utilisation, hazardous and solid waste treatment, environmental remediation, and new energy, among others. It positions itself as an integrated energy service provider of “Zero-Carbon Park” which integrates solar energy storage, virtual power plants, energy saving and carbon reduction.

As of 30 June 2023, Everbright Greentech had invested in and held 132 projects, with a total investment of approximately RMB30.44 billion. These projects are designed to have an annual biomass raw material processing capacity of 8,139,800 tonnes, an annual household waste processing capacity of 4,215,750 tonnes, and an annual hazardous and solid waste processing capacity of 2,466,400 tonnes, an annual on-grid electricity of 6,992,208,100 kWh, and an annual steam supply of 6,046,700 tonnes, and solar and wind power installed capacity of 171.83 megawatt. In addition, Everbright Greentech undertook 16 environmental remediation services (excluding services that had been completed and delivered).

As of 30 June 2023, Everbright Greentech’s solar energy projects are summarised as follows:

<b>Project Status</b>	<b>Number of Projects</b>	<b>Designed Installed Capacity (MWp)</b>
In operation	20	35.44
Under construction	2	30.99

In terms of market expansion, in the first half of 2023, Everbright Greentech made every effort to revitalise its existing business, actively promoted business extension and expansion, and studied and assessed industry trends, in order to plan new business directions such as smart energy. During the period under review, Everbright Greentech secured 3 new projects, with a total investment of approximately RMB238 million. It also newly undertook 4 environmental remediation services, with a total contract value of approximately RMB92 million. The new projects are designed to have an annual biomass raw material processing capacity of 50,000 tonnes and a solar power installed capacity of 32.5 MWp.

With respect to project construction, during the period under review, Everbright Greentech had 4 projects that had completed construction and commenced operation, contributing a designed annual household waste processing capacity of 182,500 tonnes, a designed annual hazardous and solid waste processing capacity of 266,000 tonnes and a solar power installed capacity of 2.39 MWp. 2 environmental remediation services were completed and delivered. Moreover, 1 project commenced construction, with a designed annual household waste processing capacity of 146,000 tonnes, and 4 environmental remediation services started their respective remediation work in succession.

In terms of operations management, during the period under review, with respect to integrated biomass utilisation projects, Everbright Greentech took the lead in the industry in launching a pilot program and system dedicated to the front-end collection and storage of biomass fuels, which resisted the challenges brought by the imbalance between supply and demand in the market, and boosted the economic benefits of the projects.

During the period under review, the Group's greentech sector contributed an EBITDA of HK\$1,281,035,000, a decrease of 4% as compared with the first half of 2022. Greentech contributed a net profit attributable to the Group of HK\$195,503,000, a decrease of 34% as compared with the first half of 2022. The profit decreased primarily due to the decrease in revenue and profit for construction services following the adjustment of the development strategy. In connection with the operation service, the unit treatment fee for the hazardous waste and solid waste continued to drop resulting from the low waste production quantities in the market. Nevertheless, the integrated biomass utilisation projects achieved significant improvements in the operational efficiency contributing to a substantial year-on-year growth in the operating gross margin of the biomass segment, offsetting some of the profit decline.

Major operating data relating to greentech during the first half of 2023 are summarised in the table below:

	<b>For the six months ended 30 June 2023</b>	For the six months ended 30 June 2022	Percentage Change
Waste processing volume (tonnes)	<b>1,769,000</b>	1,717,000	3%
Biomass raw material processing volume (tonnes)	<b>3,750,000</b>	4,266,000	-12%
Hazardous and solid waste processing volume (tonnes)	<b>186,000</b>	223,000	-17%
Steam supply volume (tonnes)	<b>1,400,000</b>	1,172,000	19%
On-grid electricity (MWh)	<b>3,237,000</b>	3,133,233	3%

#### IV. ENVIROTECH

Being the Group's engine for technology R&D and innovation, envirotech, by leveraging its R&D platforms located in different places, has been focusing on key research areas such as household waste treatment, treatment of various hazardous and solid waste, agricultural and forestry biomass utilisation, water environment management, big data and intelligent control. As the Group's platform for core technological innovation and results commercialisation, envirotech is dedicated to tackling difficulties of environmental protection processes and technologies and aims at cutting-edge technologies worldwide.

During the period under review, envirotech adhered to value creation that is driven by technology and continued to cater to the Group's needs and future development and market demands. By doing so, it aims to become a first-class technological innovation center, empower the development of all businesses of the Group, and provide technological inspiration and technical security for the Group. In the first half of 2023, the Group and Qingdao University of Technology jointly established the "Engineering and Technology Centre of New Pollutant Monitoring and Control relating to Household Waste Treatment for China's Environmental Protection".

In the first half of 2023, the Group's major technology R&D progress and results for both traditional and new business areas are summarised as follows:



Business Area	Research Result(s)/Topic(s)
Traditional Business Areas	<ul style="list-style-type: none"> <li data-bbox="528 242 1450 412">• The research on energy saving and efficiency enhancement technologies for waste-to-energy incineration power plants resulted in various technical solutions and has been applied in Suzhou Waste-to-energy Project.</li> <li data-bbox="528 470 1450 597">• The new flue gas recirculation technology was applied in the Group’s Jiangsu Wujiang Waste-to-energy Project (“Wujiang Project”) Phase II as a demonstration.</li> <li data-bbox="528 655 1450 729">• The Group’s self-developed 850 tonnes/day wet deacidification technology entered the supply and installation stage.</li> <li data-bbox="528 787 1450 1049">• The dry anaerobic technology demonstration project in Pei County was carried out, integrating the results of a national research topic on technologies and equipment for the high-value utilisation of rural and county household waste and secondary pollution control, to design and develop a complete set of dry anaerobic technology and equipment.</li> <li data-bbox="528 1106 1450 1325">• The Group cooperated with The Hong Kong Polytechnic University to develop technologies for the high-value utilisation of bottom slag for the production of recycled building materials, and put forward a proposal on the recycling of waste incineration residue in Hong Kong for the HKSAR.</li> <li data-bbox="528 1383 1450 1553">• The automated combustion control (ACC) and automated frequency control (AFC) technologies have been applied to 6 projects of the Group and scheduled to be applied to another 30 projects.</li> <li data-bbox="528 1610 1450 1685">• The new advanced leachate treatment demonstration project completed the installation, check, debugging and trial run.</li> <li data-bbox="528 1742 1450 1957">• The research on biomass high-efficiency pyrolysis and gasification technology has resulted in a complete set of biomass gasification heating technology solutions and equipment selection, and the project has been actively promoted for demonstration.</li> </ul>

<b>Business Area</b>	<b>Research Result(s)/Topic(s)</b>
Traditional Business Areas (Cont'd)	<ul style="list-style-type: none"> <li>• The self-developed hydraulic ash cleaning technology was applied in the Group's individual projects.</li> <li>• The anaerobic membrane bioreactor (AnMBR) technology was installed in the Group's project in Suzhou as a demonstration. The technology was being tested and put into a trial run.</li> </ul>
New Business Areas	<ul style="list-style-type: none"> <li>• A set of highly efficient, safe and automated mobile selective catalytic reduction ("SCR") regeneration technology solution was completed and began pilot production.</li> <li>• The pilot test for the R&amp;D of cracking and recycling technology for low-value plastics was completed and the feasibility of the technology was verified.</li> <li>• The design of software and hardware design for the information technology management system at the Group's Yancheng Recycling Sorting Centre Project was completed, realising the informatised and transparent management of materials in the recycling sorting centre.</li> <li>• A carbon asset development pilot project was conducted according to the international Verified Carbon Reduction Standard ("VCS"), completed the third-party on-site audit of the VCS for the Group's Wuwei Waste-to-energy Project in Gansu Province, and collected relevant information of more than 10 waste-to-energy projects of the Group, to get prepared for the restart of the national Certified Voluntary Carbon Emission Reduction (CCER) programme.</li> </ul>

With an eye to future development, during the period under review, the Group closely followed the national strategic direction and the trend of technological development in the field of environmental protection, and commenced cutting-edge research and tracking in the industry in the areas of new energy, fields relating to agriculture, rural areas and farmers, circular economy, carbon neutrality and new technology, among others. The Group also relied on over 10 flexible teams to carry out technological research and exploration of application in four major areas, surrounding the Group’s main business, agriculture, resource recycling and new energy.

As of 30 June 2023, patents that were held and major technical essays published by the Group are listed in the table below:

	<b>First half of 2023</b>	As of 30 June 2023 (accumulated)
<b>Granted patents</b>	<b>122</b>	1,778
Invention patents	<b>16</b>	183
Utility model patents	<b>98</b>	1,273
Software patents	<b>3</b>	270
Appearance patents	<b>5</b>	52
<b>Major technical essays</b>	<b>0</b>	87

## V. EQUIPMENT MANUFACTURING

With Everbright Environmental Technical Equipment (Changzhou) Limited\* being the platform, the Group’s equipment manufacturing sector strives to upgrade its factories from the country’s “Green Factories” to “Zero-carbon Factories”, promoting the integration of advanced manufacturing and modern services. With the incorporation of the Group’s greenenergy-related business, equipment manufacturing fostered a new development paradigm for the “Intelligently Made by Everbright”, continuing to solidify its industry-leading position.

\* *For identification purpose only*

In terms of market expansion, during the period under review, in the environmental equipment market, equipment manufacturing insisted on market orientation and relied on a flexible team based on resource allocation to tap into the small-scale grate market in the county area, secured an equipment service order for the waste-to-energy project in Hau Giang, Vietnam, and signed the Dawu Procurement-Construction contract in Hubei Province, achieving good results in overall business expansion. In the first half of 2023, equipment manufacturing signed a total of 7 external sales contracts and sold 18 sets of equipment to external market, including 11 sets of incinerators, 5 sets of flue gas purification systems, and 2 sets of leachate treatment systems. The total value of contracts relating to the external sales of complete sets of equipment amounted to RMB265 million.

In terms of equipment supply and after-sales services, during the period under review, equipment manufacturing commenced 13 service items, spanning Vietnam and 8 provinces, municipalities and autonomous regions in China. It provided 5 sets of grate furnaces to projects of the Group and external clients, which have a total designed daily waste processing capacity of 2,750 tonnes. In addition, it sold 37 sets of equipment, covering grate furnace systems and leachate treatment systems. It also signed 76 contracts in relation to external after-sales services, with a total contract value of approximately RMB35.11 million. Throughout the first half of 2023, the sector provided 154 after-sales service projects, of which 101 were internal projects and 53 were external projects.

In terms of equipment, processes and technology R&D, during the period under review, equipment manufacturing insisted on market-based and innovative development, and carried out a number of research and development projects in an orderly manner, with the major achievements summarised as follows:

- Completed the trial manufacturing of small-scale domestic waste incinerator samples, using the self-developed and designed “fast-mounted grate incineration system, low-emission flue gas treatment system, integrated container leachate treatment system, integrated container leachate treatment system, heat or steam residual heat utilisation system, automatic combustion control (ACC) system” process line, which is suitable for a small tonnage of waste incinerators in rural areas and counties.
- The water-cooled grate package has been installed and commissioned in a number of the Group’s projects in Xiao County of Anhui Province and Lianshui County of Jiangsu Province and has been in stable operation for approximately half a year.
- Domestic SCR technology with high sulphur, high alumina and high alkali resistance was applied in Quzhou Project, achieving a high denitrification rate, low ammonia escape, low resistance and low clogging at low temperatures.
- Optimisation of the production line of self-manufactured ultrafiltration membranes was completed and entered the testing stage.
- Ultra-high-pressure reverse osmosis technology achieved stage-by-stage results and the Group completed testing in individual projects.
- Trial application of high-efficiency baking soda deacidification technology was tested at Quzhou Project and commenced at Wujiang Project.

## **EVENTS AFTER THE REPORTING PERIOD**

On 13 July 2023 and 14 July 2023, Everbright Water issued the 2023 second tranche MTNs with a principal amount of RMB1.5 billion, an interest rate of 2.97% per annum, in the national inter-bank bond market. The proceeds from the issuance were used for replenishing the working capital of Everbright Water's subsidiaries and repaying the interest-bearing debts of Everbright Water or its subsidiaries.

On 21 August 2023 and 22 August 2023, Everbright Water issued the 2023 third tranche MTNs with a principal amount of RMB1 billion, an interest rate of 2.82% per annum, in the national inter-bank bond market. The proceeds from the issuance were used to replenish the working capital of the Everbright Water's subsidiaries.

## **BUSINESS PROSPECTS**

The world's economic growth has been on a "long and winding path", with continued geopolitical conflicts. In the first half of 2023, China's economy grew by 5.5% as compared with the corresponding period of last year, taking a leading position among major economies across the globe. The intensive release of new measures by the government at all levels in China to stabilise the economy has made all parties hold a positive attitude toward the country's economic development in the second half of 2023. In general, China's economy has strong resilience, great potential and sufficient vitality, with the fundamentals for the long-term remaining positive. This will continue to provide stable macro policy and economic environment for the high-quality development of the environmental protection industry, which will continue to play an important part in facilitating China's green economic development.

The National Conference on Ecological and Environmental Protection, which was held in July 2023, stressed that the coming five years will be critical to the building of a beautiful China and that it is imperative to make remarkable achievements in promoting the significant improvement of urban and rural living environment and building a beautiful China, supporting high-quality development with a high-quality ecological environment, and accelerating the advancement of modernisation featuring harmony between humanity and nature. China's building of an ecological civilisation has entered a critical period with a key strategic focus on carbon reduction, as evidenced by the country's approval of the "Opinions on Promoting the Gradual Transition from Control of Total Amount and Intensity of Energy Consumption to Control of Total Amount and Intensity of Carbon Emissions" and other important policies which will continue to inspire confidence and boost development of the domestic ecological and environmental protection industry.

The year 2023 marks the 30th anniversary of the Company’s incorporation and the 20th anniversary of its pivot to environmental protection. Having achieved the development goal of “becoming the largest environmental enterprise in China” over the past two decades, the Group now has shifted its vision to becoming a stronger and better enterprise. In this critical period of transformation and upgrading, the Group will maintain its strategic focus and make progress with stability, while carrying forward the enterprise spirit with unwavering commitment to its corporate mission of being “Devoted to Ecology and Environment for a Beautiful China” and its corporate pursuit of “Creating Better Investment Value and Undertaking More Social Responsibility”. Striving to be a “World-class Integrated Environmental Service Provider with Chinese Characteristics”, the Group will also adhere to the Two Development Directions and the Three Major Business Areas; promote four major transformations, namely the transformation from the investment-driven development to development driven by a balance of asset-light and asset-heavy businesses, the transformation from construction service revenue to operation service revenue as the major source of revenue, the transformation from the expansion-driven development mode to management-oriented development mode, and the transformation from an enterprise with technological strengths to a technology-based enterprise; and strengthen the six pillars, including enhanced effort to expand market, technological innovation, cost reduction and efficiency enhancement, capital security, risk prevention and control, and talent support.

With the strategic guidance of the Board and support from the stakeholders, the Group is fully committed to carrying out all tasks with unwavering effort, and promoting high-quality development, to celebrate the 30th anniversary of the Company’s incorporation and the 20th anniversary of its pivot to environmental protection with outstanding performance. Through these efforts, the Group will lay a solid foundation for future development and make significant contributions to the building of a beautiful China from a stronger position, and with a longer-term vision and more practical commitment.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL POSITION**

As at 30 June 2023, the Group's total assets amounted to approximately HK\$189,423,150,000 with net assets amounting to HK\$65,940,734,000. Net asset value per share attributable to equity holders of the Company was HK\$7.879 per share, representing an increase of 2% as compared to HK\$7.712 per share as at the end of 2022. As at 30 June 2023, gearing ratio (calculated by total liabilities over total assets) of the Group was 65%, representing a decrease of 2 percentage point as compared with that of 67% as at the end of 2022.

### **FINANCIAL RESOURCES**

The Group adopts a prudent approach on cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2023, the Group had cash and bank balances of HK\$8,870,532,000, representing a decrease of 25% as compared to HK\$11,782,743,000 at the end of 2022. Most of the Group's cash and bank balance, representing approximately 98%, was denominated in Hong Kong dollars and Renminbi.

### **BORROWINGS**

The Group is dedicated to enhancing the ways of financing and improving banking facilities to reserve funding to support the development of the environmental protection business. As at 30 June 2023, the Group had outstanding interest-bearing borrowings of HK\$93,360,234,000, representing a similar level as compared to HK\$94,724,500,000 as at the end of 2022. The borrowings included secured interest-bearing borrowings of HK\$41,596,413,000 and unsecured interest-bearing borrowings of HK\$51,763,821,000. The Group's borrowings are mainly denominated in Renminbi, representing approximately 77% of the total, and the remainder is denominated in Hong Kong dollars, US dollars, EURO and Polish zloty. Most of the Group's borrowings are at floating rates. As at 30 June 2023, the Group had banking facilities of HK\$101,831,034,000, of which HK\$24,226,725,000 have not been utilised. The banking facilities are of 1 to 18-year terms.



## **FOREIGN EXCHANGE RISKS**

The Company's financial statements are denominated in Hong Kong dollars, which is the functional currency of the Company. The Group's investments made outside Hong Kong (including mainland China) may incur foreign exchange risks. The Group's operations are predominantly based in mainland China, which makes up over 98% of its total investments and revenue. The Group's assets, borrowings and major transactions are mainly denominated in Renminbi, and as such, it forms a natural hedging effect. With this in mind, the Group also pursues an optimal allocation of borrowings in different currencies while setting appropriate levels of borrowing in non-base currencies, and adopting proper financial instruments to closely manage foreign exchange risks.

## **PLEDGE OF ASSETS**

Certain banking facilities and lease liabilities of the Group were secured by revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages over property, plants and equipment, right-of-use assets and the equity interests of certain subsidiaries of the Company. As at 30 June 2023, the aggregate net book value of pledged assets and equity interests in subsidiaries amounted to approximately HK\$104,394,681,000.

## **COMMITMENTS**

As at 30 June 2023, the Group had purchase commitments of HK\$4,443,762,000 outstanding in connection with the construction contracts.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Company granted financial guarantee to its subsidiaries. The Board considers it is not probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company as at 30 June 2023 for the provision of the guarantee was HK\$632,732,000.

## **INTERNAL MANAGEMENT**

The Group adheres to the management principle of “People-oriented, Pragmatism, Creativity and Systematic Management”, and has built a comprehensive management structure to maximise efficiency. The Group’s management holds Management Decision Committee meeting(s) regularly to review current operations and management, with a view to promoting the corporate sustainable development. The responsibilities of each functional department and business sector of the Group are clear with various comprehensive management systems. Internal control procedures are sound and have been implemented effectively. The Company’s audit department performs its internal monitoring functions to ensure that each functional department and business sector strictly comply with the relevant internal control requirements.

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

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

## **HUMAN RESOURCES**

Human Resources are the key strategy of corporate development which require appropriate personnel to execute this core strategy. The Group highly values its human resources management and puts great emphasis on staff training. 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 period under review, the Group continued to adopt the prevention measures of the COVID-19 pandemic with reference to its changes. Meanwhile, the Group has issued the “Notice on the Preparation for Normalization of Production and Pandemic Prevention” and led the employees to return to normal, ensured employee health and reduced impact on the Group.

To cope with the development requirement of the Group, the Group successively held the seminars on safety and environmental management, strategic optimization, tendering management, 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 to provide employees with a broad development platform. In addition to cross-sector and cross-regional job rotation, the Group has arranged a number of internal recruitments to provide employees the privilege to apply for the vacancy of different departments at the head office which can provide the employees the opportunity to develop their potential by changing different position.

As at 30 June 2023, the Group had approximately 12,340 employees. Details of the total employee benefit expense for the period under review are set out in note 4 to the consolidated financial statements in the 2023 interim report. Employees within the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary performance bonus, the Group also provides other benefits such as medical insurance and a mandatory provident fund scheme to employees in Hong Kong.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

During the period under review, the Group continuously implemented relevant work of the risk management system to effectively control the principal risks faced by the Group, which included accounts receivable risk, environmental compliance and safety management risk, market competition risk, staff turnover risk, procurement compliance risk, operation stability risk, cost control risk and construction project management risk, the details of which will be set out in the 2023 interim report.

## ENVIRONMENTAL AND SOCIAL MANAGEMENT

The Group pays close attention to its operational impacts brought to the environment and society. After years of development, the Group has established a comprehensive safety and environmental management system. In the first half of 2023, the Group continued to improve and implemented relevant management policies, covering structure and responsibilities, accident management, flood control, risk classification, hidden danger investigation, safety and environment training, information reporting, rating of the safety and environmental management levels of the operating projects and construction projects, fire safety management, related parties' management, occupational health, public opening, etc.

The Group implements all staff safety production responsibility system and clarifies the safety production and environmental management responsibilities and assessment standards. The person in charge of the various levels of units of the project companies is the key person responsible for the safety and environmental management of the respective units and is fully responsible for the safety production and environmental management of the respective units. The Group and the business sectors have formulated the annual safety and environmental management target responsibility statement every year, clarifying the annual target, key tasks and assessment methods.

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

The Group's waste-to-energy projects are designed and operated fully in compliance with the applicable national environmental requirements and standards including but not limited to the *Standard for Pollution Control on the Municipal Solid Waste Incineration* (GB18485-2014), the relevant local standards, as well as other requirements as set forth in the environmental impact assessment reports approved by the local government, while the daily average values of online flue gas continuously monitored parameters are well below the respective emissions limits as stipulated under the European Union *Industrial Emissions Directive* (2010/75/EU) and its relevant annexes and amendments. Moreover, all of the Group's biomass combustion operations meet the *Emission Standard of Air Pollutants for Thermal Power Plants* (GB13223- 2011), the relevant local standards, as well as other requirements as set forth in the environmental impact assessment reports approved by the local government.

The Group continued proactively and timely disclosing emissions data and environmental management information of its projects on Everbright Environment’s corporate website, including the connection to the automatic monitoring data information disclosure platform of the Ministry of Ecology and Environment of the People’s Republic of China at <https://ljgk.envsc.cn/index.html> in respect of the daily average values of the 5 indicators of flue gas and furnace temperature data from the operation of waste-to-energy projects of Everbright Environment. The Group was also devoted to improving the information sharing platforms to facilitate the management to monitor the operational condition to ensure compliant operation, and to timely report the operating performance of the projects to the stakeholders of the Group.

## **CORPORATE GOVERNANCE**

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

The Group upholds the management principle of “People-oriented, Pragmatism, Creativity and Systematic Management”. The Board firmly believes that high-quality, comprehensive and high-level corporate governance is the cornerstone of the Group, which can create long-term value for the Group and is vital to the sustainable development of the Group. It can also safeguard the interests of the Shareholders and other stakeholders of the Company, including but not limited to customers, suppliers, employees and the general public. The Board and the 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 Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules has been duly adopted by the Board as the code on corporate governance practices of the Company.

The Company complied with all Code Provisions as set out in the CG Code throughout the six months ended 30 June 2023. The Company will continue to commit to enhancing its corporate governance appropriate to the conduct and growth of its business, and to continuously reviewing, monitoring and assessing from time to time 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 are set out in 2022 annual report of the Company published in April 2023.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors’ transactions in securities of the Company. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout their tenure during the six months ended 30 June 2023.

## **INTERIM DIVIDEND**

The Board has declared payment of an interim dividend of HK14.0 cents per share (2022: HK15.0 cents per share) for the six months ended 30 June 2023, payable to the Shareholders whose names appear on the register of members of the Company (the “Register of Members”) on Friday, 29 September 2023. The interim dividend will be paid to the Shareholders on Friday, 20 October 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining the Shareholders’ entitlement to the interim dividend, the Register of Members will be closed from Wednesday, 27 September 2023 to Friday, 29 September 2023, both days inclusive, during which period no transfer of shares will be registered. Shareholders, whose names appear on the Register of Members on the record date, i.e. Friday, 29 September 2023, will be entitled to the interim dividend. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 26 September 2023.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **REVIEW OF INTERIM FINANCIAL RESULTS**

The Audit Committee of the Company has reviewed the interim financial results of the Company for the six months ended 30 June 2023 for the Board's approval.

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

This announcement is published on the websites of the Company ([www.cebenvironment.com/en/ir/announcements.php](http://www.cebenvironment.com/en/ir/announcements.php)) and Hong Kong Exchanges and Clearing Limited ("HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2023 interim report containing all the information required by the Listing Rules will be published on the websites of the Company and HKEx and dispatched to the Shareholders in due course.

By Order of the Board  
**China Everbright Environment Group Limited**  
**Huang Haiqing**  
*Chairman of the Board*

Hong Kong, 29 August 2023

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