CHINA EVERBRIGHT WATER LIMITED
中國光大水務有限公司

(Incorporated in Bermuda with limited liability)
(Hong Kong Stock Code: 1857)
(Singapore Stock Code: U9E)

ANNOUNCEMENT
ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Revenue increased by 16% to HK$5,550,773,000 (FY2018: HK$4,768,318,000)
- EBITDA increased by 15% to HK$1,647,064,000 (FY2018: HK$1,432,579,000)
- Profit before tax increased by 14% to HK$1,195,079,000 (FY2018: HK$1,051,739,000)
- Profit attributable to equity holders of the Company increased by 23% to HK$833,483,000 (FY2018: HK$676,459,000)
- Final dividend of HK3.74 cents (equivalent to 0.67 Sing cents) per ordinary share (FY2018: 0.50 Sing cents per ordinary share). Total dividend for FY2019 of HK7.48 cents (equivalent to 1.32 Sing cents) per ordinary share (FY2018: 0.99 Sing cents per ordinary share)

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Everbright Water Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2019 ("FY2019") ("FY2019 Annual Results"), together with the comparative figures for the financial year ended 31 December 2018 ("FY2018"). Pursuant to the listing manual (the "SGX Listing Manual") of Singapore Exchange Securities Trading Limited ("SGX"), the Company shall publish the annual financial results not later than 60 days after the relevant financial year.

The FY2019 Annual Results have neither been audited nor reviewed by the Company's auditor. In addition, the FY2019 Annual Results have yet been agreed by the Company's auditor as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "HK Listing Rules") due to delay in the audit procedures resulting from the novel coronavirus outbreak in the People's Republic of China (the "PRC"), in particular delay in obtaining certain confirmations from banks in the PRC and postponement of the auditor's field works. The Company expects the same will be obtained on or before 15 March 2020 and in any event not later than 31 March 2020, and a further announcement will be published as and when appropriate. FY2019 Annual Results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	FY2019 (Unaudited) HK$'000	FY2018 (Audited) HK$'000	Increase/ (decrease) %
REVENUE	4	**5,550,773**	4,768,318	16%
Direct costs and operating expenses		**(3,658,332)**	(3,144,540)	16%
Gross profit		**1,892,441**	1,623,778	17%
Other income and gains, net	5	**113,465**	140,583	(19%)
Administrative and other operating expenses		**(476,502)**	(439,564)	8%
Finance income	6	**20,348**	17,918	14%
Finance costs	6	**(355,287)**	(291,398)	22%
Share of profits of associates		**614**	422	45%
PROFIT BEFORE TAX	7	**1,195,079**	1,051,739	14%
Income tax	8	**(310,350)**	(314,984)	(1%)
PROFIT FOR THE YEAR		**884,729**	736,755	20%
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		**(43,987)**	(67,407)	(35%)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company's financial statements into the presentation currency		**(246,760)**	(441,728)	(44%)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**(290,747)**	(509,135)	(43%)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**593,982**	227,620	161%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the year ended 31 December 2019

	Notes	**FY2019 (Unaudited) *HK$'000***	FY2018 (Audited) *HK$'000*	Increase/ (decrease) %
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Company		**833,483**	676,459	23%
Non-controlling interests		**51,246**	60,296	(15%)
		884,729	736,755	20%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Company		**558,139**	195,887	185%
Non-controlling interests		**35,843**	31,733	13%
		593,982	227,620	161%
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*10*			
– Basic and diluted		**HK30.07 cents**	HK25.58 cents	18%

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group		Company	
		31 December 2019 (Unaudited)	31 December 2018 (Audited)	**31 December 2019 (Unaudited)**	31 December 2018 (Audited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS					
Investment property		**3,138**	–	**–**	–
Property, plant and equipment		**141,744**	144,779	**11**	18
Right-of-use assets		**25,609**	–	**–**	–
Prepaid land lease payments		**–**	5,372	**–**	–
		170,491	150,151	**11**	18
Goodwill		**1,213,509**	1,242,713	**–**	–
Intangible assets		**1,658,437**	1,536,169	**–**	–
Interests in subsidiaries		**–**	–	**9,988,163**	10,741,587
Interests in associates		**3,588**	3,011	**–**	–
Contract assets	*11*	**14,144,440**	11,727,822	**–**	–
Other financial assets	*12*	**462,045**	–	**431,035**	–
Trade and other receivables	*13*	**113,892**	159,259	**–**	–
Total non-current assets		**17,766,402**	14,819,125	**10,419,209**	10,741,605
CURRENT ASSETS					
Inventories		**37,948**	40,436	**–**	–
Contract assets	*11*	**1,389,205**	1,424,161	**–**	–
Trade and other receivables	*13*	**1,414,673**	1,025,044	**4,982,545**	3,663,426
Fixed deposits with maturity period of over three months		**–**	547,050	**–**	–
Cash and cash equivalents		**2,074,803**	1,728,573	**213,793**	31,661
Total current assets		**4,916,629**	4,765,264	**5,196,338**	3,695,087

STATEMENTS OF FINANCIAL POSITION *(continued)*

As at 31 December 2019

		Group		Company	
		31 December 2019 (Unaudited)	31 December 2018 (Audited)	**31 December 2019 (Unaudited)**	31 December 2018 (Audited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
CURRENT LIABILITIES					
Trade and other payables	*14*	**2,472,484**	1,895,095	**92,881**	102,001
Borrowings		**2,010,556**	2,160,400	**1,522,919**	1,053,319
Lease liabilities		**9,534**	–	**–**	–
Tax payable		**64,930**	45,083	**–**	–
Total current liabilities		**4,557,504**	4,100,578	**1,615,800**	1,155,320
NET CURRENT ASSETS		**359,125**	664,686	**3,580,538**	2,539,767
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,125,527**	15,483,811	**13,999,747**	13,281,372
NON-CURRENT LIABILITIES					
Borrowings		**7,069,140**	5,440,376	**4,039,303**	3,511,586
Lease liabilities		**11,379**	–	**–**	–
Deferred tax liabilities		**1,496,256**	1,379,738	**–**	–
Total non-current liabilities		**8,576,775**	6,820,114	**4,039,303**	3,511,586
NET ASSETS		**9,548,752**	8,663,697	**9,960,444**	9,769,786
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	*15*	**2,860,877**	2,676,062	**2,860,877**	2,676,062
Reserves		**5,949,192**	5,307,128	**7,099,567**	7,093,724
		8,810,069	7,983,190	**9,960,444**	9,769,786
Non-controlling interests		**738,683**	680,507	**–**	–
TOTAL EQUITY		**9,548,752**	8,663,697	**9,960,444**	9,769,786

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company									
	Share capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Foreign currency translation reserve (Unaudited) *HK$'000*	Statutory reserve (Unaudited) *HK$'000*	Contributed surplus reserve (Unaudited) *HK$'000*	Other reserves (Unaudited) *HK$'000*	Retained earnings (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Non-controlling interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
Group										
At 1 January 2019	2,676,062	1,333,181	(502,623)	300,386	1,229,302	(2,181)	2,949,063	7,983,190	680,507	8,663,697
Profit for the year	–	–	–	–	–	–	833,483	833,483	51,246	884,729
Foreign currency translation differences	–	–	(275,344)	–	–	–	–	(275,344)	(15,403)	(290,747)
2018 final dividend declared	–	–	–	–	–	–	(77,476)	(77,476)	–	(77,476)
2019 interim dividend declared	–	–	–	–	–	–	(105,183)	(105,183)	–	(105,183)
Issue of shares under global offering	103,970	206,900	–	–	–	–	–	310,870	–	310,870
Share issue expenses in relation to global offering	–	(11,643)	–	–	–	–	–	(11,643)	–	(11,643)
Issue of shares pursuant to scrip dividend scheme *(Note)*	80,845	71,681	–	–	–	–	–	152,526	–	152,526
Share issue expenses in relation to scrip dividend scheme	–	(354)	–	–	–	–	–	(354)	–	(354)
Dividend declared to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(23,035)	(23,035)
Capital contributions from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	45,368	45,368
Transfer to statutory reserve	–	–	–	98,023	–	–	(98,023)	–	–	–
At 31 December 2019	2,860,877	1,599,765	(777,967)	398,409	1,229,302	(2,181)	3,501,864	8,810,069	738,683	9,548,752

Note: During FY2019, the Company allotted and issued 80,844,537 new ordinary shares to the shareholders of the Company (the "Shareholders") who had elected to participate in the scrip dividend scheme.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2018

	Attributable to equity holders of the Company									
	Share capital (Audited) *HK$'000*	Share premium (Audited) *HK$'000*	Foreign currency translation reserve (Audited) *HK$'000*	Statutory reserve (Audited) *HK$'000*	Contributed surplus reserve (Audited) *HK$'000*	Other reserves (Audited) *HK$'000*	Retained earnings (Audited) *HK$'000*	Total (Audited) *HK$'000*	Non-controlling interests (Audited) *HK$'000*	Total equity (Audited) *HK$'000*
Group										
At 1 January 2018										
Originally stated	2,625,642	1,266,248	(22,051)	200,799	1,229,302	(2,181)	2,559,424	7,857,183	684,622	8,541,805
Effect of adoption of International Financial Reporting Standard 9	–	–	–	–	–	–	(35,669)	(35,669)	–	(35,669)
As restated	2,625,642	1,266,248	(22,051)	200,799	1,229,302	(2,181)	2,523,755	7,821,514	684,622	8,506,136
Profit for the year	–	–	–	–	–	–	676,459	676,459	60,296	736,755
Foreign currency translation differences	–	–	(480,572)	–	–	–	–	(480,572)	(28,563)	(509,135)
2017 final dividend declared	–	–	–	–	–	–	(76,920)	(76,920)	–	(76,920)
2018 interim dividend declared	–	–	–	–	–	–	(74,644)	(74,644)	–	(74,644)
Issue of shares pursuant to scrip dividend scheme *(Note)*	50,420	67,281	–	–	–	–	–	117,701	–	117,701
Share issue expenses in relation to scrip dividend scheme	–	(348)	–	–	–	–	–	(348)	–	(348)
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(36,040)	(36,040)
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	192	192
Transfer to statutory reserve	–	–	–	99,587	–	–	(99,587)	–	–	–
At 31 December 2018	2,676,062	1,333,181	(502,623)	300,386	1,229,302	(2,181)	2,949,063	7,983,190	680,507	8,663,697

Note: During FY2018, the Company allotted and issued 50,420,315 new ordinary shares to the Shareholders who had elected to participate in the scrip dividend scheme.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Foreign currency translation reserve *HK$'000*	Contributed surplus reserve *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
Company							
At 1 January 2019 (Unaudited)	**2,676,062**	**123,131**	**(934,538)**	**7,639,082**	**64,953**	**201,096**	**9,769,786**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**168,678**	**168,678**
Foreign currency translation differences	**–**	**–**	**(246,760)**	**–**	**–**	**–**	**(246,760)**
2018 final dividend declared	**–**	**–**	**–**	**–**	**–**	**(77,476)**	**(77,476)**
2019 interim dividend declared	**–**	**–**	**–**	**–**	**–**	**(105,183)**	**(105,183)**
Issue of shares under global offering	**103,970**	**206,900**	**–**	**–**	**–**	**–**	**310,870**
Share issue expenses in relation to global offering	**–**	**(11,643)**	**–**	**–**	**–**	**–**	**(11,643)**
Issue of shares pursuant to scrip dividend scheme	**80,845**	**71,681**	**–**	**–**	**–**	**–**	**152,526**
Share issue expenses in relation to scrip dividend scheme	**–**	**(354)**	**–**	**–**	**–**	**–**	**(354)**
At 31 December 2019 (Unaudited)	**2,860,877**	**389,715**	**(1,181,298)**	**7,639,082**	**64,953**	**187,115**	**9,960,444**
At 1 January 2018 (Audited)	2,625,642	56,198	(492,810)	7,639,082	64,953	79,382	9,972,447
Profit for the year	–	–	–	–	–	273,278	273,278
Foreign currency translation differences	–	–	(441,728)	–	–	–	(441,728)
2017 final dividend declared	–	–	–	–	–	(76,920)	(76,920)
2018 interim dividend declared	–	–	–	–	–	(74,644)	(74,644)
Issue of shares pursuant to scrip dividend scheme	50,420	67,281	–	–	–	–	117,701
Share issue expenses in relation to scrip dividend scheme	–	(348)	–	–	–	–	(348)
At 31 December 2018 (Audited)	2,676,062	123,131	(934,538)	7,639,082	64,953	201,096	9,769,786

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	FY2019 (Unaudited) *HK$'000*	FY2018 (Audited) *HK$'000*
Cash flows from operating activities		
Profit before tax	**1,195,079**	1,051,739
Adjustments for:		
Depreciation of property, plant and equipment	**16,571**	16,736
Depreciation of right-of-use assets	**6,979**	–
Amortisation of prepaid land lease payments	**–**	357
Amortisation of intangible assets	**73,148**	72,349
Loss on disposals of property, plant and equipment	**933**	445
Finance costs	**355,287**	291,398
Interest income	**(20,348)**	(17,918)
Share of profits of associates	**(614)**	(422)
Fair value adjustment of contingent consideration receivable	**646**	(3,428)
Fair value changes of other financial assets, net	**(28,008)**	–
Provision for impairment of trade receivables	**17,314**	16,664
Effect of foreign exchange rates changes, net	**4,355**	45,559
Operating cash flows before working capital changes	**1,621,342**	1,473,479
Changes in working capital:		
Decrease/(increase) in inventories	**1,740**	(27,907)
Increase in contract assets	**(2,755,533)**	(2,233,287)
Increase in trade and other receivables	**(397,433)**	(421,441)
Increase in trade and other payables	**607,019**	341,840
Cash used in operations	**(922,865)**	(867,316)
PRC income tax paid	**(135,257)**	(148,331)
Net cash flows used in operating activities	**(1,058,122)**	(1,015,647)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2019

	FY2019 (Unaudited) *HK$'000*	FY2018 (Audited) *HK$'000*
Cash flows from investing activities		
Payment for acquisition of subsidiaries, net of cash acquired	**–**	(51,494)
Purchases of items of property, plant and equipment	**(17,885)**	(11,176)
Proceeds from disposals of property, plant and equipment	**1**	89
Payment for additions of intangible assets	**(229,313)**	(181,134)
Capital contribution to an associate	**–**	(1,168)
Increase in amount due from an associate	**(4,646)**	(4,551)
Increase in other financial assets	**(451,563)**	–
Decrease in fixed deposits with maturity period of over three months and restricted balances in financial institutions	**549,040**	177,975
Interest received	**20,348**	17,918
Net cash flows used in investing activities	**(134,018)**	(53,541)
Cash flows from financing activities		
Proceeds from issue of shares under global offering	**310,870**	–
Payment for listing expenses	**(11,643)**	–
Capital contributions from non-controlling shareholders of subsidiaries	**45,368**	192
(Decrease)/increase in amounts due to intermediate holding companies	**(4)**	4
Proceeds from the issuance of corporate bonds, net of related expenses paid	**804,235**	944,251
New bank loans	**3,203,420**	2,418,142
Repayments of bank and other loans	**(2,388,854)**	(2,229,213)
Interest paid	**(332,973)**	(268,257)
Principal elements of lease payments	**(6,430)**	–
Interest elements of lease payments	**(777)**	–
Increase in pledged bank deposits	**(1,397)**	(22,669)
Dividends paid to shareholders of the Company	**(29,279)**	(31,687)
Share issue expenses in relation to scrip dividend scheme	**(354)**	(348)
Dividends paid to non-controlling shareholders of subsidiaries	**(28,990)**	(28,609)
Net cash flows generated from financing activities	**1,563,192**	781,806
Net increase/(decrease) in cash and cash equivalents	**371,052**	(287,382)
Cash and cash equivalents at beginning of the year	**1,706,871**	2,074,414
Effect of exchange rate fluctuations on cash and cash equivalents, net	**(25,673)**	(80,161)
Cash and cash equivalents at end of the year	**2,052,250**	1,706,871

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs")(which comprise all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) approved by the International Accounting Standards Board (the "IASB").

The accounting policies and basis of preparation adopted in the preparation of the financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2018 except for the adoption of the new and revised IFRSs issued by the IASB, which became effective from the current year's financial statements, as further detailed below. The financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. These financial statements have been reviewed by the Company's Audit Committee.

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The principal effects of adopting the new and revised IFRSs are as follows:

(a) IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The Group's prepaid land lease payments represent right-of-use assets under IFRS 16. These were classified as right-of-use assets as at 1 January 2019.

1. BASIS OF PREPARATION *(continued)*

(a) IFRS 16 Leases *(continued)*

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group has classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under “Prepayments” and “Trade and other payables”, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard has always been applied, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term leases exemption to lease with lease term that ends within 12 months of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

1. BASIS OF PREPARATION *(continued)*

(a) IFRS 16 Leases *(continued)*

Based on the above, as at 1 January 2019:

- No right-of-use assets were recognised and presented separately in the statement of financial position.

- No additional lease liabilities were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	10,678
Weighted average incremental borrowing rate as at 1 January 2019	4.56%
Discounted operating lease commitments at 1 January 2019	9,315
Less:	
Commitments relating to short-term leases	(9,315)
Lease liabilities as at 1 January 2019	–

(b) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;

- the assumptions an entity makes about the examination of tax treatments by taxation authorities;

- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

- how an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

1. **BASIS OF PREPARATION** *(continued)*

(b) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment *(continued)*

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

(c) Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cashflow are "solely payments of principal and interest on the principal amount outstanding" (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

(d) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

(e) Amendments to IAS 28: Long-term Interests in Assoicates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associates.

1. **BASIS OF PREPARATION** *(continued)*

(f) Annual Improvements 2015-2017 Cycle

(i) IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

(ii) IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

(iii) IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

1. BASIS OF PREPARATION *(continued)*

(f) Annual Improvements 2015-2017 Cycle *(continued)*

(iv) IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] No mandatory effective date yet determined but available for adoption.
[4] Effective for business combination for which the acquisition date is on or after 1 January 2020 and to asset acquisition that occurs on or after the beginning of that period.

3. OPERATING SEGMENT INFORMATION

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

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

Business segment

The Group had only one operating segment for the years ended 31 December 2019 and 2018, namely the water environment management business, the details of which are set out below:

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

Geographical information

(a) Revenue from external customers

	FY2019 (Unaudited) ***HK$'000***	FY2018 (Audited) *HK$'000*
Mainland China	**5,536,089**	4,768,318
Germany	**14,684**	–
	5,550,773	4,768,318

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

(b) Non-current assets

	At 31 December 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Mainland China	**17,292,356**	14,818,264
Hong Kong	**9,659**	843
Singapore	**2,154**	18
Germany	**188**	–
	17,304,357	14,819,125

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

Major customers

	FY2019 (Unaudited) ***HK$'000***	FY2018 (Audited) *HK$'000*
Customer 1**	**1,139,784**	1,585,196
Customer 2**	**644,862**	N/A*
Customer 3**	**N/A***	490,005

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

** The customer is a local government authority.

4. REVENUE

	FY2019	FY2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Construction service revenue from service concession arrangements	**3,007,524**	2,709,369
Finance income from service concession arrangements	**796,192**	720,714
Operation income from service concession arrangements	**1,520,302**	1,208,567
Operation income from reusable water supply services	**27,682**	29,104
Construction contract revenue and technical service income	**199,073**	100,564
	5,550,773	4,768,318
Timing of revenue recognition:		
At a point in time	**110,731**	29,104
Over time	**4,643,850**	4,018,500
	4,754,581	4,047,604
Finance income from service concession arrangements	**796,192**	720,714
	5,550,773	4,768,318

The aggregate amount of construction service revenue, finance income and operation income from the local government authorities in the PRC amounted to HK$5,282,742,000 and HK$4,597,023,000 for the years ended 31 December 2019 and 2018 respectively.

5. OTHER INCOME AND GAINS, NET

	FY2019	FY2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Government grants*	**21,536**	23,857
Value-added tax ("VAT") refunds**	**57,282**	98,609
Fair value gain/(loss), net:		
Contingent consideration receivable	**(646)**	3,428
Other financial assets – unlisted investment	**23,512**	–
Other financial assets – unlisted equity investment	**4,496**	–
Sludge landfill site closure subsidy	**–**	2,373
Sundry income	**7,285**	12,316
	113,465	140,583

* Government grants of HK$21,536,000 and HK$23,857,000 were issued during the years ended 31 December 2019 and 2018 respectively, to subsidise certain waste water treatment plants of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipt of those grants. There is no assurance that the Group will continue to receive such grants in the future.

** VAT refunds of HK$57,282,000 and HK$98,609,000 were received/receivable during the years ended 31 December 2019 and 2018 respectively, in relation to certain of the Group's environmental water projects in operation in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipt of such tax refunds. There is no assurance that the Group will continue to receive such tax refunds in the future.

6. NET FINANCE COSTS

	FY2019 (Unaudited) *HK$'000*	FY2018 (Audited) *HK$'000*
Finance income		
Interest income on bank deposits	**20,348**	17,918
Finance costs		
Interest expense on:		
Bank and other loans	**(232,095)**	(220,940)
Corporate bonds	**(122,415)**	(70,458)
Lease liabilities	**(777)**	–
	(355,287)	(291,398)
Net finance costs	**(334,939)**	(273,480)

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	FY2019 (Unaudited) *HK$'000*	FY2018 (Audited) *HK$'000*
Depreciation*		
– property, plant and equipment	**16,571**	16,736
– right-of-use assets	**6,979**	–
Amortisation		
– prepaid land lease payments	**–**	357
– intangible assets*	**73,148**	72,349
Loss on disposals of property, plant and equipment	**933**	445
Cost of construction services**	**2,272,345**	2,131,808
Research and development costs	**41,112**	46,458
Rental expense from short-term leases	**5,349**	10,050
Provision for impairment of trade receivables	**17,314**	16,664
Foreign exchange differences, net	**13,618**	20,221
Listing expenses	**19,065**	31,726
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**243,909**	207,549
Defined contribution plans	**64,762**	49,225
Welfare and other benefits	**34,620**	26,466
	343,291	283,240
Fees paid to auditor of the Company:		
Audit fees	**680**	460
Non-audit fees	**–**	–
Fees paid to affiliates of auditor of the Company:		
Audit fees	**2,400**	1,920
Non-audit fees		
– Reporting accountant fees (included in listing expenses)	**1,078**	6,378
– Others	**735**	691

7. PROFIT BEFORE TAX *(continued)*

* Amortisation of intangible assets, depreciation and employee benefit expense in total of HK$242,043,000 and HK$226,495,000 for the years ended 31 December 2019 and 2018, respectively, are included in "Direct costs and operating expenses" in the consolidated statement of comprehensive income.

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

As at the end of FY2019 and FY2018, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years.

8. INCOME TAX

No provision for Singapore or Hong Kong income tax was made, as the Group did not earn any income subject to Singapore or Hong Kong income tax during the years ended 31 December 2019 and 2018.

Tax for the PRC operations is charged at the statutory rate of 25% based on the assessable profits in accordance with the tax rules and regulations in the PRC. During the year ended 31 December 2019, certain PRC subsidiaries of the Group were subject to a preferential tax rate of 15% pursuant to the relevant tax rules and regulations. During the years ended 31 December 2019 and 2018, certain PRC subsidiaries of the Group were subject to tax at half of the foregoing statutory rate or fully exempted from income tax pursuant to the relevant tax rules and regulations.

	FY2019 (Unaudited) ***HK$'000***	FY2018 (Audited) *HK$'000*
Current – PRC:		
Charge for the year	**158,824**	139,967
(Overprovision)/underprovision in prior years	**(2,167)**	4,156
Deferred	**153,693**	170,861
Total tax expense for the year	**310,350**	314,984

9. DIVIDENDS

	FY2019 (Unaudited) ***HK$'000***	FY2018 (Audited) *HK$'000*
Dividends for the financial year:		
Interim – HK3.74 cents (equivalent to 0.65 Singapore cents ("Sing cents")) (FY2018: 0.49 Sing cents) per ordinary share	**105,183**	74,644
Proposed final – HK3.74 cents (equivalent to 0.67 Sing cents) (FY2018: 0.50 Sing cents) per ordinary share	**106,997**	77,476
	212,180	152,120
Final dividend for the previous financial year which was paid during the finanical year – 0.50 Sing cents (FY2018: 0.49 Sing cents) per ordinary share	**77,476**	76,920

The proposed final dividend for FY2019 is subject to the approval of the Shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10. EARNINGS PER SHARE

The basic earnings per share is calculated as the Group's profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year.

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

	FY2019 (Unaudited) *HK$'000*	FY2018 (Audited) *HK$'000*
Profit for the year attributable to equity holders of the Company	**833,483**	676,459
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**2,772,099**	2,644,322
	HK cents	*HK cents*
Basic and diluted earnings per share	**30.07**	25.58

11. CONTRACT ASSETS

Group

	At 31 December 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Gross amounts due from customers for contract work	**10,396,545**	8,677,810
Other receivables related to service concession arrangements	**5,137,100**	4,474,173
	15,533,645	13,151,983
Less: Non-current portion	**(14,144,440)**	(11,727,822)
Current portion	**1,389,205**	1,424,161
Contract costs incurred plus recognised profits less anticipated losses	**15,480,134**	12,891,494
Less: Progress billings	**(5,083,589)**	(4,213,684)
Net contract work	**10,396,545**	8,677,810
Representing:		
Gross amounts due from customers for contract work	**10,396,545**	8,677,810

11. CONTRACT ASSETS *(continued)*

Included in "contract assets" as at 31 December 2019 and 2018 are amounts of HK$542,172,000 and HK$582,215,000, respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK$730,733,000 and HK$603,995,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 31 December 2019 and 2018 totalling HK$15,533,645,000 and HK$13,151,983,000, respectively, bear interest at rates ranging from 4.90% to 7.83% and 4.90% to 7.83%, respectively, per annum. As at 31 December 2019 and 2018, HK$8,120,095,000 and HK$5,443,224,000, respectively, related to the service concession arrangements with operation commenced. The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (note 13). No impairment loss was recognised by the Group at 31 December 2019 and 2018 in respect of the contract assets.

12. OTHER FINANCIAL ASSETS

Group

	At 31 December 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Unlisted investments, at fair value	**431,035**	–
Unlisted equity investment, at fair value	**31,010**	–
	462,045	–

The unlisted investments as at 31 December 2019 were wealth management products issued by financial institutions in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. TRADE AND OTHER RECEIVABLES

Group

	At 31 December 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Non-current		
Trade receivables	**4,714**	50,216
VAT receivable	**93,539**	92,341
Other receivables	**7,458**	10,518
Amount due from an associate	**8,181**	4,029
	113,892	157,104
Contingent consideration receivable	**–**	2,155
	113,892	159,259
Current		
Trade receivables	**971,831**	720,953
Less: Impairment	**(65,902)**	(49,888)
	905,929	671,065
VAT receivable	**153,908**	131,658
Other receivables and sundry deposits	**261,703**	90,918
Prepayments	**85,425**	125,017
	1,406,965	1,018,658
Contingent consideration receivable	**7,708**	6,386
	1,414,673	1,025,044
Total	**1,528,565**	1,184,303

13. TRADE AND OTHER RECEIVABLES *(continued)*

The movements in provision for impairment of trade receivables are as follows:

	At 31 December 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
At the beginning of the year	**49,888**	–
Effect on adoption of IFRS 9	**–**	35,669
Impairment losses recognised *(note 7)*	**17,314**	16,664
Exchange realignment	**(1,300)**	(2,445)
At the end of the year	**65,902**	49,888

Included in "Trade and other receivables" are trade receivables, that are neither individually nor collectively to be impaired, with the following ageing analysis as at the end of the reporting period:

Group

	At 31 December 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Current	**564,953**	367,987
Past due:		
– 1 to 30 days	**100,857**	21,844
– 31 to 90 days	**68,585**	73,100
– 91 to 180 days	**33,904**	133,978
– 181 to 365 days	**32,316**	54,511
– more than 1 year but within 2 years	**84,314**	38,851
– over 2 years	**25,714**	31,010
Amounts past due	**345,690**	353,294
	910,643	721,281

13. TRADE AND OTHER RECEIVABLES *(continued)*

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

Group

	At 31 December 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**517,087**	295,894
More than 1 month but within 2 months	**80,356**	67,763
More than 2 months but within 4 months	**71,936**	67,071
More than 4 months but within 7 months	**73,728**	147,661
More than 7 months but within 13 months	**56,103**	53,203
More than 13 months	**111,433**	89,689
	910,643	721,281

Trade receivables are due within 30 to 90 days from the date of billing. During the year ended 31 December 2019, certain local government authorities agreed on repayment schedules pursuant to which the Group's trade receivables past due amounting to HK$4,714,000 will be settled by instalments in 2021.

Included in "Trade and other receivables" of the Group as at 31 December 2019 and 2018 were trade receivables of HK$910,643,000 and HK$721,281,000, of which HK$70,615,000 and HK$148,663,000, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, HK$11,072,000 and HK$10,612,000, respectively, were due from a related company of a non wholly-owned subsidiary, HK$57,803,000 and HK$51,960,000, respectively, were due from fellow subsidiaries.

Included in "Trade and other receivables" of the Group as at 31 December 2019 and 2018 was contingent consideration receivable of HK$7,708,000 and HK$8,541,000, respectively, in relation to the acquisition of Xuzhou Municipal Engineering Design Institute Co., Ltd. during the year ended 31 December 2018. The contingent consideration receivable constitutes a derivative within the scope of IFRS 9, and is recognised at its fair value as asset on initial recognition and is subsequently remeasured at fair value with changes in fair value recognised in profit or loss.

13. TRADE AND OTHER RECEIVABLES *(continued)*

	At 31 December 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
At the beginning of the year	**8,541**	–
Additions	**–**	5,643
Fair value (loss)/gain recognised in profit or loss *(note 5)*	**(646)**	3,428
Exchange realignment	**(187)**	(530)
At the end of the year	**7,708**	8,541
Portion classified as current assets	**(7,708)**	(6,386)
Non-current portion	**–**	2,155

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

14. TRADE AND OTHER PAYABLES

Group

	At 31 December 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trade payables	**1,959,851**	1,472,377
Amounts due to intermediate holding companies	**–**	4
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	**20,931**	28,583
Interest payable	**84,858**	64,776
Payable for acquisition	**9,094**	14,994
Tax payables	**27,690**	42,541
Other creditors and accrued expenses	**370,060**	271,820
	2,472,484	1,895,095

14. TRADE AND OTHER PAYABLES *(continued)*

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

Group

	At 31 December 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Within 6 months	**1,525,166**	1,219,776
Over 6 months	**434,685**	252,601
	1,959,851	1,472,377

Trade payables totalling HK$1,627,065,000 and HK$1,231,468,000 as at 31 December 2019 and 2018 respectively represent construction payables for the Group's Build-Operate-Transfer, Build-Own-Operate, and Transfer-Operate-Transfer arrangements. The construction payables are not yet due for payment.

Included in "Trade payables" of the Group as at 31 December 2019 and 2018 were trade payables of HK$2,218,000 and HK$1,136,000, respectively, due to a non-controlling shareholder of a non wholly-owned subsidiary, which are unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling shareholder to its major customers.

Included in "Trade payables" of the Group as at 31 December 2019 and 2018 were trade payables of HK$8,361,000 and HK$6,940,000, respectively, due to an associate, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate to its major customers.

Included in "Other creditors and accrued expenses" of the Group as at 31 December 2019 and 2018 was a guarantee deposit of HK$14,240,000 and HK$14,230,000, respectively, from a former director of a subsidiary.

The amounts due to intermediate holding companies of the Group as at 31 December 2018 were unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

Group and Company

	At 31 December 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$1.00 each	**10,000,000**	10,000,000
Issued and fully paid:		
2,860,876,723 and 2,676,062,186 ordinary shares of HK$1.00 each	**2,860,877**	2,676,062

15. SHARE CAPITAL *(continued)*

	No. of shares *'000*	Amount *HK$'000*
Issued and fully paid:		
At 31 December 2018 and 1 January 2019 (Audited)	2,676,062	2,676,062
Issue of shares under global offering *(Note (a))*	103,970	103,970
Issue of shares pursuant to scrip dividend scheme *(Note (b))*	80,845	80,845
At 31 December 2019 (Unaudited)	2,860,877	2,860,877

Notes:

(a) The Company completed its global offering by issuing 10,398,000 new ordinary shares with par value of HK$1.00 each under the Hong Kong public offer and 93,572,000 new ordinary shares with par value of HK$1.00 each under the international offer on 7 and 8 May 2019. The offer price of these new ordinary shares was HK$2.99 per share. Dealings in these new ordinary shares on the Main Board of SEHK commenced on 8 May 2019.

The total gross proceeds from the global offering amounted to approximately HK$310,870,000, among which HK$103,970,000 was credited to share capital and HK$206,900,000 was credited to share premium, net of share issue expenses of HK$11,643,000.

(b) The Company declared a final dividend of 0.50 Sing cents per ordinary share for the financial year ended 31 December 2018. According to the result of an election between a cash dividend and a scrip dividend by the Shareholders, the Company allotted and issued 32,498,492 new ordinary shares to the Shareholders pursuant to the scrip dividend scheme, with approximately HK$32,498,000 credited to share capital and HK$35,533,000 credited to share premium, net of share issue expenses of SGD30,000 (equivalent to approximately HK$172,000).

The Company declared an interim dividend of HK3.74 cents (equivalent to 0.65 Sing cents) per ordinary share for the six months ended 30 June 2019. According to the result of an election between a cash dividend and a scrip dividend by the Shareholders, the Company allotted and issued 48,346,045 new ordinary shares pursuant to the scrip dividend scheme, with approximately HK$48,346,000 credited to share capital and HK$36,148,000 credited to share premium, net of share issue expenses of SGD32,000 (equivalent to approximately HK$182,000).

16. EVENT AFTER THE REPORTING PERIOD

The Company announced on 17 February 2020 that it recently secured Jiangsu Suzhou Wuzhong Chengnan Waste Water Treatment Plant Effluent Upgrading Project, which will be invested in, constructed by and operated on a Build-Operate-Transfer model. The project has a total designed waste water treatment capacity of 150,000 m^3/day and commands a total investment of RMB109 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Operating Results

In FY2019, amid the uncertainty and changes in external environment, the PRC faced with increasingly downward pressure on its domestic economy and a continuously tightening financing environment. In turn, this led to a more intense competition in the ecological and environmental protection industry with increasing pressure on the industry development. Meanwhile, as the PRC is marching into the final year of the "13th Five-Year Plan", the government will continue stepping up its efforts in ecological and environmental protection and management, as well as tightening the industry regulations and enhancing their enforcement. This will set more stringent standards and requirements for the environmental protection enterprises and will also allow the industry to further release its market opportunities.

In spite of various challenges, the Group, during the year under review, successfully seized timely opportunities arising from consolidation and adjustment of the industry, and maintained a good development momentum. As an environmental protection company focusing on water environment management, the Group adheres to its corporate mission of being "Devoted to Ecology and Environment for a Beautiful China", and upholds its development philosophy of "capital-driven integration and innovation-driven development". The Group had gradually formed a full-service business chain in the water industry, including project investment, planning and design, technological research and development ("R&D"), engineering and construction, operations management and etc. Its principal business also cover the areas of raw water protection, water supply, municipal waste water treatment, industrial waste water treatment, reusable water, river-basin ecological restoration, and sludge treatment and disposal and etc.

The Group achieved a major milestone in FY2019. On 8 May 2019, the Company became officially listed on the Main Board of the SEHK, achieving its dual primary listing status in Singapore and Hong Kong (the "Dual Primary Listing"). This helped the Company further expand its international financing platforms to be well prepared for the next round of operation and development.

As at 31 December 2019, the Group secured 1 raw water protection project, 3 water supply projects, 96 municipal waste water treatment projects, 12 industrial waste water treatment projects, 1 leachate treatment project, 8 reusable water projects, 6 river-basin ecological restoration projects, and 2 waste water source heat pump projects. These projects command a total investment of approximately RMB23.485 billion. In addition, the Group undertook 2 engineering, procurement and construction ("EPC") projects and 1 operation and management ("O&M") project, which command a total contract value of approximately RMB146 million. All these projects have a total designed daily water supply capacity of 850,000 m^3, a designed daily waste water treatment capacity of 5,141,600 m^3, and a designed daily reusable water supply of 206,600 m^3. The waste water source heat pump projects are capable of providing heating and cooling services to an area of 295,000 m^2. Among these, 101 projects were under operation, 1 project completed construction, 14 projects were under construction and 16 projects were under preparatory stages.

In terms of operating results, the Group recorded steady growth in its key indicators, such as revenue and profit, in FY2019. During the year under review, the Group's revenue amounted to HK$5.55 billion, representing an increase of 16% from HK$4.77 billion in FY2018. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") increased by 15% from HK$1.43 billion in FY2018 to HK$1.65 billion in FY2019. Profit attributable to equity holders of the Company for FY2019 was HK$833.48 million, up 23% from HK$676.50 million recorded in FY2018. Basic earnings per share for FY2019 were HK30.07 cents, indicating an increase of HK4.49 cents over HK25.58 cents in FY2018. In addition, the Group has ready access to financing channels, with sufficient funds, reasonable gearing ratio and healthy financial position.

In relation to market expansion, the Group continued promoting growth in scale and innovative development. During the year under review, the Group broke the records by expanding to new geographical areas and new business areas, as well as developing new business models. Its business expanded to Zhejiang Province, and tapped into several new locations in Shandong Province and Jiangsu Province. Zhejiang Tongxiang West Area Drinking Water Sources Protection Public-Private Partnership ("PPP") Project was the Group's first project in the area of raw water protection and supply, expanding its business coverage. Shandong Zibo Zhangdian East Chemical Industry Park Industrial Waste Water Treatment Project marked the Group's first adoption of market-oriented operation model for the industry park waste water treatment business. It is of great significance in terms of further expanding the Group's industry chain. During the year under review, the Group secured 18 new projects and signed 1 supplementary agreement for existing project, commanding a total investment of approximately RMB4.743 billion, including 1 raw water protection project, 13 waste water treatment projects, 3 reusable water projects, 1 waste water pipeline network project, and 1 supplementary agreement for existing project. In addition, the Group undertook 2 EPC projects and 1 O&M project, with a total contract value of approximately RMB146 million.

The new projects contributed to the increases in daily waste water treatment capacity by 655,000 m^3, daily reusable water supply capacity by 85,000 m^3, daily water supply capacity by 600,000 m^3, and daily sludge treatment and disposal capacity by 200 tonnes.

In relation to operations management, the Group adheres to the principle of "safe production with compliant discharge". As such, the Group continuously maintained stable daily operation of projects and strict compliance with relevant standards, as well as optimising and adjusting its operational process to develop a more robust long-term environmental management mechanism. In the meantime, the Group continued enhancing the implementation of the Environmental, Safety, Health and Social Responsibility ("ESHS") management system ("ESHS Management System") and Risk Management System. The Group also continued promoting the application of its "Intelligent Water" management system. By doing so, the Group aimed to enhance the level of intelligence in asset management, project management and environmental management as well as to refine and improve the proficiency of its processes. During the year under review, a total of 10 waste water treatment plants of the Group received regulatory approval for tariff hikes, ranging from 4% to 61%, and subsidies of RMB65.27 million in total were granted to the Group.

In relation to project construction, during the year under review, the Group adhered to its project construction philosophy of "Safety is Paramount while Quality is the Key to Survival", and all of its construction works progressed smoothly. In particular, the Group overcame various challenges during the construction of Inner Mongolia Tongliao Development Zone Waste Water Treatment Project Upgrading and Expansion, such as: a tight construction schedule and complex construction conditions, and successfully recorded the shortest construction period in its track record, while ensuring the normal operation of the existing project. The construction was well recognised by the local government, showing the Group's capability in providing quality and efficient construction work. During the year under review, the Group ensured zero work safety accidents during construction. In the meantime, the Group further improved its management system for construction projects, by establishing a Construction Safety and Environment Management Committee and enhancing the management of construction qualifications. By riding on the principles of "high quality, high standards and advanced technologies", many projects of the Group received awards and recognitions at provincial and municipal levels. In FY2019, the Group had 18 projects which commenced construction, with a designed daily waste water treatment capacity of 354,100 m^3 (including treatment capacity of EPC projects), a designed daily reusable water supply capacity of 80,000 m^3, and a designed daily sludge treatment capacity of 200 tonnes. A total of 18 projects completed construction and commenced operation, with a designed daily waste water treatment capacity of 440,600 m^3, a designed daily reusable water supply capacity of 40,000 m^3, a designed daily water supply capacity of 150,000 m^3, and a designed daily sludge treatment capacity of 50 tonnes. As at 31 December 2019, the Group had 16 projects in the preparatory stages, with a daily water treatment capacity of 1,150,000 m^3.

In relation to technological R&D, the Group adhered to the "Innovation-driven Development" ethos and strived to develop new technologies with characteristics. During the year under review, the Group continuously focused on technological R&D and acquisition of technologies, in the areas such as advanced waste water treatment, water environment management and sludge treatment and disposal. It also developed technologies and products, such as Membrane Aerated Bioreactor (MABR), accurate dosing and aeration, and new ozone catalysts, to meet the market demands. Meanwhile, the Group proactively applied its research results to its projects. Among these, the Group's in-house technologies in accurate dosing, aerated biological pools, and low-temperature sludge dehydration have been adopted by over 40 projects of the Group, to safeguard stable operation and compliance with relevant discharge standards. The Group had also signed agreements for multiple projects to provide its in-house technologies, with a total contract value of approximately RMB112 million. Furthermore, during the year under review, the Group boosted its efforts in upgrading its qualifications, and continued industrial-academic collaborations with tertiary education and scientific research institutions at home and abroad. In FY2019, the Group was granted 25 patents (11 invention patents inclusive) and published 27 scientific papers.

In relation to engineering design, the Group continued integrating Xuzhou Municipal Engineering Design Institute Co., Ltd. ("Xuzhou Design Institute"), which was acquired in FY2018, while actively exploring planning and design businesses. In FY2019, Xuzhou Design Institute undertook 234 engineering design service projects in business areas such as water supply, waste water treatment, leachate treatment and municipal public project consultancy.

In relation to the capital market, the Group, during the year under review, actively explored diversified financing channels for the future development. Apart from achieving dual listing status in Singapore and Hong Kong, the Company completed the issuance of its third tranche of RMB-denominated corporate bonds with a principal amount of RMB700 million in January 2019. The bond issuance effectively improved the Company's financing structure.

Whilst steadily growing and developing business, the Group places great emphasis on the environment and community, and values them as key components of corporate social responsibilities. During the year under review, the Group progressively opened up many of its projects to the public. The Group received a total of 872 groups of more than 19,000 visitors from all social circles. During the "World Environment Day" event on 5 June 2019, the Group's project companies in various cities, such as Nanjing, Nanning and Beijing, collaborated with the local governments and relevant institutions in organising a series of activities to engage the public and promote environmental protection. The events received overwhelming responses and enhanced the brand reputation of the Group as a corporate citizen. At the project company level, the staff launched various charity activities, including charity donations, caring visits and poverty alleviation. These activities strengthened the projects' interactions and connections with the local governments and communities, and enhanced the mutual trust and support between the Group and the communities.

Owing to the continuous efforts in business development, project construction, environmental management and sustainable development, the Group received various awards and recognitions from home and abroad during the year under review, including: the 21st place in the 2019 "China's Top 50 Environmental Enterprises" organised by China Environment Chamber of Commerce of the All-China Federation of Industry and Commerce, the Top 10 Influential Enterprises in China's Water Industry, the "Best of Social Responsibility Award" at the 2019 China Corporate Elites Award Ceremony, the "Sustainability Winner" by the Securities Investors Association (Singapore); and admission to the list of Centurion Club by The Edge Singapore, a financial magazine in Singapore. At project level, the Group had a number of waste water treatment projects being listed as "National Environmental Protection Facilities and Urban Waste Water and Waste Treatment Facilities Opened to the Public". In addition, several other projects were selected as provincial and municipal environmental protection facilities that are open to the public, reflecting the Group's important role in promoting the awareness of ecological and environmental protection at both local and national levels.

The Company is committed to creating value for the Shareholders. To share the operating fruits with the Shareholders, the Board recommended a final dividend of HK3.74 cents (equivalent to 0.67 Sing cents) per ordinary share for the financial year ended 31 December 2019 (FY2018: 0.50 Sing cents per ordinary share).

Business Prospects

Response to COVID-19

Before the Lunar New Year 2020, the novel coronavirus ("COVID-19") spread widely in China. Facing the grim situation of COVID-19 outbreak, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, during this critical period, the Group has proactively taken steps in ensuring the stable operations and compliant discharge of all projects, and preventing the secondary transmission of the virus through wastes such as waste water.

At present, the Group coordinates with different parties and takes swift actions. It actively applies for permission to resume constructions of its construction projects, stores up sufficient operational materials and protective gears for its operating projects, and implements various flexible working arrangements according to the nature and duties of each job position. The Group uses its best endeavors to mitigate the adverse impact of the COVID-19 outbreak on the Group.

The Group will continue closely monitoring the development of COVID-19 situation and ensure the safety of employees and stable operations of projects. The Group will also adjust its measures and plans for epidemic prevention and control, project operations and business development accordingly, as and when appropriate. In addition, it will make timely disclosure on any important matters. The Group will also actively carry out capacity building and training programs during the epidemic to be fully prepared for business development after the epidemic.

Business Outlook

Being the final year of the PRC's "13th Five-Year Plan", the year of 2020 is crucial towards winning the battle against pollution and building a moderately prosperous society in all respects. Following the escalation of ecological environmental protection and management to a new level as national strategies, the PRC government placed emphasis of unprecedented level on its environmental protection and ecological conservation. It was constantly stressed the importance of winning the battle for pollution control and prevention in the central economic working conference and other important national conference, to continuously improve the ecological environment. By further enforcing a series of environmental protection policies including the "Clean Water Action Plan", "Clean Soil Action Plan" and "Clean Air Action Plan", the government continued strengthening its stringent supervision on the ecological and environmental protection.

With the reinforced instructions from the top level, a well-established policy environment and a more stringent industry regulation, the ecological environmental protection enterprises have marched into a crucial stage – a stage that they must strive to provide high-quality ecological services and products to meet the growing demand for a better living environment, and a stage that they must have the capabilities and resources to solve major ecological and environmental problems. In addition, the ecological protection enterprises have entered into a transition period with increasing pressures from receding capital flows and stricter supervision. In view thereof, the water companies and other ecological environmental protection enterprises must ride through the challenges, keep moving forward, explore directions and seize opportunities, so as to stand out in a crowd and embark a new round of development.

Amid the constant changes presented in the industry environment, the Group will continue pursuing its stability with good progress, change and improvement. The Group will embark a new and good quality development journey. In terms of market expansion, the Group will continue its focus on expanding into new geographical areas, new business areas and new business models, and securing good quality projects while cultivating new business growth. In terms of operations management, the Group will ensure the stable operation of all projects in compliance with the relevant discharge standards, enhance the standardised and refined operations while reducing operation costs. In terms of safety and environmental management, the Group will continue strengthening its ESHS Management System and Risk Management System. In terms of construction, the Group will pay close attention to the entire construction process to ensure safety, compliance and cost control. The Group will strive to achieve key breakthroughs in technological R&D, accelerate the commercialisation of technological research results, provide quality technical support and seek technological collaborations. In addition, the Group will improve its human resource management, create a positive corporate environment and closely serve its corporate development needs. The Group will also continue strengthening its financial management and leveraging its dual listing status in Singapore and Hong Kong, so as to optimise its financing structure, broaden its financing channels and enhance its capital efficiency.

Looking back on the development in the past five years since the listing in Singapore, it is obvious to all that the Group has made substantial improvement in various respects, such as business scale, profibitablity, asset scale and employee size. Looking forward to 2020, despite the challenges presented by COVID-19 outbreak at the beginning of the year, the Group has taken prompt preventive and protective measures to mitigate the adverse impact of the outbreak on its business. In addition, the Group has good project pipeline and sufficient capital resources, as well as a solid foundation in investment, construction and operations management. The Group, thus, believes that the impact of COVID-19 on its full-year financial results and business is still controllable. In the future, the Group is confident to continue aligning with relevant national policies, keeping pace with market trends, and seeking development through technology and innovation, in order to achieve comprehensive development and stable business performance. It will in turn bring sustainable and favorable returns for Shareholders. The Group will strive to build a sustainable living environment for the society with high-quality environmental protection services and products. Leveraging on its outstanding advantages, the Group aims to emerge as a leader in the water environment management industry of PRC.

Financial Review

In FY2019, the revenue of the Group increased by 16% to HK$5,550.77 million compared with the revenue of HK$4,768.32 million in FY2018. Gross profit of the Group increased from HK$1,623.78 million in FY2018 to HK$1,892.44 million in FY2019, representing an increase of 17%. The profit of the Group increased from HK$736.76 million in FY2018 to HK$884.73 million in FY2019, representing a rise of 20%. The profit attributable to equity holders of the Company in FY2019 amounted to HK$833.48 million, which increased by 23% over FY2018.

	FY2019 (Unaudited) *HK$'000*	FY2018 (Unaudited) *HK$'000*	Increase/ (decrease) %
Revenue reported for the first half year	**2,485,366**	2,360,475	5%
Profit for the first half year	**448,734**	400,772	12%
Revenue reported for the second half year	**3,065,407**	2,407,843	27%
Profit for the second half year	**435,995**	335,983	30%

Consolidated Statement of Comprehensive Income

Revenue

Overall, the Group's revenue increased by HK$782.46 million or 16%, from HK$4,768.32 million in FY2018 to HK$5,550.77 million in FY2019.

Construction revenue amounted to HK$3,007.52 million in FY2019 (FY2018: HK$2,709.37 million). Construction revenue increased by 11% in FY2019 compared to FY2018. The increase was due to rise in construction activities in progress in FY2019 compared to FY2018.

Operation revenue in FY2019 increased by HK$310.31 million or 25% over FY2018. The increase in operation revenue was the result of (i) commencement of operation of new projects during FY2019; and (ii) tariff hikes for several projects effected during FY2019.

Direct costs and operating expenses

Direct costs and operating expenses increased by HK$513.79 million or 16% from HK$3,144.54 million in FY2018 to HK$3,658.33 million in FY2019. The increase in FY2019 was due to (i) increase in construction activities in progress which is in line with the increase in construction revenue in FY2019; and (ii) increase in cost of operation services due to commencement of operation of new projects during FY2019.

Gross profit margin

Overall gross profit margin in FY2019 remained 34% (FY2018: 34%) as the proportion of construction revenue recognised in the mix of the total revenue in FY2019 remained approximately the same as compared with FY2018. In general, construction services, construction contract and technical services have a lower gross profit margin than operation services, and thus a larger (smaller) portion of construction revenue, construction contract revenue and technical service income will reduce (increase) the overall gross profit margin. Comparing with FY2018, construction revenue, construction contract revenue and technical service income collectively comprised approximately 58% (FY2018: 59%) of total revenue in FY2019. Therefore, there was no change in the overall gross profit margin.

Other income and gains, net

Other income and gains, net mainly consisted of VAT refund, government grants, fair value change on financial assets at fair value through profit or loss, and other sundry income. Other income and gains, net decreased by 19% to HK$113.47 million in FY2019 as compared with HK$140.58 million in FY2018. The decrease in other income and gains, net was mainly due to the decrease of VAT refund. The decrease in VAT refund was the result of less VAT paid during the year, as a number of operating projects were undergoing expansion or upgrading. The construction activities led to the accumulation of input VAT, which offset the output VAT and decreased the VAT payment, and in turn resulted in the decrease of VAT refund. The breakdown of other income and gains, net was set out below.

	FY2019	FY2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Government grants	**21,536**	23,857
VAT refunds	**57,282**	98,609
Fair value gain/(loss), net:		
Contingent consideration receivable	**(646)**	3,428
Other financial assets – unlisted investment	**23,512**	–
Other financial assets – unlisted equity investment	**4,496**	–
Sludge landfill site closure subsidy	**–**	2,373
Sundry income	**7,285**	12,316
	113,465	140,583

Administrative and other operating expenses

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

Other operating expenses for FY2019 were the provision for impairment of trade receivables amounting to HK$17.31 million (FY2018: HK$16.66 million).

Administrative and other operating expenses increased by 8% from HK$439.56 million in FY2018 to HK$476.50 million in FY2019. The increase over last year was mainly attributable to increase in staff costs, business development expenses and other operating expenses due to business expansion of the Group and the acquisition of Xuzhou Design Institute in June 2018.

Administrative expenses for FY2019 included, *inter alia*, net loss on disposals of property, plant and equipment of HK$0.93 million (FY2018: HK$0.45 million).

Finance costs

Finance costs increased from HK$291.40 million in FY2018 to HK$355.29 million in FY2019. The increase was mainly due to the increase of the average balance of borrowings in FY2019 over last year, which was a result of the issuance of the second tranche of RMB-denominated corporate bonds of RMB800.00 million in August 2018 and the third tranche of RMB-denominated corporate bonds of RMB700.00 million in January 2019.

Income tax

Income tax in FY2019 decreased by 1% from HK$314.98 million in FY2018 to HK$310.35 million. The slight decrease in income tax was attributable to the decrease in the Group's deferred tax in FY2019 as a result of the tax policy enacted by the relevant PRC government authorities in 2017 in relation to the direct investment made by foreign investors using their profits received from their PRC subsidiaries. This is partially offset by the increase in current tax which arose from the increase in profit before tax over last year.

Income tax for FY2019 included, *inter alia*, overprovision of income tax in respect of prior years amounted to HK$2.17 million (FY2018: underprovision of HK$4.16 million).

Consolidated Statement of Financial Position

As at 31 December 2019, the Group's total assets amounted to approximately HK$22.68 billion with net assets amounting to HK$9.55 billion. Net asset value per share attributable to equity holders of the Company was HK$3.08 per share, representing an increase of 3% as compared to HK$2.98 per share as at the end of 2018. As at 31 December 2019, gearing ratio (total liabilities over total assets) of the Group was 57.9%, which increased by 2.1 ppt* from 55.8% at the end of 2018.

Assets

The total assets of the Group increased from HK$19.58 billion as at 31 December 2018 to HK$22.68 billion as at 31 December 2019, representing a growth of 16%. The increase in total assets was mainly attributable to the net effect of (i) increase in contract assets, intangible assets, trade and other receivables, other financial assets and cash and cash equivalents; and (ii) decrease in fixed deposits with maturity period of over three months.

Contract assets (including both current and non-current) increased from HK$13.15 billion as at 31 December 2018 to HK$15.53 billion as at 31 December 2019, while intangible assets increased from HK$1.54 billion as at 31 December 2018 to HK$1.66 billion as at 31 December 2019. The increase in contract assets and intangible assets was mainly attributable to the recognition of construction revenue for expansion and upgrading projects for several waste water treatment plants, the water supply projects, the leachate treatment project and other water environment treatment projects during FY2019.

* *ppt – Percentage point*

Trade and other receivables (including both current and non-current) of the Group increased from HK$1.18 billion as at 31 December 2018 to HK$1.53 billion as at 31 December 2019. Among them, trade receivables increased by HK$189.36 million from HK$721.28 million as at 31 December 2018 to HK$910.64 million as at 31 December 2019, which was mainly due to increase in operation income as several projects completed construction and commenced operation during FY2019. Other receivables (including both current and non-current) increased by HK$154.90 million from HK$463.02 million as at 31 December 2018 to HK$617.92 million as at 31 December 2019, which was mainly driven by the increase in tender deposits.

Other financial assets as at 31 December 2019 amounted to HK$462.05 million which comprised unlisted investments of HK$431.04 million and unlisted equity investment of HK$31.01 million. The unlisted investments were wealth management products issued by financial institutions in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Liabilities

Total borrowings (including both current and non-current) increased by HK$1,478.92 million. The increase was mainly due to the issuance of corporate bonds with net proceeds amounting to HK$804.24 million and new bank loans amounting to approximately HK$3,203.42 million, offset by repayments of bank and other loans amounting to HK$2,388.85 million in FY2019 with the effect of exchange differences of borrowings.

Increase of HK$577.39 million in trade and other payables was mainly due to the increase in construction payables.

The Group was in a net current asset position of HK$359.13 million as at 31 December 2019, representing a drop of HK$305.56 million from HK$664.69 million as at 31 December 2018. The decrease was primarily due to the increase in construction payables.

Equity

The Group's total equity amounted to HK$9.55 billion as at 31 December 2019 (31 December 2018: HK$8.66 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HK$884.73 million in FY2019; (ii) foreign currency translation loss of HK$290.75 million arising from depreciation of RMB against HK$; (iii) decrease of HK$9.62 million in equity due to declaration and payment of 2018 final dividend; (iv) decrease of HK$20.87 million in equity due to declaration and payment of 2019 interim dividend; (v) increase of HK$299.23 million in equity due to issue of shares under global offering; (vi) decrease of HK$23.04 million in equity due to distribution of dividend to a non-controlling shareholder of a subsidiary during FY2019; and (vii) capital contributions of HK$45.37 million by non-controlling shareholders of subsidiaries during FY2019.

Consolidated Statement of Cash Flows

Cash and cash equivalents increased from HK$1.71 billion as at 31 December 2018 to HK$2.05 billion as at 31 December 2019. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At 31 December 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Cash and cash equivalents per consolidated statement of financial position	**2,074,803**	1,728,573
Less: Pledged bank deposits	**(22,553)**	(21,702)
Cash and cash equivalents per consolidated statement of cash flows	**2,052,250**	1,706,871

Cash flows from operating activities

The Group had cash inflow of HK$1,621.34 million (FY2018: HK$1,473.48 million) before working capital changes during FY2019. Changes in working capital resulted in cash outflow of HK$2,544.21 million in FY2019, and payment of income tax resulted in cash outflow of HK$135.26 million in FY2019. As a result, the Group recorded a net cash outflow of HK$1,058.12 million from operating activities in FY2019. The changes in working capital in FY2019 arose mainly from:

(i) the decrease in inventories by HK$1.74 million;

(ii) the increase in contract assets by HK$2,755.53 million;

(iii) the increase in trade and other receivables by HK$397.43 million; and

(iv) the increase in trade and other payables by HK$607.02 million.

Cash flows from investing activities

In FY2019, the Group recorded a net cash outflow of HK$134.02 million from investing activities. The net cash outflow mainly arose from:

(i) the payment for purchase of items of property, plant and equipment of HK$17.89 million;

(ii) the payment for additions of intangible assets of HK$229.31 million;

(iii) the increase in other financial assets of HK$451.56 million;

(iv) the decrease in fixed deposits with maturity period of over three months and restricted balances in financial institutions of HK$549.04 million; and

(v) the receipt of interest of HK$20.35 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HK$1,563.19 million in FY2019. The net cash inflow was mainly caused by:

(i) the receipt of proceeds of HK$299.23 million from issue of shares under global offering, net of payments for listing expenses;

(ii) the capital contributions from non-controlling shareholders of subsidiaries of HK$45.37 million;

(iii) the receipt of net proceeds of HK$804.24 million from the issuance of corporate bonds, net of related expenses paid;

(iv) the receipt of net proceeds from bank and other loans of HK$814.57 million;

(v) the payment of principal and interest elements of lease payments of HK$7.21 million;

(vi) the payment of interest of HK$332.97 million;

(vii) the payment of dividends to the shareholders of the Company of HK$29.28 million; and

(viii) the payment of dividend to a non-controlling shareholder of a subsidiary of HK$28.99 million.

Earnings Per Share

The basic earnings per share was calculated as the Group's profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during FY2019.

	FY2019	FY2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**833,483**	676,459
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**2,772,099**	2,644,322
	HK cents	*HK cents*
Basic and diluted earnings per share	**30.07**	25.58

Net Asset Value Per Share

	Group		**Company**	
	At 31 December 2019	At 31 December 2018	**At 31 December 2019**	At 31 December 2018
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$	*HK$*	***HK$***	*HK$*
Net asset value per ordinary share based on the issued share capital as at the end of the respective year	**3.08**	2.98	**3.48**	3.65

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

Financial Resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks, supplemented by funds raised from issuance of corporate bonds. As at 31 December 2019, the Group had cash and bank balances of HK$2.07 billion, representing a decrease of HK$200.82 million as compared to HK$2.28 billion at the end of 2018. Most of the Group's cash and bank balances, representing approximately 97%, was denominated in HK$ and RMB.

Borrowings of the Group

Amounts payable within one year or less, or on demand

At 31 December 2019		At 31 December 2018	
Secured	**Unsecured**	Secured	Unsecured
(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
224,274	**1,786,282**	1,062,132	1,098,268

Amounts payable after one year

At 31 December 2019		At 31 December 2018	
Secured	**Unsecured**	Secured	Unsecured
(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
1,307,594	**5,761,546**	1,453,818	3,986,558

The Group is dedicated to improving financing methods and increasing bank facility limit to reserve funding for developing the water environment management business. As at 31 December 2019, the Group had outstanding borrowings of HK$9.08 billion, representing an increase of HK$1.48 billion as compared to HK$7.60 billion as at the end of 2018. The borrowings included secured interest-bearing borrowings of HK$1.53 billion and unsecured interest-bearing borrowings of HK$7.55 billion. The borrowings are mainly denominated in RMB, representing approximately 59% of the total, and the remainder is denominated in HK$, United States dollars ("USD") and euros ("EUR"). Most of the borrowings are at floating rates. As at 31 December 2019, the Group had bank and other loan facilities of HK$10.45 billion, of which HK$4.13 billion have not been utilised. The bank and other loan facilities are of 1 to 21 years terms.

Foreign Exchange Risks

The Group mainly operates in the PRC. Currency exposure arises within entities of the Group when transactions are mainly denominated in foreign currencies such as USD, EUR, SGD, HK$ and RMB. In addition, the Group is exposed to currency translation risk upon translation of the new assets in foreign operations into the Group's reporting currency in HK$. During FY2019, the Group was affected by the changes in the exchange rate.

Pledge of Assets

Certain bank and other loan facilities of the Group as at 31 December 2019 and 2018 were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group's service concession arrangements and the equity interests of certain subsidiaries of the Company. As at 31 December 2019, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to HK$3.73 billion.

Commitments

As at 31 December 2019, the Group had purchase commitments of HK$1.39 billion outstanding in connection with the construction contracts and capital commitment of HK$23.15 million outstanding in connection with an unlisted equity investment.

Contingent Liabilities

As at 31 December 2019, the Company issued financial guarantees to 3 wholly-owned subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2019 for the provision of the guarantees was HK$1.26 billion.

Interested Person Transactions Mandate and Aggregate Value of such Transactions

The Group obtained a general mandate (the "IPT Mandate") from the Shareholders for interested person transactions (the "IPTs") during its annual general meeting held on 25 April 2018 pursuant to Rule 920 of the SGX Listing Manual. The IPT Mandate was renewed during the Company's annual general meeting held on 12 April 2019. The aggregate value of the IPTs in excess of SGD100,000 during FY2019 are set out as follows:

Name of interested person	Aggregate value of all IPTs during FY2019 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during FY2019 (excluding transactions less than SGD100,000)
China Everbright International Limited	Nil	HK$6,896,000 (equivalent to SGD1,201,000)
China Everbright Bank Company Limited	Nil	HK$1,425,000 (equivalent to SGD248,000)
Everbright Securities Company Limited	Nil	HK$8,756,000 (equivalent to SGD1,525,000)
Sun Life Everbright Life Insurance Co., Ltd.	Nil	HK$1,627,000 (equivalent to SGD283,000)

Use of Proceeds from Global Offering

Under the global offering which was completed on 8 May 2019, the Company allotted and issued a total of 103,970,000 ordinary shares with par value of HK$1.00 each at an offer price of HK$2.99 per ordinary share and raised gross proceeds of HK$310.87 million in total. The net proceeds from the global offering amounted to approximately HK$248.61 million (the "Net Proceeds") after deduction of related expenses of approximately HK$62.26 million.

The following table sets out the breakdown of the use of the Net Proceeds from the global offering as at the date of this announcement:

	Purpose of Net Proceeds	**Amount Allocated** *HK$'000*	**Amount Utilised** *HK$'000*	**Balance** *HK$'000*
1	Expanding the Group's market share in the PRC water industry and diversifying the Group's project portfolio and creating synergies (the "Expansion Purpose")	211,321	211,321	–
2	Enhancing the Group's core technologies through innovative R&D initiatives and acquisitions of advanced technologies (the "R&D Purpose")	24,861	24,861	–
3	Working capital and other general corporate purposes (the "Working Capital Purpose")	12,431	12,431	–
	Total	248,613	248,613	–

The amount allocated for the Expansion Purpose was utilised as capital injection to the project companies for the construction and operation of Jiangsu Yangzhou Jiangdu Development Zone Industrial Waste Water Centralised Pre-treatment and Ancillary Pipeline Network Project, Shandong Laiyang Economic Development Zone Water Environment Management PPP Project, Shandong Zibo Zhangdian East Chemical Industry Park Industrial Waste Water Treatment Project, Shandong Ji'nan East Station Area Underground Waste Water Treatment Project, the relocation and expansion of Zibo Waste Water Treatment Project (Northern Plant) and expansion of Nanjing Pukou Waste Water Treatment and Reusable Water Plant Project Phase II.

The amount allocated for the R&D Purpose was utilised for R&D of water environment management technologies and know-hows.

The amount allocated for the Working Capital Purpose was utilised for payment of normal operating expenses such as staff costs, legal and professional fees, rental expenses and other operating expenses.

The above utilisation is in line with the intended use of the Net Proceeds and percentage allocated, as stated in the Company's prospectus for the global offering dated 24 April 2019.

Internal Management

Corporate management and risk management are of paramount importance in ensuring an efficient, healthy and sustainable corporate development. The Group has established a sound management structure, with 5 committees under the Board, comprising the Audit Committee, the Nominating Committee, the Remuneration Committee, the Strategy Committee and the Management Committee. The Group also sets up various departments, such as: the Legal & Risk Management Department, the Internal Audit Department, the Finance Management Department, the Budget Management Department, the Human Resources Department, the Operations Management Department, the Safety and Environmental Management Department and the Investment & Development Department. The Management Committee holds a meeting at least once in a month to deliberate the matters regarding the Group's business and management, ensuring its sustainable corporate development. During the year under review, the Company attached great importance to its internal control, and the Management responded accordingly upon receiving reports on the weaknesses of its internal control. In order to effectively plan, coordinate and control its operating activities, the Group further optimised its regional management functions and organisational structure in FY2019. Moreover, it implemented the principle of separation of incompatible duties, and defined in details the responsibilities and authority of each organisational unit to form a system of checks and balances. The Group also continued strengthening the implementation of its ESHS Management System across the organisation to standardise the internal process for project investment, construction and operations management, as well as to enhance the overall operating efficiency and proficiency.

Human Resources Management

Talents are the key resources for corporate development. The Group highly values its employees and puts great emphasis on talent training and development. During the year under review, the Group established and implemented a more systematic human resources management system covering areas, such as: recruitment, training, appraisal, rewards, punishments and promotion. It also recruited qualified people capable of fulfilling the job responsibilities, and enabled the new employees to complete assigned tasks through induction trainings, apprenticeship programme and job rotations. In order to build up an excellent talent team, the Group improved the admission criteria for its back-up talent pool and established the "Yongquan Programme" to provide trainings of various types to the employees who were admitted to the back-up talent pool. A total of 76 trainees completed a three-month period of trainings and graduated in November 2019. New intakes will be admitted to this programme each year, so as to better ensure the sustainable development of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

During FY2019, the Group continuously built and improved its Risk Management System, and carried out risk identification and assessment, and formation and evaluation of risk control measures, in order to effectively control the risks faced by the Group. In accordance with the requirements as set out in the Group's Risk Management Policy and Risk Management Practice Handbook, the Group summarised and performed an analysis on the principal risks faced by it during the year under review. Such principal risks included policy changing risk, accounts receivable risk, financing management risk, engineering construction and operational management risks, technology and innovation risks, compliance risk, competitive advantage risk, internal control risk, staffing risk, and cost control risk. In response to the aforesaid principal risks, the Group had, during the year under review, gradually implemented risk control measures which resulted in a reducing risk level of most of such principal risks. As such, these risk control measures are currently evaluated as effective. However, due to the external uncontrollable factors and diversity of risk exposure, the risk level of policy changing risk, accounts receivable risk, engineering construction and operational management risks and competitive advantage risk remained unchanged.

1. Policy changing risk

The Group is subject to risks associated with changes in regulations and policies for waste water treatment, river-basin ecological restoration, sponge city construction, reusable water, water supply and waste water source heat pump projects in the PRC. Any changes in legislative, regulatory or industrial requirements could render certain of the Group's projects or related technologies obsolete or financially unfeasible to operate, which in turn could have a material and adverse impact on the Group's business, financial condition, operating results and prospects. The Group has been closely monitoring the changes to national environmental protection policies, and adjusting its development direction in response to such changes. The relevant management policies and standards have been updated in a timely manner to ensure that each technology and environmental protection indicator satisfies the requirements of national standards, in order for the Group to achieve the pre-determined goal of sustainable growth. The existing control measures are effective as a whole. However, the risk level remained unchanged due to the uncontrollability of the risk.

2. Accounts receivable risk

The Group's operations are concentrated within the Bohai Economic Rim and Yangtze River Delta in China. The successful operation of its business depends heavily on the environmental water projects of the Group. As such, the Group's business, financial condition, operating results and prospects rely heavily on the economic development, social conditions, government creditworthiness, investment environment, government policies or environmental conditions in the areas where its projects are located. If the local governments or clients faced with financial difficulties which decreased their ability to pay the service fees, the amount of the Group's accounts receivables may be increased. During FY2019, the Group continued to strengthen its communication with relevant local governments and authorities and achieved good results in negotiating and formulating practical and feasible plans to recover the accounts receivables. Internally, the Group periodically analysed the overall status of accounts receivables, and regularly assessed and improved the existing receivable recovery plans. At the same time, the Group strengthened the management of its cash flows to enhance its resilience against the risk of failure in recovering receivables timely in the future. The existing control measures are effective as a whole. However, the risk level remained unchanged due to the slow-down of China's economic growth and increased financial pressure faced by Chinese local governments.

3. Financing management risk

Maintaining the Group's competitiveness and implementing its growth strategies both require sufficient capital resources. Any failure to obtain adequate funding or refinance the existing debt at reasonable rates could adversely affect the Group's business, financial condition and operating results, and prevent the Group from fulfilling its business objectives. During the year under review, the Group continued monitoring the changes in the domestic and overseas financing environment and the trend of RMB exchange rate. The Group also made adjustment to its financing structure as and when appropriate and actively seized the opportunity to secure a low interest rate. By exploring various financing models, the Group ensured that its capital reserves would be sufficient and financing costs would be under control. Meanwhile, based on the capital needs of each project, the Group tailored the financing arrangements according to the project timeline and progress so as to improve the efficiency for obtaining financing approval and making loan drawdowns. The existing control measures are effective as a whole with the risk level on the downward trend.

4. Engineering construction and operational management risks

During the construction and operation period of a project, risks that are difficult to quantify at the initial stage of the project may cause the Group's construction costs, restoration costs, operational costs and actual revenue to deviate from the Group's initial estimates and thus may result in losses. In addition, the construction and operation of the Group's projects, including any new project undertaken by the Group, could be adversely affected by a number of factors which are commonly associated with infrastructure projects and out of the Group's control. The Group's operating projects are running smoothly. Following a large number of new projects commencing operations, the inexperienced workers may not be able to immediately identify equipment deficiencies or potential problems and this may result in environmental and safety incidents. In respect of the engineering construction risk, the Group's existing rules and policies for project construction are comprehensive. Duties of the supervising unit and the approval procedures for on-site workers are sound and discharged effectively. During FY2019, the Group enhanced its supervision on and monitoring of construction sites for its construction projects and carried out safety education and trainings, risk identification, and regular inspections and assessments. The Group identified and assessed potential safety hazards of each project, supervised the implementation of rectification, and assigned the responsibility to the person in charge. As for the operational management risk, the Group further optimised its ESHS Management System, formulated a contingency plan for emergencies and conducted a comprehensive review on the operations to eliminate operational shortcomings and ensure discharge in compliance with the required standards. The existing control measures are effective as a whole. However, the risk level remained unchanged due to the large number of new construction projects and new operating projects.

5. Technology and innovation risks

The Group's continued success and competitiveness in the industry depend on its ability to develop and improve the technologies and techniques. The required technologies and techniques are subject to continuous evolution and changes. Such changes may require substantial investments and increase the operating and the R&D costs of the Group. Facing the increasingly stringent regulatory requirements on environment imposed by the PRC government and considering the actual situations of the Group, during FY2019, the Group continued to strengthen its efforts and commitments towards technological innovation. The Group will continue boosting its efforts in technological R&D and innovation, proactively bring in professional technological talents, carry out in-house technological R&D, and foster the application of technological achievements to its projects, so as to adhere to the "Technology-driven Development" ethos. The existing control measures are effective as a whole with the risk level on the downward trend.

6. Compliance risk

Failure to strictly comply with the relevant laws and regulations of the PRC, the HK Listing Rules, the SGX Listing Manual and relevant industry policies, etc., may result in administrative penalties or judicial proceedings against the Group in the relevant regions, which may adversely affect the reputation and operation of the Group. The Group places high emphasis on the legality and compliance of its operations, and provides safeguard through internal legal personnel and external legal experts. The Group had formulated its policies and procedures in strict compliance with laws and regulations, implemented reasonable procedures and carried out compliance review. During FY2019, the Group organised numerous legal trainings on various topics by inviting external industry experts to conduct on-site and online trainings, to enhance the legal knowledge of its employees. It also conducted specific inspections on regular or *ad hoc* basis with regards to material issues so as to strictly control the compliance risk arising from daily affairs and key focuses. The existing control measures are effective as a whole with the risk level on the downward trend.

7. Competitive advantage risk

A substantial influx of capital and competitors into the environmental protection industry leads to the rapid change of business model. Under such circumstances, the Group will face intensifying competitions in the industry, which may affect its results of business expansion and the investment return of projects. Leveraging on its extensive practical experience, the Group regularly collects market information of the industry, makes comprehensive analysis and ensures the steady progress on technological R&D. The Group maintains good relationship with the local governments, participates in environmental water projects developed by government authorities at various levels, and ensures the stable operation of projects and discharge in compliance with required standards, so as to achieve a win-win-win situation among the government, corporations and the community in the environmental protection field. During FY2019, the Group continued monitoring market opportunities and actively expanded its business. It successfully secured projects in certain new regions. In addition, the Group has effectively maintained its advantageous industry position in the existing regions, and achieved stable growth in total business volume. The existing control measures are effective as a whole. However, the risk level remained unchanged due to the fierce competition in the environmental water industry.

8. Internal control risk

The internal control risk is the material risk which the Group always focuses on. The Group established an efficient and appropriate organisation structure to clearly spell out the duties of each level and functional department. By establishing various special committees, such as: Risk Assessment Committee, Engineering and Technology Committee, Budget Management Committee and Procurement Management Committee, the Group strengthened specialised review on material issues and the effective implementation thereof. Effective risk management is achieved through establishing a three-tier risk control mechanism comprising project companies, functional departments at the headquarters, and the Legal & Risk Management Department and Internal Audit Department. During FY2019, the Internal Audit Department conducted internal audit on a regular basis, discovered the deficiencies in internal control, suggested rectification measures and followed up on the implementation of rectification measures in a timely manner, so as to ensure the continuous improvement of the Group's internal control. The Group effectively managed its internal control risk through the existing structure involving the Management Committee, the Legal & Risk Management Department and the Internal Audit Department. The existing control measures are effective as a whole. During FY2019, there was no event involving significant internal control risk occurred and the risk level is on the downward trend.

9. Staffing risk

The Group relies on the experience and ability of its key management team and qualified staff. The training of key staff, management and technical personnel is a cyclical process. With the large number of new operating projects, the existing management staff and engineers may be redeployed to new project companies, which may result in continual difficulties in reasonable allocation of human resources. Although the Group can expand the talent pool through recruitment, the limited supply of experienced employees in market, with the other restricting factors such as salary level or location of the workplace (i.e. remote areas), may increase the difficulty in recruitment. During the year under review, the Group firmly implemented the "policy in managing back-up talent pool" and "policy in recruiting professional and technical staff" to continually enrich and improve the talent pool, and cooperated with renowned universities in the PRC to arrange CEO Course and Engineering Master Programme for senior management and core technicians, so as to enhance the training and development of staff and improve staff training efficiency. During FY2019, the Group maintained a team of key management and qualified personnel and carried out regular and effective internal staff training and development. The existing control measures are effective as a whole with the risk level on the downward trend.

10. Cost control risk

Amid the macroeconomic policies of the Chinese government, market changes and regulatory requirements and other factors, the Group's raw material costs for related businesses fluctuated, resulting in an external pressure of increasing costs on the engineering construction and operation of the Group, which may affect the Group's financial performance. During FY2019, the Group continued to minimize the risk by clearly stipulating the terms relating to price adjustment mechanism in the project contracts. In addition, the Group emphasised the principle of market risk sharing among parties in legal documents, so as to avoid the Group from suffering excessive market risks. At the same time, the Group strengthened its centralised procurement management and adopted open tender process to ensure the stability of supply prices of relevant raw materials with scale effects to effectively eliminate cost control risk. The existing control measures are effective as a whole with the risk level on the downward trend.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

The Group places great importance on the impact of its operations to both the environment and the society. The Group's "Intelligent Water" information management system assists the waste water treatment plants achieve smart management and reduce the overall energy consumption. Meanwhile, "Intelligent Water" also facilitates standardised, normalised and refined operations management, promoting a balanced development of the Group in order to ultimately achieve a green and low-carbon operation goal. Additionally, the Group has also been actively evaluating its environmental and social performance against internationally recognised standards, including the World Bank Group's Environmental, Health, and Safety Guidelines, and has been regularly submitting monitoring reports to International Finance Corporation ("IFC") since 2016. Most of the Group's projects have obtained or are actively applying for international management standard certificates, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and OHSAS 18001/ISO 45001 Occupational Health and Safety Management System.

The operating and environmental performance of the Group's projects strictly adheres to the standards and requirements of their respective environmental impact assessment reports. The Group also takes into consideration the expectations of neighbouring communities. The key regulations and standards which are highly relevant to the Group's business include the Environmental Protection Law of the PRC, Production Safety Law of the PRC, Labour Law of the PRC, Law of the PRC on Environmental Impact Assessment, Water Pollution Prevention and Control Law of the PRC, Marine Environment Protection Law of the PRC, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Law of the PRC on Prevention and Control of Environmental Noise Pollution, Atmospheric Pollution Prevention and Control Law of the PRC, Discharge Standard for Pollutants of Municipal Wastewater Treatment Plants (GB18918-2002) and the applicable discharge standards for pollutants prescribed by local governments, etc. No breach of these laws and regulations which resulted in any significant loss or impact to the Group was recorded in FY2019.

With an aim to integrate regulatory requirements into operational practices, the Group has fully implemented its ESHS Management System since 2016. In FY2019, the Group continued to strengthen the implementation of the ESHS Management System and Risk Management System across all levels within the Group. In its ESHS Management System, the Group formulated a contingency plan for emergencies and conducted a comprehensive review on the operation to rectify any identified issues, and proactively accepted the supervision of the general public. Furthermore, the Group attaches great importance to safety management and strict compliance with discharge standards. The Group at all times adheres to the principles of "safe production" and "compliance with environmental standards" by establishing and improving its systems (such as safety management rules and policies) as well as strengthening investigations and rectifications of hidden safety hazards. Besides, the Group continued to carry out the "Safe Operation Month" initiative at all projects and strived to fulfil its "Three Zeros" goal (zero excessive discharge of pollutants, zero work safety accident and zero case for violation of regulations or discipline) through various activities, including themed presentations, trainings, safety inspections and emergency drills.

In addition, the Group uploaded the key environmental information of its projects to the corporate or environmental website for public review, including environmental impacts assessment approvals, annual environmental monitoring plans, environmental assessment monitoring results and acceptance reports for completed projects, environmental emergency response plans, monitoring results of waste water/air emission/noise etc. The information disclosure allows public's scrutiny and helps enhance the transparency of operating projects.

At the same time, the Group actively responded to the requirements under the "Notice on Further Opening the National Environmental Protection Facilities and Urban Waste Water and Waste Treatment Facilities to the Public" issued by the Ministry of Ecology and Environment and the Ministry of Housing and Urban-Rural Development, and opened its waste water treatment facilities to the public. Currently, a total of 20 projects have been officially opened to the public. During FY2019, these projects received in aggregate, 390 groups of visits with 14,200 visitors in total. The opening of waste water treatment facilities promotes environmental protection knowledge to the public and raises their awareness of environmental protection. In addition, this activity eliminates the "Not in My Backyard Effect" and enhances the corporate image. As of now, the Group has three batches of 11 projects (plants) which have been listed as "National Environmental Protection Facilities and Urban Waste Water and Waste Treatment Facilities Opened to the Public". A number of waste water treatment projects received various awards and recognitions, such as the "Popular Science Base for Waste Water Treatment", "Ecological Civilization Construction Practice Base" and "Environmental Education Base".

CORPORATE GOVERNANCE

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

The Company's ordinary shares have been listed on the Main Board of the SEHK since 8 May 2019 (the "HK Listing Date"). Following the Dual Primary Listing, the Company has adopted the code provisions of the Corporate Governance Code (the "HK CG Code") as set out in Appendix 14 to the HK Listing Rules as part of its governance framework, in addition to the principles and provisions under Singapore Code of Corporate Governance 2018 (the "SG CG Code"). In the event of any conflicts between the SG CG Code and the HK CG Code, the Group will comply with the more stringent requirements. From the HK Listing Date to the date of this announcement, the Company has complied with the HK CG Code and the SG CG Code.

The details of the Company's corporate governance practices will be set out in 2019 Annual Report.

BOARD COMMITTEES

The Board holds meetings on a regular basis (at least 4 times in a year). The Board has currently established 5 Board Committees, namely the Audit Committee, the Nominating Committee, the Remuneration Committee, the Strategy Committee and the Management Committee.

Audit Committee

The Audit Committee currently comprises 4 independent non-executive Directors, namely Mr. Lim Yu Neng Paul (Chairman), Mr. Zhai Haitao, Ms. Cheng Fong Yee and Ms. Hao Gang. The Audit Committee is primarily responsible for reviewing the significant financial reporting issues and judgements and monitoring the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance; reviewing and reporting to the Board the adequacy and effectiveness of the Group's internal controls and risk management systems, comprising financial, operational, compliance and information technology controls (such review can be carried out internally or by third parties); reviewing the adequacy and effectiveness of the Group's internal audit function; reviewing the scope and results of the internal audit; reviewing the independence and objectivity of the external auditor and the effectiveness of the audit process; and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor. The terms of reference of the Audit Committee are available on the websites of the Company, Hong Kong Exchanges and Clearing Limited ("HKEx") and SGX.

During FY2019, the members of the Audit Committee reviewed the (a) audited consolidated financial results of the Group for the financial year ended 31 December 2018; (b) unaudited consolidated financial results of the Group for the first quarter ended 31 March 2019; (c) the unaudited consolidated financial results of the Group for the second quarter and six months ended 30 June 2019; and (d) the unaudited consolidated financial results of the Group for the third quarter and nine months ended 31 September 2019.

Remuneration Committee

The Remuneration Committee currently comprises 3 independent non-executive Directors, namely Ms. Cheng Fong Yee (Chairman), Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, and a non-executive Director and Chairman of the Board, namely Mr. Wang Tianyi. The Remuneration Committee is primarily responsible for implementing a formal, transparent and objective procedure for fixing the remuneration packages of individual Directors and Key Management Personnel (as defined in SG CG Code) (including senior management), and to ensure that the level and structure of their remuneration is aligned with the long-term interest and risk policies of the Group and should be appropriate to attract, retain and motivate (1) the Directors to provide good stewardship of the Group; and (2) Key Management Personnel (including senior management) to successfully manage the Group. The terms of reference of the Remuneration Committee are available on the websites of the Company, HKEx and SGX.

During FY2019, the members of Remuneration Committee reviewed the 2018 remuneration payment and 2019 remuneration framework for the individual Directors and the Key Management Personnel (including senior management) of the Company.

Nominating Committee

The Nominating Committee currently comprises 2 independent non-executive Directors, namely Mr. Zhai Haitao (Chairman) and Mr. Lim Yu Neng Paul, and a non-executive Director and Chairman of the Board, namely Mr. Wang Tianyi. The Nominating Committee is primarily responsible for implementing a formal and transparent procedure for appointment and re-appointment of Board members, evaluating performance of Board members and Board Committee members and assessing the overall performance of the Board and its Board Committees. The terms of reference of the Nominating Committee are available on the websites of the Company, HKEx and SGX.

Strategy Committee

The Strategy Committee currently comprises a non-executive Director and Chairman of the Board, namely Mr. Wang Tianyi (Chairman), 2 executive Directors, namely Mr. An Xuesong and Mr. Luo Junling, and an independent non-executive Director, namely Ms. Hao Gang. The Strategy Committee is primarily responsible for assisting the Board in providing strategic direction to the Group; overseeing the strategic planning of the Group and implementation of such strategies; reviewing the medium-term and long-term strategic objectives proposed by the Management and overseeing the Management's performance in relation to such strategies; considering sustainability issues in formulating strategies and overseeing the monitoring and management of the environmental, social and governance factors that are material to the business of the Group. The terms of reference of the Strategy Committee are available on the websites of the Company, HKEx and SGX.

Management Committee

The Management Committee currently comprises 2 executive Directors, namely Mr. An Xuesong (Chairman) and Mr. Luo Junling, and 7 Key Management Personnel. The Management Committee is primarily responsible for the management of daily business operations, formulating and implementing annual work tasks and medium-term development plans for the Group. The Management Committee is the decision-making authority for the day-to-day administration, operations, management and personnel matters of the Group. The terms of reference of the Management Committee are available on the websites of the Company, HKEx and SGX.

DEALINGS IN THE SECURITIES

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

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

(a) 30 days immediately preceding the publication date of the announcement of the Company's quarterly results or half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results; and

(b) 60 days immediately preceding the publication date of the announcement of the Company's full-year results or, if shorter, end of financial year and up to the publication date of the results.

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

Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code and the Internal Code throughout the period from the HK Listing Date and up to 31 December 2019.

DIVIDEND

(a) Current financial year reported on

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

As part of the Directors' continuing efforts to enhance Shareholder's return, the Directors have recommended a final dividend of HK3.74 cents (equivalent to 0.67 Sing cents) per ordinary share for FY2019, which is subject to the approval by the Shareholders at the forthcoming annual general meeting (the "AGM") to be held on or around 24 April 2020 (Friday).

Name of Dividend	FY2019 Proposed Final Dividend
Dividend Type	Cash
Dividend Amount	HK3.74 cents (equivalent to 0.67 Sing cents) per ordinary share
Tax Rate	One-Tier Tax Exempt

(b) Corresponding period of the immediately preceding financial year

Name of Dividend	FY2018 Final
Dividend Type	Cash/Scrip (based on Shareholder's election)
Dividend Amount	0.50 Sing cents per ordinary share
Tax Rate	One-Tier Tax Exempt

(c) Date payable

Subject to the Shareholders' approval, the FY2019 Proposed Final Dividend will be paid on or around 13 May 2020 (Wednesday).

(d) Books closure date

Details on closure of books are set out in the section below entitled "Closure of Register of Transfer and Register of Members – (b) For determining the entitlement to the FY2019 Proposed Final Dividend".

Annual General Meeting

The AGM is expected to be held on or around 24 April 2020 (Friday). The notice of the AGM will be published on the websites of the Company, HKEx and SGX and despatched to the Shareholders in due course.

Closure of Register of Transfer and Register of Members

(a) For determining the entitlement to attend and vote at the AGM

For Singapore Shareholders

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. on 21 April 2020 (Tuesday) for the purpose of determining the entitlement of Singapore Shareholders to attend and vote at the AGM. Duly completed registrable transfers received by the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on 20 April 2020 (Monday) will be registered to determine Singapore Shareholders' entitlements to attend and vote at the AGM.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 21 April 2020 (Tuesday) to 24 April 2020 (Friday), both days inclusive, for the purpose of determining the entitlement of Hong Kong Shareholders to attend and vote at the AGM. Duly completed registrable transfers of Shares received by the Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 20 April 2020 (Monday), will be registered to determine Hong Kong Shareholders' entitlements to attend and vote at the AGM.

(b) For determining the entitlement to the FY2019 Proposed Final Dividend

For Singapore Shareholders

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. (Singapore time) on 29 April 2020 (Wednesday) being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the FY2019 Proposed Final Dividend.

Duly completed registrable transfers of Shares received by the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. (Singapore time) on 29 April 2020 (Wednesday) will be registered before entitlements to the FY2019 Proposed Final Dividend are determined. Members whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5:00 p.m. (Singapore time) on 29 April 2020 (Wednesday) will rank for the FY2019 Proposed Final Dividend.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 30 April 2020 (Thursday) to 4 May 2020 (Monday), both days inclusive, during this period no transfer of shares will be registered. Shareholders whose names appear on the Hong Kong branch register of members of the Company as at 4:30 p.m. (Hong Kong time) on 29 April 2020 (Wednesday) will be entitled to the FY2019 Proposed Final Dividend.

Duly completed registrable transfers of Shares received by the Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 29 April 2020 (Wednesday), will be registered before entitlements to the FY2019 Proposed Final Dividend are determined.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities for the year ended 31 December 2019.

Convertibles, Preference Shares and Treasury Shares

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 31 December 2019 and 2018. During the year ended 31 December 2019, there were no sales, transfers, disposal, cancellation and/or use of treasury shares.

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

During FY2019, there was no acquisition or disposal of shares in subsidiaries ("Subsidiaries"), associated companies ("Associated Companies") of the Company or in any company which became or ceased to be a Subsidiary or Associated Company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A of the SGX Listing Manual.

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

None.

Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive office or substantial shareholder of the issuer pursuant to Rule 704(13) of the SGX Listing Manual

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a Director or chief executive officer or substantial Shareholder of the Company for the years ended 31 December 2019 and 2018.

Publication of Annual Results and Annual Report

The annual results announcement for the year ended 31 December 2019 is published on the websites of the Company (https://www.ebwater.com/en/ir/reports.php), HKEx (www.hkexnews.hk) and SGX (www.sgx.com). The 2019 annual report of the Company containing, among others, all the information required by the HK Listing Rules and SGX Listing Manual will be published on the websites of the Company, HKEx and SGX and despatched to the Shareholders in due course.

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

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

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

I, An Xuesong, do hereby confirm on behalf of the Board that to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the financial year ended 31 December 2019 to be false or misleading in any material aspect.

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

Hong Kong and Singapore, 27 February 2020

As at the date of this announcement, the Board comprises: (i) a non-executive Director, Mr. Wang Tianyi (Chairman); (ii) two executive Directors, namely Mr. An Xuesong (Chief Executive Officer) and Mr. Luo Junling; and (iii) four independent non-executive Directors, namely Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, Ms. Cheng Fong Yee and Ms. Hao Gang.