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## **CHINA EVERBRIGHT WATER LIMITED**

**中國光大水務有限公司**

*(Incorporated in Bermuda with limited liability)*

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

### **ANNOUNCEMENT**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **HIGHLIGHTS**

- Revenue decreased by 15% to HK\$2,120,086,000 (1HFY2019: HK\$2,485,366,000)
- EBITDA decreased by 2% to HK\$813,116,000 (1HFY2019: HK\$830,769,000)
- Profit before tax decreased by 3% to HK\$584,718,000 (1HFY2019: HK\$603,166,000)
- Profit attributable to equity holders of the Company decreased by 4% to HK\$404,473,000 (1HFY2019: HK\$420,487,000)
- Interim dividend of HK3.74 cents (equivalent to 0.67 Sing cent) per ordinary share (1HFY2019: HK3.74 cents (equivalent to 0.65 Sing cent) per ordinary share)

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of China Everbright Water Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (“1HFY2020” or the “Review Period”), together with the comparative figures for the six months ended 30 June 2019 (“1HFY2019”). The interim financial results are unaudited, but have been reviewed by Ernst & Young LLP, in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the International Auditing and Assurance Standards Board. Ernst & Young LLP’s report on review of the interim financial information is included as the Appendix to this announcement. The report does not have any qualification, disclaimer of opinion, adverse opinion or emphasis of matters. The interim financial results have also been reviewed by the Company’s Audit Committee.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	1HFY2020 (Unaudited) HK\$'000	1HFY2019 (Unaudited) HK\$'000	Increase/ (decrease) %
<b>REVENUE</b>	4	<b>2,120,086</b>	2,485,366	(15%)
Direct costs and operating expenses		<u>(1,238,438)</u>	<u>(1,565,281)</u>	(21%)
<b>Gross profit</b>		<b>881,648</b>	920,085	(4%)
Other income and gains, net	5	<b>39,399</b>	43,139	(9%)
Administrative and other operating expenses		<b>(164,247)</b>	(193,319)	(15%)
Finance income	6	<b>5,321</b>	13,439	(60%)
Finance costs	6	<b>(179,410)</b>	(179,266)	(0%)
Share of profits and losses of associates		<u><b>2,007</b></u>	<u>(912)</u>	NM
<b>PROFIT BEFORE TAX</b>	7	<b>584,718</b>	603,166	(3%)
Income tax	8	<u><b>(158,156)</b></u>	<u>(154,432)</u>	2%
<b>PROFIT FOR THE PERIOD</b>		<u><b>426,562</b></u>	<u>448,734</u>	(5%)
<b>OTHER COMPREHENSIVE INCOME</b>				
Item that will not to be reclassified to profit or loss:				
Exchange differences arising on translation of functional currency to presentation currency		<u><b>(169,627)</b></u>	<u>(69,424)</u>	144%
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<u><b>(169,627)</b></u>	<u>(69,424)</u>	144%
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>256,935</b></u>	<u>379,310</u>	(32%)

NM – Not meaningful

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)**For the six months ended 30 June 2020*

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>Notes</i> <b>HK\$'000</b>	1HFY2019 (Unaudited) <i>HK\$'000</i>	Increase/ (decrease) %
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity holders of the Company	<b>404,473</b>	420,487	(4%)
Non-controlling interests	<b>22,089</b>	28,247	(22%)
	<b><u>426,562</u></b>	<u>448,734</u>	(5%)
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company	<b>243,697</b>	354,696	(31%)
Non-controlling interests	<b>13,238</b>	24,614	(46%)
	<b><u>256,935</u></b>	<u>379,310</u>	(32%)
<b>EARNINGS PER SHARE ATTRIBUTABLE</b>			
<b>TO EQUITY HOLDERS OF THE COMPANY</b> <i>10</i>			
– Basic and diluted	<b><u>HK14.14 cents</u></b>	<u>HK15.51 cents</u>	(9%)

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Group		Company	
		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>					
Investment properties		11,169	3,138	-	-
Property, plant and equipment		135,366	141,744	8	11
Right-of-use assets		20,430	25,609	-	-
		<b>166,965</b>	170,491	<b>8</b>	11
Goodwill		1,198,310	1,213,509	-	-
Intangible assets		1,674,108	1,658,437	-	-
Interests in subsidiaries		-	-	9,950,549	9,988,163
Interests in associates		6,636	3,588	-	-
Trade and other receivables	12	166,893	113,892	-	-
Contract assets	11	14,579,906	14,144,440	-	-
Other financial assets	13	462,830	462,045	431,786	431,035
Total non-current assets		<b>18,255,648</b>	17,766,402	<b>10,382,343</b>	10,419,209
<b>CURRENT ASSETS</b>					
Inventories		59,990	37,948	-	-
Contract assets	11	1,452,439	1,389,205	-	-
Trade and other receivables	12	1,636,145	1,414,673	5,300,840	4,982,545
Cash and cash equivalents	14	1,866,674	2,074,803	39,625	213,793
Total current assets		<b>5,015,248</b>	4,916,629	<b>5,340,465</b>	5,196,338

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

*As at 30 June 2020*

	Notes	Group		Company	
		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	2,072,466	2,472,484	114,629	92,881
Borrowings		2,364,489	2,010,556	2,029,595	1,522,919
Lease liabilities		8,951	9,534	-	-
Tax payable		52,244	64,930	-	-
Total current liabilities		<u>4,498,150</u>	<u>4,557,504</u>	<u>2,144,224</u>	<u>1,615,800</u>
<b>NET CURRENT ASSETS</b>		<u>517,098</u>	<u>359,125</u>	<u>3,196,241</u>	<u>3,580,538</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>18,772,746</u>	<u>18,125,527</u>	<u>13,578,584</u>	<u>13,999,747</u>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings		7,498,940	7,069,140	3,777,536	4,039,303
Lease liabilities		7,087	11,379	-	-
Deferred tax liabilities		1,550,615	1,496,256	-	-
Total non-current liabilities		<u>9,056,642</u>	<u>8,576,775</u>	<u>3,777,536</u>	<u>4,039,303</u>
<b>NET ASSETS</b>		<u>9,716,104</u>	<u>9,548,752</u>	<u>9,801,048</u>	<u>9,960,444</u>
<b>EQUITY</b>					
Equity attributable to equity holders of the Company					
Share capital	16	2,860,877	2,860,877	2,860,877	2,860,877
Reserves		6,086,244	5,949,192	6,940,171	7,099,567
		8,947,121	8,810,069	9,801,048	9,960,444
Non-controlling interests		768,983	738,683	-	-
<b>TOTAL EQUITY</b>		<u>9,716,104</u>	<u>9,548,752</u>	<u>9,801,048</u>	<u>9,960,444</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Group	Attributable to equity holders of the Company									
	Share capital	Share premium	Foreign currency translation reserve	Statutory reserve	Contributed surplus reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2020	2,860,877	1,599,765	(777,967)	398,409	1,229,302	(2,181)	3,501,864	8,810,069	738,683	9,548,752
Profit for the period	-	-	-	-	-	-	404,473	404,473	22,089	426,562
Foreign currency translation differences	-	-	(160,776)	-	-	-	-	(160,776)	(8,851)	(169,627)
2019 final dividend declared	-	-	-	-	-	-	(106,645)	(106,645)	-	(106,645)
Capital contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	17,062	17,062
At 30 June 2020	<u>2,860,877</u>	<u>1,599,765</u>	<u>(938,743)</u>	<u>398,409</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>3,799,692</u>	<u>8,947,121</u>	<u>768,983</u>	<u>9,716,104</u>
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 period	-	-	-	-	-	-	420,487	420,487	28,247	448,734
Foreign currency translation differences	-	-	(65,791)	-	-	-	-	(65,791)	(3,633)	(69,424)
2018 final dividend declared	-	-	-	-	-	-	(77,476)	(77,476)	-	(77,476)
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 the scrip dividend scheme (Note)	32,499	35,533	-	-	-	-	-	68,032	-	68,032
Share issue expenses in relation to scrip dividend scheme	-	(172)	-	-	-	-	-	(172)	-	(172)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	29,511	29,511
At 30 June 2019	<u>2,812,531</u>	<u>1,563,799</u>	<u>(568,414)</u>	<u>300,386</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>3,292,074</u>	<u>8,627,497</u>	<u>734,632</u>	<u>9,362,129</u>

Note: During 1HFY2019, the Company allotted and issued 32,498,492 new ordinary shares to the shareholders of the Company (the "Shareholders") who had elected to participate in the scrip dividend scheme.

## STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Contributed surplus reserve (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
<b>Company</b>							
At 1 January 2020	2,860,877	389,715	(1,181,298)	7,639,082	64,953	187,115	9,960,444
Profit for the period	-	-	-	-	-	74,023	74,023
Foreign currency translation differences	-	-	(126,774)	-	-	-	(126,774)
2019 final dividend declared	-	-	-	-	-	(106,645)	(106,645)
	<u>2,860,877</u>	<u>389,715</u>	<u>(1,308,072)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>154,493</u>	<u>9,801,048</u>
At 30 June 2020							
At 1 January 2019	2,676,062	123,131	(934,538)	7,639,082	64,953	201,096	9,769,786
Profit for the period	-	-	-	-	-	66,777	66,777
Foreign currency translation differences	-	-	(51,302)	-	-	-	(51,302)
2018 final dividend declared	-	-	-	-	-	(77,476)	(77,476)
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 the scrip dividend scheme	32,499	35,533	-	-	-	-	68,032
Share issue expenses in relation to scrip dividend scheme	-	(172)	-	-	-	-	(172)
	<u>2,812,531</u>	<u>353,749</u>	<u>(985,840)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>190,397</u>	<u>10,074,872</u>
At 30 June 2019							

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<b>1HFY2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1HFY2019 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	<b>584,718</b>	603,166
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	<b>8,035</b>	8,732
Depreciation of right-of-use assets	<b>5,026</b>	2,245
Amortisation of intangible assets	<b>35,927</b>	37,360
Loss on disposals of property, plant and equipment	<b>35</b>	–
Finance costs	<b>179,410</b>	179,266
Interest income	<b>(5,321)</b>	(13,439)
Share of profits and losses of associates	<b>(2,007)</b>	912
Fair value adjustment of contingent consideration receivable	<b>7,692</b>	(727)
Fair value changes of other financial assets, net	<b>(6,689)</b>	3,456
Dividend received from other financial assets	<b>(1,899)</b>	–
Provision for impairment of trade receivables	<b>8,959</b>	1,997
Provision for impairment of other receivables	<b>3,435</b>	–
Effect of foreign exchange rates changes, net	<b>(861)</b>	(9,586)
<b>Operating cash flows before working capital changes</b>	<b>816,460</b>	813,382
<b>Changes in working capital:</b>		
Increase in inventories	<b>(22,287)</b>	(49,050)
Increase in contract assets	<b>(702,283)</b>	(1,007,158)
Increase in trade and other receivables	<b>(324,586)</b>	(397,833)
(Decrease)/increase in trade and other payables	<b>(402,738)</b>	96,057
<b>Cash used in operations</b>	<b>(635,434)</b>	(544,602)
People's Republic of China ("PRC") income tax paid	<b>(96,501)</b>	(80,149)
<b>Net cash flows used in operating activities</b>	<b>(731,935)</b>	(624,751)



**CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)**For the six months ended 30 June 2020*

	<b>1HFY2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1HFY2019 (Unaudited) HK\$'000
<b>Cash flows from investing activities</b>		
Purchase of items of property, plant and equipment	<b>(3,426)</b>	(9,409)
Proceeds from disposals of property, plant and equipment	<b>12</b>	–
Payment for additions of intangible assets	<b>(74,270)</b>	(134,844)
Increase in amounts due from an associate	<b>(372)</b>	(4,373)
Increase in other financial assets	–	(451,563)
Dividend received from other financial assets	<b>1,899</b>	–
Decrease in fixed deposits with maturity period of over three months and restricted balances in financial institutions	–	293,102
Interest received	<b>5,321</b>	13,439
	<hr/> <b>(70,836)</b>	<hr/> (293,648)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares under global offering	–	310,870
Payment for listing expenses	–	(11,643)
Capital contributions from non-controlling shareholders of subsidiaries	<b>17,062</b>	29,511
Increase in amounts due to intermediate holding companies	–	394
Proceeds from the issuance of corporate bonds, net of related expenses paid	–	804,235
Proceeds from the issuance of asset-backed securities (“ABS”), net of related expenses paid	<b>315,438</b>	–
New bank loans	<b>1,516,963</b>	1,887,440
Repayments of bank and other loans	<b>(961,291)</b>	(1,869,738)
Interest paid	<b>(150,819)</b>	(122,117)
Principal elements of lease payments	<b>(4,699)</b>	(1,989)
Interest elements of lease payments	<b>(449)</b>	(250)
Decrease/(increase) in pledged bank deposits	<b>9,499</b>	(9)
Dividend paid to shareholders of the Company	<b>(107,038)</b>	(8,675)
Share issue expenses in relation to scrip dividend scheme	–	(172)
Dividend paid to a non-controlling shareholder of a subsidiary	–	(28,990)
	<hr/> <b>634,666</b>	<hr/> 988,867
<b>Net (decrease)/increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	<b>(168,105)</b>	70,468
Effect of exchange rate fluctuations on cash and cash equivalents, net	<b>2,052,250</b>	1,706,871
	<hr/> <b>(30,342)</b>	<hr/> 8,700
<b>Cash and cash equivalents at end of the period</b>	<hr/> <b>1,853,803</b>	<hr/> 1,786,039

Notes:

## 1. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (“IASB”), the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”) (the “SEHK Listing Rules”) and Rule 705 of the Listing Manual (the “SGX Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX”).

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 December 2019 except for the changes in accounting policies made thereafter in adopting the new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB, which became effective for the first time for the current period’s financial information, as further detailed below. The unaudited interim financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information herein contains condensed consolidated financial statements and selected explanatory notes. The notes include explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the year ended 31 December 2019 that is included in this unaudited interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The adoption of new standards do not have a significant impact on the interim condensed consolidated financial information of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have a significant impact on the interim condensed consolidated financial information of the Group.

## 2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCE REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> <sup>3</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to IFRS 16	<i>COVID-19-related Rent Concessions</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2</sup>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before intended use</i> <sup>2</sup>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>2</sup>
Amendments to IFRSs	<i>Annual Improvements 2018-2020 Cycle</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

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

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

<sup>4</sup> No mandatory effective date yet determined but available for adoption

## 3. OPERATING SEGMENT INFORMATION

Operating segments are identified 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 six months ended 30 June 2020 and 2019, 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.

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

#### Geographical information

(a) *Revenue from external customers*

	1HFY2020 (Unaudited) <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Mainland China	2,118,215	2,485,366
Germany	<u>1,871</u>	<u>–</u>
	<u><b>2,120,086</b></u>	<u><b>2,485,366</b></u>

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

(b) *Non-current assets*

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Mainland China	17,783,567	17,292,356
Hong Kong	7,653	9,659
Singapore	1,294	2,154
Germany	<u>304</u>	<u>188</u>
	<u><b>17,792,818</b></u>	<u><b>17,304,357</b></u>

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

#### Major customers

	1HFY2020 (Unaudited) <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Customer 1**	584,144	618,367
Customer 2**	<u>258,078</u>	<u>N/A*</u>

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

\*\* The customers are local government authorities.

#### 4. REVENUE

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Construction service revenue from service concession arrangements	<b>817,759</b>	1,324,147
Finance income from service concession arrangements	<b>456,971</b>	391,823
Operation income from service concession arrangements	<b>808,167</b>	712,739
Construction contract revenue and technical service income	<b>37,189</b>	56,657
	<b><u>2,120,086</u></b>	<b><u>2,485,366</u></b>
<b>Timing of revenue recognition:</b>		
At a point in time	<b>40,497</b>	15,716
Over time	<b>1,622,618</b>	2,077,827
	<b>1,663,115</b>	2,093,543
Finance income from service concession arrangements	<b>456,971</b>	391,823
	<b><u>2,120,086</u></b>	<b><u>2,485,366</u></b>

The aggregated amount of construction services revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK\$2,051,962,000 and HK\$2,396,552,000 for the six months ended 30 June 2020 and 2019, respectively.

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

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Government grants*	<b>6,415</b>	12,174
Value-added tax (“VAT”) refunds**	<b>27,892</b>	30,309
Fair value gain/(loss), net:		
Contingent consideration receivable	<b>(7,692)</b>	727
Other financial assets – unlisted investments	<b>6,260</b>	(3,814)
Other financial assets – unlisted equity investment	<b>429</b>	358
Dividend received from other financial assets	<b>1,899</b>	–
Sundry income	<b>4,196</b>	3,385
	<b><u>39,399</u></b>	<b><u>43,139</u></b>

\* Government grants of HK\$6,415,000 and HK\$12,174,000 were granted during the six months ended 30 June 2020 and 2019, 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 receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

\*\* VAT refunds of HK\$27,892,000 and HK\$30,309,000 were received/receivable during the six months ended 30 June 2020 and 2019, 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 receipts 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

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
<u>Finance income</u>		
Interest income on bank deposits	<u>5,321</u>	<u>13,439</u>
<u>Finance costs</u>		
Interest expense on:		
Bank and other loans	(118,557)	(118,290)
Corporate bonds	(60,404)	(60,726)
Lease liabilities	<u>(449)</u>	<u>(250)</u>
	<u>(179,410)</u>	<u>(179,266)</u>
Net finance costs	<u>(174,089)</u>	<u>(165,827)</u>

## 7. PROFIT BEFORE TAX

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

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Depreciation		
– property, plant and equipment	8,035	8,732
– right-of-use assets	5,026	2,245
Amortisation		
– intangible assets	35,927	37,360
Loss on disposals of property, plant and equipment	35	–
Cost of construction services from service concession arrangements	643,647	983,466
Research and development costs	15,178	13,231
Rental expense from short-term leases	1,570	3,329
Provision for impairment of trade receivables	8,959	1,997
Provision for impairment of other receivables	3,435	–
Foreign exchange differences, net	(2,165)	6,283
Listing expenses	<u>–</u>	<u>19,065</u>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	77,047	85,100
Defined contribution plans	27,806	28,507
Welfare and other benefits	<u>14,075</u>	<u>15,364</u>
	<u>118,928</u>	<u>128,971</u>

## 8. INCOME TAX

No provision for Singapore and Hong Kong income tax was made as the Group did not earn any income subject to Singapore and Hong Kong income tax during the six months ended 30 June 2020 and 2019.

Tax for the PRC operations is charged at the statutory rate of 25% based on the assessable profits in accordance with the tax rules and regulations in the PRC. During the six months ended 30 June 2020 and 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 six months ended 30 June 2020 and 2019, certain PRC subsidiaries of the Group were subject to tax at half of the foregoing statutory rate or fully exempted from income tax pursuant to the relevant tax rules and regulations.

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Current – PRC:		
Charge for the period	<b>83,114</b>	86,593
Underprovision/(overprovision) in prior years	<b>414</b>	(1,528)
Deferred	<b>74,628</b>	69,367
	<hr/> <b>158,156</b>	<hr/> 154,432
Total tax expense for the period		

## 9. DIVIDENDS

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Dividends attributable to the period:		
Interim – HK3.74 cents (equivalent to 0.67 Singapore cent (“Sing cent”)) (1HFY2019: HK3.74 cents (equivalent to 0.65 Sing cent)) per ordinary share	<b>106,997</b>	105,183
	<hr/> <b>106,997</b>	<hr/> 105,183
Dividends paid during the period:		
Final in respect of the previous financial year – HK3.74 cents (equivalent to 0.67 Sing cent) (1HFY2019: 0.50 Sing cent) per ordinary share	<b>106,645</b>	77,476
	<hr/> <b>106,645</b>	<hr/> 77,476

## 10. EARNINGS PER SHARE

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

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

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 <b>(Unaudited)</b> <i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company	<u>404,473</u>	<u>420,487</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period	<u>2,860,877</u>	<u>2,711,232</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>14.14</u>	<u>15.51</u>

## 11. CONTRACT ASSETS

### Group

	<i>Notes</i>	<b>At</b> <b>30 June</b> <b>2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>At</b> <b>31 December</b> <b>2019</b> <b>(Audited)</b> <i>HK\$'000</i>
<b>Non-current</b>			
Service concession assets	<i>(a)</i>	<u>14,579,906</u>	<u>14,144,440</u>
<b>Current</b>			
Service concession assets	<i>(a)</i>	<u>1,434,689</u>	1,360,370
Other contract assets	<i>(b)</i>	<u>17,750</u>	<u>28,835</u>
		<u>1,452,439</u>	<u>1,389,205</u>
Total		<u>16,032,345</u>	<u>15,533,645</u>



## 11. CONTRACT ASSETS *(continued)*

- (a) Included in “Contract assets” as at 30 June 2020 and 31 December 2019 are amounts of HK\$521,557,000 and HK\$542,172,000, respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK\$718,881,000 and HK\$730,733,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 30 June 2020 and 31 December 2019 totaling HK\$16,014,595,000 and HK\$15,504,810,000, respectively, bear interest at rates ranging from 4.90% to 7.83% and 4.90% to 7.83%, respectively, per annum. As at 30 June 2020 and 31 December 2019, HK\$7,969,831,000 and HK\$8,120,095,000, 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.

- (b) The balance as at 30 June 2020 and 31 December 2019 comprised contract assets arising from performance under construction management service contract. Such contracts include payment schedules which require stage payments over the service periods once milestones are reached.

No impairment loss was recognised by the Group at 30 June 2020 and 31 December 2019 in respect of the contract assets.

As at 30 June 2020 and 31 December 2019, certain of the Group’s concession rights of the environmental water projects (comprising concession rights of intangible assets, contract assets and trade receivables) with aggregate carrying amounts of HK\$3,704,955,000 and HK\$2,799,359,000, respectively, were pledged to secure banking facilities granted to the Group.

Included in “Intangible assets” of the Group as at 30 June 2020 and 31 December 2019 are contract assets of HK\$658,255,000 and HK\$591,405,000, respectively, arising from performance under construction contracts in connection with service concession arrangements.

## 12. TRADE AND OTHER RECEIVABLES

### Group

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
<b>Non-current</b>		
Trade receivables	–	4,714
VAT receivable	164,233	93,539
Other receivables	2,660	7,458
Amount due from an associate	–	8,181
	<u>166,893</u>	<u>113,892</u>
<b>Current</b>		
Trade receivables	1,245,822	971,831
Less: Impairment	<u>(73,934)</u>	<u>(65,902)</u>
	1,171,888	905,929
Other receivables and sundry deposits	130,219	254,116
Less: Impairment	<u>(3,398)</u>	<u>–</u>
	126,821	254,116
VAT receivable	118,481	153,908
Amounts due from an associate	15,937	7,587
Prepayments	<u>203,018</u>	<u>85,425</u>
	1,636,145	1,406,965
Contingent consideration receivable	–	7,708
	<u>1,636,145</u>	<u>1,414,673</u>
<b>Total</b>	<u><b>1,803,038</b></u>	<u><b>1,528,565</b></u>

The amounts due from an associate are unsecured, interest-bearing at a rate of 4.75% per annum.

## 12. TRADE AND OTHER RECEIVABLES (continued)

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
At the beginning of the period/year	65,902	49,888
Impairment losses recognised	8,959	17,314
Exchange realignment	(927)	(1,300)
	<u>73,934</u>	<u>65,902</u>

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

### Group

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 1 month	274,479	517,087
More than 1 month but within 2 months	178,241	80,356
More than 2 months but within 4 months	196,866	71,936
More than 4 months but within 7 months	216,241	73,728
More than 7 months but within 13 months	179,965	56,103
More than 13 months	126,096	111,433
	<u>1,171,888</u>	<u>910,643</u>

Trade receivables are due within 30 to 90 days from the date of billing. Trade receivables past due amounting to HK\$4,654,000 and HK\$4,714,000 as at 30 June 2020 and 31 December 2019, respectively, will be settled by instalments in 2021 pursuant to the repayment schedules agreed by certain local government authorities.

Included in "Trade and other receivables" of the Group as at 30 June 2020 and 31 December 2019 were trade receivables of HK\$1,171,888,000 and HK\$910,643,000, respectively, of which (a) HK\$82,421,000 and HK\$70,615,000, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, (b) HK\$11,473,000 and HK\$11,072,000, respectively, were due from a related company of a non wholly-owned subsidiary, and (c) HK\$56,876,000 and HK\$57,803,000, respectively, were due from a fellow subsidiary.

## 12. TRADE AND OTHER RECEIVABLES (continued)

Included in “Other receivables and sundry deposits” of the Group as at 30 June 2020 and 31 December 2019 were consideration receivables of HK\$10,363,000 and HK\$19,079,000, due from third parties arising from the disposals of service concession rights held by Suqian City Cheng Bei Water Treatment Co., Ltd. and Suqian City Cheng Bei Wastewater Treatment Co., Ltd., for which impairment of HK\$3,398,000 were provided as at 30 June 2020 (31 December 2019: Nil).

## 13. OTHER FINANCIAL ASSETS

### Group

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Unlisted investments, at fair value	431,787	431,035
Unlisted equity investment, at fair value	<u>31,043</u>	<u>31,010</u>
	<u><b>462,830</b></u>	<u><b>462,045</b></u>

The above unlisted investments as at 30 June 2020 and 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.

## 14. CASH AND CASH EQUIVALENTS

### Group

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Cash on hand and bank balances	1,853,803	2,052,250
Pledged bank deposits	<u>12,871</u>	<u>22,553</u>
	<u><b>1,866,674</b></u>	<u><b>2,074,803</b></u>

Included in “Cash and cash equivalents” of the Group as at 30 June 2020 and 31 December 2019 are deposits of HK\$24,377,000 and HK\$81,584,000, respectively, placed with a related party bank, which is a fellow subsidiary of the Company.

## 15. TRADE AND OTHER PAYABLES

### Group

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trade payables	1,607,185	1,959,851
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	20,666	20,931
Interest payable	111,822	84,858
Payable for acquisition	8,979	9,094
Tax payables	20,977	27,690
Other creditors and accrued expenses	<u>302,837</u>	<u>370,060</u>
	<u><b>2,072,466</b></u>	<u><b>2,472,484</b></u>

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

### Group

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 6 months	1,075,385	1,525,166
Over 6 months	<u>531,800</u>	<u>434,685</u>
	<u><b>1,607,185</b></u>	<u><b>1,959,851</b></u>

Trade payables totalling HK\$1,231,317,000 and HK\$1,627,065,000 as at 30 June 2020 and 31 December 2019 respectively represent construction payables for the Group’s Build-Operate-Transfer, Build-Own-Operate, and Transfer-Operate-Transfer arrangements. The construction payables are not yet due for payment.

Included in “Trade payables” of the Group as at 30 June 2020 and 31 December 2019 were trade payables of HK\$518,000 and HK\$2,218,000, 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.

## 15. TRADE AND OTHER PAYABLES (continued)

Included in “Trade payables” of the Group as at 30 June 2020 and 31 December 2019 were trade payables of HK\$8,257,000 and HK\$8,361,000, respectively, due to an associate, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate to its major customers.

Included in “Other creditors and accrued expenses” of the Group as at 30 June 2020 and 31 December 2019 was a guarantee deposit of HK\$14,257,000 and HK\$14,240,000, respectively, from a former director of a subsidiary.

## 16. SHARE CAPITAL

### Group and Company

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Authorised:		
10,000,000,000 ordinary shares of nominal value of HK\$1.00 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
2,860,876,723 and 2,860,876,723 ordinary shares of nominal value of HK\$1.00 each	<u>2,860,877</u>	<u>2,860,877</u>
	<b>No. of shares '000</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
At 31 December 2019 (Audited), 1 January 2020 and 30 June 2020 (Unaudited)	<u>2,860,877</u>	<u>2,860,877</u>

## 17. EVENTS AFTER THE REPORTING PERIOD

The Company had, on 27 July 2020, entered into a concession agreement relating to Dandong City waste water treatment plant phase II public-private partnership project (“Dandong Project Phase II”), which will have an aggregate designed daily waste water treatment capacity of 200,000 m<sup>3</sup>. Dandong Project Phase II will be constructed and implemented in multiple stages. The stage 1, which will commence construction soon, has a designed daily waste water treatment capacity of 100,000 m<sup>3</sup> and is expected to command an investment of approximately RMB265 million with the discharged water complying with the national Grade 1A standard according to the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002). Terms and conditions of the remaining stages of Dandong Project Phase II will be determined after the stage 1 completes construction and commences operation, as and when needed.

On 4 August 2020, the Company completed the issuance of RMB-denominated medium term notes (“MTNs”) in mainland China with a principal amount of RMB1 billion, an interest rate of 3.60%, a maturity period of 3 years and a subscription rate of 2.01 times. The proceeds from the MTNs issuance will be used to replenish working capital of the Company’s subsidiaries. The first tranche of the MTNs and the Company (as the issuer of the first tranche of the MTNs) had each been given a credit rating of “AAA” by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. Bank of China Limited and Guosen Securities Co., Ltd. acted as the underwriters of the first tranche of the MTNs issuance.

## BUSINESS REVIEW AND PROSPECTS

### OPERATING RESULTS

In 1HFY2020, the novel coronavirus (“COVID-19”) spread widely across the world, coupled with factors such as trade dispute and geo-political tensions, hitting the global economic activities and further dragging economic recovery. During the Review Period, the Chinese government work report, for the first time, did not set a specific target for the gross domestic product (GDP) growth but instead focused on stabilising “six fronts” and securing “six areas”\*. Despite pressure caused by increasing internal and external uncertainties, China still attaches great importance to the environmental protection industry and remains committed to winning the battle against air, water and soil pollution by 2020, to achieve the goal set for the first phase of the tough battle against pollution. Meanwhile, the COVID-19 pandemic continuously boosts demand for environmental hygiene, facilitating the environmental protection industry to continue unleashing its market space.

In 1HFY2020, the Group overcame various difficulties and strived to progress ahead, despite pressure from the macro environment and the COVID-19 pandemic. As a result, it had stable progress in market expansion, project construction, operations management and technological research and development (“R&D”), achieving steady operating results. As an environmental protection enterprise 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”. It has formed a full-service business chain covering 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, while being specialised in project investment, planning and design, technological R&D, engineering and construction, operations management and more.

\* *The “six fronts” refer to employment, financial sector, foreign trade, foreign investment, domestic investment, and expectations. The “six areas” refer to job security, basic living needs, operations of market entities, food and energy security, industrial and supply chains, and normal functioning of primary-level governments.*

As at 30 June 2020, the Group invested and held 135 projects, with a total investment of approximately RMB24.29 billion, including 1 raw water protection project, 3 water supply projects, 103 municipal waste water treatment projects, 12 industrial waste water treatment projects, 1 leachate treatment project, 7 reusable water projects, 6 river-basin ecological restoration projects, and 2 waste water source heat pump projects. Meanwhile, the Group undertook 2 engineering, procurement and construction (“EPC”) projects, which command a total contract value of approximately RMB146 million, in addition to 2 operation and management (“O&M”) projects. These projects are designed to have an aggregate daily waste water treatment capacity of 5,351,600 m<sup>3</sup> (inclusive of the treatment capacity of O&M projects), an aggregate daily reusable water supply capacity of 196,600 m<sup>3</sup>, and an aggregate daily water supply capacity of 850,000 m<sup>3</sup>. The waste water source heat pump projects are capable of providing heating and cooling services to an area of 295,000 m<sup>2</sup>. Among these, 108 projects were under operation, 1 project completed construction, 15 projects were under construction, and 15 projects were in the preparatory stage.

During the Review Period, the COVID-19 outbreak had certain adverse impact on the revenue and profit of the Group. In relation to engineering and construction, during the early stage of the COVID-19 outbreak, the local governments in China issued temporary measures regarding postponement of resumption of work and production and travel restrictions to control the epidemic, which slowed down the construction progress of the Group’s construction projects and caused year-on-year decrease in the Group’s construction service revenue recorded for the Review Period; following the effective containment of the COVID-19 pandemic in China, the relevant temporary measures had been lifted, and the Group’s construction projects had all resumed constructions as at mid-April 2020. In relation to operations management, a few of the Group’s industrial waste water treatment projects experienced decrease in water volume during the foregoing control period, and following the cancellation of the relevant temporary measures, the water volume of such projects had returned to normal as at the end of March 2020; in all the other respects, the COVID-19 pandemic had little impact on the operations of the Group’s operating projects, and both the operation income and the finance income of the Group recorded steady year-on-year growth during the Review Period.

During the Review Period, the Group’s revenue amounted to HK\$2.12 billion, representing a decrease of 15% from HK\$2.49 billion in the same period of last year. Earnings before interest, taxes, depreciation and amortisation (“EBITDA”) decreased by 2% to HK\$813.12 million in 1HFY2020 from HK\$830.77 million in the same period of last year. Profit attributable to equity holders of the Company for 1HFY2020 was HK\$404.47 million, down by 4% from HK\$420.49 million in the same period of last year. Basic earnings per share for 1HFY2020 were HK14.14 cents, indicating a decrease of HK1.37 cents from HK15.51 cents in the corresponding period of last year. The Group has diversified and ready access to financing channels, with sufficient funds, reasonable gearing ratio and healthy financial position.



In relation to market expansion, during the Review Period, while focusing on developing its traditional businesses like waste water treatment, the Group bolstered its market position in several regions, such as the Yangtze River Economic Belt and the Bohai Bay Rim Economic Zone. In 1HFY2020, the Group secured 6 waste water treatment projects (with 1 project equipped with a reusable water facility), commanding a total investment of approximately RMB805 million, in addition to 1 O&M project. Such projects contribute an additional designed daily waste water treatment capacity of 170,000 m<sup>3</sup> (inclusive of the treatment capacity of the O&M project) and an additional designed daily reusable water supply capacity of 30,000 m<sup>3</sup>.

In relation to project construction, during the Review Period, against the backdrop of the COVID-19 pandemic, the Group strengthened both pandemic prevention and business operation – it proactively applied for work resumption for the projects under construction and adopted various measures to protect the staff’s health and safety. As a result, the Group managed to resume work in an orderly manner. In the meantime, the Group upheld its construction philosophy of “Safety is Paramount while Quality is the Key to Survival”. All its construction works progressed smoothly. In 1HFY2020, the Group had 6 projects that commenced construction, which in aggregate had a designed daily waste water treatment capacity of 115,000 m<sup>3</sup>, a designed daily reusable water supply capacity of 33,000 m<sup>3</sup> and a designed daily water supply capacity of 600,000 m<sup>3</sup>. A total of 6 projects completed construction and commenced operation, which in aggregate had a designed daily waste water treatment capacity of 80,000 m<sup>3</sup>, a designed daily reusable water supply capacity of 40,000 m<sup>3</sup> and a designed daily sludge treatment capacity of 200 tonnes. In 1HFY2020, a total of 19 projects were under construction in succession, with an aggregate designed daily water treatment capacity of 1,077,000 m<sup>3</sup>. As at 30 June 2020, the Group had 14 projects in the preparatory stage for construction, with an aggregate designed daily water treatment capacity of 467,000 m<sup>3</sup>.

In relation to operations management, the Group adheres to the principle of “safe production with compliant discharge”. As such, it maintained stable daily operations of projects and complied with relevant standards strictly. During the Review Period, the Group, according to the industry’s development needs, continued improving its safety and environmental management system at all levels; enhanced efforts in the further application of management platforms such as the “Intelligent Water” system; and provided trainings on various topics such as safety management and standardised operations, disaster prevention and mitigation, and safety production, with the aim of enhancing its employees’ awareness of safe operation and standardising the relevant practices. During the COVID-19 pandemic, the Group quickly deployed prevention measures and sourced protective supplies. Under the premise of ensuring the health and safety of its employees at various locations, the Group operated its projects stably with compliant discharge, helping the local communities to prevent secondary virus transmission through waste water and other types of waste. During the Review Period, the Group published China Everbright Water Limited Intelligent Water Whitepaper, which

analyses and discusses the application scenarios, technical options and implementation methods relating to intelligent water in the future. Based on the Group's relevant experience in the waste water treatment sector over the past few years, this whitepaper aims to nurture the technical and management advancement among enterprises and in the industry. During the Review Period, the Group was granted various subsidies of approximately RMB29.59 million in total.

In relation to technological R&D, the Group adheres to its "Innovation-driven Development" ethos, sets "application-oriented research" as its direction, and continues increasing investment in technological R&D. During 1HFY2020, the Group continued actively exploring new research areas relating to technological innovation, making good progress in areas of industrial waste water treatment, precision control system and intelligent inspection system. It also strengthened the "industrial-academic" collaborations with universities in China, to absorb advanced philosophy and experience from the external parties and enhance the team's scientific research capabilities. During 1HFY2020, the Group submitted applications for multiple technological R&D topics at provincial and municipal levels. It provided technical services and products externally, which amounted to a total contract value of approximately RMB45 million; and was granted 9 patents (including 1 invention patent, 6 practical new model patents, 1 software copyright and 1 design patent) and published 1 academic paper.

In relation to the capital market, during the Review Period, the Company issued ABS to qualified investors in mainland China for the first time, with a size of issue of RMB300 million. The proceeds from the ABS issuance is expected to be used to replenish working capital of the Group. The ABS issuance helps improve the Company's financing structure, strengthen its capability in capital management, and maintain its finance costs within a reasonable range; it also marks important progress achieved by the Company in diversifying its financing channels. In addition, the Group conducted regular reviews of its loan structure and financing cost and make adjustments as appropriate, in order to provide reliable capital support for the next round of healthy development.

As a company that runs business relating to people's livelihood, the Group has always been actively fulfilling its corporate responsibilities, and pursuing "all-win" situations in economic, social and environmental benefits. During the Review Period, the Group continued opening up its operating projects for public visits, receiving a total of 250 groups of approximately 2,200 visitors from all social circles. Although the physical public visits were suspended for a while due to the COVID-19 pandemic, the Group's projects launched activities to promote environmental protection via online platforms. It provided science popularisation class webcast on the pandemic in celebration of the Earth Day, and organised the cloud-streaming Poetry Contest Themed with Environmental Protection in celebration of the World Environment Day, aiming to promote environmental protection concepts and relevant scientific knowledge to the public. Moreover, during the COVID-19 pandemic, the staff of the Group's operating projects stood steadfast in their roles to ensure the smooth operations of the project facilities, establishing a line of defense through quality water treatment services. This ensured environmental hygiene and safety of cities and helped local communities win the battle against the pandemic.

Thanks to the continued efforts in various aspects including business development, corporate management and social responsibility, during the Review Period, the Group received the recognition of being one of the “Top 10 Influential Enterprises in the Water Industry of China” by the E20 Environment Platform for the third consecutive year.

The Company is committed to creating value for its Shareholders. Following the philosophy of sharing the operating results with the Shareholders, the Board declared an interim dividend of HK3.74 cents (equivalent to 0.67 Sing cent) per ordinary share for 1HFY2020 (for 1HFY2019: HK3.74 cents (equivalent to 0.65 Sing cent) per ordinary share).

## **BUSINESS PROSPECTS**

In 2020, with the impact brought by the COVID-19 pandemic, major economies around the world have all contracted to varying extents. Increased differences among countries and regions and intensified pressure on recovery of the global economy have added uncertainties to the world’s outlook. For China, the year 2020 not only represents the final year of the “13th Five-Year Plan” by when the country targets to build a moderately prosperous society in all respects, but it is also a crucial year towards laying a solid foundation for the country’s “14th Five-Year Plan”. Amid the structural and cyclical downward pressure on the Chinese economy, although local economic activities have gradually resumed in the first half of 2020 on the back of effective epidemic control measures, the domestic macro economy and all industries are expected to move forward with various burdens and challenges in the future.

For the environmental protection industry, 2020 marks the final year of the Water Pollution Prevention & Control Action Plan (also known as the “Clean Water Action Plan”), as well as a critical year to win the battle of water pollution prevention and control and accomplish the goals set for the current period. The Chinese government has been firmly committed to the goal of winning the battle against pollution with increasing support, in spite of pressure on the macro environment. Benefitting from relevant national policies, the environmental protection industry is likely to continue embracing growth opportunities. In view of the continued spread of COVID-19, the Chinese government puts forth more stringent requirements for water treatment and other environmental protection areas, given the needs to ensure a healthy and safe living environment. This helps improve industry standards as a result. Within the water industry, business trends have emerged in areas such as the development of intelligent water management systems, upgrading of water safety protection measures, construction of sludge treatment and disposal facilities, and improvement of the urban waste water pipeline network. These are expected to continue unleashing the industry’s growth potential.

As a water environment management enterprise that is dual-listed in Singapore and Hong Kong, the Group will continue pursuing stability with good progress and change for advancement, and upholding the “Innovation-driven Development” ethos. With the aim of strengthening its core competitiveness, the Group will seize development opportunities brought by key national strategies and policies, and adopt a synergistic approach for market expansion, with a focus on new geographical areas and business models. It will explore digitalisation of management processes in the water sector, so as to promote an urban water business development model

that is led by digitalisation. The Group will focus on long-term development, respond to various challenges in a calm manner, build up strengths for innovation, and forge ahead for development. It will steadily move towards the goal of becoming a comprehensive water enterprise with unique advantages.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

In 1HFY2020, the revenue of the Group decreased by 15% to HK\$2,120.09 million compared with the revenue of HK\$2,485.37 million in 1HFY2019, among which the construction service revenue decreased to HK\$817.76 million (1HFY2019: HK\$1,324.15 million), the operation income increased to HK\$808.17 million (1HFY2019: HK\$712.74 million) and the finance income increased to HK\$456.97 million (1HFY2019: HK\$391.82 million). Gross profit of the Group decreased from HK\$920.09 million in 1HFY2019 to HK\$881.65 million in 1HFY2020, representing an decrease of 4%. The profit of the Group decreased from HK\$448.73 million in 1HFY2019 to HK\$426.56 million in 1HFY2020, representing a drop of 5%. The profit attributable to equity holders of the Company in 1HFY2020 amounted to HK\$404.47 million, which decreased by 4% from 1HFY2019.

### ***Consolidated Statement of Comprehensive Income***

#### *Revenue*

Overall, the Group's revenue decreased by HK\$365.28 million or 15%, from HK\$2,485.37 million in 1HFY2019 to HK\$2,120.09 million in 1HFY2020.

Construction service revenue amounted to HK\$817.76 million in 1HFY2020 (1HFY2019: HK\$1,324.15 million). Construction service revenue dropped in 1HFY2020 compared to 1HFY2019 mainly due to the slowing down of construction progress in 1HFY2020 caused by the temporary policies issued by local Chinese governments regarding postponement of work resumption and traffic restrictions to control the COVID-19 outbreak. Following the effective containment of the epidemic in China, such temporary policies were lifted. As at mid-April 2020, all the Group's construction projects resumed constructions.

Operation income in 1HFY2020 increased by HK\$95.43 million or 13% from 1HFY2019. The increase in operation income was the result of (i) commencement of operation of new projects during the remaining period of FY2019 and 1HFY2020 and (ii) tariff hikes for several projects effected during the remaining period of FY2019. In view of the nature of the Group's core business as public utilities, the COVID-19 outbreak had little impact on the operations of the Group's operating projects.

### *Direct costs and operating expenses*

Direct costs and operating expenses decreased by HK\$326.84 million or 21% from HK\$1,565.28 million in 1HFY2019 to HK\$1,238.44 million in 1HFY2020. The decrease in 1HFY2020 was due to the slowing down of in construction activities during the Review Period which is in line with the drop in construction service revenue in 1HFY2020.

### *Gross profit margin*

Overall gross profit margin in 1HFY2020 increased to 42% (1HFY2019: 37%). The increase was mainly due to a lower portion of the sum of construction service revenue, construction contract revenue and technical service income recognised in the mix of the total revenue of 1HFY2020 as compared to the corresponding period of last year. The sum of construction service revenue, construction contract revenue and technical service income comprised approximately 40% of total revenue in 1HFY2020 (1HFY2019: 56%). In general, construction services, construction contracts and technical services have a lower gross profit margin than operation services, and thus, a smaller (larger) portion of the sum of construction service revenue, construction contract revenue and technical service income will increase (reduce) the overall gross profit margin.

### *Other income and gains, net*

Other income and gains, net mainly consisted of VAT refunds, government grants, fair value change on financial assets at fair value through profit or loss, dividend received from other financial assets, and other sundry income. Other income and gains, net decreased by 9% to HK\$39.40 million in 1HFY2020 as compared with HK\$43.14 million in 1HFY2019. The decrease in other income and gains, net was mainly due to the drop in government grants and fair value loss on contingent consideration receivable. The breakdown of other income and gains, net was set out below.

	<b>1HFY2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1HFY2019 (Unaudited) HK\$'000
Government grants	<b>6,415</b>	12,174
VAT refunds	<b>27,892</b>	30,309
Fair value gain/(loss), net:		
Contingent consideration receivable	<b>(7,692)</b>	727
Other financial assets – unlisted investments	<b>6,260</b>	(3,814)
Other financial assets – unlisted equity investment	<b>429</b>	(358)
Dividend received from other financial assets	<b>1,899</b>	–
Sundry income	<b>4,196</b>	3,385
	<b>39,399</b>	43,139

### *Administrative and other operating expenses*

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

Other operating expenses for 1HFY2020 were the provision for impairment of trade receivables amounting to HK\$8.96 million (1HFY2019: HK\$2.00 million) and provision for impairment of other receivables amounting to HK\$3.44 million (1HFY2019: Nil).

Administrative and other operating expenses decreased by 15% from HK\$193.32 million in 1HFY2019 to HK\$164.25 million in 1HFY2020. This was mainly because such expenses in 1HFY2019 included legal and professional fees in connection with the listing on the Main Board of the SEHK in 1HFY2019.

### *Finance costs*

Finance costs in 1HFY2020 remained stable at HK\$179.41 million (1HFY2019: HK\$179.27 million). Despite the increase in the average balance of borrowings in 1HFY2020 over 1HFY2019, the average interest rate of borrowings in 1HFY2020 was substantially lower than that in 1HFY2019 as the benchmark rates such as Loan Prime Rate, Hong Kong Interbank Offered Rate and London Inter-Bank Offered Rate had dropped in 1HFY2020 due to the expansionary monetary policies in light of the COVID-19 pandemic.

### *Income tax*

Income tax in 1HFY2020 slightly increased by 2% from HK\$154.43 million in 1HFY2019 to HK\$158.16 million.

Income tax for 1HFY2020 included, *inter alia*, underprovision of income tax in respect of prior years amounting to HK\$0.41 million (1HFY2019: overprovision of HK\$1.53 million).

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

As at 30 June 2020, the Group's total assets approximately amounted to HK\$23.27 billion with net assets amounting to HK\$9.72 billion. Net asset value per share attributable to equity holders of the Company was HK\$3.13 per share, representing an increase of 2% as compared to HK\$3.08 per share as at the end of 2019. As at 30 June 2020, gearing ratio (total liabilities over total assets) of the Group was 58.2%, which remained stable as compared to 57.9% at the end of 2019.

## *Assets*

Total assets of the Group increased from HK\$22.68 billion as at 31 December 2019 to HK\$23.27 billion as at 30 June 2020, representing a growth of 3%. The increase in total assets was mainly attributable to the increase in contract assets, intangible assets and trade and other receivables.

Contract assets (including both current and non-current) increased from HK\$15.53 billion as at 31 December 2019 to HK\$16.03 billion as at 30 June 2020, while intangible assets increased from HK\$1.66 billion as at 31 December 2019 to HK\$1.67 billion as at 30 June 2020. The increase in contract assets and intangible assets was mainly attributable to the recognition of construction service revenue for expansion and upgrading projects for several water plants, the raw water protection project and other water environment treatment projects during 1HFY2020.

Trade and other receivables (including both current and non-current) of the Group increased from HK\$1.53 billion as at 31 December 2019 to HK\$1.80 billion as at 30 June 2020. Among them, trade receivables increased by HK\$261.25 million from HK\$910.64 million as at 31 December 2019 to HK\$1,171.89 million as at 30 June 2020, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during 1HFY2020; (ii) the seasonal settlement pattern as customers normally settle greater portion of trade receivables towards financial year end; and (iii) the slower pace of trade receivables settlement as compared to last year due to the adverse impact of the COVID-19 pandemic during 1HFY2020.

Other financial assets as at 30 June 2020 amounted to HK\$462.83 million which comprised unlisted investments of HK\$431.79 million and an unlisted equity investment of HK\$31.04 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\$783.73 million. The increase was mainly due to the issuance of ABS with net proceeds amounting to HK\$315.44 million and new bank loans amounting to approximately HK\$1,516.96 million, offset by repayments of bank and other loans amounting to HK\$961.29 million in 1HFY2020 with the effect of exchange differences of borrowings.

The decrease of HK\$400.02 million in trade and other payables was mainly due to the decrease in construction payables.

The Group was in a net current asset position of HK\$517.10 million as at 30 June 2020, representing an increase of HK\$157.97 million from HK\$359.13 million as at 31 December 2019.

### *Equity*

The Group's total equity amounted to HK\$9.72 billion as at 30 June 2020 (31 December 2019: HK\$9.55 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HK\$426.56 million in 1HFY2020; (ii) foreign currency translation loss of HK\$169.63 million arising from depreciation of RMB against HK\$; (iii) the decrease of HK\$106.65 million in equity due to declaration and payment of the 2019 final dividend; and (iv) capital contributions of HK\$17.06 million by non-controlling shareholders of subsidiaries during 1HFY2020.

### *Consolidated Statement of Cash Flows*

Cash and cash equivalents decreased from HK\$2.05 billion as at 31 December 2019 to HK\$1.85 billion as at 30 June 2020. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At <b>30 June</b> <b>2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	At 31 December 2019 (Audited) HK\$'000
Cash and cash equivalents		
per consolidated statement of financial position	<b>1,866,674</b>	2,052,250
Less: Pledged bank deposits	<u>(12,871)</u>	<u>(22,553)</u>
Cash and cash equivalents		
per consolidated statement of cash flows	<u><b>1,853,803</b></u>	<u>2,074,803</u>



### *Cash flows from operating activities*

The Group had cash inflow of HK\$816.46 million (1HFY2019: HK\$813.38 million) before the changes in working capital during 1HFY2020. The changes in working capital resulted in cash outflow of HK\$1,451.89 million in 1HFY2020, and payment of income tax resulted in cash outflow of HK\$96.50 million in 1HFY2020. As a result, the Group recorded a net cash outflow of HK\$731.94 million from operating activities in 1HFY2020. The changes in working capital in 1HFY2020 arose mainly from:

- (i) the increase in inventories by HK\$22.29 million;
- (ii) the increase in contract assets by HK\$702.28 million;
- (iii) the increase in trade and other receivables by HK\$324.59 million; and
- (iv) the decrease in trade and other payables by HK\$402.74 million.

### *Cash flows from investing activities*

In 1HFY2020, the Group recorded a net cash outflow of HK\$70.84 million from investing activities. The net cash outflow mainly arose from:

- (i) the payment of HK\$3.43 million for the purchase of items of property, plant and equipment;
- (ii) the payment of HK\$74.27 million for the additions of intangible assets;
- (iii) the receipt of dividend of HK\$1.90 million from other financial assets; and
- (iv) the receipt of interest of HK\$5.32 million.

### *Cash flows from financing activities*

The Group recorded a net cash inflow from financing activities of HK\$634.67 million in 1HFY2020. The net cash inflow was mainly caused by:

- (i) the capital contributions from non-controlling shareholders of subsidiaries of HK\$17.06 million;
- (ii) the receipt of net proceeds of HK\$315.44 million from the issuance of ABS, net of related expenses paid;
- (iii) the receipt of net proceeds from bank and other loans of HK\$555.67 million;
- (iv) the payment of principal and interest elements of lease payments of HK\$5.15 million;
- (v) the payment of interest of HK\$150.82 million;
- (vi) the decrease in pledged bank deposits of HK\$9.50 million; and
- (vii) the payment of dividend to the shareholders of the Company of HK\$107.04 million.

### **Earnings Per Share**

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

The Group had no potentially dilutive ordinary shares in issue during 1HFY2020.

	<b>1HFY2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>	1HFY2019 (Unaudited) <i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company	<u>404,473</u>	<u>420,487</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period	<u>2,860,877</u>	<u>2,711,232</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>14.14</u>	<u>15.51</u>

#### Net Asset Value Per Share

	<b>Group</b>		<b>Company</b>	
	<b>At</b>	At	<b>At</b>	At
	<b>30 June</b>	31 December	<b>30 June</b>	31 December
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Audited)	<b>(Unaudited)</b>	(Audited)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>3.13</u>	<u>3.08</u>	<u>3.43</u>	<u>3.48</u>

Net asset value per ordinary share was calculated by 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 period.

## Financial Resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks, supplemented by fund raised from the issuance of corporate bonds and ABS. As at 30 June 2020, the Group had cash and bank balances of HK\$1.87 billion, representing a decrease of HK\$208.13 million as compared to HK\$2.07 billion at the end of 2019. Most of the Group's cash and bank balances, representing approximately 99%, were denominated in HK\$ and RMB.

## Borrowings of the Group

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

At 30 June 2020		At 31 December 2019	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
293,862	2,070,627	224,274	1,786,282

*Amounts payable after one year*

At 30 June 2020		At 31 December 2019	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
1,810,755	5,688,185	1,307,594	5,761,546

The Group is dedicated to improving financing methods and increasing banking facility limit to reserve funding for developing the water environment management business. As at 30 June 2020, the Group had outstanding borrowings of HK\$9.86 billion, representing an increase of HK\$783.73 million as compared to HK\$9.08 billion as at the end of 2019. The borrowings included secured interest-bearing borrowings of HK\$2.10 billion and unsecured interest-bearing borrowings of HK\$7.76 billion. The borrowings are mainly denominated in RMB, representing approximately 62% of the total, and the remainder is denominated in HK\$, United States dollars ("USD") and Euros ("EUR"). Most of the borrowings are at floating rates. As at 30 June 2020, the Group had bank facilities of HK\$12.23 billion, of which HK\$5.40 billion had not been utilised. The bank 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 1HFY2020, the Group was affected by changes in the exchange rates.

## **Pledge of Assets**

Certain bank loan facilities of the Group as at 30 June 2020 were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group's service concession arrangements, bank balances of the Group and the equity interests of certain subsidiaries of the Company. As at 30 June 2020, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to HK\$4.63 billion.

## **Commitments**

As at 30 June 2020, the Group had outstanding purchase commitments of HK\$1.94 billion in connection with the construction contracts and an outstanding capital commitment of HK\$22.86 million in connection with an unlisted equity investment.

## **Contingent Liabilities**

As at 30 June 2020, the Company issued financial guarantees to 2 subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2020 for the provision of the guarantees was HK\$1.01 billion.

## Interested Person Transactions Mandate and Aggregate Value of such Transactions

The Group obtained a general mandate (“IPT Mandate”) from the Shareholders for interested person transactions (“IPTs”) during its annual general meeting held on 12 April 2019 pursuant to Rule 920 of the SGX Listing Manual. The IPT Mandate was renewed during the Company’s annual general meeting held on 10 June 2020. The aggregate value of the IPTs in excess of SGD100,000 during 1HFY2020 are set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during 1HFY2020 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during 1HFY2020 (excluding transactions less than SGD100,000)
China Everbright International Limited	Controlling shareholder	Nil	HK\$3,456,000 (equivalent to SGD620,000)
Sun Life Everbright Life Insurance Co., Ltd.	Associate of the controlling shareholder	Nil	HK\$1,285,000 (equivalent to SGD230,000)

## 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 five committees under the Board (“**Board Committees**”), comprising the Audit Committee, the Remuneration Committee, the Nominating Committee, the Strategy Committee and the Management Committee. As the decision-making body of the Company’s daily management, 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. The Company 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. Moreover, in

response to business needs, the Group has also set up four regional management centres, in order to manage the Group's projects by region and create good synergies. The Group has continuously improved the internal management, established complete management systems and emergency response capacity, and fully implemented the Environmental, Safety, Health and Social Responsibility ("ESHS") Management System ("ESHS Management System") and the Risk Management System at all levels of the Group in order to standardise the management of all aspects in the process of project investment, construction and operations, identify and control risks, and enhance the overall operational efficiency and profitability. During the Review Period, when facing the complex situation with diverse projects, a large number of personnel and heavy tasks under the severe COVID-19 pandemic, the Group applied effective pandemic prevention and control measures, issued targeted policies and strengthened implementation to achieve "zero infection" in the work area; it has overcome various internal and external unfavourable factors in ensuring non-stop operations of operating projects to provide waste water treatment services and safeguarding environmental safety and health of residents.

### **Human Resources Management**

Talent is the key resource for corporate development. The Group highly values its employees and puts great emphasis on talent training and development. The Group has established and implemented a sound 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. During the Review Period, the Group continued optimising the management teams at all levels, vigorously promoting the exchanges and communications between management personnel and key employees, training and selecting outstanding young key staff, improving evaluation, appraisal, discipline and incentive system, enhancing the quality of talent selection and employment, and continuously discovering and cultivating talents to support the sustainable development of the Group.

## PRINCIPAL RISKS AND UNCERTAINTIES

During the Review Period, the Group continued with the implementation of the risk management system, the identification and assessment of risks, and the adoption and evaluation of risk control measures. Based on the requirements of the “Risk Management System” and “Risk Management Manual”, the Group has summarised and analysed the principal risks faced during the Review Period. The principal risks are policy changing risk, accounts receivable risk, financing management risk, engineering construction and operations management risks, technology and innovation risks, compliance risk, investment and market competition risks, internal control risk, staffing risk and cost control risk. In response to the above principal risks, the Group has implemented risk control measures during the Review Period, and currently evaluates that the control measures are effective. During the Review Period, under the impact of COVID-19 pandemic, the risk level of accounts receivable risk as well as investment and market competition risks of the Group is on an upward trend. With reference to the implementation effect of the Group’s internal control during the Review Period and in the past, the risk level of compliance risk and internal control risk of the Group is each on a downward trend. Taking account of the complexity and diversity of the external factors of other principal risks which are beyond the Group’s control, the risk level of the other principal risks remains 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 business areas in the PRC. Along with the increasing public awareness of environmental protection in the PRC, the national government has imposed more stringent regulatory requirements in the field of environmental protection and raised the discharge standard for environmental protection projects. Any substantial future changes in regulatory requirements or discharge standards involved in the Group’s businesses could increase the operating costs of the Group and bring challenges to the compliant and stable operation of the Group. During the Review Period, the Group closely monitored the changes in national environmental protection policies, adjusted its development roadmap in a timely manner and spent efforts in R&D relating to the relevant topics, to ensure achieving the Group’s business goal of sustainable and stable development. 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**

Due to the business model, the Group's business, financial condition, results of operations and prospects are affected by the revenue from customers of the Group's environmental water projects and their creditworthiness to a large extent. If customers' ability to settle service charge is affected due to financial difficulties, the Group would be subject to the risks of increase in accounts receivable. The Group's major customers are the local PRC governments where environmental water projects are located. During the Review Period, the local PRC governments of various levels recorded a decline in fiscal revenue due to COVID-19, and thus, the risk level of the accounts receivable risk faced by the Group increased. The existing control measures are effective as a whole. However, the risk level is on an upward trend since the pandemic is not over yet and economic recovery requires an objective process.

## **3. Financing management risk**

Maintaining the Group's competitiveness and implementing growth strategies both require the Group to have sufficient capital resources. The financial market has also been affected by COVID-19 with changes in interest rates and financing conditions to different degrees. During the Review Period, the Group continued monitoring the changes in the domestic and overseas financing environment and the trend of the RMB exchange rate. The Group made adjustment to its financing structure in a timely manner and explored diversified financing channels such as the issuance of ABS. Through strict control of capital usage, the Group ensured that its capital reserves was sufficient and financing costs were controllable. The existing control measures are effective as a whole. However, the risk level remained unchanged since financing activities are affected by a number of factors.

#### **4. Engineering construction and operational management risks**

During the construction and operation of a project, risks that are difficult to quantify at the initial stage of the project may cause the Group's construction costs, operational costs and actual revenue to deviate from the Group's initial estimates and may result in losses. In addition, the construction and operation of the Group's projects 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 and operations management risk, the Group formulated comprehensive regulations and systems for project construction, the ESHS management system, various standardised processes and various contingency plans. The Group also conducted training and supervision for its staff and relevant partners on a regular basis to ensure effective system implementation, outstanding work quality and stable and compliant operations. During the Review Period, the local PRC governments adopted policies on travel restrictions and suspension of work resumption to certain degree during the early outbreak of COVID-19 in view of the need of control and prevention of the pandemic. This imposed an impact on the construction progress of the Group's construction projects over the short term. A few of the Group's industrial waste water treatment projects in operation recorded a decline in water volume during the control period. Following the effective containment of the epidemic in China, various areas of China have resumed work. As at mid-April 2020, all the Group's construction projects had resumed constructions. The water volume of the industrial waste water treatment projects also returned to its normal level as at the end of March 2020. During the Review Period, all the Group's operating projects were running stably with compliant discharge. 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**

Along with the increasing public awareness of environmental protection in the PRC, the environmental water industry in the PRC may raise the discharge standards and technical levels in the future. The Group has to continuously put efforts on and resources in R&D and the identification of new technologies to ensure that it can maintain its leading position in the environmental water industry. During the Review Period, the Group continuously boosted its efforts in technological R&D and innovation, proactively brought in professional technological talents and fostered the application of technological achievements to its projects, so as to pursue development driven by technology. 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.

## **6. Compliance risk**

Failure to strictly comply with the relevant laws and regulations of the PRC, the SEHK Listing Rules, the SGX Listing Manual and relevant industry norms, etc., may result in administrative penalties or judicial proceedings against the Group in the relevant jurisdictions, which may adversely affect the reputation and operation of the Group. The Group has established relatively comprehensive compliance and approval procedures, including the provision of safeguards through internal legal personnel and external legal experts, to ensure that relevant matters are effectively reviewed and dealt with. During the Review Period, the Group strictly complied with the relevant laws and regulations. The existing control measures are effective as a whole with the risk level on a downward trend.

## **7. Investment and market competition risks**

A substantial influx of capital and competitors are seen in the environmental water industry in which the Group operates. Under such circumstances, the Group will face intensifying competitions in the market, which may affect its business expansion and investment return of projects. During the Review Period, COVID-19 resulted in the restriction of personnel mobility and a decline in fiscal revenue from the relevant local governments, which presented a challenge to the Group's business expansion. The existing projects of the Group mainly focused on coastal areas and more developed inland areas in the mainland China. During the Review Period, the Group stepped up its efforts in business expansion through existing projects and achieved positive outcome. In addition, the Group proactively explored innovative business models and continuously focused on quality business expansion so as to achieve sustainable growth of the Group's businesses. The existing control measures are effective as a whole. However, the risk level is on an upward trend due to the macroeconomic environment including the continuance of the COVID-19 pandemic.

## **8. Internal control risk**

The Group established an efficient and appropriate organisational structure to specify the duties of each level and the functional departments, set up special committees such as risk review committee, engineering technology committee, budget management committee and procurement management committee, and strengthened specialised review and the effective implementation of material matters. 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, effective risk management is achieved. During the Review Period, the internal control measures of the Group were effective and no significant internal control risk event occurred. The risk level is on a downward trend considering the relatively comprehensive internal control organisational structures and relevant mechanisms as well as the satisfactory control effect.

## **9. Staffing risk**

The Group relies on the experience and ability of the Group's key management team and qualified staff. The training of key staff, management and technical personnel is a cyclical process. With more and more new projects put into operation, this may result in continual difficulties in the allocation of human resources. Besides, external recruitment can only partly meet the Group's demands for talents. As a result, the Group persists to the approach of the combination of internal training and external recruitment. The Group has implemented the "Measures on Management of Reserve Talents" and "Measures on Assessment and Recruitment of Professional and Technical Staff", establishes and continually refreshes the talent pool, and regularly organises professional training, and promotes the apprenticeship programme at project level to foster staff development. Furthermore, the Group has continuously attracted talents through different means such as campus recruitment and social recruitment to further enlarge its talent pool. The control measures are effective as a whole with the risk level on a downward trend.

## **10. Cost control risk**

The Group's businesses are involved in engineering construction and operations in relation to environmental water projects. Substantial changes of the market price of relevant raw materials, energy, financial and labour costs, etc. would adversely affect the Group's cost control. During the Review Period, the Group continuously optimised the tender and procurement systems and procedures and adopted various measures to reduce procurement costs. At the same time, it strengthened budget management, strictly controlled project investment and operation costs and conducted regular evaluation. During the early outbreak of COVID-19, the prices of certain raw materials fluctuated over the short term but have all returned to the normal level. The control measures are effective as a whole. However, the risk level remained unchanged due to the continuance of the COVID-19 epidemic.

## **ENVIRONMENTAL AND SOCIAL MANAGEMENT**

The Group embraces the concept of responsible and green operation, and attaches great importance to the environmental and social impacts arising from its operations. It has been actively evaluating its environmental and social performance against internationally recognised standards, including the World Bank Group's Environmental, Health, and Safety Guidelines, and has been regularly submitting monitoring reports to International Finance Corporation since 2016. Such monitoring reports cover all projects of the Group, including projects in the preparatory stage, projects under construction, projects that completed construction and projects in operation. All of the Group's projects have obtained or are actively applying for international management standard certificates, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and OHSAS 18001/ISO 45001 Occupational Health and Safety Management System.

The operating and environmental performance of the Group's projects rigorously adheres to the standards and requirements of their respective environmental impact assessment reports. The Group also takes into account the expectations of neighbouring communities, adopting appropriate and adequate mitigation measures to resolve the "Not in My Back Yard" ("NIMBY") syndrome. The Group strictly complies with laws and regulations related to environmental protection, safe production, occupational health and social responsibility. Key laws and regulations applicable to the Group include the Environmental Protection Law of the PRC, Work 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 relevant 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 1HFY2020.

With the aim of integrating policies and regulatory requirements into the operational practices, improving the entire environmental and social management process, as well as ensuring that the Group undertakes the health and safety responsibility relating to its products and services, the Group has implemented the ESHS Management System since 2016. In 1HFY2020, the Group continued strengthening the implementation of the ESHS Management System and Risk Management System at the group level and across all project companies, standardising the management of all aspects throughout project investment, construction and operation, so as to optimise the environmental and social performance of the Group. The Group at all times abides by the principle of “compliance with discharge standards” to minimise the impact of harmful pollutants to the aquatic and terrestrial ecosystems. In the aspect of occupational health and safety, the Group placed “safe production” as its first priority and continued carrying out “Safe Production Month” initiative and fully implementing the “Three Zeros” goal (zero excessive discharge of pollutants, zero work safety accident and zero case for violation of regulations or discipline) through themed activities, training and education, safety inspection and emergency drills across all project companies. In addition, the Group included climate risks into its Risk Management System to formulate more comprehensive emergency and natural disaster contingency plans.

Furthermore, the Group strives to provide the public with transparent, reliable and comprehensive environmental information associated with its project operations, such as environmental impact assessment approvals, annual environmental monitoring plans, environmental emergency preparedness and response plans, monitoring results of waste water/air emissions/noise etc. The Group uploaded such information to its corporate website for public scrutiny, demonstrating its determination to undertake environmental and social responsibilities.

In addition, 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 of the PRC, and opened its waste water treatment facilities to the public. The Group is committed to developing itself into an advanced hub for public visits and environmental education that provides on-site visits, practical learnings and technical trainings simultaneously. As at 30 June 2020, a total of 25 projects of the Group had been officially opened to the public. In 1HFY2020, these projects received 2,154 visitors in 250 batches in aggregate. The Group is also committed to participating in local and international environmental protection and technology activities, aligning with national policies, formulating policies for environmental protection open days, and encouraging employees to live a low-carbon lifestyle. The Group's waste water treatment projects have received various awards and recognitions, such as the "Science Popularisation and Education Hub", "Environmental Education Hub" and "Practices Base for Ecological Civilisation Development".

## **CORPORATE GOVERNANCE**

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

Since the listing of the Company's ordinary shares on the Main Board of the SEHK on 8 May 2019, the Company has adopted the principles and code provisions of the Corporate Governance Code (the "HK CG Code") as set out in Appendix 14 to the SEHK Listing Rules as part of its governance framework, in addition to the principles and provisions under Singapore Code of Corporate Governance 2018 (the "SG CG Code"). In the event of any conflicts between the SG CG Code and the HK CG Code, the Group will comply with the more stringent requirements. Throughout 1HFY2020, the Company has complied with the HK CG Code and the SG CG Code.

Please refer to the "Corporate Governance Report" in the FY2019 Annual Report for more information on the Company's corporate governance practices.

## **BOARD COMMITTEES**

The Board holds meetings on a regular basis. The Board currently establishes 5 Board Committees, namely the Audit Committee, the Remuneration Committee, the Nominating 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 SGXNet ([www.sgx.com](http://www.sgx.com)) and websites of the Company ([www.ebwater.com](http://www.ebwater.com)) and Hong Kong Exchanges and Clearing Limited ("HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)).

During 1HFY2020, the members of the Audit Committee reviewed the audited consolidated financial results of the Group for the financial year ended 31 December 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 SGXNet and websites of the Company and HKEx.

During 1HFY2020, the members of Remuneration Committee reviewed the 2019 remuneration payment and 2020 remuneration framework for the 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 the Board Committees. The terms of reference of the Nominating Committee are available on the SGXNet and websites of the Company and HKEx.

## **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 SGXNet and websites of the Company and HKEx.

## **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 SGXNet and websites of the Company and HKEx.

## DEALINGS IN THE SECURITIES

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

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

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

The Directors, officers and relevant employees of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or while they are in possession of unpublished 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 1HFY2020.

## Interim Dividend

### (a) *Current financial period reported on*

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

As part of the Directors' continuing efforts to enhance Shareholder's return, when they deem appropriate for the Company to do so, the Directors will recommend or declare a dividend. The Directors have declared an interim dividend of HK3.74 cents (equivalent to 0.67 Sing cent) per ordinary share for 1HFY2020.

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

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

<b>Name of Dividend</b>	1HFY2019 Interim Dividend
<b>Dividend Type</b>	Cash/Scrip (based on Shareholder's election)
<b>Dividend Amount</b>	HK3.74 cents (equivalent to 0.65 Sing cent) per ordinary share
<b>Tax Rate</b>	One-Tier Tax Exempt

### (c) *Date payable*

The 1HFY2020 Interim Dividend will be paid on or around 11 September 2020 (Friday).

### (d) *Books closure date*

#### 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 27 August 2020 (Thursday), being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the 1HFY2020 Interim 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 27 August 2020 (Thursday) will be registered before entitlements to the 1HFY2020 Interim Dividend are determined. Members whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5:00 p.m. (Singapore time) on 27 August 2020 (Thursday) will rank for the 1HFY2020 Interim Dividend.

#### For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 28 August 2020 (Friday) to 31 August 2020 (Monday), both dates inclusive, and during this period no transfer of shares will be registered. Shareholders whose names appear on the Hong Kong branch register of members of the Company as at 4:30 p.m. (Hong Kong time) on 27 August 2020 (Thursday) will be entitled to the 1HFY2020 Interim 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 27 August 2020 (Thursday), will be registered before entitlements to the 1HFY2020 Interim Dividend are determined.

#### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2020.

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

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 30 June 2020 and 30 June 2019. During the six months ended 30 June 2020, there were no sales, transfers, disposal, cancellations and/or use of treasury shares.

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

During 1HFY2020, there was no acquisition or disposal of shares in subsidiaries (“Subsidiaries”), associated companies (“Associated Companies”) of the Company or in any company which became or ceased to be a Subsidiary or Associated Company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A of the SGX Listing Manual.

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

None.

## **Publication of Interim Results and Interim Report**

The interim results announcement for the six months ended 30 June 2020 is published on the SGXNet (www.sgx.com) and the websites of the Company (www.ebwater.com) and HKEx (www.hkexnews.hk). The 2020 interim report of the Company containing, among others, all the information required by the SEHK Listing Rules, will be published on the SGXNet and the websites of the Company and HKEx and despatched to the Shareholders in due course.

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

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

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

I, An Xuesong, do hereby confirm on behalf of the Board that to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the six months ended 30 June 2020 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, 12 August 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.*

## **APPENDIX**

Report on Review of Interim Financial Information  
12 August 2020

**The Board of Directors**  
**China Everbright Water Limited**

### **Introduction**

We have reviewed the interim financial information, which comprises the condensed consolidated statement of financial position as at 30 June 2020 of China Everbright Water Limited and its subsidiaries, and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”).

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

## **Scope of Review**

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

## **Conclusion**

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

## **Ernst & Young LLP**

*Public Accountants and*

*Chartered Accountants*

**Singapore**