

Singapore Exchange Securities Trading Limited, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA EVERBRIGHT WATER LIMITED

中國光大水務有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

ANNOUNCEMENT ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- Revenue decreased by 3% to HK\$6,727,967,000 (FY2021: HK\$6,912,371,000)
- EBITDA decreased by 3% to HK\$2,180,523,000 (FY2021: HK\$2,245,235,000)
- Profit before tax decreased by 18% to HK\$1,382,010,000 (FY2021: HK\$1,687,894,000)
- Profit attributable to equity holders of the Company decreased by 16% to HK\$1,010,565,000 (FY2021: HK\$1,200,329,000)
- Final dividend of HK5.14 cents (equivalent to 0.86 Sing cent) per ordinary share (FY2021: HK6.83 cents (equivalent to 1.19 Sing cents) per ordinary share). Total dividend for FY2022 of HK10.59 cents (equivalent to 1.84 Sing cents) per ordinary share (FY2021: HK12.58 cents (equivalent to 2.20 Sing cents) per ordinary share)

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of China Everbright Water Limited (the “Company”) announces the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2022 (“FY2022” or “year under review”) (the “FY2022 Annual Results”), together with the comparative figures for the financial year ended 31 December 2021 (“FY2021”). Unless otherwise stated, the figures in FY2022 Annual Results are extracted from the consolidated financial statements of the Group for FY2022, which have been audited by Ernst & Young LLP in accordance with International Standards on Auditing. Ernst & Young LLP’s report on the audit of the consolidated financial statements of the Group for FY2022 is included as the Appendix to this announcement. The report does not have any qualification, disclaimer of opinion, adverse opinion or emphasis of matter. The FY2022 Annual Results have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>	Increase/ (decrease) %
REVENUE	4	6,727,967	6,912,371	(3%)
Direct costs and operating expenses		<u>(4,163,980)</u>	<u>(4,110,782)</u>	1%
Gross profit		2,563,987	2,801,589	(8%)
Other income and gains/(losses), net	5	53,793	(22,492)	NM
Administrative and other operating expenses		(730,683)	(671,142)	9%
Finance income	6	28,302	21,999	29%
Finance costs	6	(544,615)	(435,302)	25%
Share of profits and losses of associates		<u>11,226</u>	<u>(6,758)</u>	NM
PROFIT BEFORE TAX	7	1,382,010	1,687,894	(18%)
Income tax	8	<u>(315,101)</u>	<u>(404,908)</u>	(22%)
PROFIT FOR THE YEAR		<u>1,066,909</u>	<u>1,282,986</u>	(17%)
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of functional currency to the presentation currency		<u>(1,672,596)</u>	<u>507,007</u>	(430%)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX				
		<u>(1,672,596)</u>	<u>507,007</u>	(430%)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR				
		<u>(605,687)</u>	<u>1,789,993</u>	(134%)

NM – Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)**For the year ended 31 December 2022*

	<i>Notes</i>	FY2022 HK\$'000	FY2021 HK\$'000	Increase/ (decrease) %
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Company		1,010,565	1,200,329	(16%)
Holders of perpetual capital instruments		14,334	–	NM
Non-controlling interests		42,010	82,657	(49%)
		<u>1,066,909</u>	<u>1,282,986</u>	(17%)
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:				
Equity holders of the Company		(550,953)	1,673,707	(133%)
Holders of perpetual capital instruments		14,334	–	NM
Non-controlling interests		(69,068)	116,286	(159%)
		<u>(605,687)</u>	<u>1,789,993</u>	(134%)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
– Basic and diluted	<i>10</i>	<u>HK35.32 cents</u>	<u>HK41.96 cents</u>	(16%)

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Notes	Group		Company	
		31 December 2022 HK\$'000	31 December 2021 HK\$'000	31 December 2022 HK\$'000	31 December 2021 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment		994,950	1,043,532	-	-
Right-of-use assets		89,835	104,372	-	-
Investment properties		11,398	12,468	-	-
		1,096,183	1,160,372	-	-
Intangible assets		2,369,863	2,280,920	-	-
Goodwill		1,400,952	1,531,576	-	-
Interests in subsidiaries		-	-	10,618,932	11,505,621
Interests in associates		11,094	231	-	-
Other receivables	11	556,154	771,809	-	-
Contract assets	12	19,077,113	19,750,324	-	-
Other financial assets	13	-	36,122	-	-
Deferred tax assets		3,253	6,127	-	-
Total non-current assets		24,514,612	25,537,481	10,618,932	11,505,621
CURRENT ASSETS					
Inventories		85,820	70,189	-	-
Trade and other receivables	11	3,767,702	2,866,254	9,611,167	8,483,239
Contract assets	12	2,010,393	1,990,466	-	-
Other financial assets	13	221,717	222,880	186,219	222,880
Cash and cash equivalents	14	2,845,907	2,281,986	98,085	134,962
Total current assets		8,931,539	7,431,775	9,895,471	8,841,081

STATEMENTS OF FINANCIAL POSITION *(continued)*

As at 31 December 2022

	<i>Notes</i>	Group		Company	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT LIABILITIES					
Trade and other payables	15	3,168,112	3,215,673	145,880	147,539
Borrowings		5,686,435	3,392,028	4,634,455	2,897,360
Tax payable		61,329	78,274	–	–
Lease liabilities		2,656	5,234	–	–
		<u>8,918,532</u>	<u>6,691,209</u>	<u>4,780,335</u>	<u>3,044,899</u>
Total current liabilities		8,918,532	6,691,209	4,780,335	3,044,899
NET CURRENT ASSETS					
		<u>13,007</u>	<u>740,566</u>	<u>5,115,136</u>	<u>5,796,182</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>24,527,619</u>	<u>26,278,047</u>	<u>15,734,068</u>	<u>17,301,803</u>
NON-CURRENT LIABILITIES					
Borrowings		9,575,700	11,049,910	4,772,482	6,047,143
Deferred tax liabilities		1,950,690	2,063,737	–	–
Lease liabilities		351	1,168	–	–
		<u>11,526,741</u>	<u>13,114,815</u>	<u>4,772,482</u>	<u>6,047,143</u>
Total non-current liabilities		11,526,741	13,114,815	4,772,482	6,047,143
NET ASSETS					
		<u>13,000,878</u>	<u>13,163,232</u>	<u>10,961,586</u>	<u>11,254,660</u>
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	16	2,860,877	2,860,877	2,860,877	2,860,877
Reserves		8,106,613	9,009,206	7,293,727	8,393,783
		<u>10,967,490</u>	<u>11,870,083</u>	<u>10,154,604</u>	<u>11,254,660</u>
Perpetual capital instruments		806,982	–	806,982	–
Non-controlling interests		1,226,406	1,293,149	–	–
		<u>13,000,878</u>	<u>13,163,232</u>	<u>10,961,586</u>	<u>11,254,660</u>
TOTAL EQUITY		13,000,878	13,163,232	10,961,586	11,254,660

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Statutory reserve HK\$'000	Contributed surplus reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Perpetual capital instruments HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Group											
At 1 January 2022	2,860,877	1,599,765	598,589	578,129	1,229,302	8,203	4,995,218	11,870,083	-	1,293,149	13,163,232
Profit for the year	-	-	-	-	-	-	1,010,565	1,010,565	14,334	42,010	1,066,909
Foreign currency translation differences	-	-	(1,561,518)	-	-	-	-	(1,561,518)	-	(111,078)	(1,672,596)
2021 final dividend declared	-	-	-	-	-	-	(195,468)	(195,468)	-	-	(195,468)
2022 interim dividend declared	-	-	-	-	-	-	(156,172)	(156,172)	-	-	(156,172)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	-	806,982	-	806,982
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	(14,334)	-	(14,334)
Capital contribution received by a non wholly-owned subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	24,544	24,544
Dividend declared to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	(22,219)	(22,219)
Transfer to statutory reserve	-	-	-	111,605	-	-	(111,605)	-	-	-	-
At 31 December 2022	<u>2,860,877</u>	<u>1,599,765</u>	<u>(962,929)</u>	<u>689,734</u>	<u>1,229,302</u>	<u>8,203</u>	<u>5,542,538</u>	<u>10,967,490</u>	<u>806,982</u>	<u>1,226,406</u>	<u>13,000,878</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

	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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group										
At 1 January 2021	2,860,877	1,599,765	125,211	524,810	1,229,302	8,203	4,186,125	10,534,293	871,566	11,405,859
Profit for the year	-	-	-	-	-	-	1,200,329	1,200,329	82,657	1,282,986
Foreign currency translation differences	-	-	473,378	-	-	-	-	473,378	33,629	507,007
2020 final dividend declared	-	-	-	-	-	-	(173,266)	(173,266)	-	(173,266)
2021 interim dividend declared	-	-	-	-	-	-	(164,651)	(164,651)	-	(164,651)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	327,656	327,656
Capital contribution received by a non wholly-owned subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	4,223	4,223
Dividends declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(26,582)	(26,582)
Transfer to statutory reserve	-	-	-	53,319	-	-	(53,319)	-	-	-
At 31 December 2021	<u>2,860,877</u>	<u>1,599,765</u>	<u>598,589</u>	<u>578,129</u>	<u>1,229,302</u>	<u>8,203</u>	<u>4,995,218</u>	<u>11,870,083</u>	<u>1,293,149</u>	<u>13,163,232</u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Contributed surplus	Other reserves	Retained earnings	Total	Perpetual capital instruments	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company									
At 1 January 2022	2,860,877	389,715	(165,782)	7,639,082	64,953	465,815	11,254,660	-	11,254,660
Profit for the year	-	-	-	-	-	229,491	229,491	14,334	243,825
Foreign currency translation differences	-	-	(977,907)	-	-	-	(977,907)	-	(977,907)
2021 final dividend declared	-	-	-	-	-	(195,468)	(195,468)	-	(195,468)
2022 interim dividend declared	-	-	-	-	-	(156,172)	(156,172)	-	(156,172)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	806,982	806,982
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	(14,334)	(14,334)
At 31 December 2022	<u>2,860,877</u>	<u>389,715</u>	<u>(1,143,689)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>343,666</u>	<u>10,154,604</u>	<u>806,982</u>	<u>10,961,586</u>
At 1 January 2021	2,860,877	389,715	(508,101)	7,639,082	64,953	184,693	10,631,219	-	10,631,219
Profit for the year	-	-	-	-	-	619,039	619,039	-	619,039
Foreign currency translation differences	-	-	342,319	-	-	-	342,319	-	342,319
2020 final dividend declared	-	-	-	-	-	(173,266)	(173,266)	-	(173,266)
2021 interim dividend declared	-	-	-	-	-	(164,651)	(164,651)	-	(164,651)
At 31 December 2021	<u>2,860,877</u>	<u>389,715</u>	<u>(165,782)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>465,815</u>	<u>11,254,660</u>	<u>-</u>	<u>11,254,660</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	FY2022 HK\$'000	FY2021 HK\$'000
Cash flows from operating activities			
Profit before tax		1,382,010	1,687,894
Adjustments for:			
Depreciation of property, plant and equipment	7	63,424	50,297
Depreciation of right-of-use assets	7	13,243	12,616
Amortisation of intangible assets	7	177,231	59,126
Loss on disposals of property, plant and equipment	7	94	7,129
Loss on disposal of intangible assets	5	–	3,217
Loss on disposal of contract assets	5	–	33,045
Finance costs	6	544,615	435,302
Interest income	6	(28,302)	(21,999)
Share of profits and losses of associates		(11,226)	6,758
Gain from disposal of an associate	5	–	(2)
Fair value changes of other financial assets, net	5	15,785	57,615
Provision for impairment of trade receivables, net	7	226,899	101,981
Provision for impairment of other receivables	7	33,829	16,451
Provision for impairment of contract assets	7	4,002	3,533
Impairment of intangible assets	7	14,230	–
Effect of foreign exchange rates changes, net		(155,383)	26,837
		<hr/>	<hr/>
Operating cash flows before working capital changes		2,280,451	2,479,800
Changes in working capital:			
(Increase)/decrease in inventories		(22,344)	34,252
Increase in contract assets		(1,275,259)	(2,324,253)
Increase in trade and other receivables		(1,310,398)	(784,941)
(Decrease)/increase in trade and other payables		(61,043)	125,605
		<hr/>	<hr/>
Cash used in operations		(388,593)	(469,537)
People's Republic of China ("PRC") income tax paid		(251,036)	(199,604)
		<hr/>	<hr/>
Net cash flows used in operating activities		(639,629)	(669,141)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**For the year ended 31 December 2022*

	<i>Notes</i>	FY2022 HK\$'000	FY2021 HK\$'000
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		(9,606)	(794,616)
Proceeds from disposal of an associate		–	1,222
Purchases of items of property, plant and equipment		(116,979)	(29,744)
Proceeds from disposals of property, plant and equipment		478	709
Payment for additions of intangible assets		(255,754)	(482,210)
(Increase)/decrease in amounts due from an associate		(385)	8,201
Decrease in other financial assets		–	137,577
Interest received		28,302	21,999
		<hr/>	<hr/>
Net cash flows used in investing activities		(353,944)	(1,136,862)
Cash flows from financing activities			
Capital contribution from a non-controlling shareholder of a subsidiary		24,544	4,223
Proceeds from the issuance of medium-term notes (“MTN”), net of related expenses paid		1,233,688	1,199,392
Proceeds from the issuance of super and short-term commercial papers (“SCP”), net of related expenses paid		2,384,000	962,320
Proceeds from issuance of perpetual capital instruments, net of related expenses paid		806,982	–
New bank loans		4,483,246	5,660,898
Repayments of corporate bonds		(820,750)	(14,615)
Repayments of asset-backed securities (“ABS”)		(66,190)	(64,354)
Repayments of SCP		(1,156,300)	(962,320)
Repayments of bank loans		(4,215,294)	(3,706,012)
Interest paid		(503,664)	(380,488)
Principal elements of lease payments		(10,329)	(10,128)
Interest elements of lease payments	6	(602)	(456)
(Increase)/decrease in restricted bank balances and pledged bank deposits		(17)	15,750
Dividends paid to the shareholders of the Company (the “Shareholders”)		(356,358)	(338,546)
Dividends paid to non-controlling shareholders of subsidiaries		(17,573)	(43,956)
		<hr/>	<hr/>
Net cash flows generated from financing activities		1,785,383	2,321,708
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		2,281,001	1,702,855
Effect of exchange rate fluctuations on cash and cash equivalents, net		(227,821)	62,441
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		2,844,990	2,281,001

Notes:

1. BASIS OF PREPARATION

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

The accounting policies and basis of preparation adopted in the preparation of the financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2021 except for the changes in accounting policies made thereafter in adopting the new and revised IFRSs issued by the IASB, which became effective for the first time for the current year’s financial statements, as further detailed below. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. These financial statements have been reviewed by the Company’s Audit Committee.

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of FY2022 Annual Results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements.

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

1. BASIS OF PREPARATION *(continued)*

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

(a) *Reference to the Conceptual Framework – Amendments to IFRS 3*

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

(b) *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

1. BASIS OF PREPARATION (continued)

(c) *Onerous Contracts – Cost of Fulfilling a Contract* – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts identified.

(d) *Annual Improvements to IFRSs 2018-2020* – Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group’s financial instruments during the period.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹
IFRS 17	<i>Insurance Contracts</i> ¹
Amendments to IFRS 17	<i>Insurance Contracts</i> ¹
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ²
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet but available for adoption

3. OPERATING SEGMENT INFORMATION

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Business segment

The Group had only one operating segment for the years ended 31 December 2022 and 2021, namely the water environment management business, the details of which are set out below:

- Water environment management – Engagement in municipal waste water treatment, industrial waste water treatment, water supply, reusable water, sludge treatment and disposal, sponge city construction, river-basin ecological restoration, waste water source heat pump, leachate treatment, research and development (“R&D”) of water environment technologies and engineering construction.

Geographical information

(a) *Revenue from external customers*

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Mainland China	6,713,391	6,907,083
Germany	14,576	5,288
	<u>6,727,967</u>	<u>6,912,371</u>

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

(b) *Non-current assets*

	At 31 December 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Mainland China	24,513,051	25,497,214
Hong Kong	956	1,646
Singapore	447	2,237
Germany	158	262
	<u>24,514,612</u>	<u>25,501,359</u>

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Major customers

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Customer 1**	723,986	709,115
Customer 2**	679,072	N/A*
Customer 3**	<u>N/A*</u>	<u>811,907</u>

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

** The customers are local government authorities.

4. REVENUE

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Construction service revenue from service concession arrangements	2,403,740	3,098,448
Finance income from service concession arrangements	1,107,945	1,068,040
Operation income from service concession arrangements	2,950,629	2,522,688
Construction contract revenue and technical service income	<u>265,653</u>	<u>223,195</u>
	<u>6,727,967</u>	<u>6,912,371</u>
Timing of revenue recognition		
At a point in time	170,522	127,607
Over time	<u>5,449,500</u>	<u>5,716,724</u>
	5,620,022	5,844,331
Finance income from service concession arrangements	<u>1,107,945</u>	<u>1,068,040</u>
	<u>6,727,967</u>	<u>6,912,371</u>

The aggregated amount of construction service revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK\$6,357,746,000 and HK\$6,608,774,000 for the years ended 31 December 2022 and 2021, respectively.

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

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Government grants*	37,365	50,011
Value-added tax (“VAT”) refunds**	19,855	9,324
Fair value gain/(loss), net:		
Other financial assets – unlisted investments	(18,382)	(58,583)
Other financial assets – unlisted equity investment	2,597	968
Loss on disposal of intangible assets	–	(3,217)
Loss on disposal of contract assets	–	(33,045)
Gain from disposal of an associate	–	2
Sundry income	12,358	12,048
	<u>53,793</u>	<u>(22,492)</u>

* Government grants of HK\$37,365,000 and HK\$50,011,000 were granted during the years ended 31 December 2022 and 2021, respectively, to subsidise certain waste water treatment plants of the Group in the PRC. The receipt of such grants is not subject to any unfulfilled conditions or any other contingencies. There is no assurance that the Group will continue to receive such grants in the future.

** VAT refunds of HK\$19,855,000 and HK\$9,324,000 were received/receivable during the years ended 31 December 2022 and 2021, respectively, in relation to the Group’s certain environmental water projects in operation in the PRC. The receipt of such tax refunds is not subject to any unfulfilled conditions or any other contingencies. There is no assurance that the Group will continue to receive such tax refunds in the future.

6. NET FINANCE COSTS

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
<u>Finance income</u>		
Interest income on:		
Bank deposits	27,929	21,289
Amounts due from an associate	373	710
	<u>28,302</u>	<u>21,999</u>
<u>Finance costs</u>		
Interest expense on:		
Bank and other loans	(330,138)	(226,603)
Corporate bonds, ABS, MTN and SCP	(213,875)	(208,243)
Lease liabilities	(602)	(456)
	<u>(544,615)</u>	<u>(435,302)</u>
Net finance costs	<u>(516,313)</u>	<u>(413,303)</u>

7. PROFIT BEFORE TAX

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

	FY2022 HK\$'000	FY2021 HK\$'000
Depreciation*		
– property, plant and equipment	63,424	50,297
– right-of-use assets	13,243	12,616
Amortisation		
– intangible assets*	177,231	59,126
Loss on disposals of property, plant and equipment	94	7,129
Loss on disposal of intangible assets	–	3,217
Loss on disposal of contract assets	–	33,045
Cost of construction services from service concession arrangements**	1,730,322	2,331,530
R&D costs	50,976	50,097
Rental expense from short-term leases	4,188	2,835
Provision for impairment of trade receivables, net	226,899	101,981
Provision for impairment of other receivables	33,829	16,451
Provision for impairment of contract assets	4,002	3,533
Impairment of intangible assets	14,230	–
Foreign exchange differences, net	<u>(39,620)</u>	<u>3,691</u>
Employee benefit expense (including directors' remuneration)*:		
Wages, salaries, allowances and benefits in kind	415,334	394,917
Retirement scheme contributions	<u>58,764</u>	<u>124,512</u>
	<u>474,098</u>	<u>519,429</u>
Fees paid to auditor of the Company:		
Audit fees	<u>760</u>	<u>720</u>
Fees paid to affiliates of auditor of the Company:		
Audit fees	2,790	2,660
Non-audit fees		
– Others	<u>1,119</u>	<u>1,620</u>

* Amortisation of intangible assets, depreciation and employee benefit expense in total of HK\$440,349,000 and HK\$309,036,000 for the years ended 31 December 2022 and 2021, respectively, are included in “Direct costs and operating expenses” in the consolidated statement of comprehensive income.

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

As at the end of each financial year, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years.

8. INCOME TAX

No provision for Singapore and Hong Kong income tax was made as the Group did not earn any income subject to Singapore or Hong Kong income tax during the years ended 31 December 2022 and 2021.

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 years ended 31 December 2022 and 2021, certain PRC subsidiaries of the Group were subject to a preferential tax rate of 15% pursuant to the relevant tax rules and regulations. During the years ended 31 December 2022 and 2021, 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.

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Current – PRC:		
Charge for the year	238,790	220,030
Underprovision/(overprovision) in prior years	1,524	(16,766)
Deferred	<u>74,787</u>	<u>201,644</u>
Total tax expense for the year	<u>315,101</u>	<u>404,908</u>

9. DIVIDENDS

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Dividends for the financial year:		
Interim – 5.45 Hong Kong cents (“HK cents”) (equivalent to 0.98 Singapore cent (“Sing cent”)) (FY2021: HK5.75 cents (equivalent to 1.01 Sing cents)) per ordinary share	156,172	164,651
Proposed final – HK5.14 cents (equivalent to 0.86 Sing cent) (FY2021: HK6.83 cents (equivalent to 1.19 Sing cents)) per ordinary share	<u>147,049</u>	<u>195,468</u>
	<u>303,221</u>	<u>360,119</u>
Final dividend for the previous financial year which was paid during the financial year – HK6.83 cents (equivalent to 1.19 Sing cents) (FY2021: HK6.07 cents (equivalent to 1.04 Sing cents)) per ordinary share	<u>195,468</u>	<u>173,266</u>

The proposed final dividend for FY2022 is subject to the approval of the Shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10. EARNINGS PER SHARE

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

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

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company	<u>1,010,565</u>	<u>1,200,329</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>35.32</u>	<u>41.96</u>

11. TRADE AND OTHER RECEIVABLES

Group

	At 31 December 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Non-current		
Other receivables	304,462	333,489
Less: Impairment	<u>(33,354)</u>	<u>(6,967)</u>
	271,108	326,522
VAT receivables	285,046	417,859
Prepayments	<u>–</u>	<u>27,428</u>
	<u>556,154</u>	<u>771,809</u>
Current		
Trade receivables	3,808,432	2,548,697
Less: Impairment	<u>(446,835)</u>	<u>(252,045)</u>
	3,361,597	2,296,652
Other receivables and sundry deposits	126,497	103,817
Less: Impairment	<u>(17,516)</u>	<u>(13,383)</u>
	108,981	90,434
VAT receivables	165,655	192,277
Amounts due from an associate	9,365	9,843
Prepayments	<u>122,104</u>	<u>277,048</u>
	<u>3,767,702</u>	<u>2,866,254</u>
Total	<u>4,323,856</u>	<u>3,638,063</u>

The amounts due from an associate are unsecured, repayable on demand and interest-bearing at a rate of 4.75% (31 December 2021: 4.75%) per annum.

11. TRADE AND OTHER RECEIVABLES (continued)

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

Group

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
At the beginning of the year	252,045	97,246
Impairment losses recognised (note 7)	226,899	149,289
Impairment losses reversed (note 7)	–	(47,308)
Reversal of previous write-off of impairment losses	–	47,308
Exchange realignment	(32,109)	5,510
	<u>446,835</u>	<u>252,045</u>

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

Group

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
At the beginning of the year	20,350	3,521
Impairment losses recognised (note 7)	33,829	16,451
Exchange realignment	(3,309)	378
	<u>50,870</u>	<u>20,350</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 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 1 month	678,873	553,679
More than 1 month but within 2 months	317,034	276,958
More than 2 months but within 4 months	370,343	235,831
More than 4 months but within 7 months	482,419	435,829
More than 7 months but within 13 months	661,136	498,179
More than 13 months	851,792	296,176
	<u>3,361,597</u>	<u>2,296,652</u>

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

Included in “Trade and other receivables” of the Group as at 31 December 2022 and 2021 were trade receivables of HK\$3,361,597,000 and HK\$2,296,652,000, respectively, of which (a) nil and HK\$11,657,000, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, (b) HK\$13,963,000 and HK\$14,211,000, respectively, were due from a related company of a non wholly-owned subsidiary.

11. TRADE AND OTHER RECEIVABLES (continued)

Included in “Other receivables and sundry deposits” of the Group as at 31 December 2022 and 2021 were government compensation receivables of HK\$26,508,000 and HK\$19,381,000, respectively, arising from compensation of sludge disposal cost as stipulated in the concession service agreement of Everbright Water (Beijing) Limited.

Included in “Other receivables and sundry deposits” of the Group as at 31 December 2022 and 2021 were consideration receivables of HK\$6,394,000 and HK\$8,095,000, respectively, due from third parties arising from the disposals of service concession rights held by Suqian City Cheng Bei Water Treatment Co., Ltd. and Suqian City Cheng Bei Wastewater Treatment Co., Ltd. years ago, for which impairment of HK\$2,283,000 (31 December 2021: HK\$2,382,000) was provided as at 31 December 2022.

12. CONTRACT ASSETS

Group

		At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000	At 1 January 2021 HK\$'000
	<i>Notes</i>			
Non-current				
Service concession assets	(a)	19,094,999	19,766,155	17,360,815
Less: impairment	(c)	(17,886)	(15,831)	(12,195)
		19,077,113	19,750,324	17,348,620
Current				
Service concession assets	(a)	1,953,883	1,949,143	1,679,084
Less: impairment	(c)	(1,830)	(1,561)	(1,179)
		1,952,053	1,947,582	1,677,905
Other contract assets	(b)	58,340	42,884	3,282
		2,010,393	1,990,466	1,681,187
Total		21,087,506	21,740,790	19,029,807

Notes:

- (a) Included in “Contract assets” as at 31 December 2022 and 2021 are amounts of HK\$525,427,000 and HK\$534,155,000, respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK\$704,322,000 and HK\$822,617,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 31 December 2022 and 2021 totalling HK\$21,048,882,000 and HK\$21,715,298,000, respectively, bear interest at rates ranging from 4.40% to 7.83% and 4.90% to 7.83%, respectively, per annum. As at 31 December 2022 and 2021, HK\$10,549,068,000 and HK\$11,218,763,000, respectively, related to the service concession arrangements with operation commenced. The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (note 11).

12. CONTRACT ASSETS (continued)

- (b) The balance as at 31 December 2022 and 2021 comprised contract assets arising from performance under construction management service contract. Such contracts include payment schedules which require stage payments over the service periods once milestones are reached.
- (c) Impairment assessment

As at 31 December 2022, HK\$19,716,000 (31 December 2021: HK\$17,392,000) was recognised as an allowance for expected credit losses on contract assets.

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

Group

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
At the beginning of the year	17,392	13,374
Impairment losses recognised (note 7)	4,002	3,533
Exchange realignment	(1,678)	485
	<u>19,716</u>	<u>17,392</u>
At the end of the year	<u>19,716</u>	<u>17,392</u>

As at 31 December 2022 and 2021, certain of the Group's concession rights of the environmental water projects (comprising concession rights of intangible assets, contract assets and trade receivables) with aggregate carrying amounts of HK\$5,678,281,000 and HK\$5,786,528,000, respectively, were pledged to secure the banking facilities granted to the Group and the issuance of ABS.

13. OTHER FINANCIAL ASSETS

Group

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Non-current		
Unlisted equity investment, at fair value	<u>–</u>	<u>36,122</u>
Current		
Unlisted investments, at fair value	186,219	222,880
Unlisted equity investment, at fair value	<u>35,498</u>	<u>–</u>
Total	<u>221,717</u>	<u>259,002</u>

13. OTHER FINANCIAL ASSETS (continued)

As at 31 December 2022 and 2021, the above unlisted investments were wealth management products issued by financial institution in Hong Kong and the above unlisted equity investment represents the 6% equity interest in Yancheng CCCC Shanghai Dredging Water Environment Investment Co., Ltd. The wealth management products 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 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Cash on hand and bank balances	2,844,990	2,281,001
Restricted bank balances and pledged bank deposits	917	985
	<u>2,845,907</u>	<u>2,281,986</u>

Included in “Cash and cash equivalents” of the Group as at 31 December 2022 and 2021 are deposits of HK\$105,290,000 and HK\$199,771,000, respectively, placed with a related party bank, which is a fellow subsidiary of the Company.

15. TRADE AND OTHER PAYABLES

Group

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Trade payables	2,278,842	2,307,616
Distribution payable to holders of perpetual capital instruments	13,672	–
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	5,364	–
Interest payable	128,912	125,637
Payable for acquisition	–	10,023
Tax payables	31,144	30,977
Other creditors and accrued expenses	710,178	741,420
	<u>3,168,112</u>	<u>3,215,673</u>

15. TRADE AND OTHER PAYABLES (continued)

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

Group

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 6 months	1,558,574	1,451,077
Over 6 months	<u>720,268</u>	<u>856,539</u>
	<u>2,278,842</u>	<u>2,307,616</u>

Trade payables totalling HK\$1,653,099,000 and HK\$1,742,243,000 as at 31 December 2022 and 2021, respectively, represent construction payables for the Group’s Build-Operate-Transfer, Build-Own-Operate, and Transfer-Operate-Transfer arrangements. The construction payables are not yet due for payment.

Included in “Trade payables” of the Group as at 31 December 2022 and 2021 were trade payables of HK\$67,617,000 and HK\$80,889,000, respectively, due to non-controlling shareholders of non wholly-owned subsidiaries, which are unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling shareholders to its major customers.

Included in “Trade payables” of the Group as at 31 December 2022 and 2021 were trade payables of HK\$4,816,000 and HK\$12,970,000, respectively, due to an associate, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate to its major customers.

Included in “Other creditors and accrued expenses” of the Group as at 31 December 2022 and 2021 was a guarantee deposit of HK\$14,229,000 and HK\$14,102,000, respectively, from a former director of a subsidiary.

Included in “Other creditors and accrued expenses” of the Group as at 31 December 2022 were other payables of HK\$215,053,000 (31 December 2021: HK\$228,468,000), due to a non-controlling shareholder of a non wholly-owned subsidiary, which are unsecured, interest-bearing at the rates announced by the People’s Bank of China and repayable on demand.

16. SHARE CAPITAL

Group and Company

	At 31 December 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Authorised:		
10,000,000,000 ordinary shares of par value of HK\$1.00 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
2,860,876,723 ordinary shares of par value of HK\$1.00 each	<u>2,860,877</u>	<u>2,860,877</u>
	No. of shares '000	Amount <i>HK\$'000</i>
Issued and fully paid:		
At 31 December 2021, 1 January 2022 and 31 December 2022	<u>2,860,877</u>	<u>2,860,877</u>

The Group and the Company did not have any treasury shares as at 31 December 2022 and 2021.

17. EVENTS AFTER THE REPORTING PERIOD

On 30 January 2023, the Company submitted an application to National Association of Financial Market Institutional Investors of the PRC (“NAFMII”) for the proposed issuance of MTN in multiple tranches to institutional investors in the national inter-bank bond market of mainland China with a registered principal amount of RMB5,000,000,000 and the proposed issuance of an initial tranche of MTN with a principal amount of between RMB1,000,000,000 and RMB1,500,000,000 (the “Proposed MTN Issue”). The Proposed MTN Issue is subject to, *inter alia*, the necessary approvals being obtained from NAFMII and the prevailing market conditions.

On 20 February 2023, the Company entered into a project agreement and a first supplementary agreement with China Railway No.1 Engineering Group Municipal Works Environmental Engineering Co., Ltd. and Shandong Liaocheng Luxi Economic Development Zone Management Committee to secure the Shen County Waste Water Treatment (Plant 3) and Ancillary Pipeline Network Public-Private Partnership Project (the “Project”) in Liaocheng City, Shandong Province based on a Build-Operate-Transfer model with an estimated investment amount of approximately RMB668,000,000. The Project comprises, *inter alia*, a waste water treatment plant with a designed daily waste water treatment capacity of 60,000 m³ and has a cooperation period of 30 years.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Operating Results

In 2022, the global economy was facing an uncertain outlook with a complicated global landscape. With the ongoing “Triple Pressure” of shrinking demand, supply shocks and weakening expectations, China navigated through the challenges and moved forward tirelessly. Following China’s implementation of its “14th Five-Year Plan”, the environmental protection industry in China entered into an adjustment period and embarked on a journey of high-quality development with industry upgrading.

In 2022, the Group worked hard to overcome the challenges. Despite the external difficulties and challenges, the Group, during the year under review, adhered to the principle of pursuing steady progress. It proactively adopted various measures to overcome and reduce the negative impact on its business operation brought by various external challenges, such as the recurrence of the novel coronavirus (“COVID-19”) pandemic, shrinking market demand, intensified industry competition, and high operating costs. In the meantime, the Group adhered to its development vision of “Creating Value to Industries through Various Water-related Businesses”, solidified its existing businesses while expanding new business areas, and reduced costs while boosting efficiency. Additionally, the Group carried out all aspects of work in an orderly manner, including market expansion, technological innovation, operations management and engineering construction, and recorded steady operating results.

As at 31 December 2022, the Group invested in and held 161 environmental protection projects, with a total investment of approximately RMB29.60 billion. In addition, it undertook various asset-light projects and services, such as operation and management (“O&M”), engineering, procurement and construction (“EPC”) and equipment supply, with an aggregate contract value of approximately RMB936 million. A summary of the number of projects and water treatment/supply capacity is set out below:

Project Type⁽¹⁾	Number of Projects	Water Treatment/ Supply Capacity (m³/day)
Municipal waste water treatment projects ⁽²⁾	126	5,725,000
Industrial waste water treatment projects ⁽²⁾	18	256,000
Reusable water projects	8	300,600
River-basin ecological restoration projects	6	115,000
Water supply projects	3	250,000
Raw water protection project	1	600,000
Leachate treatment projects ⁽²⁾	2	2,100
Sludge treatment and disposal projects ⁽³⁾	2	N/A
Total⁽¹⁾⁽²⁾	166	7,248,700

Notes:

⁽¹⁾ EPC projects excluded

⁽²⁾ O&M projects included

⁽³⁾ Total sludge treatment and disposal capacity of 2,175 tonnes/day, involving treatment capacities of multiple sludge treatment and disposal facilities within waste water treatment projects

In terms of operating results for FY2022, the Group maintained the development momentum of high-quality and steady progress, and recorded a revenue of HK\$6.73 billion, representing a slight decrease of 3% from HK\$6.91 billion for FY2021; earnings before interest, taxes, depreciation and amortisation (“EBITDA”) were HK\$2.18 billion, representing a slight decrease of 3% from HK\$2.25 billion in FY2021; profit attributable to equity holders of the Company reached HK\$1.01 billion, representing a decline of 16% from HK\$1.20 billion in FY2021; basic earnings per share were HK35.32 cents, indicating a decrease of HK6.64 cents or 16% from HK41.96 cents in FY2021; overall gross profit margin was 38%, down 3 percentage points (“ppt”) compared to FY2021. The Group has ready access to diverse long- and short-term financing channels, holds quality assets and sufficient funds with a reasonable gearing ratio, and is in a healthy financial position.

In relation to market expansion for FY2022, while focusing on the “water” business as its fundamental and the “water-related business” for development, the Group further solidified and deepened its footprints in its traditional business areas despite intense market competition. In the meantime, the Group broke its records in terms of the number and type of its asset-light business. Among which, the Group secured 2 overseas technological processes, demonstrating its actions in response to China’s “Belt and Road” initiative. In addition, by tapping on its specialised teams to conduct research on the various “water-related” industries and to explore new business directions, the Group successfully implemented new projects in the fields of industrial waste water treatment and sludge treatment and disposal. During the year under review, the Group invested in and secured 10 projects with an investment of approximately RMB1.309 billion, covering municipal waste water treatment, industrial waste water treatment, reusable water and sludge treatment and disposal, with an increase in the designed daily waste water treatment capacity of 111,000 m³, a daily reusable water supply capacity of 50,000 m³, and a daily sludge treatment capacity of 625 tonnes. In addition, it undertook various asset-light projects and services, such as EPC, O&M, equipment supply and technical services, which commanded a total contract value of approximately RMB595 million. Among which, the newly-undertaken O&M projects contribute a designed daily waste water treatment capacity of 26,500 m³.

In terms of technological innovation, by emphasising on “Development Driven by Technological Innovation”, and making clear direction on the principle of “Taking a Market-Oriented Approach, Facilitating Project Needs, and Creating Value”, the Group boosted its efforts in the implementation of relevant works. In FY2022, the Group focused on its technological areas including the synergy between pollution and carbon reduction, monitoring and calculation of carbon emissions, ozone-oxygen separation, freeze-drying crystallisation and concentration, and developed a number of technological processes, which have been applied to various projects within and outside the Group. During the year under review, the Group provided its in-house developed technological processes to internal and external clients, which amounted to a total contract value of approximately RMB326 million; and was newly granted 33 patents and published 4 technical papers.

In the aspect of operations management for FY2022, by carrying out practical experiments on “Cost Reduction and Efficiency Enhancement”, the Group achieved a steady reduction in project operating costs and a continuous increase in operating income. On the one hand, by carrying out various deployment works for its operating projects, the Group actively followed China’s strategic goals of “Peaking Carbon Emissions” and “Achieving Carbon Neutrality” (“Dual Carbons”). Through collaboration with local enterprises, the Group introduced alternative carbon sources, such as expired beverages, to reduce chemical consumption and project operating costs. The Group enhanced the implementation of its in-plant solar energy pilot programme and had completed the installation of 6 sets of solar power generation facilities at its projects, with the total capacity of such facilities installed in the pilot project plant areas exceeding 8 MW. The Group also tapped the potential of its water projects in Tianjin Municipality, and adopted measures such as in-plant solar energy, waste water thermal energy extraction, direct supply of reusable water to the community and sludge resource utilisation, which improved the recycling level of water resources and their by-products and facilitated the development of low-carbon demonstration projects. On the other hand, the Group continued to promote the development and application of information technology, completed the upgrading of its operations management system, and applied the system across its operating projects. It also implemented intelligent water source management and introduced the first intelligent operation means such as sampling by unmanned ships and image analysis of water source scenes. In FY2022, 8 waste water treatment plants of the Group received regulatory approval for tariff hikes, ranging from 3% to 39%, and subsidies of approximately RMB45 million in total were granted to the Group. Moreover, the Group treated approximately 1.770 billion m³ of waste water treatment and supplied approximately 43.63 million m³ of reusable water during FY2022.

In terms of safety and environmental management for FY2022, the Group further carried out specified rectification on safe production and enhanced the accountability of safety and environmental personnel and the dual prevention mechanism. Meanwhile, it strengthened the development of safety production standards, and comprehensively promoted the full coverage of the “Environment, Occupation, Health and Safety, Quality” management system certification. Such measures strengthened the safety and environmental management to safeguard the Group’s development.

In relation to project construction for FY2022, under various pressures from the impact of the COVID-19 pandemic and the continuous rise in material prices, the Group paid close attention to cost savings, implemented dynamic construction management in depth, strengthened budget supervision throughout the whole construction process and implemented projects in an orderly manner while ensuring the construction quality. This fully demonstrated the Group's excellent engineering efficiency and project construction quality. During the year under review, the Group had 5 projects that commenced construction, with a designed daily waste water treatment capacity of 150,000 m³; 1 project that completed construction; and 3 projects that completed construction and commenced operation, with a designed daily waste water treatment capacity of 190,000 m³. As at 31 December 2022, the Group had 18 projects in the preparatory stage, with an aggregate designed daily waste water treatment capacity of 407,000 m³ and a designed daily sludge treatment and disposal capacity of 625 tonnes.

In terms of the capital market for FY2022, the Group actively explored and broadened its financing channels, aiming to continuously enhance the diversification of its financing instrument portfolio, liquidity level and capital structure, while effectively reducing financing costs and providing capital security for its future sustainable development. During the year under review, the Company successfully issued SCP, MTN and perpetual MTN, which not only further enriched its experience in debt financing, but also marked the first equity financing arrangement in recent years, thus freeing up more room for the Group to flexibly deploy multiple financing tools and reasonably control financing costs in the future.

The Group's major financing arrangements in FY2022 are summarised in the table below:

Issuance date	Financing arrangements and uses of proceeds	Issuance size (RMB)
September 2022	Issuance of the third tranche of SCP to the institutional investors in the national inter-bank bond market (the "Institutional Investors") in mainland China, the proceeds of which were used to replenish the working capital of the Company's subsidiaries.	1 billion
June 2022	Issuance of the first tranche of perpetual MTN to the Institutional Investors in mainland China, the proceeds of which were used to repay the outstanding debts of the Group	700 million
April 2022	Issuance of the third tranche of MTN to the Institutional Investors in mainland China, the proceeds of which were used to replenish the working capital of the Company's subsidiaries.	1 billion
January 2022	Issuance of the second tranche of SCP to the Institutional Investors in mainland China, the proceeds of which were used to replenish the working capital of the Company's subsidiaries.	1 billion

In terms of social responsibility for FY2022, as a leading enterprise in the domestic industry, the Group actively participated in various industrial exchange activities, such as the China Water Industry Strategy Forum and the IE Expo China, to share experiences and thoughts and seek cooperation and exchanges. At the same time, as a corporate citizen which is in an industry closely related to people's livelihood, the Group continued to plan and launch various environmental protection popularisation activities in both virtual and physical forms. A series of environmental protection popularisation and public welfare activities were launched in conjunction with various environmental protection-themed events such as the "World Water Day", "China Water Week" and "Earth Protection Day". Through activities such as literary composition, opening-up activities and knowledge competitions, the Group promoted ecological and environmental protection and sustainable development concepts in pursuit of green living. The "I am a Junior Ecology Guide" online campaign jointly launched by the

Group's multi-regional projects was the Group's key highlight under the "World Environment Day" brand activity for the fifth consecutive year. As at 31 December 2022, the Group had a total of 33 projects that were open for public visits and accumulatively received 185 batches of 4,832 visitors offline, with more than 150,000 online viewers. Thanks to its persistent efforts, more than 10 projects of the Group were awarded honorary titles including the "Environmental Education Base", "Science Popularisation and Education Base" and "Open Day Promotion and Education Centre" at the national, provincial and municipal levels.

In FY2022, the Group received a number of awards, which are as follows:

Award	Awarding Organisation
One of the "Top Ten Influential Enterprises in China's Water Industry" (for the fifth consecutive year)	E20 Environment Platform
ListCo Excellence Award 2022 (for the third consecutive year)	The annual "ListCo Excellence Awards" by organisations including Hong Kong stock channel of <i>ifeng.com</i> and Hong Kong media "am730"
ASEAN Asset Class Publicly Listed Companies	2021 Association of Southeast Asian Nations ("ASEAN") Corporate Governance Scorecard organised by ASEAN Capital Markets Forum
The first prize of the 2021 Environmental Protection Science and Technology Award	Environmental Protection Science and Technology Awards Committee
The first prize of the 2021 Jiangsu Science and Technology Award	Jiangsu Provincial Department of Science and Technology
Shandong Province Quality Structural Engineering Project	Department of Housing and Urban-Rural Development of Shandong Province

The Company remains dedicated to creating value for, and sharing fruitful operating results with the Shareholders. The Board recommended a final dividend of HK5.14 cents (equivalent to 0.86 Sing cent) per ordinary share to the Shareholders for FY2022 (FY2021: HK6.83 cents (equivalent to 1.19 Sing cents) per ordinary share), which makes the total dividend for FY2022 amount to HK10.59 cents (equivalent to 1.84 Sing cents) per ordinary share (FY2021: HK12.58 cents (equivalent to 2.20 Sing cents) per ordinary share).

Business Prospect

In 2023, the external macro-environment remains volatile and unpredictable. Nonetheless, following the changes to the domestic pandemic control measures and the effectiveness of its various economic stabilisation policies, China's economy will continue showing its strong development resilience and become an important support for global economic growth.

China has proposed to promote green development and the harmonious coexistence of man and nature in the fourth quarter of 2022, emphasising the concept that “lucid waters and lush mountains are invaluable assets”, and advocating integrated protection, systematic treatment and coordinated development. Therefore, it served as a guidance for the future development of the environmental protection industry. The industry adjustments guide and inspire relevant enterprises to explore and discover new development paths, apart from their traditional development models that are driven by investments. Moving forward, China's strategic deployments, such as the “Dual Carbons” commitment and the “Belt and Road” green development initiative, will facilitate the environmental protection enterprises in “seeking innovation and transformation”. The environmental protection enterprises shall create their “second growth curves” based on their own characteristics and needs, and by relying on new businesses, new models, new technologies, and new products and services. This will drive the next round of high-quality and sustainable development.

Looking ahead, with both challenges and opportunities presenting, the Group will continue to uphold its corporate value of “Creating Better Investment Value and Undertaking More Social Responsibility”, maintain its strategic stability despite internal and external difficulties and transformation challenges, insist on seeking steady progress, and further implement the five development concepts of “Innovation, Coordination, Green, Openness and Sharing”. The Group will solidify its traditional businesses and explore new business areas to seize “water-related” business opportunities; focus on technological and digital empowerment to enhance the power of endogenous development; and strengthen the foundations of operation, engineering, finance, procurement, and safety and environmental management, to enhance the cornerstone for high-quality development. In 2023, the Group will stay united and be proactive to steadily implement the development vision of “Creating Value to Industries through Various Water-related Businesses” and build a new development paradigm. The Group aims to serve the national strategies with a higher status, bigger picture, longer vision and more practical actions.

Financial Review

In FY2022, the revenue of the Group decreased by 3% to HK\$6,727.97 million compared with the revenue of HK\$6,912.37 million in FY2021, among which the construction service revenue decreased to HK\$2,403.74 million (FY2021: HK\$3,098.45 million), the operation income increased to HK\$2,950.63 million (FY2021: HK\$2,522.69 million) and the finance income increased to HK\$1,107.95 million (FY2021: HK\$1,068.04 million). Gross profit of the Group decreased from HK\$2,801.59 million in FY2021 to HK\$2,563.99 million in FY2022, representing a decrease of 8%. The profit of the Group decreased from HK\$1,282.99 million in FY2021 to HK\$1,066.91 million in FY2022, representing a decrease of 17%. The profit attributable to equity holders of the Company in FY2022 amounted to HK\$1,010.57 million, representing a decrease of 16% over FY2021.

	FY2022 HK\$'000 (Unaudited)	FY2021 <i>HK\$'000</i> (Unaudited)	Increase/ (decrease) %
Revenue for the first half year	3,478,939	3,112,935	12%
Profit for the first half year	550,537	577,134	(5%)
Revenue for the second half year	3,249,028	3,799,436	(14%)
Profit for the second half year	516,372	705,852	(27%)

Consolidated Statement of Comprehensive Income

Revenue

Overall, the Group's revenue decreased by HK\$184.40 million or 3%, from HK\$6,912.37 million in FY2021 to HK\$6,727.97 million in FY2022.

Construction service revenue decreased to HK\$2,403.74 million in FY2022 from HK\$3,098.45 million in FY2021, representing a decrease of HK\$694.71 million or 22%. The construction activities during FY2022 had been affected by the recurring COVID situation in China, which led to delay of construction progress and drop in construction activities.

Operation income increased by HK\$427.94 million or 17% over FY2021. The increase in operation income was the result of (i) commencement of operation of new projects during the second half of FY2021 and FY2022; (ii) tariff hikes for several projects effected during the second half of FY2021 and FY2022; (iii) additional two months of operation income contributed by Tianjin Binhai New Area Huantang Sewage Treatment Co., Ltd., which was acquired in March 2021; and (iv) increase in the operation income due to the change in the VAT exemption incentive policy on the comprehensive utilisation of resources jointly issued by PRC Ministry of Finance and the State Administration of Taxation at end of FY2021.

Direct costs and operating expenses

Direct costs and operating expenses increased slightly by HK\$53.20 million or 1% from HK\$4,110.78 million in FY2021 to HK\$4,163.98 million in FY2022. The increase in direct costs and operating expenses is the net impact of (i) the increase in operating costs by HK\$627.63 million which in turn was attributed to (a) soaring price of energy during FY2022 resulted in an increase in electricity cost of the Group's water projects; (b) rising commodity price during FY2022 leading to an increase in chemical costs of the Group's water projects; and (c) the PRC's newly issued VAT exemption incentive policy, which had been applied to majority of the Group's subsidiaries since March 2022, for the Group's long-term benefits. However, in accordance with the requirements under the relevant tax regulations and accounting standards, the input VAT of those subsidiaries which had been deducted in previous years shall be transferred out and recorded as the direct costs and operating expenses on a one-off basis in the year in which the aforesaid policy is applied, thus resulting in an increase in direct costs and operating expenses; and (ii) the decrease in cost of construction services by HK\$601.21 million, which was in line with the drop in construction revenue resulted from drop in construction activities during FY2022.

Gross profit margin

Overall gross profit margin in FY2022 decreased to 38% (FY2021: 41%). Such decrease was due to the above-mentioned increase in operating costs and the election to apply the new VAT exemption incentive policy during FY2022. These resulted in a reduction in the gross profit margin of the operation services in FY2022.

Other income and gains/(losses), net

Other income and gains/(losses), net mainly consisted of government grants, VAT refunds, fair value changes on financial assets at fair value through profit or loss, losses on disposal of intangible assets and contract assets and sundry income. Other income and gains/(losses), net increased by HK\$76.29 million from net losses of HK\$22.49 million in FY2021 to net gains of HK\$53.79 million in FY2022. The increase in other income and gains/(losses), net was attributable to (i) the Group's recognition of a smaller fair value losses on financial assets at fair value through profit or loss during FY2022 than that for FY2021; and (ii) recognition of one-off losses on disposals of intangible assets and contract assets totaling HK\$36.26 million in FY2021. The breakdown of other income and gains/(losses), net was set out below.

	FY2022	FY2021
	HK\$'000	HK\$'000
Government grants	37,365	50,011
VAT refunds	19,855	9,324
Fair value gain/(loss), net:		
Other financial assets – unlisted investment	(18,382)	(58,583)
Other financial assets – unlisted equity investment	2,597	968
Loss on disposal of intangible assets	–	(3,217)
Loss on disposal of contract assets	–	(33,045)
Gain from disposal of an associate	–	2
Sundry income	12,358	12,048
	53,793	(22,492)

Administrative and other operating expenses

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

Other operating expenses for FY2022 included (a) the provision for impairment of trade receivables amounting to HK\$226.90 million (FY2021: HK\$101.98 million); (b) provision for impairment of other receivables amounting to HK\$33.83 million (FY2021: HK\$16.45 million); (c) provision for impairment of contract assets amounting to HK\$4.00 million (FY2021: HK\$3.53 million); and (d) impairment of intangible assets amounting to HK\$14.23 million (FY2021: nil). The increase of provision for impairment of trade receivables in FY2022 was mainly due to the slowdown of payment of water treatment service fees by local governments as a result of the recurring COVID-19 situation in China, and the Group adopted a more prudent approach to assess the provision for impairment of trade receivables.

Other than the other operating expenses mentioned above, administrative expenses decreased by HK\$97.46 million or 18% from HK\$549.18 million in FY2021 to HK\$451.72 million in FY2022. The decrease in administrative expenses was mainly attributed to the reduction of travelling and business development expenses in FY2022, as a result of the travel control measures issued by various local governments in response to the evolving COVID-19 situation in China during FY2022. In addition, the Group implemented cost control measures which have produced some effective results.

Administrative expenses for FY2022 included, *inter alia*, net loss on disposals of property, plant and equipment of HK\$0.09 million (FY2021: HK\$7.13 million).

Finance costs

Finance costs increased to HK\$544.62 million in FY2022 from HK\$435.30 million in FY2021. The increase was mainly due to the increase of the average balance of borrowings in FY2022 over FY2021, resulting from the issuance of the second tranche of RMB-denominated SCP of RMB1 billion in January 2022 and the third tranche of RMB-denominated MTN of RMB1 billion in April 2022.

Income tax

Income tax in FY2022 decreased by 22% from HK\$404.91 million in FY2021 to HK\$315.10 million in FY2022, which is in line with the decrease in profits before tax.

Income tax for FY2022 included, *inter alia*, underprovision of income tax in respect of prior years amounting to HK\$1.52 million (FY2021: overprovision of HK\$16.77 million).

Consolidated Statement of Financial Position

As at 31 December 2022, the Group's total assets amounted to approximately HK\$33.45 billion with net assets amounting to HK\$13.00 billion. Net asset value per share attributable to equity holders of the Company was HK\$3.83 per share, representing a decrease of 8% as compared to HK\$4.15 per share as at the end of 2021. As at 31 December 2022, the gearing ratio (total liabilities over total assets) of the Group was 61.1%, which increased by 1.0 ppt from 60.1% at the end of 2021.

Assets

Total assets of the Group increased from HK\$32.97 billion as at 31 December 2021 to HK\$33.45 billion as at 31 December 2022, representing a growth of 1%. The increase in total assets was mainly attributable to the net effect of (i) the increases in intangible assets, trade and other receivables and cash and cash equivalents; and (ii) the decreases in property, plant and equipment, goodwill and contract assets.

The overall decrease in property, plant and equipment, goodwill and contract assets (including both current and non-current) by HK\$48.58 million, HK\$130.62 million and HK\$653.28 million, respectively, was primarily due to depreciation of RMB over HKD by 9% during FY2022.

Investment properties amounted to HK\$11.40 million as at 31 December 2022. Investment properties are stated at fair value, which reflects market conditions at the end of the year under review. There was no change in fair value during FY2022.

Intangible assets increased from HK\$2.28 billion as at 31 December 2021 to HK\$2.37 billion as at 31 December 2022. The increase in intangible assets was mainly attributable to the recognition of construction service revenue for water environment treatment projects during FY2022.

Trade and other receivables (including both current and non-current) of the Group increased from HK\$3.64 billion as at 31 December 2021 to HK\$4.32 billion as at 31 December 2022. Among them, trade receivables increased by HK\$1.06 billion from HK\$2.30 billion as at 31 December 2021 to HK\$3.36 billion as at 31 December 2022, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during FY2022; and (ii) slowdown of payment of water treatment service fees by local governments as a result of the recurring COVID-19 situation in China. Other receivables (including current and non-current) decreased by HK\$379.15 million from HK\$1.34 billion as at 31 December 2021 to HK\$962.26 million as at 31 December 2022, which was driven by the decrease in VAT receivables[#] due to the exemption of VAT payments by some of the waste water treatment projects and reusable water projects of the Group as mentioned above and decrease in prepayments for construction works.

Other financial assets as at 31 December 2022 amounted to HK\$221.72 million which comprised unlisted investments of HK\$186.22 million and unlisted equity investment of HK\$35.50 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. Decrease in other financial assets by HK\$37.29 million is primarily due to recognition of net fair value changes of HK\$15.79 million for the year under review.

Liabilities

Total borrowings (including both current and non-current) increased by HK\$820.20 million. The increase was mainly due to the issuance of third tranche of MTN with net proceeds amounting to HK\$1,233.69 million, issuance of second tranche SCP with net proceeds amounting to HK\$1,222.30 million, issuance of third tranche of SCP with net proceeds amounting to HK\$1,161.70 million, and new bank loans amounting to approximately HK\$4,483.25 million, offset by repayments of corporate bonds of HK\$820.75 million, repayments of ABS of HK\$66.19 million, repayments of SCP of HK\$1,156.30 million, and repayments of bank loans amounting to HK\$4,215.29 million in FY2022 with the effect of exchange differences of borrowings.

The Group was in a net current asset position of HK\$13.01 million as at 31 December 2022, representing a decrease of HK\$727.56 million from HK\$740.57 million as at 31 December 2021. The drop was primarily due to significant increase in borrowings due within one year by HK\$2.29 billion, which was the result of (i) issuance of SCP of RMB1.00 billion with tenure of 6 months in September 2022; and (ii) reclassification of bank loans due within one year from the reporting date from non-current liabilities to current liabilities which led to increase in bank loans due within one year from the reporting date by HK\$803.12 million.

[#] VAT receivables represent the excess amount of input VAT over output VAT available for future deduction in the calculation of VAT payment.

Equity

The Group's total equity amounted to HK\$13.00 billion as at 31 December 2022 (31 December 2021: HK\$13.16 billion). The decrease was mainly due to the followings: (i) recognition of profit amounting to HK\$1,066.91 million in FY2022; (ii) foreign currency translation loss of HK\$1,672.60 million arising from depreciation of RMB against HK\$; (iii) decrease of HK\$195.47 million in equity due to declaration and payment of 2021 final dividend; (iv) decrease of HK\$156.17 million in equity due to declaration and payment of 2022 interim dividend; (v) issuance of first tranche of perpetual capital instruments with net proceeds amounting to HK\$806.98 million during FY2022; (vi) decrease of HK\$14.33 million due to distribution to holders of perpetual capital instruments; (vii) capital contribution of HK\$24.54 million by a non-controlling shareholder of a subsidiary during FY2022; and (viii) decrease of HK\$22.22 million due to distribution of dividend to a non-controlling shareholder of a subsidiary during FY2022.

Consolidated Statement of Cash Flows

Cash and cash equivalents as stated in the consolidated statement of cash flows increased from HK\$2.28 billion as at 31 December 2021 to HK\$2.84 billion as at 31 December 2022. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Cash and cash equivalents as stated		
in the consolidated statement of financial position	2,845,907	2,281,986
Less: Restricted bank balances and pledged bank deposits	<u>(917)</u>	<u>(985)</u>
Cash and cash equivalents as stated		
in the consolidated statement of cash flows	<u>2,844,990</u>	<u>2,281,001</u>

Cash flows from operating activities

The Group had cash inflow of HK\$2,280.45 million (FY2021: HK\$2,479.80 million) before the changes in working capital during FY2022. The changes in working capital resulted in cash outflow of HK\$2,669.04 million in FY2022, and payment of income tax resulted in cash outflow of HK\$251.04 million in FY2022. As a result, the Group recorded a net cash outflow of HK\$639.63 million from operating activities in FY2022. The changes in working capital in FY2022 arose mainly from:

- (i) the increase in inventories by HK\$22.34 million;
- (ii) the increase in contract assets by HK\$1,275.26 million;
- (iii) the increase in trade and other receivables by HK\$1,310.40 million; and
- (iv) the decrease in trade and other payables by HK\$61.04 million.

Cash flows from investing activities

In FY2022, the Group recorded a net cash outflow of HK\$353.94 million from investing activities. The net cash outflow mainly arose from:

- (i) the settlement of payable of HK\$9.61 million for the acquisition of Xuzhou Municipal Engineering Design Institute Co., Ltd. in FY2018;
- (ii) the payment of HK\$116.98 million for the purchase of items of property, plant and equipment;
- (iii) the payment of HK\$255.75 million for the additions of intangible assets; and
- (iv) the receipt of interest of HK\$28.30 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HK\$1,785.38 million in FY2022. The net cash inflow was mainly caused by:

- (i) the capital contribution from a non-controlling shareholder of a subsidiary of HK\$24.54 million;
- (ii) the receipt of net proceeds of HK\$1,233.69 million from the issuance of MTN, net of related expenses paid;
- (iii) the receipt of net proceeds of HK\$2,384.00 million from the issuance of SCP, net of related expenses paid;
- (iv) the receipt of net proceeds of HK\$806.98 million from the issuance of perpetual capital instruments, net of related expenses paid;
- (v) the repayment of corporate bonds of HK\$820.75 million;
- (vi) the repayment of ABS of HK\$66.19 million;
- (vii) the repayment of SCP of HK\$1,156.30 million;
- (viii) the receipt of net proceeds from bank loans of HK\$267.95 million;
- (ix) the payment of principal and interest elements of lease payments of HK\$10.93 million;
- (x) the payment of interest of HK\$503.66 million;
- (xi) the increase in restricted bank balances and pledged bank deposits of HK\$0.02 million;
- (xii) the payment of dividends to the Shareholders of HK\$356.36 million; and
- (xiii) the payment of dividends to non-controlling shareholders of subsidiaries of HK\$17.57 million.

Earnings Per Share

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

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

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company	<u>1,010,565</u>	<u>1,200,329</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>35.32</u>	<u>41.96</u>

Net Asset Value Per Share

	Group		Company	
	At 31 December 2022 <i>HK\$</i>	At 31 December 2021 <i>HK\$</i>	At 31 December 2022 <i>HK\$</i>	At 31 December 2021 <i>HK\$</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective year	<u>3.83</u>	<u>4.15</u>	<u>3.55</u>	<u>3.93</u>

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

Financial Resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks, supplemented by funds raised from issuance of corporate bonds, ABS, MTN, SCP and perpetual capital instruments. As at 31 December 2022, the Group had cash and bank balances of HK\$2.85 billion, representing an increase of HK\$563.92 million as compared to HK\$2.28 billion at the end of 2021. Most of the Group's cash and bank balances, representing approximately 99%, was denominated in HK\$ and RMB.

Borrowings and Debt Securities of the Group

Amounts payable within one year or less, or on demand

At 31 December 2022		At 31 December 2021	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
337,307	5,349,128	385,514	3,006,514

Amounts payable after one year

At 31 December 2022		At 31 December 2021	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
1,954,369	7,621,331	2,121,674	8,928,236

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 31 December 2022, the Group had outstanding borrowings of HK\$15.26 billion, representing an increase of HK\$820.20 million as compared to HK\$14.44 billion as at the end of 2021. The borrowings included secured interest-bearing borrowings of HK\$2.29 billion and unsecured interest-bearing borrowings of HK\$12.97 billion. The borrowings of the Group are mainly denominated in RMB, representing approximately 74% of total borrowings, and the remainder is denominated in HK\$, United States dollars ("USD") and euros ("EUR"). Most of the Group's borrowings are at floating rates. As at 31 December 2022, the Group had bank loan facilities of HK\$12.87 billion, of which HK\$3.89 billion have not been utilised. The bank loan facilities are of 1 to 16 years terms. During FY2022, while paying vigilant attention to and monitoring interest rate risks continuously and cautiously, the Group did not adopt any interest rate hedging policy.

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, Singapore dollars (“SGD”), Korean won, HK\$ and RMB. In addition, the Group is exposed to currency translation risk upon translation of the new assets in foreign operations into the Group’s reporting currency of HK\$. During FY2022, the Group was affected by the changes in the exchange rates and did not adopt any formal hedging policies nor used any financial instrument for hedging purpose. Although the Group was exposed to foreign currency exchange risks, the Board believes that the future currency fluctuations will not have any material impact on the Group’s operations.

Pledge of Assets

Certain bank loan facilities and ABS of the Group as at 31 December 2022 and 2021 were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group’s service concession arrangements and the equity interests in certain subsidiaries of the Company. As at 31 December 2022, the aggregate net book value of assets and equity interest in a subsidiary under pledge arrangements amounted to HK\$6.28 billion.

Commitments

As at 31 December 2022, the Group had outstanding purchase commitments of HK\$2.02 billion in connection with the construction contracts and an outstanding capital commitment of HK\$23.33 million in connection with an unlisted equity investment. The Group intends to use internal resources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the above commitments.

Contingent Liabilities

As at 31 December 2022, the Company provided financial guarantees to two subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2022 for the provision of the guarantees was HK\$852.75 million. Nonetheless, the Group did not recognise any contingent liabilities at the consolidated level as at 31 December 2022.

Interested Person Transactions Mandate and Aggregate Value of such Transactions

The Group obtained a general mandate (the “IPT Mandate”) from the Shareholders for interested person transactions (the “IPTs”) in its annual general meeting held on 27 April 2021 pursuant to Rule 920 of the listing manual (the “SGX Listing Manual”) of Singapore Exchange Securities Trading Limited (“SGX”). The IPT Mandate was renewed in the Company’s annual general meeting held on 26 April 2022. The aggregate value of the IPTs in excess of SGD100,000 during FY2022 are set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during FY2022 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during FY2022 (excluding transactions less than SGD100,000)
China Everbright Environment Group Limited	Controlling shareholder	Nil	HK\$6,170,000 (equivalent to SGD1,084,000)
Sun Life Everbright Life Insurance Co., Ltd.	Associate of the controlling shareholder	Nil	HK\$20,817,000 (equivalent to SGD3,658,000)
Everbright Securities Company Limited	Associate of the controlling shareholder	Nil	HK\$1,722,000 (equivalent to SGD303,000)
China CYTS Tours Holding Co., Ltd.	Associate of the controlling shareholder	HK\$702,000 (equivalent to SGD123,000)	Nil

INTERNAL MANAGEMENT

Corporate management and risk control are imperative in ensuring efficient, healthy and sustainable corporate development. The Group has established a sound management structure with four committees under the Board (the “Board Committees”), comprising the Audit Committee, the Remuneration Committee, the Nominating Committee and the Strategy Committee. The Group has also established the Management Committee as the decision-making body for its daily management. The Management Committee holds a meeting at least once a month to deliberate the matters regarding the Group’s business and management, ensuring its sustainable development. The Group has also set up various functional departments, including the Investment & Development Department, Technology & Development Department, the Operations and Information Management Department, the Safety & Environmental Management Department, the Budget Management Department, the Finance Management Department, the Human Resources Department, the Supervision Department, the Internal Audit Department, the Legal & Risk Management Department, and the General Management Department. Moreover, in response to business needs, the Group has also set up four regional management centres, in order to manage its projects by region and create favourable 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 (the “ESHS Management System”) and the Risk Management System at all levels 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. The Group has further enhanced its corporate governance and integrated compliance management into its business activities and processes. During the year under review, in order to develop a sound information security system, the Group established the Cyber and Information Security Team which regularly organised trainings for all employees regarding security awareness, cybersecurity self-inspection and firewall configuration and cyberattack drills. Meanwhile, the Group also implemented various well-rounded approaches to prevent information security incidents. The Group has also introduced Objectives and Key Results (OKR) goal management tool, formulated the “Innovation-driven Development” strategy, and improved the management structure and department functions of its headquarter, in order to actively promote the optimisation of organisation structure and to embark on a new journey for the Company’s outstanding development.

HUMAN RESOURCE MANAGEMENT

Talent is the most valuable asset and is the key force to driving the growth of a company. The Group highly values its employees and adheres to the “People-Oriented” philosophy and competency-based recruitment approach. The Group at all times protects the interests and well-being of its employees by continuously improving its promotion and incentive mechanism, enriching their lifestyles and cultivating their values. By establishing a smooth internal transfer mechanism during the year under review, the Group is able to improve and strengthen its specialised talent pool, encourage communication between the key talents, further train its employees at their key positions and cultivate well-rounded employees. On the other hand, the Group regularly, steadily and systematically monitors and implements its recruitment plan to actively recruit talents from overseas, ensuring a smooth business operation.

The Group cares for its employees and prioritises their personal safety at all times. Following the onset of the COVID-19 pandemic, the Group quickly adopted emergency and epidemic prevention measures and actively deployed resources to provide its employees with adequate preventive and protective materials and conduct health testing to safeguard their well-being and health.

As at 31 December 2022, the Group had 2,300 employees, who are remunerated based on their qualifications, experience, job nature, performance and the prevailing market conditions. Apart from discretionary bonuses, the Group also provides employees with other benefits such as pension schemes pursuant to the laws and regulations in the relevant jurisdictions. In addition, the Group is committed to providing all employees with equal opportunities in various aspects and making efforts to employees’ continuous education so as to improve their knowledge, skill and professional spirit.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year under review, the Group continued with the implementation of the risk management system, risk identification and assessment, and the adoption and evaluation of risk control measures. Based on the requirements set out under its “*Risk Management Policy*” and “*Risk Management Manual*”, the Group has summarised and analysed the principal risks faced during the year under review including policy changing risk, new business investment and market competition risks, environmental compliance and safe production management risks, accounts receivable risk, engineering management risk, staffing risk, financing management risk, cost control risk, technology and innovation risks, and compliance risk.

During the year under review, the PRC government continued to implement action plans in relation to “Dual Carbons” strategy, frequently formulate and launch the relevant policies, strengthen the comprehensive ecological and environmental management, improve the basic infrastructure relating to urban pollution prevention and treatment, promote green low-carbon development and build a beautiful and harmonious countryside for living and working. The uncertainties of the global trend and evolving COVID-19 pandemic situation in China have severely affected the economy. The environmental water industry, in which the Group operates, where the Group operates remains fiercely competitive.

In short, the new business investment and market competition risks and accounts receivable risk faced by the Group are on an upward trend. Given the effectiveness of the internal controls implemented by the Group during the year under review and the past years, and taking into account the complexity and diversity of external factors of other principal risks which are beyond the Group’s control, the risk levels of other principal risks remain unchanged during the year under review.

Number	Name of risk	Effectiveness of the control measures	Change of trend in risk level
1	Policy changing risk	Effective	→
2	New business investment and market competition risks	Effective	↑
3	Environmental compliance and safe production management risks	Effective	→
4	Accounts receivable risk	Effective	↑
5	Engineering management risk	Effective	→
6	Staffing risk	Effective	→
7	Financing management risk	Effective	→
8	Cost control risk	Effective	→
9	Technology and innovation risks	Effective	→
10	Compliance risk	Effective	→

Note:

Change of trend in risk level:

→ means that the risk level remains unchanged;

↑ means that the risk level is on an upward trend.

During the year under review, the Group has effectively controlled and managed the risks faced.

1. Policy Changing Risk

The Group is facing various risks which are associated with changes in regulations and policies in respect of waste water treatment, river-basin ecological restoration, sponge city construction, reusable water, water supply, waste water source heat pump and related businesses in the PRC. If there are any changes to the legislations, supervisory guidelines or industrial regulations, certain projects or related technologies of the Group may become obsolete or its operation and new business investments may become legally or commercially infeasible. Therefore, the new business investments, financial conditions, operating results and development prospects of the Group may be negatively affected. In order to maintain its leading position in the environmental water industry, the Group is required to closely monitor the PRC government's environmental policies, and study changes in the market and new business patterns.

During the year under review, the Group actively responded to the PRC government's policies and closely monitored the changes in government policies and the market, by forming special teams to study topics such as pollution and carbon emissions reduction, the eco-environment-oriented development (EOD) model and new business investments, and carrying out pilot projects such as water resource utilisation and solar energy. The existing control measures are effective as a whole and the risk level remains unchanged.

2. New Business Investment and Market Competition Risks

Due to the intense market competition faced by traditional water projects, the Group needs to explore investments in new business areas. A large amount of capital and numerous competitors flow into the environmental water industry, in which the Group operates. If the Group fails to effectively analyse and predict the future market and industry trends, or fails to effectively integrate existing resources based on its own advantages, or fails to discover new business investments and realise reasonable profits, it may result in unsatisfactory investment return or insignificant competitive advantages. During the year under review, the Group strengthened its efforts in research and expansion on new businesses and actively explored business opportunities, such as suitable merger and acquisition opportunities, overseas environmental water projects and new business models. The existing control measures are effective as a whole. However, the risk level is on an upward trend due to the intensifying competition in the environmental water industry of China and the fact that investment in new businesses requires extensive research and a comprehensive business plan.

3. Environmental Compliance and Safe Production Management Risks

During the year under review, the Group was able to control the environmental compliance and safe production management risks, and no major risk incident took place. During the year under review, the PRC government issued and revised various laws and regulations on environmental compliance and safe production management, and provided judicial interpretations on the punitive damages for ecological environmental infringement and strengthened the supervision and enforcement on environmental compliance and safe production management. As a result, corporations are now subject to greater legal consequences and environmental remediation liabilities should they be found to be in breach of environmental laws. As such and following the increasing number of its construction and operation projects, the Group was exposed to increasingly stringent pressure in environmental compliance and safe production management. If any incident (such as excessive discharge of pollutants or unsatisfactory safety management) caused by the external environment or any human factors occurs, the Group may face legal liabilities such as administrative penalties and environmental remediation, affecting its reputation and revenue. The existing control measures are effective as a whole. However, the risk level remains unchanged since the Group has a large number of construction and operation projects.

4. Accounts Receivable Risk

Due to its business model, the Group's business, financial conditions, operating results and prospects are significantly affected by the revenue and creditworthiness of the customers of the Group's environmental water projects. If the customers' abilities to settle service charges are affected due to financial difficulties, or if the customers delay their payment of service charges, the Group's capital management and profit may be affected. The major customers of the Group are local PRC governments of the places where the environmental water projects are located at. During the year under review, the Group was subject to high accounts receivable risk since the local PRC economies were subject to different levels of financial constraint due to the evolving COVID-19 pandemic situation in China. The Group has put in place various measures to strengthen the recovery of accounts receivable. The existing control measures are effective as a whole. Although the PRC government has now changed its approach to contain COVID-19, it will take time to recover the economy and to improve the fiscal position of local PRC governments. The risk level is on an upward trend.

5. Engineering Management Risk

Engineering management risk refers to the risks of loss and non-compliance that arise from the mismanagement in different areas relating to engineering and construction, such as safety, quality, progress and budget. Such mismanagement could be due to insufficient staff, tight timelines, and failure of contractors to supervise the participating entities properly. In relation to the environmental water industry in which the Group operates, project engineering construction is the paramount factor in ensuring the subsequent stable and up-to-standard operation and cost control of projects. The Group has closely monitored the engineering management, and no major risk incident took place during the year under review. During the year under review, the progress and budget of certain engineering construction projects were affected by the continuing COVID-19 pandemic situation in China and volatile labour and material costs. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the hefty business costs, and large amount of construction units and staff involved.

6. Staffing Risk

The Group relies on the experience and capability of its key management team and qualified staff in managing different businesses. The resignation of key staff or management and technical personnel of the Group could negatively affect its operating activities or related businesses. The training of key staff, management and technical personnel is time-consuming. Due to its business development and the increasingly competitive conditions in the environmental water industry, the Group needs to replenish suitable management and technical talents as and when appropriate to ensure the stable development of its businesses. During the year under review, the Group committed to cultivating its corporate culture, caring for the employees, and enhancing talent training and recruitment. It also implemented management systems such as “*Measures on Management of Reserve Talents*” and “*Measures on Assessment and Recruitment of Professional and Technical Staff*”, established and refreshed the talent pool, and organised professional training regularly. The existing control measures are effective as a whole, and during the year under review, the team was stable and all relevant works were carried out in an orderly manner. The risk level remains unchanged.

7. Financing Management Risk

In order to maintain its competitiveness and implement growth strategies, the Group is required to have sufficient capital resources. In view of the industry model, the Group invests a large amount of funds in construction during the early stage of projects and gradually receives cash inflow during the later operation stage. If it fails to reasonably control its finance cost or fails to obtain a reasonable size of financings in the financial market as and when needed, the Group may face difficulties in carrying out its business and achieving its profit target. To ensure that it maintains a sufficient capital reserve and good control of finance cost, the Group, during the year under review, continued monitoring the domestic and overseas financing environment and the trend of the RMB exchange rate. Additionally, the Group made reasonable estimates of the capital required and adjusted borrowing structure as and when appropriate through various financing channels, and strictly controlled the gearing ratio and the use of capital. The existing control measures are effective as a whole and the risk level remains unchanged.

8. Cost Control Risk

The Group's business involves engineering construction and operation relating to environmental water projects. Substantial changes in the costs of relevant raw materials, energy, financing and labour would adversely affect the profit of the Group. During the year under review, the evolving COVID-19 pandemic and the revisions to the relevant policies by the PRC government have resulted in the significant increase in the production costs of related upstream industries, in particular, the prices of certain raw materials and energy required for the Group's construction and operation. In turn, this affects the Group's cost control. The Group continuously optimised the tender and procurement systems and procedures, and adopted various measures to control procurement costs and ensure procurement quality. In addition, it strengthened budget management, strictly controlled project investment and operation costs, and conducted regular evaluations. The risk control measures are effective as a whole and the risk level remains unchanged.

9. Technology and Innovation Risks

During the year under review, the competition in the environmental water industry in which the Group operates became very intense and the PRC government continuously promulgated new policy documents on environmental protection and ecological management. This has accelerated the Group's urgency in bringing technological innovation to drive business development. The Group, during the year under review, continuously strengthened its efforts and allocated resources in R&D on business technologies, exchanged knowledge and research on new businesses and new technologies, proactively brought in technology specialists and facilitated the technological transformation and the application of new technologies in projects, with a view to pursuing technology-driven development. The existing control measures are effective as a whole. However, the risk level remains unchanged since technology research and innovation, and the research of new business and new technology are time-consuming and the research results may not meet expectations.

10. Compliance Risk

The Group has established a comprehensive compliance procedure, including the provision of effective legal protection through internal legal personnel and external legal experts, to ensure relevant matters are effectively reviewed and handled. During the year under review, the Group strictly complied with the requirements of the relevant PRC laws and regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "SEHK Listing Rules"), the SGX Listing Manual and relevant industry specifications, and achieved a good compliance record. On the other hand, the Group also organised various online and offline legal training on various topics, including inviting external industry experts, so as to enhance the legal knowledge of the Group's employees. In terms of important matters, the Group performed regular or ad-hoc project inspections during the year under review to ensure strict control of compliance risks in daily affairs and key tasks. The existing control measures are effective as a whole and the risk level remains unchanged.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

Being a company principally engaged in the water environment treatment business, the Group steadily expands high-quality water projects, implements high-quality development ideas, and continuously solidifies its market position. With its stable business strength, the Group promotes the sustainable development of the water environment in various regions and contributes to China's ecological civilisation construction. Leveraging on its expertise in the water sector, the Group proactively promotes the water-related production supply chain, and promotes the value innovation and creation of the industrial chain. Focusing on China's "Dual Carbons" strategic goals, the Group has fully implemented the concept of green and low-carbon development, and actively developed a "Low-Carbon Demonstration Projects" that integrates a number of carbon reduction and resource utilisation measures to promote the green and low-carbon development of the industry. The Group's project, the Zibo No. 1 plant, was successfully selected as one of "The Business Climate Action Cases 2022" initiated by the Publicity and Education Centre of the Ministry of Ecology and Environment. In addition, the Group further improved the disclosure framework for greenhouse gases information. 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 ISO 45001 Occupational Health and Safety Management System. In addition, the Group identifies and assesses the project's environmental and social risks prior to investment so as to effectively control environmental and social risks, and ensure that the requisite administrative permissions and approvals, such as environmental impact assessment approvals, are duly obtained before commencing construction.

As a leading water environment management enterprise in China, the Group strictly complies with the relevant standards and requirements set out in the environmental impact assessment reports during the course of operating and managing its projects in order to substantially minimise the environmental impacts brought by untreated waste water discharge. The Group reports its environmental performance mainly in seven key aspects, including waste water treatment and discharge monitoring, odour control, sludge treatment, waste management, climate resilience, energy and material usage, and utilisation of water resources. In addition, the Group is committed to continuously improving the local conditions of the water environment in the project areas, with all the projects in operation complying with the Grade 1A or higher standard under the "Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant" (GB18918-2002). The Group's projects have significantly minimised the environmental damage caused by waste water discharge, thereby protecting public health and promoting sustainable development of the water environment. No breach of these laws and regulations which resulted in any significant loss or impact to the Group was recorded in FY2022.

In order to standardise the operation practice of the Group's projects and integrate social responsibility into its business operation process and daily management, the Group has formulated and implemented the ESHS management system, risk management system and "Intelligent Water" information management system. Such systems are the backbone of the Company's management structure in protecting the Group's core values in social responsibility and risk management. In FY2022, the Group continued implementing the ESHS Management System at all levels, covering all of its employees, on-site third-party contractors and subcontractors. This is to standardise the internal management and risk control in all aspects, continuously optimise the management system, and strengthen emergency response ability, for promoting sustainable development. The Group incorporates the risk control framework into its precautionary principle, and adopts preventive measures against the risks brought by the Group's investment and operations based on environmental, social, and governance factors in order to prevent or reduce the potential risks on the business. Also, the Group has committed to identifying potential risks and opportunities at all business levels (including extreme weather, policy changes, environmental compliance, technology and innovation, etc.), and review and update them on a regular basis.

The Group is determined on disclosing transparent, reliable and consistent operation performance to the public by proactively uploading such information to its corporate website or any other websites designated by the government authorities for public checking and scrutiny, including environmental impact assessment reports, annual environmental monitoring plans, environmental emergency preparedness and response plans, and monitoring results of effluent discharge/odour emissions/noise/sludge, etc. This demonstrates the Group's willingness to undertake greater social and environmental responsibilities and accept public scrutiny to actively promote sustainable development.

Furthermore, to actively respond to the national initiatives and to uphold its original aspiration, the Group has been active at the frontline of environmental science popularisation and education enhancing the public awareness of water environmental protection and the soft power of community sustainable development. The Group continued opening up its waste water treatment facilities and plant areas to the public, enhancing its role as an environmental protection publicity base which integrates public visits, practice and skill training. With the gradual easing of the pandemic, all facilities gradually resumed physical visits when conditions permitted. In FY2022, a total of 33 projects of the Group had been officially opened to the public and received 4,832 visitors in 185 batches in aggregate. The Group still continued organising online public opening activities and actively organising public visits through both online and offline methods. In particular, the Group offered the public to virtually visit its waste water treatment facilities by using various methods, such as: uploading videos to the official media, broadcasting pre-recorded videos and live streaming, to expand its publicity and increase the public's knowledge of environmental protection and water conservation. Such methods attracted more than 150,000 online views during FY2022. At the

same time, the projects of the Group, in collaboration with local environmental protection, technology associations and government organisation, carried out environmental protection education activities to actively encourage the public to treasure and conserve water and gain environmental protection knowledge. Such activities also aimed to enhance public awareness and responsibility relating to environmental protection. A total of 14 projects of the Group were awarded with honorary titles of “Environmental Education Base” or “Science Popularisation Education Base” at the national, provincial and municipal levels and 2 projects were awarded the title of “Open Day Promotion and Education Centre”.

CORPORATE GOVERNANCE

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

The Company’s ordinary shares have been listed on the Main Board of the SEHK since 8 May 2019 (the “HK Listing Date”). Since then, 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 the Singapore Code of Corporate Governance 2018 (the “SG CG Code”). In the event of any conflicts between the SG CG Code and the HK CG Code, the Company will comply with the more stringent requirements. Throughout FY2022, the Company has complied with the principles and provisions under the HK CG Code and the SG CG Code.

The details of the Company’s corporate governance practices will be set out in the FY2022 Annual Report.

BOARD COMMITTEES

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

Audit Committee

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

During FY2022, the members of the Audit Committee reviewed the (a) audited consolidated financial results of the Group for FY2021; (b) the unaudited consolidated financial results of the Group for the six months ended 30 June 2022; and (c) the internal auditor's report and the external auditor's report.

Remuneration Committee

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

During FY2022, the members of Remuneration Committee reviewed the FY2021 remuneration payment and FY2022 remuneration framework for the Directors and the Key Management Personnel (including senior management) of the Company.

Nominating Committee

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

During FY2022, the members of the Nominating Committee reviewed (i) the continued independence of independent non-executive Directors; (ii) performance of each individual Director, each individual Board Committee and the Board as a whole; and (iii) re-election of the retiring Directors at the annual general meeting of the Company held in FY2022.

Strategy Committee

The Strategy Committee currently comprises three executive Directors, namely Mr. Hu Yanguo (Chairman), Mr. Tao Junjie 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 directions 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 the websites of HKEx and the Company.

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 Group who are likely to be in possession of unpublished price sensitive information of the Group. Since the HK Listing Date, 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.

The Directors, officers and relevant employees of the Group 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, the period from the 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 inside information or 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 FY2022.

DIVIDEND

(a) Current financial year reported on

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

As part of the Directors' continuing efforts to enhance the Shareholder's return, the Directors have recommended a final dividend of HK5.14 cents (equivalent to 0.86 Sing cent) per ordinary share for FY2022, which is subject to the approval by the Shareholders at the forthcoming annual general meeting to be held on or around 26 April 2023 (Wednesday) (the "AGM").

Name of Dividend	FY2022 Proposed Final Dividend
Dividend Type	Cash
Dividend Amount	HK5.14 cents (equivalent to 0.86 Sing cent) per ordinary share
Tax Rate	One-Tier Tax Exempt

(b) Corresponding period of the immediately preceding financial year

Name of Dividend	FY2021 Final Dividend
Dividend Type	Cash
Dividend Amount	HK6.83 cents (equivalent to 1.19 Sing cents) per ordinary share
Tax Rate	One-Tier Tax Exempt

(c) Date payable

Subject to the Shareholders' approval, the FY2022 Proposed Final Dividend will be paid on or around 24 May 2023 (Wednesday).

(d) Books closure date

Details on closure of books are set out in the section below entitled "Closure of Register of Transfer and Register of Members – (b) For determining the entitlement to the FY2022 Proposed Final Dividend".

Annual General Meeting

The AGM is expected to be held on or around 26 April 2023 (Wednesday). The notice of the AGM will be published on the SGXNet and the websites of HKEx and the Company and despatched to the Shareholders in due course.

Closure of Register of Transfer and Register of Members

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

For Singapore Shareholders

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. (Singapore time) on 20 April 2023 (Thursday) for the purpose of determining the entitlement of Singapore Shareholders to attend and vote at the AGM. Duly completed registrable transfers of shares received by the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to 5:00 p.m. (Singapore time) on 20 April 2023 (Thursday) will be registered to determine Singapore Shareholders' entitlements to attend and vote at the AGM.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 21 April 2023 (Friday) to 26 April 2023 (Wednesday), both days inclusive, for the purpose of determining the entitlement of Hong Kong Shareholders to attend and vote at the AGM. Duly completed registrable transfers of shares received by the Company's Hong Kong Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 20 April 2023 (Thursday), will be registered to determine Hong Kong Shareholders' entitlements to attend and vote at the AGM.

- (b) For determining the entitlement to the FY2022 Proposed Final Dividend

For Singapore Shareholders

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. (Singapore time) on 3 May 2023 (Wednesday), being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the FY2022 Proposed Final Dividend.

Duly completed registrable transfers of shares received by the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to 5:00 p.m. (Singapore time) on 3 May 2023 (Wednesday) will be registered before entitlements to the FY2022 Proposed Final Dividend are determined. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5:00 p.m. (Singapore time) on 3 May 2023 (Wednesday) will rank for the FY2022 Proposed Final Dividend.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 4 May 2023 (Thursday) to 5 May 2023 (Friday), both days inclusive, during this period no transfer of shares will be registered. Shareholders whose names appear on the Hong Kong branch register of members of the Company as at 4:30 p.m. (Hong Kong time) on 3 May 2023 (Wednesday) will be entitled to the FY2022 Proposed Final Dividend.

Duly completed registrable transfers of shares received by the Company's Hong Kong Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 3 May 2023 (Wednesday), will be registered before entitlements to the FY2022 Proposed Final Dividend are determined.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities for the year ended 31 December 2022.

Convertibles, Preference Shares and Treasury Shares

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 31 December 2022 and 2021. During the year ended 31 December 2022, there were no sales, transfers, disposal, cancellation and/or use of treasury shares.

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

During FY2022, there was no acquisition or disposal of shares in subsidiaries (“Subsidiaries”), associated companies (“Associated Companies”) of the Company or in any company which became or ceased to be a Subsidiary or Associated Company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A of the SGX Listing Manual.

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

None.

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

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a Director or chief executive officer or substantial Shareholder of the Company for the years ended 31 December 2022 and 2021.

Publication of Annual Results and Annual Report

The annual results announcement for FY2022 is published on the SGXNet (<https://www.sgx.com>) and the websites of HKEx (<https://www.hkexnews.hk>) and the Company (https://www.ebwater.com/en/ir/announcements_sgx.php). The FY2022 annual report of the Company containing, among others, all the information required by the SEHK Listing Rules and the SGX Listing Manual will be published on the SGXNet and the websites of HKEx and the Company and despatched to the Shareholders in due course.

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

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

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

I, Hu Yanguo, 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 audited financial results of the Group for FY2022 to be false or misleading in any material aspect.

By Order of the Board
China Everbright Water Limited
Hu Yanguo
Executive Director and Chairman

Hong Kong and Singapore, 28 February 2023

As at the date of this announcement, the Board comprises: (i) three executive Directors, namely Mr. Hu Yanguo (Chairman), Mr. Tao Junjie (Chief Executive Officer) and Mr. Luo Junling; and (ii) four independent non-executive Directors, namely Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, Ms. Cheng Fong Yee and Ms. Hao Gang.

APPENDIX

Independent Auditor's Report
For the financial year ended 31 December 2022

To the Members of China Everbright Water Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of China Everbright Water Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of changes in equity of the Group, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to present fairly, in all material respects of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

The key audit matter

How the matter was addressed in our audit

IFRIC 12 – Service Concession Arrangements (“IFRIC 12”) and Revenue Recognition

The Group enters into service concession arrangements with municipals in the People’s Republic of China to build and/or operate waste water treatment plants. The Group recognises the consideration for the construction services as contract assets and/or intangible assets for service concession arrangements within the scope of IFRIC 12. As the related amounts are material and the application of IFRIC 12 requires significant management judgement, we identified this as a key audit matter.

The Group applies IFRIC 12 in its recognition of revenue from service concession arrangements, which includes revenue relating to construction services, operation income and finance income. Disclosure of the revenue is included in notes 2.4, 3 and 5 to the financial statements.

Construction service revenue is measured based on the Group’s estimation of the fair value of construction services and the percentage of construction completed during the year. Significant judgement is required in determining the fair value of the construction services and involves estimation of the total construction costs and the margin for each contract. The Group engaged an independent financial modeling consultant to assist in the estimation of the fair value of the construction services. The percentage of construction completed during the year is estimated based on the survey of work performed by independent surveyors with relevant qualifications and industry experience. Judgement is required in estimating the percentage of construction completed.

We assessed the appropriateness of the Group’s revenue recognition policies, evaluated the Group’s process in assessing the applicability of IFRIC 12 and also reviewed the associated agreements to assess whether these agreements are appropriately identified as service concession arrangements to be within the scope of IFRIC 12.

We considered the competence, capability and objectivity of the independent consultant and surveyors engaged by management. We reviewed the progress reports for projects under construction and the reasonableness of the revenue recognised over time.

We reviewed management’s computation of amortised cost of contract assets and intangible assets and allocation of consideration between contract assets and intangible assets and the related revenue recognised during the year and tested key estimates including discount rates used by management by comparing to the relevant market interest rates to assess appropriateness.

We engaged our internal specialists to review the valuation methodology and the reasonableness of certain key assumptions such as the margin used and the industry comparable companies in the determination of the fair value of the construction services in the financial model.

We also considered the adequacy of the disclosures related to service concession arrangements in the financial statements.

The key audit matter (*cont'd*)**How the matter was addressed in our audit**
(*cont'd*)**Recoverability of trade receivables**

As at 31 December 2022, the Group had trade receivables amounting to HK\$3,361,597,000, net of expected credit losses (“ECL”) allowance of HK\$446,835,000. The Group determines impairment losses by making debtor-specific assessment of ECL for credit impaired debtors and has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for the remaining group of debtors taking into consideration impact arising from the COVID-19 pandemic.

The estimation of impairment loss of trade receivables is based on the evaluation of collectability and ageing analysis of trade receivables as well as expectation of forward-looking factors. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, taking into consideration the current creditworthiness and the past collection history of each debtor. Accordingly, we identified this as a key audit matter. Disclosures of the trade receivables are included in notes 2.4, 3 and 23 to the financial statements.

We obtained an understanding of management’s processes relating to the monitoring of trade receivables.

In assessing the adequacy of the ECL allowance, we reviewed the ageing analysis of the debtors to identify potential collectability issues, reviewed data used in management’s assessment of default rates and assessed the reasonableness of management’s assumptions used in establishing the forward-looking adjustments including the potential impact of the COVID-19 pandemic. In addition, we discussed with management about the status of significant overdue individual debtors’ balance, management’s consideration of the debtors’ specific profiles and risks, reviewed settlement history and assessed management’s assumptions used to determine the ECL allowance. We also requested direct confirmations and considered receipts subsequent to the year end.

We further considered the adequacy of the Group’s disclosures regarding the estimation uncertainty involved in determining the ECL allowance.

The key audit matter (cont'd)**How the matter was addressed in our audit (cont'd)****Impairment assessment of goodwill**

IAS 36 *Impairment of Assets* requires goodwill to be tested annually for impairment or more frequently when there is an indication that the cash-generating unit (“CGU”) may be impaired. This assessment requires the exercise of significant judgement about the future market conditions, including future cash flows to be generated from the continuing use of the waste water treatment plants over the service concession period. The determination of the recoverable amount requires judgement in both identification and valuation of the relevant CGU given the changes in the market and economic conditions brought on by the COVID-19 pandemic. Accordingly, we identified this as a key audit matter.

The Group determined that the water environment management segment was accounted for as a collective CGU for the purpose of impairment testing. The impairment assessment was determined using a value-in-use model based on the discounted cash flows projection. Assumptions such as estimated key financial data, the growth rate and discount rate used to determine the discounted cash flows required significant judgements by the Group.

As at 31 December 2022, the goodwill carried in the Group’s financial statements amounted to HK\$1,400,952,000. Disclosures of goodwill are included in notes 2.4, 3 and 18 to the financial statements.

We reviewed the appropriateness of the Group’s determination of the CGU.

We assessed the appropriateness of the discount rate used by assessing the cost of capital of the Company and comparable organisations in the industry, and where relevant, using our internal valuation specialists to independently develop expectations for the discount rate, and comparing the independent expectations to those used by management.

We reviewed the cash flow forecasts by comparing them to recent and past performance, taking into consideration the approach used in the valuation. We tested the reasonableness of key assumptions used in the cash flows forecast, which include growth rate, discount rate and long-term growth rate, and taking into account management’s consideration of the potential impact that COVID-19 pandemic has on the Group’s operations.

We also assessed the adequacy of the disclosures made in the financial statements on the impairment assessment, specifically on the key assumptions that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other information

The other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tan Peck Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 February 2023