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CHINA EVERBRIGHT WATER LIMITED

中國光大水務有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

- Revenue decreased by 11% to HK\$3,082,000,000 (1HFY2022: HK\$3,478,939,000)
- EBITDA increased by 21% to HK\$1,287,800,000 (1HFY2022: HK\$1,066,673,000)
- Profit before tax increased by 27% to HK\$879,931,000 (1HFY2022: HK\$691,633,000)
- Profit attributable to equity holders of the Company increased by 22% to HK\$632,188,000 (1HFY2022: HK\$520,056,000)
- Interim dividend of HK6.63 cents (equivalent to 1.13 Sing cents) per ordinary share (1HFY2022: HK5.45 cents (equivalent to 0.98 Sing cent) per ordinary share)

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Everbright Water Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 (“1HFY2023” or the “Review Period”), together with the comparative figures for the six months ended 30 June 2022 (“1HFY2022”). The interim financial results are unaudited, but have been reviewed by Ernst & Young LLP, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the International Auditing and Assurance Standards Board. Ernst & Young LLP’s report on review of the interim financial information is included as the Appendix to this announcement. The report does not have any qualification, disclaimer of opinion, adverse opinion or emphasis of matters. The interim financial results have also been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	1HFY2023 (Unaudited) HK\$'000	1HFY2022 (Unaudited) HK\$'000	Increase/ (decrease) %
REVENUE	4	3,082,000	3,478,939	(11%)
Direct costs and operating expenses		<u>(1,672,259)</u>	<u>(2,258,975)</u>	(26%)
Gross profit		1,409,741	1,219,964	16%
Other income and gains, net	5	35,837	23,320	54%
Administrative and other operating expenses		(280,945)	(322,235)	(13%)
Finance income	6	12,627	14,510	(13%)
Finance costs	6	(299,716)	(256,698)	17%
Share of profit of an associate		1,126	12,772	(91%)
Share of profit of a joint venture		<u>1,261</u>	<u>–</u>	NM
PROFIT BEFORE TAX	7	879,931	691,633	27%
Income tax	8	<u>(205,077)</u>	<u>(141,096)</u>	45%
PROFIT FOR THE PERIOD		<u>674,854</u>	<u>550,537</u>	23%
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of functional currency to the presentation currency		<u>(277,592)</u>	<u>(757,251)</u>	(63%)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX		<u>(277,592)</u>	<u>(757,251)</u>	(63%)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>397,262</u>	<u>(206,714)</u>	NM

NM – Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)**For the six months ended 30 June 2023*

	1HFY2023 (Unaudited) <i>Notes</i> HK\$'000	1HFY2022 (Unaudited) <i>Notes</i> HK\$'000	Increase/ (decrease) %
PROFIT ATTRIBUTABLE TO:			
Equity holders of the Company	632,188	520,056	22%
Holders of perpetual capital instruments	12,300	1,302	845%
Non-controlling interests	30,366	29,179	4%
	<u>674,854</u>	<u>550,537</u>	23%
TOTAL COMPREHENSIVE INCOME/(LOSS)			
ATTRIBUTABLE TO:			
Equity holders of the Company	375,363	(184,799)	NM
Holders of perpetual capital instruments	12,300	1,302	845%
Non-controlling interests	9,599	(23,217)	NM
	<u>397,262</u>	<u>(206,714)</u>	NM
EARNINGS PER SHARE ATTRIBUTABLE			
TO EQUITY HOLDERS OF THE COMPANY <i>10</i>			
– Basic and diluted	<u>HK22.10 cents</u>	<u>HK18.18 cents</u>	22%

NM – Not meaningful

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2023

		Group		Company	
		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment		966,525	994,950	-	-
Right-of-use assets		94,462	89,835	-	-
Investment properties		11,218	11,398	-	-
		<u>1,072,205</u>	<u>1,096,183</u>	<u>-</u>	<u>-</u>
Intangible assets		2,252,880	2,369,863	-	-
Goodwill		1,379,036	1,400,952	-	-
Interests in subsidiaries		-	-	10,024,534	10,618,932
Interest in an associate		10,720	11,094	-	-
Interest in a joint venture		1,262	-	-	-
Other receivables	11	477,562	556,154	-	-
Contract assets	12	19,100,234	19,077,113	-	-
Deferred tax assets		2,046	3,253	-	-
		<u>24,295,945</u>	<u>24,514,612</u>	<u>10,024,534</u>	<u>10,618,932</u>
TOTAL NON-CURRENT ASSETS					
CURRENT ASSETS					
Inventories		94,397	85,820	-	-
Trade and other receivables	11	4,540,926	3,767,702	10,451,294	9,611,167
Contract assets	12	2,116,601	2,010,393	-	-
Other financial assets	13	209,889	221,717	176,987	186,219
Cash and cash equivalents	14	2,265,171	2,845,907	71,847	98,085
		<u>9,226,984</u>	<u>8,931,539</u>	<u>10,700,128</u>	<u>9,895,471</u>
TOTAL CURRENT ASSETS					

STATEMENTS OF FINANCIAL POSITION *(continued)*

As at 30 June 2023

		Group		Company	
		30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>	30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>				
CURRENT LIABILITIES					
Trade and other payables	15	2,739,673	3,168,112	124,853	145,880
Borrowings		6,923,916	5,686,435	5,891,737	4,634,455
Tax payable		53,347	61,329	–	–
Lease liabilities		8,022	2,656	–	–
Total current liabilities		<u>9,724,958</u>	<u>8,918,532</u>	<u>6,016,590</u>	<u>4,780,335</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(497,974)</u>	<u>13,007</u>	<u>4,683,538</u>	<u>5,115,136</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>23,797,971</u>	<u>24,527,619</u>	<u>14,708,072</u>	<u>15,734,068</u>
NON-CURRENT LIABILITIES					
Borrowings		8,563,106	9,575,700	3,777,482	4,772,482
Deferred tax liabilities		1,985,101	1,950,690	–	–
Lease liabilities		2,424	351	–	–
Total non-current liabilities		<u>10,550,631</u>	<u>11,526,741</u>	<u>3,777,482</u>	<u>4,772,482</u>
NET ASSETS		<u>13,247,340</u>	<u>13,000,878</u>	<u>10,930,590</u>	<u>10,961,586</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		8,335,586	8,106,613	7,262,731	7,293,727
		<u>11,196,463</u>	<u>10,967,490</u>	<u>10,123,608</u>	<u>10,154,604</u>
Perpetual capital instruments		806,982	806,982	806,982	806,982
Non-controlling interests		1,243,895	1,226,406	–	–
TOTAL EQUITY		<u>13,247,340</u>	<u>13,000,878</u>	<u>10,930,590</u>	<u>10,961,586</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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	Perpetual capital instruments	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	HK\$'000
Group											
At 1 January 2023	2,860,877	1,599,765	(962,929)	689,734	1,229,302	8,203	5,542,538	10,967,490	806,982	1,226,406	13,000,878
Profit for the period	-	-	-	-	-	-	632,188	632,188	12,300	30,366	674,854
Foreign currency translation differences	-	-	(256,825)	-	-	-	-	(256,825)	-	(20,767)	(277,592)
2022 final dividend declared	-	-	-	-	-	-	(146,390)	(146,390)	-	-	(146,390)
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	(12,300)	-	(12,300)
Capital contribution received by non wholly-owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	-	7,890	7,890
At 30 June 2023	<u>2,860,877</u>	<u>1,599,765</u>	<u>(1,219,754)</u>	<u>689,734</u>	<u>1,229,302</u>	<u>8,203</u>	<u>6,028,336</u>	<u>11,196,463</u>	<u>806,982</u>	<u>1,243,895</u>	<u>13,247,340</u>
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 period	-	-	-	-	-	-	520,056	520,056	1,302	29,179	550,537
Foreign currency translation differences	-	-	(704,855)	-	-	-	-	(704,855)	-	(52,396)	(757,251)
2021 final dividend declared	-	-	-	-	-	-	(195,468)	(195,468)	-	-	(195,468)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	-	806,982	-	806,982
Capital contribution received by a non wholly-owned subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	24,544	24,544
At 30 June 2022	<u>2,860,877</u>	<u>1,599,765</u>	<u>(106,266)</u>	<u>578,129</u>	<u>1,229,302</u>	<u>8,203</u>	<u>5,319,806</u>	<u>11,489,816</u>	<u>808,284</u>	<u>1,294,476</u>	<u>13,592,576</u>

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Company	Attributable to equity holders of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Contributed surplus reserve	Other reserves	Retained earnings	Total	Perpetual capital instruments	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023	2,860,877	389,715	(1,143,689)	7,639,082	64,953	343,666	10,154,604	806,982	10,961,586
Profit for the period	-	-	-	-	-	222,273	222,273	12,300	234,573
Foreign currency translation differences	-	-	(106,879)	-	-	-	(106,879)	-	(106,879)
2022 final dividend declared	-	-	-	-	-	(146,390)	(146,390)	-	(146,390)
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	(12,300)	(12,300)
At 30 June 2023	<u>2,860,877</u>	<u>389,715</u>	<u>(1,250,568)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>419,549</u>	<u>10,123,608</u>	<u>806,982</u>	<u>10,930,590</u>
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 period	-	-	-	-	-	208,888	208,888	1,302	210,190
Foreign currency translation differences	-	-	(443,520)	-	-	-	(443,520)	-	(443,520)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	806,982	806,982
2021 final dividend declared	-	-	-	-	-	(195,468)	(195,468)	-	(195,468)
At 30 June 2022	<u>2,860,877</u>	<u>389,715</u>	<u>(609,302)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>479,235</u>	<u>10,824,560</u>	<u>808,284</u>	<u>11,632,844</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<i>Notes</i>	1HFY2023 (Unaudited) HK\$'000	1HFY2022 (Unaudited) HK\$'000
Cash flows from operating activities			
Profit before tax		879,931	691,633
Adjustments for:			
Depreciation of property, plant and equipment	7	25,391	29,234
Depreciation of right-of-use assets	7	5,055	7,010
Amortisation of intangible assets	7	77,707	82,098
Loss/(gain) on disposals of property, plant and equipment	7	196	(222)
Loss on disposals of intangible assets	7	2,920	–
Finance costs	6	299,716	256,698
Interest income	6	(12,627)	(14,510)
Share of profit of an associate		(1,126)	(12,772)
Share of profit of a joint venture		(1,261)	–
Fair value changes of other financial assets, net	5	8,582	11,078
Allowance for impairment of trade receivables, net (Write-back of allowance)/allowance for impairment of other receivables	7	123,398	124,000
Allowance for impairment of contract assets	7	(2,768)	17,420
Impairment of intangible assets	7	445	974
Effect of foreign exchange rates changes, net		–	14,699
		(26,589)	56,764
Operating cash flows before working capital changes		1,378,970	1,264,104
Changes in working capital:			
(Increase)/decrease in inventories		(9,870)	6,900
Increase in contract assets		(475,516)	(690,944)
Increase in trade and other receivables		(917,476)	(664,582)
Decrease in trade and other payables		(367,950)	(314,673)
Cash used in operations		(391,842)	(399,195)
People's Republic of China ("PRC") income tax paid		(142,984)	(120,618)
Net cash flows used in operating activities		(534,826)	(519,813)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**For the six months ended 30 June 2023*

	1HFY2023 (Unaudited) <i>Notes</i> HK\$'000	1HFY2022 (Unaudited) <i>HK\$'000</i>
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,474)	(45,986)
Proceeds from disposals of property, plant and equipment	26	445
Payment for additions of intangible assets	(171)	(216,776)
Decrease/(increase) in amount due from an associate	4,057	(202)
Interest received	12,627	14,510
	<hr/>	<hr/>
Net cash flows generated from/(used in) investing activities	4,065	(248,009)
	<hr/>	<hr/>
Cash flows from financing activities		
Capital contributions from non-controlling shareholders of subsidiaries	7,890	24,544
Proceeds from the issuance of medium-term notes (“MTN”), net of related expenses paid	1,125,613	1,233,688
Proceeds from the issuance of super and short-term commercial papers (“SCP”), net of related expenses paid	1,152,800	1,222,300
Proceeds from issuance of perpetual capital instruments, net of related expenses paid	–	806,982
New bank loans	2,867,299	1,257,465
Repayments of asset-backed securities (“ABS”)	(156,245)	(33,276)
Repayments of SCP	(1,152,800)	(1,156,300)
Repayments of bank loans	(3,389,658)	(613,345)
Interest paid	(300,614)	(227,633)
Principal elements of lease payments	(3,582)	(5,471)
Interest elements of lease payments	(145)	(464)
Increase in restricted bank balances	(1)	(1)
Dividend paid to shareholders of the Company (the “Shareholders”)	(146,851)	(195,032)
Distribution paid to holders of perpetual capital instruments	(26,154)	–
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(22,448)	2,313,457
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(553,209)	1,545,635
Cash and cash equivalents at beginning of the period	2,844,990	2,281,001
Effect of exchange rate fluctuations on cash and cash equivalents, net	(27,514)	(286,115)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	2,264,267	3,540,521
	<hr/>	<hr/>

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2023 have been prepared in accordance with the International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (“IASB”), the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”) (the “SEHK Listing Rules”) and Rule 705 of the Listing Manual (the “SGX Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX”).

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

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

The financial information relating to the year ended 31 December 2022 that is included in this unaudited interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements.

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

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

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

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCE REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements¹</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current¹</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants¹</i>

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

² No mandatory effective date yet determined 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.

Business segment

The Group had only one operating segment for the six months ended 30 June 2023 and 2022, 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Mainland China	3,033,746	3,476,287
Germany	<u>48,254</u>	<u>2,652</u>
	<u>3,082,000</u>	<u>3,478,939</u>

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

(b) *Non-current assets*

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Mainland China	24,284,387	24,509,798
Hong Kong	4,265	956
Singapore	3,818	447
Germany	167	158
Mauritius	<u>1,262</u>	<u>–</u>
	<u>24,293,899</u>	<u>24,511,359</u>

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

Major customers

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Customer 1**	426,620	N/A*
Customer 2**	353,189	N/A*
Customer 3**	<u>N/A*</u>	<u>612,693</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

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Construction service revenue from service concession arrangements	826,692	1,353,283
Finance income from service concession arrangements	574,582	575,267
Operation income from service concession arrangements	1,557,186	1,466,836
Construction contract revenue and technical service income	123,540	83,553
	<u>3,082,000</u>	<u>3,478,939</u>
Timing of revenue recognition		
At a point in time	111,526	58,451
Over time	<u>2,395,892</u>	<u>2,845,221</u>
	2,507,418	2,903,672
Finance income from service concession arrangements	<u>574,582</u>	<u>575,267</u>
	<u>3,082,000</u>	<u>3,478,939</u>

The aggregated amount of construction services revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK\$2,911,497,000 and HK\$3,359,694,000 for the six months ended 30 June 2023 and 2022, respectively.

5. OTHER INCOME AND GAINS, NET

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Government grants*	15,650	12,721
Value-added tax (“VAT”) refunds**	19,532	11,732
Fair value (loss)/gain, net:		
Other financial assets – unlisted investments	(6,484)	(11,396)
Other financial assets – unlisted equity investment	(2,098)	318
Sundry income	<u>9,237</u>	<u>9,945</u>
	<u>35,837</u>	<u>23,320</u>

* Government grants of HK\$15,650,000 and HK\$12,721,000 were granted during the six months ended 30 June 2023 and 2022, 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\$19,532,000 and HK\$11,732,000 were received/receivable during the six months ended 30 June 2023 and 2022, respectively, in relation to certain of the Group’s 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

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
<u>Finance income</u>		
Interest income on:		
Bank deposits	12,448	14,319
Amount due from an associate	179	191
	<u>12,627</u>	<u>14,510</u>
<u>Finance costs</u>		
Interest expense on:		
Bank and other loans	(189,612)	(142,348)
Corporate bonds, ABS, MTN and SCP	(109,959)	(113,886)
Lease liabilities	(145)	(464)
	<u>(299,716)</u>	<u>(256,698)</u>
Net finance costs	<u>(287,089)</u>	<u>(242,188)</u>

7. PROFIT BEFORE TAX

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

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Depreciation*		
– property, plant and equipment	25,391	29,234
– right-of-use assets	5,055	7,010
Amortisation		
– intangible assets*	77,707	82,098
Loss/(gain) on disposals of property, plant and equipment	196	(222)
Loss on disposals of intangible assets	2,920	–
Cost of construction services from service concession arrangements**	615,951	1,040,936
R&D costs	21,129	21,624
Rental expense from short-term leases	722	244
Expected credit loss allowance on trade receivables, net	123,398	124,000
(Write-back of)/expected credit loss allowance on other receivables	(2,768)	17,420
Expected credit loss allowance on contract assets	445	974
Impairment of intangible assets	–	14,699
Foreign exchange differences, net	<u>(50,913)</u>	<u>(44,442)</u>
Employee benefit expense (including directors' remuneration)*:		
Wages, salaries, allowances and benefits in kind	196,280	196,801
Retirement scheme contributions	19,665	21,066
	<u>215,945</u>	<u>217,867</u>

7. PROFIT BEFORE TAX (continued)

* Amortisation of intangible assets, depreciation and employee benefit expenses in total of HK\$190,704,000 and HK\$212,171,000 for the six months ended 30 June 2023 and 2022, 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.

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 six months ended 30 June 2023 and 2022.

Tax for the PRC operations is charged at the statutory rate of 25% based on the assessable profits in accordance with the tax rules and regulations in the PRC. During the six months ended 30 June 2023 and 2022, certain PRC subsidiaries of the Group were subject to a preferential tax rate of 15% pursuant to the relevant tax rules and regulations. During the six months ended 30 June 2023 and 2022, 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.

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Current – PRC:		
Charge for the period	124,828	121,394
Underprovision in prior years	10,933	1,849
Deferred	69,316	17,853
	<hr/>	<hr/>
Total tax expense for the period	205,077	141,096
	<hr/>	<hr/>

9. DIVIDENDS

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Dividends attributable to the period:		
Interim – 6.63 Hong Kong cents (“HK cents”) (equivalent to 1.13 Singapore cents (“Sing cent(s)”) (1HFY2022: HK5.45 cents (equivalent to 0.98 Sing cent)) per ordinary share	<u>189,676</u>	<u>156,172</u>

Dividends paid during the period:		
Final in respect of the previous financial year – HK5.14 cents (equivalent to 0.86 Sing cent) (1HFY2022: HK6.83 cents (equivalent to 1.19 Sing cents)) per ordinary share	<u>146,390</u>	<u>195,468</u>

10. EARNINGS PER SHARE

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

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

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the period	<u>632,188</u>	<u>520,056</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>22.10</u>	<u>18.18</u>

11. TRADE AND OTHER RECEIVABLES

Group

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Non-current		
Other receivables	300,661	304,462
Less: Impairment	<u>(32,604)</u>	<u>(33,354)</u>
	268,057	271,108
VAT receivables	<u>209,505</u>	<u>285,046</u>
	<u>477,562</u>	<u>556,154</u>
Current		
Trade receivables	4,714,132	3,808,432
Less: Impairment	<u>(559,663)</u>	<u>(446,835)</u>
	4,154,469	3,361,597
Other receivables and sundry deposits	109,914	126,497
Less: Impairment	<u>(14,775)</u>	<u>(17,516)</u>
	95,139	108,981
VAT receivables	131,307	165,655
Amount due from an associate	5,277	9,365
Prepayments	<u>154,734</u>	<u>122,104</u>
	<u>4,540,926</u>	<u>3,767,702</u>
Total	<u>5,018,488</u>	<u>4,323,856</u>

The amount due from an associate is unsecured, repayable on demand and interest-bearing at a rate of 4.75% (31 December 2022: 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 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
At the beginning of the period/year	446,835	252,045
Impairment losses recognised (note 7)	123,398	226,899
Exchange realignment	(10,570)	(32,109)
	<u>559,663</u>	<u>446,835</u>

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

Group

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
At the beginning of the period/year	50,870	20,350
Impairment losses recognised (note 7)	–	33,829
Impairment losses reversed (note 7)	(2,768)	–
Exchange realignment	(723)	(3,309)
	<u>47,379</u>	<u>50,870</u>

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

Group

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Within 1 month	887,013	678,873
More than 1 month but within 2 months	281,115	317,034
More than 2 months but within 4 months	604,262	370,343
More than 4 months but within 7 months	586,867	482,419
More than 7 months but within 13 months	834,192	661,136
More than 13 months	961,020	851,792
	<u>4,154,469</u>	<u>3,361,597</u>

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

11. TRADE AND OTHER RECEIVABLES (continued)

Included in “Trade and other receivables” of the Group as at 30 June 2023 and 31 December 2022 were trade receivables of HK\$4,154,469,000 and HK\$3,361,597,000, respectively, of which (a) HK\$9,220,000 and nil, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, and (b) HK\$38,475,000 and HK\$13,963,000, respectively, were due from a related company of a non wholly-owned subsidiary.

Included in “Other receivables and sundry deposits” of the Group as at 30 June 2023 and 31 December 2022 were government compensation receivables of HK\$22,739,000 and HK\$26,508,000, 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 30 June 2023 and 31 December 2022 were consideration receivables of HK\$5,964,000 and HK\$6,394,000, due from third parties arising from the disposals of service concession rights held by Suqian City Cheng Bei Water Treatment Co., Ltd. and Suqian City Cheng Bei Wastewater Treatment Co., Ltd. years ago, for which impairment of HK\$2,102,000 was provided as at 30 June 2023 (31 December 2022: HK\$2,283,000).

12. CONTRACT ASSETS

Group

		At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000	At 1 January 2022 (Audited) HK\$'000
	<i>Notes</i>			
Non-current				
Service concession assets	(a)	19,118,142	19,094,999	19,766,155
Less: impairment	(c)	(17,908)	(17,886)	(15,831)
		19,100,234	19,077,113	19,750,324
Current				
Service concession assets	(a)	2,060,915	1,953,883	1,949,143
Less: impairment	(c)	(1,930)	(1,830)	(1,561)
		2,058,985	1,952,053	1,947,582
Other contract assets	(b)	57,616	58,340	42,884
		2,116,601	2,010,393	1,990,466
Total		21,216,835	21,087,506	21,740,790

12. CONTRACT ASSETS (continued)

- (a) Included in “Contract assets” as at 30 June 2023 and 31 December 2022 are amounts of HK\$634,985,000 and HK\$525,427,000, respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK\$710,819,000 and HK\$704,322,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 30 June 2023 and 31 December 2022 totalling HK\$21,179,057,000 and HK\$21,048,882,000, respectively, bear interest at rates ranging from 4.30% to 7.83% and 4.40% to 7.83%, respectively, per annum. As at 30 June 2023 and 31 December 2022, HK\$11,915,270,000 and HK\$10,549,068,000, respectively, are related to the service concession arrangements with operations commenced. The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue generated during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (note 11).

- (b) The balance as at 30 June 2023 and 31 December 2022 comprised contract assets arising from the performance of 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 30 June 2023, HK\$19,838,000 (31 December 2022: HK\$19,716,000) was recognised as an allowance for expected credit losses on contract assets.

The movements in the allowance for expected credit losses of contract assets are as follows:

Group

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
At the beginning of the period/year	19,716	17,392
Impairment losses recognised (note 7)	445	4,002
Exchange realignment	(323)	(1,678)
	<u>19,838</u>	<u>19,716</u>
At the end of the period/year	<u>19,838</u>	<u>19,716</u>

12. CONTRACT ASSETS (continued)

As at 30 June 2023 and 31 December 2022, 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\$5,130,141,000 and HK\$5,678,281,000, respectively, were pledged to secure banking facilities granted to the Group and the issuance of the ABS.

13. OTHER FINANCIAL ASSETS

Group

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Unlisted investments, at fair value	176,988	186,219
Unlisted equity investment, at fair value	<u>32,901</u>	<u>35,498</u>
Total	<u>209,889</u>	<u>221,717</u>

As at 30 June 2023 and 31 December 2022, the above unlisted investments were wealth management products issued by financial institutions 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 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Cash on hand and bank balances	2,264,267	2,844,990
Restricted bank balances	<u>904</u>	<u>917</u>
	<u>2,265,171</u>	<u>2,845,907</u>

Included in “Cash and cash equivalents” of the Group as at 30 June 2023 and 31 December 2022 are deposits of HK\$98,506,000 and HK\$105,290,000, respectively, placed with a related party bank, which is a fellow subsidiary of the Company.

15. TRADE AND OTHER PAYABLES

Group

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Trade payables	1,966,684	2,278,842
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	5,899	5,364
Distribution payable to holders of perpetual capital instruments	–	13,672
Interest payable	118,429	128,912
Other creditors and accrued expenses	<u>648,661</u>	<u>741,322</u>
	<u>2,739,673</u>	<u>3,168,112</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 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Within 6 months	1,143,404	1,558,574
Over 6 months	823,280	720,268
	<u>1,966,684</u>	<u>2,278,842</u>

Trade payables totalling HK\$1,413,863,000 and HK\$1,653,099,000 as at 30 June 2023 and 31 December 2022, respectively, represent construction payables for the Group’s build-operate-transfer, build-own-operate, and transfer-operate-transfer arrangements. The construction payables are not yet due for payment.

Included in “Trade payables” of the Group as at 30 June 2023 and 31 December 2022 were trade payables of HK\$67,341,000 and HK\$67,617,000, 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 their major customers.

Included in “Trade payables” of the Group as at 30 June 2023 and 31 December 2022 were payables of HK\$3,679,000 and HK\$4,816,000, respectively, due to an associate, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate to its major customers.

Included in “Other creditors and accrued expenses” of the Group as at 30 June 2023 and 31 December 2022 was a guarantee deposit of nil and HK\$14,229,000, respectively, from a former director of a subsidiary.

Included in “Other creditors and accrued expenses” of the Group as at 30 June 2023 were other payables of HK\$214,705,000 (31 December 2022: HK\$215,053,000), 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 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
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 HK\$'000
Issued and fully paid:		
At 31 December 2022 (Audited), 1 January 2023 and 30 June 2023 (Unaudited)	<u>2,860,877</u>	<u>2,860,877</u>

The Group and the Company did not have any treasury shares as at 30 June 2023 and 31 December 2022.

17. EVENTS AFTER THE REPORTING PERIOD

On 17 July 2023, the Company announced the completion of issuance of China Everbright Water Limited Second Tranche Medium Term Notes 2023 (the “2023 Second Tranche MTN”) on 13 July 2023 and 14 July 2023, which was fully subscribed for by institutional investors in the national inter-bank bond market (the “Institutional Investors”) of mainland China. The 2023 Second Tranche MTN has a principal amount of RMB1.5 billion, with a maturity period of 5 years (with an interest rate adjustment option to be exercised by the Company and a resale option to be exercised by the noteholders at the end of the third interest-bearing year) and an interest rate of 2.97%. The proceeds from the issuance of the 2023 Second Tranche MTN are to replenish the working capital of the Company’s subsidiaries and repay the interest-bearing debts of the Company or its subsidiaries.

BUSINESS REVIEW AND PROSPECTS

Operating Results

In 1HFY2023, amid the ongoing geopolitical and economic tensions, the global economic recovery was characterised by uncertainty. Despite the intensified global economic uncertainties, China still demonstrated strong resilience and potential for development. With the economy rebounding on an upward momentum, China’s fundamentals supporting long-term growth remain strong. Although facing pressures from adjustment, upgrading, and transformation, the environmental protection industry in China is showing a promising long-term development prospect with the strategic goals of “Peaking Carbon Emissions and Achieving Carbon Neutrality” (“Dual Carbons”) and “Building a Beautiful China”.

During the Review Period, despite the complex internal and external environment and intensified competition in the industry, the Group continued to progress amidst stability, maintaining its determination and remaining united as one. Additionally, it focused on the “water-related” business field, continued to solidify its strengths and explore new areas, boosted efforts in technological innovation, and improved its management proficiency. As such, the Group recorded a positive result in its major operating indicators with healthy financial position, laying a solid foundation for its sustainable development.

As at 30 June 2023, the Group invested in and held 166 environmental protection projects, with a total investment of approximately RMB30.8 billion. In addition, it undertook various asset-light projects and services, such as operation and management (“O&M”), engineering, procurement and construction (“EPC”), EPCO (Design-Procurement-Construction-Operation), equipment supply and technical services.

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⁾	130	5,770,000
Industrial waste water treatment projects ⁽²⁾⁽³⁾	21	376,000
Reusable water projects	8	315,600
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 ⁽⁴⁾	2	N/A
Total	<u>173</u>	<u>7,428,700</u>

Notes:

⁽¹⁾ EPC project(s) excluded

⁽²⁾ O&M project(s) included

⁽³⁾ EPCO project(s) included

⁽⁴⁾ Total sludge treatment and disposal capacities of 2,175 tonnes/day, including treatment capacities of multiple sludge treatment and disposal facilities within waste water treatment projects

In terms of its operating results for 1HFY2023, the Group made steady progress and recorded a revenue of HK\$3.08 billion, representing a decrease of 11% from HK\$3.48 billion in the corresponding period last year; earnings before interest, taxes, depreciation and amortisation (“EBITDA”) increased by 21% from HK\$1.07 billion in the corresponding period last year to HK\$1.29 billion; profit attributable to equity holders of the Company increased by 22% from HK\$520.06 million in the corresponding period last year to HK\$632.19 million; basic earnings per share increased by 22% from HK18.18 cents in the corresponding period last year to HK22.10 cents; overall gross profit margin was 46%, 11 percentage points (“ppt”) higher than 35% for the corresponding period last year. The Group has ready access to various diversified financing channels, with a mix of short-term and long-term financing instruments, holds quality assets and sufficient funds, with a reasonable gearing ratio, and is in a healthy financial position.

In relation to market expansion, during the Review Period, with the “water-related” business being the key focus, the Group continued its development on both the traditional and new business areas, balanced asset-light and asset-heavy businesses, and tapped into traditional business areas while exploring new business areas. Therefore, the Group achieved a remarkable result in business expansion. In order to solidify its strengths, the Group secured a number of upgrading and expansion projects for its existing waste water treatment projects and renewed the contract for Jiangsu Zhenjiang Zhengrunzhou Waste Water Treatment Plant O&M Project. In terms of expanding into new areas, the Group secured business based on an integration model of the water plant and the pipeline network in Shen County of Liaocheng City, Shandong Province, and for the first time, successively secured asset-light projects through the EPCO model in Lianshui County, Huai’an, and Jiangyin High-Tech Zone, in Jiangsu Province respectively, which has further enhanced the Group’s ability in providing contracting services to external parties. In addition, the Group actively explored new business areas by carrying out research on areas such as ecological agriculture, actively responding to the national policy directions and the current industry trends.

In 1HFY2023, the Group invested in and held 5 waste water treatment projects and signed 1 supplementary agreement for existing project, involving a total investment of approximately RMB1.163 billion, with an additional designed daily municipal waste water treatment capacity of 45,000 m³, designed daily industrial waste water treatment capacity of 60,000 m³, and designed daily reusable water supply capacity of 15,000 m³. In addition, during the Review Period, the Group undertook 2 EPCO projects and other asset-light projects and services, involving a total contract value of approximately RMB1.07 billion; among which, the newly undertaken EPCO projects contribute an additional designed daily waste water treatment capacity of 60,000 m³.

As for technological innovation, the Group has been adhering to “Development Driven by Technological Innovation” and boosting its efforts in the implementation of relevant works. During the Review Period, the Group improved various internal policies and guidelines related to design and technology, in order to strengthen technical support for its projects. Moreover, the Group identified over 10 key topics for its R&D, covering areas such as intelligent water treatment plants, the micro-electrolysis-Fenton process and biological denitrification. Additionally, the Group actively participated in the drafting of the organisational standards of “Technical Specification for Greenhouse Gas Monitoring of Sewage and Waste Water Treatment Plants”. In 1HFY2023, the Group provided its in-house developed technological processes to internal and external clients, which amounted to a total contract value of approximately RMB86.00 million; and was newly granted 14 patents (including 3 invention patents and 11 utility model patents).

In terms of operations management, during the Review Period, by continuously focusing on “Cost Reduction and Efficiency Enhancement”, the Group continued launching its “Five Innovations” initiative, carrying out organisation-wide counselling for improvement in operations management practices, developing its intelligent water system, and promoting the “in-plant solar energy” pilot programme, to further enhance the efficiency and proficiency of its operations management. Among which, the Group accelerated the development of its intelligent water system at all levels, launched a master data platform for its projects, and enhanced the application of its digital tools. The Group’s precision dosing system also entered the trial stage at various projects, and the “Building a Star Intelligent Factory” Programme was launched. As at 30 June 2023, the Group successfully put 5 such pilot projects under operation, with a total installed capacity of 9.01 MWp, which are expected to generate 5.1 million kWh of green electricity to the projects annually; in addition, 3 pilot projects were under construction, and 6 were in the preparatory and planning stages, with an expected total installed capacity of over 10 MWp. In 1HFY2023, 1 waste water treatment plant of the Group received regulatory approval for tariff hike, with an increase of 5%, and subsidies of approximately RMB17.50 million in total were granted to the Group. Moreover, the Group treated approximately 846 million m³ of waste water and supplied approximately 21.60 million m³ of reusable water during the Review Period.

In relation to project construction, the Group, during the Review Period, prioritised quality and adopted a dynamic construction management mechanism for all of its construction works, strengthening the monitoring and control of the budget, progress and quality throughout the entire construction process, to cut costs and boost efficiency for project construction through refined and standardised management. In 1HFY2023, the Group had 9 projects that commenced construction, with a designed daily waste water treatment capacity of 40,000 m³ and a designed daily sludge treatment capacity of 625 tonnes; 3 projects that completed construction, with a designed daily waste water treatment capacity of 40,000 m³; and 4 projects that completed construction and commenced operations, with a designed daily waste water treatment capacity of 90,000 m³. As at 30 June 2023, the Group had 16 projects in the preparatory stage, with a designed daily waste water treatment capacity of 547,000 m³.

In terms of safety and environmental management, the Group adhered to the principle of maintaining safe operation and compliance with emission standards. During the Review Period, the Group established a comprehensive safety and environmental management information system while ensuring that all the safety and environmental management and related personnel throughout the organisation were certified. In addition, the Group organised various trainings and exchange activities such as on-site counselling for operating projects and the “Safe Production Month” activities, to put safety and environmental work into practice.

In relation to the capital market, the Group, during the Review Period, continued to solidify its diversified financing channels, deployed different financing tools in a timely and appropriate manner to enhance the liquidity level, and optimised the capital structure to safeguard its overall operation and development. The Group’s major financing arrangements in 1HFY2023 are set out in the table below:

Issuance date	Financing arrangements and uses of proceeds	Issuance size (RMB)
April 2023	Issuance of China Everbright Water Limited First Tranche Medium Term Notes 2023 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
March 2023	Issuance of China Everbright Water Limited First Tranche Super & Short-Term Commercial Papers 2023 to the Institutional Investors in mainland China, the proceeds of which were used to repay the outstanding debts of the Company.	1 billion

In terms of social responsibility, the Group applied its own business characteristics and strengths to pursue its corporate social responsibility. During the Review Period, the Group organised various environmental protection popularisation activities, such as the “World Water Day” and “China Water Week” activities under the theme of “Beautiful Home with Abundant Water Resources and Harmonious Community”, and the “I am a Little Ecology Artist” painting competition and the open day public welfare promotion of “World Environment Day” under the theme of “Beautiful World with Harmony and Coexistence”. By organising these events, the Group raised public awareness on ecological conservation and a green and low-carbon lifestyle in an engaging and interactive manner. Additionally, the Group hosted a “Dual Carbons” knowledge competition during the Review Period, with the aim of promoting relevant policies and knowledge related to “Dual Carbons” at the company-wide level to advocate a new green and low-carbon lifestyle. As at 30 June 2023, the Group had a total of 40 projects that were open for public visits. In 1HFY2023, those projects that were open for public visits received over 6,700 visitors from all walks of life and over 110,000 online viewers, thereby promoting environmental protection-related scientific concepts and knowledge to the local communities.

Thanks to its continuous efforts in business development, operations management and sustainable development, the Group received a number of awards during the Review Period, which are as follows:

Award	Awarding Organisation
One of the “Top Ten Influential Enterprises in China’s Water Industry” (for the sixth consecutive year)	E20 Environment Platform
Zibo Waste Water Treatment Project was considered as an “Excellent Case on Municipal Waste Water Treatment”	E20 Environment Platform
Shenyang Dadong Zhuertun Waste Water Treatment Plant Retrofitting and Expansion Project was considered as an “Excellent Case on Industrial Waste Water Treatment”	E20 Environment Platform
Shuitang River (Section a), which is operated and managed under Nanning Shuitang River Integrated Restoration Public-Private-Partnership Project, was regarded as one of the “Beautiful and Happy Rivers and Lakes of Guangxi in 2022”	River Chief Office of Guangxi Zhuang Autonomous Region
Everbright Water (Nanjing) Limited was granted the “2021 Enterprise with Excellent Operations Management Performance”	Department of Housing and Urban-Rural Development of Jiangsu Province

The Company remains committed to sharing fruitful operating results with the Shareholders and creating value for them through its sustainable corporate development. The Board declared an interim dividend of HK6.63 cents (equivalent to 1.13 Sing cents) per ordinary share to the Shareholders for 1HFY2023 (1HFY2022: HK5.45 cents (equivalent to 0.98 Sing cent) per ordinary share).

Industry Prospects

Since 2023, the global economic outlook has remained slow amid the sluggish economic growth and constant external conflicts and uncertainties. Nonetheless, China has experienced rapid economic recovery as well as high-quality development which both provide important support to the stabilisation of the global economy. Concurrently, China's social and economic development has accelerated greening and low carbonisation, entering into a high-quality development stage.

In July 2023, China organised the second National Conference on Ecological and Environmental Protection after five years. It was pointed out during the conference that the quality of the ecological environment in China continues to improve, but the construction of ecological civilisation still faces various pressures and difficulties. Therefore, a higher viewpoint, greater effort and wider perspective are necessary to plan and carry out ecological and environmental protection. Furthermore, it was emphasised that China needs to gather resources from all fields and strengths from all areas to provide a strong foundation in various aspects, i.e. laws and regulations, markets, technologies and public policies for ecological and environmental protection. In turn, this will bring more confidence and provide better guidance to the environmental protection industry and enterprises, which are actively looking for transformation and high-quality development.

2023 marks the Group's 20th anniversary – this represents the Group's unwavering determination, great fortitude and strong resilience in these two decades. These have laid a solid foundation for the Group's future development and transformation. Despite the uncertainties of the future, Everbright Water will continue forging ahead, navigating through the challenges and seizing the opportunities with full determination and confidence. Furthermore, the Group will continue to enhance its foundation in different aspects, including strategy, operation and management, and to stabilise its future development. The Group will continue to drive and pursue its sustainable and high-quality development through innovative approaches in different areas, such as concepts, markets, technology and management. Looking forward, with the strategic directions of the Board and the confidence and support from its stakeholders, the Group will continue focusing on the “water-related” business and forge ahead with confidence and determination towards its development vision of “Creating Value to Industries through Various Water-Related Businesses”, building a new development paradigm, and complying with the national strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In 1HFY2023, the revenue of the Group decreased by 11% to HK\$3,082.00 million compared with that of HK\$3,478.94 million in 1HFY2022, among which the construction service revenue decreased to HK\$826.69 million (1HFY2022: HK\$1,353.28 million), the operation income increased to HK\$1,557.19 million (1HFY2022: HK\$1,466.84 million) and the finance income slightly dropped to HK\$574.58 million (1HFY2022: HK\$575.27 million). Gross profit of the Group increased by 16% from HK\$1,219.96 million in 1HFY2022 to HK\$1,409.74 million in 1HFY2023. The profit of the Group increased by 23% from HK\$550.54 million in 1HFY2022 to HK\$674.85 million in 1HFY2023. The profit attributable to equity holders of the Company amounted to HK\$632.19 million in 1HFY2023, indicating an increase of 22% compared to that in 1HFY2022.

Consolidated Statement of Comprehensive Income

Revenue

Overall, the Group's revenue decreased by HK\$396.94 million or 11%, from HK\$3,478.94 million in 1HFY2022 to HK\$3,082.00 million in 1HFY2023.

Construction service revenue decreased to HK\$826.69 million in 1HFY2023 from HK\$1,353.28 million in 1HFY2022, representing a decrease of HK\$526.59 million or 39%. The decrease was mainly due to a drop in construction activities in 1HFY2023 compared to 1HFY2022.

Operation income was HK\$90.35 million or 6% higher than 1HFY2022. A higher operation income was due to the (i) commencement of operation of new projects during the remaining period of the financial year ended 31 December 2022 ("FY2022") and 1HFY2023; and (ii) tariff hikes for several projects effected during the remaining period of FY2022 and 1HFY2023.

Direct costs and operating expenses

Direct costs and operating expenses decreased by HK\$586.72 million or 26% from HK\$2,258.98 million in 1HFY2022 to HK\$1,672.26 million in 1HFY2023. Among which, the cost of construction services dropped by HK\$424.99 million or 41% from HK\$1,040.94 million in 1HFY2022 to HK\$615.95 million in 1HFY2023, which is in line with the drop in construction service revenue. Despite the increase in operation income, the operating expenses decreased by HK\$182.10 million or 16% to HK\$956.18 million in 1HFY2023 from HK\$1,138.28 million in 1HFY2022. The decrease was primarily due to the election to apply the new VAT incentive policy on the comprehensive utilisation of resources jointly issued by the Ministry of Finance of the PRC and the State Taxation Administration of the PRC since March 2022. Accordingly, all the input VAT which had been deducted in previous years were transferred out and recorded as direct costs and operating expenses on a one-off basis in 1HFY2022.

Gross profit margin

Overall gross profit margin in 1HFY2023 increased to 46% (1HFY2022: 35%). Such increase was partly due to the above-mentioned decrease in direct costs and operating expenses which resulted in an increase in profit margin for operation service, and was also due to the drop in proportion of the construction service revenue recognised in the mix of the total revenue in 1HFY2023 in comparison to 1HFY2022. In general, construction services have a lower gross profit margin than operation services, and thus a larger (smaller) proportion of construction service revenue will reduce (increase) the overall gross margin. Comparing with 1HFY2022, construction service revenue accounted for about 27% (1HFY2022: 39%) of total revenue in 1HFY2023. Therefore, the overall gross profit margin increased by 11 ppt over 1HFY2022.

Other income and gains, net

Other income and gains, net mainly consisted of government grants, VAT refunds, fair value changes on financial assets at fair value through profit or loss, and other sundry income. Other income and gains, net increased by HK\$12.52 million from HK\$23.32 million in 1HFY2022 to HK\$35.84 million in 1HFY2023. The increase in other income and gains, net was mainly due to the increase in government grants and VAT refunds. The breakdown of other income and gains, net is set out below.

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Government grants	15,650	12,721
VAT refunds	19,532	11,732
Fair value (loss)/gain, net:		
Other financial assets – unlisted investments	(6,484)	(11,396)
Other financial assets – unlisted equity investment	(2,098)	318
Sundry income	9,237	9,945
	<u>35,837</u>	<u>23,320</u>

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 and other taxes, as well as allowance for impairment of trade receivables, other receivables, contract assets and impairment of intangible assets.

Other operating expenses for 1HFY2023 included (a) the allowance for impairment of trade receivables amounting to HK\$123.40 million (1HFY2022: HK\$124.00 million); (b) write-back of allowance for impairment of other receivables amounting to HK\$2.77 million (1HFY2022: provision of HK\$17.42 million); (c) allowance for impairment of contract assets amounting to HK\$0.45 million (1HFY2022: HK\$0.97 million); and (d) no impairment of intangible assets (1HFY2022: HK\$14.70 million). The allowance for impairment of trade receivables in 1HFY2023 was mainly due to the slowdown of payment of water treatment service fees by local governments, and the Group adopted a more prudent approach to assess the allowance for impairment of trade receivables.

Other than the above-mentioned other operating expenses, administrative expenses decreased by HK\$5.27 million or 3% from HK\$165.14 million in 1HFY2022 to HK\$159.87 million in 1HFY2023. The decrease in administrative expenses was mainly attributed to cost control measures implemented by the Group.

Administrative expenses for 1HFY2023 included, *inter alia*, net loss on disposals of property, plant and equipment of HK\$0.20 million (1HFY2022: net gain of HK\$0.22 million).

Finance costs

Finance costs increased to HK\$299.72 million in 1HFY2023 from HK\$256.70 million in 1HFY2022. The increase was mainly attributed to (a) the increase of the average balance of borrowings in 1HFY2023 compared with the corresponding period of last year; and (b) the increase in average borrowing rate in 1HFY2023 compared with 1HFY2022, which was due to the increases in reference rates for bank loans denominated in foreign currencies caused by the global interest rate hikes started in 1HFY2022.

Income tax

Income tax in 1HFY2023 increased by 45% from HK\$141.10 million in 1HFY2022 to HK\$205.08 million, which is in line with the increase in profits before tax.

Income tax for 1HFY2023 included, *inter alia*, underprovision of income tax in respect of prior years amounting to HK\$10.93 million (1HFY2022: HK\$1.85 million).

Consolidated Statement of Financial Position

As at 30 June 2023, the Group's total assets amounted to approximately HK\$33.52 billion with net assets amounting to HK\$13.25 billion. Net asset value per share attributable to equity holders of the Company was HK\$3.91 per share, representing an increase of 2% as compared to HK\$3.83 per share as at the end of FY2022. As at 30 June 2023, the gearing ratio (total liabilities over total assets) of the Group was 60.5%, which decreased slightly by 0.6 ppt from 61.1% at the end of FY2022.

Assets

Total assets of the Group increased by HK\$76.78 million from HK\$33.45 billion as at 31 December 2022 to HK\$33.52 billion as at 30 June 2023. The increase in total assets was primarily the net result of the increase in trade and other receivables and the decrease in cash and cash equivalents.

Investment properties amounted to HK\$11.22 million as at 30 June 2023. Investment properties are stated at fair value, which reflects market conditions at the end of the Review Period. There was no change in fair value during 1HFY2023.

Trade and other receivables (including both current and non-current) of the Group increased from HK\$4.32 billion as at 31 December 2022 to HK\$5.02 billion as at 30 June 2023. Among them, trade receivables increased by HK\$792.87 million from HK\$3.36 billion as at 31 December 2022 to HK\$4.15 billion as at 30 June 2023, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during 1HFY2023; (ii) the seasonal settlement pattern as customers normally settle a greater portion of trade receivables towards the end of the financial year; and (iii) slowdown of payment of water treatment service fees by local governments. Other receivables (including current and non-current) decreased by HK\$98.24 million from HK\$962.26 million as at 31 December 2022 to HK\$864.02 million as at 30 June 2023, which was driven by the decrease in VAT receivables[#].

Other financial assets as at 30 June 2023 amounted to HK\$209.89 million which comprised of unlisted investments of HK\$176.99 million and unlisted equity investment of HK\$32.90 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\$11.83 million is primarily due to recognition of net fair value losses of HK\$8.58 million for the Review Period.

Liabilities

Total borrowings (including both current and non-current) increased by HK\$224.89 million. The increase was mainly due to the issuance of China Everbright Water Limited First Tranche Medium Term Notes 2023 with net proceeds amounting to HK\$1,125.61 million, issuance of China Everbright Water Limited First Tranche Super & Short-Term Commercial Papers 2023 with net proceeds amounting to HK\$1,152.80 million, and new bank loans amounting to approximately HK\$2,867.30 million, offset by repayments of ABS of HK\$156.25 million, repayments of SCP of HK\$1,152.80 million, and repayments of bank loans amounting to HK\$3,389.66 million in 1HFY2023 with the effect of exchange differences of borrowings.

The Group was in a net current liability position of HK\$497.97 million as at 30 June 2023, representing a decrease of HK\$510.98 million from net current asset position of HK\$13.01 million as at 31 December 2022.

[#] 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\$13.25 billion as at 30 June 2023 (31 December 2022: HK\$13.00 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HK\$674.85 million in 1HFY2023; (ii) foreign currency translation loss of HK\$277.59 million arising from depreciation of RMB against HK\$; (iii) decrease of HK\$146.39 million in equity due to declaration and payment of FY2022 final dividend; (iv) decrease of HK\$12.30 million due to distribution to holders of perpetual capital instruments; and (v) capital contribution of HK\$7.89 million by non-controlling shareholders of subsidiaries during 1HFY2023.

Consolidated Statement of Cash Flows

Cash and cash equivalents as stated in the consolidated statement of cash flows decreased from HK\$2.84 billion as at 31 December 2022 to HK\$2.26 billion as at 30 June 2023. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Cash and cash equivalents as stated in the consolidated statement of financial position	2,265,171	2,845,907
Less: Restricted bank balances	(904)	(917)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>2,264,267</u>	<u>2,844,990</u>

Cash flows from operating activities

The Group had cash inflow of HK\$1,378.97 million (1HFY2022: HK\$1,264.10 million) before the changes in working capital during 1HFY2023. The changes in working capital resulted in cash outflow of HK\$1,770.81 million in 1HFY2023, and payment of income tax resulted in cash outflow of HK\$142.98 million in 1HFY2023. As a result, the Group recorded a net cash outflow of HK\$534.83 million from operating activities in 1HFY2023. The changes in working capital in 1HFY2023 arose mainly from:

- (i) the increase in inventories by HK\$9.87 million;
- (ii) the increase in contract assets by HK\$475.52 million;
- (iii) the increase in trade and other receivables by HK\$917.48 million; and
- (iv) the decrease in trade and other payables by HK\$367.95 million.

Cash flows from investing activities

In 1HFY2023, the Group recorded a net cash inflow of HK\$4.07 million from investing activities. The net cash inflow mainly arose from:

- (i) the payment of HK\$12.47 million for the purchase of items of property, plant and equipment;
- (ii) the decrease in amount due from an associate by HK\$4.06 million; and
- (iii) the receipt of interest of HK\$12.63 million.

Cash flows from financing activities

The Group recorded a net cash outflow from financing activities of HK\$22.45 million in 1HFY2023. The net cash outflow was mainly caused by:

- (i) the capital contribution from non-controlling shareholders of subsidiaries of HK\$7.89 million;
- (ii) the receipt of net proceeds of HK\$1,125.61 million from the issuance of MTN, net of related expenses paid;
- (iii) the receipt of net proceeds of HK\$1,152.80 million from the issuance of SCP, net of related expenses paid;
- (iv) the repayment of ABS of HK\$156.25 million;
- (v) the repayment of SCP of HK\$1,152.80 million;
- (vi) the net repayment of bank loans of HK\$522.36 million;
- (vii) the payment of principal and interest elements of lease payments of HK\$3.73 million;
- (viii) the payment of interest of HK\$300.61 million;
- (ix) the payment of dividend to the Shareholders of HK\$146.85 million; and
- (x) the payment of distribution to the holders of perpetual capital instruments of HK\$26.15 million.

Earnings Per Share

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

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

	1HFY2023 (Unaudited) <i>HK\$'000</i>	1HFY2022 (Unaudited) <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the period	<u>632,188</u>	<u>520,056</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>22.10</u>	<u>18.18</u>

Net Asset Value Per Share

	Group		Company	
	At 30 June 2023 (Unaudited) <i>HK\$</i>	At 31 December 2022 (Audited) <i>HK\$</i>	At 30 June 2023 (Unaudited) <i>HK\$</i>	At 31 December 2022 (Audited) <i>HK\$</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>3.91</u>	<u>3.83</u>	<u>3.54</u>	<u>3.55</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 period.

Financial Resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and minimise cost of funds. Its sources of finance for operations mainly comprised internally generated cash flow, loan facilities from banks, and the proceeds raised from the issuance of corporate bonds, ABS, MTN, SCP and perpetual capital instruments. As at 30 June 2023, the Group had cash and bank balances of approximately HK\$2.27 billion, representing a decrease of HK\$580 million as compared to HK\$2.85 billion at the end of FY2022. Most of the Group's cash and bank balances, representing approximately 99%, were denominated in HK\$ and RMB.

Borrowings and Debt Securities of the Group

Amounts payable within one year or less, or on demand

At 30 June 2023		At 31 December 2022	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
484,989	6,438,927	337,307	5,349,128

Amounts payable after one year

At 30 June 2023		At 31 December 2022	
Secured (Unaudited) HK\$'000	Unsecured (Unaudited) HK\$'000	Secured (Audited) HK\$'000	Unsecured (Audited) HK\$'000
2,028,687	6,534,419	1,954,369	7,621,331

The Group is dedicated to improving financing methods and increasing banking facility limits to reserve funding for developing the water environment management business. As at 30 June 2023, the Group had outstanding borrowings of HK\$15.49 billion, representing an increase of HK\$230 million as compared to HK\$15.26 billion as at the end of FY2022. The borrowings included secured interest-bearing borrowings of HK\$2.51 billion and unsecured interest-bearing borrowings of HK\$12.97 billion. The borrowings are mainly denominated in RMB, representing approximately 87% of the total, and the remainder is denominated in HK\$ and Euros ("EUR"). Most of the borrowings are at floating rates. As at 30 June 2023, the Group had bank loan facilities of HK\$11.14 billion, of which HK\$2.78 billion had not been utilised. The remaining terms of the bank loan facilities range from 1 to 20 years. During 1HFY2023, 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 United States dollars (“USD”), EUR, Singapore dollars (“SGD”), Korean won, HK\$ and RMB. In addition, the Group is exposed to currency translation risk upon translation of new assets in foreign operations into the Group’s reporting currency of HK\$. During 1HFY2023, the Group was affected by changes in the exchange rates and did not adopt any formal hedging policies nor use any financial instrument for hedging purposes. Although the Group was exposed to foreign currency exchange risks, the Board believes that future currency fluctuations will not have any material impact on the Group’s operations.

Pledge of Assets

Certain bank loan facilities of the Group, as at 30 June 2023, were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group’s service concession arrangements. As at 30 June 2023, the aggregate net book value of pledged assets amounted to HK\$5.46 billion.

Commitments

As at 30 June 2023, the Group had outstanding purchase commitments of HK\$2.79 billion in connection with the construction contracts and an outstanding capital commitment of HK\$22.96 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 30 June 2023, the Company provided financial guarantees to one subsidiary. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2023 for the provision of the guarantees was HK\$199.74 million. Notwithstanding the above, the Group did not recognise any contingent liabilities at the consolidated level as at 30 June 2023.

Interested Person Transactions Mandate and Aggregate Value of such Transactions

The Company obtained a general mandate (the “IPT Mandate”) from the Shareholders for interested person transactions (the “IPTs”) in its annual general meeting held on 26 April 2022 pursuant to Rule 920 of the SGX Listing Manual. The IPT Mandate was renewed in the Company’s annual general meeting held on 26 April 2023. The aggregate value of the IPTs in excess of SGD100,000 during 1HFY2023 is set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during 1HFY2023 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during 1HFY2023 (excluding transactions less than SGD100,000)
China Everbright Environment Group Limited	Controlling shareholder	Nil	HK\$14,281,000 (equivalent to SGD2,439,000)
Everbright Securities Company Limited	Associate of the controlling shareholder	Nil	HK\$2,038,000 (equivalent to SGD348,000)

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 operation and management, ensuring its sustainable development. The Group has also set up various functional departments, including the Investment & Development Department, the Technology & Development Department, the Operations and Information Management Department, the Safety & Environmental Management Department, the Budget Management Department, the Finance Management

Department, the Procurement 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 regions and create favourable synergies. The Group has continuously improved its internal management by establishing a complete management system and emergency response capacity. Additionally, the Group has 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 Review Period, the Group established a special team to provide coaching on the upgrading of operating projects. This team has formulated various documents on the implementation of guidance for project upgrading, as well as providing on-site training and coaching to the subsidiaries, so as to effectively strengthen the refined management for various operating projects, expand revenue streams, and reduce expenditure, in order to achieve high-quality development of the Company. Moreover, the Group has also been continuously optimising its risk prevention and control system, taking immediate precautions and relevant measures for material risks, so as to ensure its high-quality 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, taking care of their physical and mental health, enriching their lifestyles and cultivating their values. During the Review Period, the Group implemented the strategies of strengthening the enterprise through talent development, continued building various talent teams, enhancing the recruitment and cultivation of high performance talents and promoting young and capable talents as leaders. Furthermore, according to its development needs, the Company selected and trained competent employees to be leaders, in order to provide strong talent supports for its sustainable development.

As at 30 June 2023, the Group had 2,215 employees, who are remunerated based on their qualifications, experience, job nature, performance and prevailing market conditions. Apart from discretionary bonuses, the Group also provides employees with other benefits such as pension schemes, medical insurance as well as other protection schemes pursuant to the laws and regulations of the relevant jurisdictions. In addition, the Group is committed to providing all employees with equal opportunities in various aspects and making efforts in its employees’ continuous education so as to improve their knowledge, skills and professionalism.

PRINCIPAL RISKS AND UNCERTAINTIES

During the Review Period, the Group continued with the implementation of the risk management system, the risk identification and assessment, the adoption and evaluation of risk control measures and other such initiatives. 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 Review Period including policy changing risk, new business investment and market competition risks, environmental compliance and safe production management risks, trade receivables risk, engineering management risk, staffing risk, financing management risk, cost control risk, technology and innovation risks, and compliance risk.

During the Review Period, the PRC government continued to implement action plans in relation to its “Dual Carbons” strategic goals, and intensely formulating and launching the relevant policies. It also strengthened the comprehensive ecological and environmental management, improved the basic infrastructure relating to urban pollution prevention and treatment, promoted green low-carbon development and proposed the construction of a beautiful and harmonious countryside for living and working. Nevertheless, the instability and uncertainties of the global trend have severely affected the economy. The environmental water industry, in which the Group operates, remains fiercely competitive.

In view of the aforesaid and given the effectiveness of the internal controls implemented by the Group during the Review Period and the past years, and taking into account the complexity and diversity of external factors of principal risks which are beyond the Group’s control, the risk levels of principal risks remain unchanged during the Review Period.

Number	Name of risk	Effectiveness of the control measures	Change of trend in risk level (Note)
1	Policy changing risk	Effective	→
2	New business investment and market competition risks	Effective	→
3	Environmental compliance and safe production management risks	Effective	→
4	Trade receivables 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

During the Review Period, the Group has effectively controlled and managed the risks faced.

1. Policy Changing Risk

The Group is exposed to various risks which are associated with changes in regulations and policies relating to waste water treatment, river-basin ecological restoration, sponge city construction, reusable water, water supply, waste water source heat pump and potential new business investment projects in the PRC. If there are any changes to the legislations, regulatory policies or industrial regulations, certain projects or related technologies of the Group may become obsolete or its operations and new business investments may become legally or economically infeasible. Therefore, the 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, study changes in the market and new business patterns and promptly adjust its development plan to adapt the changes to the environmental policies, so as to ensure the continuous and stable development of the Group's operations.

During the Review Period, the Group actively responded to the PRC government's policies and closely monitored the changes in government policies and the market, by establishing certain special teams to conduct research on various topics such as pollution and carbon emission reduction, Yellow River and Yangtze River Protection 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 are flowing 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 returns or insignificant competitive advantages. During the Review Period, 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, and despite 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, the risk level remains unchanged.

3. Environmental Compliance and Safe Production Management Risks

During the Review Period, the Group was able to control the environmental compliance and safe production management risks, and no major risk incident took place. During the Review Period, the PRC government issued and revised various laws and regulations on environmental compliance and safe production management and strengthened the supervision and enforcement on environmental compliance and safe production management. As such, enterprises are now subject to greater legal consequences and environmental remediation liabilities should they be found to be in breach of environmental laws. Due to the rising number of its construction and operating projects, the Group was exposed to increasingly stringent pressure on environmental compliance and safe production management. If any incident (such as excessive discharge of pollutants or unsatisfactory safety management) occurs, whether due to the external environment or human factors, 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, considering the Group's large number of construction and operating projects.

4. Trade Receivables 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 negatively affected. The major customers of the Group are local PRC governments of the places where the environmental water projects are located at. During the Review Period, the Group was subject to high trade receivables risk since the PRC economy was still in the recovery and development stage due to reasons such as the past COVID-19 pandemic regulations and international trade conflicts.

During the Review Period, the Group has been focusing on the collection of trade receivables. Additionally, the Group regularly analysed the situations of trade receivables, implemented working plans and trade receivables recovery proposals and actively communicated with local governments regarding the settlement of service charges. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the time needed for the economic recovery and the improvement of the fiscal position of local PRC governments.

5. Engineering Management Risk

Engineering management risk refers to the risks of loss and non-compliance that arise from the negative events in different areas relating to engineering and construction, such as engineering safety, quality, progress and budget. Such negative events could be due to deficiencies in design, insufficient staff, tight timelines and inadequate supervision of the participating entities by the contractors. 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, cost control and investment return of projects. The Group has closely monitored the engineering management, and no major risk incident took place during the Review Period. During the Review Period, the progress and budget of certain engineering construction projects were affected by the engineering construction procedures and the fluctuation of labour and material costs. The existing control measures are effective as a whole and the risk level remains unchanged.

6. Staffing Risk

The Group relies on the experience and capability of its key management team and qualified personnel in managing different business aspects. The resignation of key personnel or management and technical personnel of the Group could negatively affect its operating activities or related businesses. The training of key personnel, management and technical personnel is time-consuming. Due to its business development and the increasingly competitive conditions in the environmental water industry, the Group requires the recruitment of competent management and technical personnel in order to replenish its talent pool as and when appropriate to ensure the stable development of its businesses. During the Review Period, the Group has been committed to cultivating its corporate culture and enhancing talent training and recruitment. It also established a reserve talent pool, and organised professional training regularly. The existing control measures are effective as a whole, and during the Review Period, 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 development strategies, the Group is required to have sufficient capital resources. In view of the industry model, the Group is required to invest a large amount of funds in construction during the early stage of projects and subsequently, gradually receive cash inflow during the operation at a later stage. If the Group fails to effectively control its finance cost or obtain a reasonable scale of financings from the financial market as and when needed, it 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 Review Period, continued to monitor the financing environment within and outside mainland China and the trend of the RMB exchange rate. Additionally, the Group made reasonable estimates of the capital required and adjusted the 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 Review Period, the changes in the relevant PRC policy and in the market production costs have resulted in significant increases 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 affected the Group's cost control. The Group continuously improved its tendering 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 existing control measures are effective as a whole and the risk level remains unchanged.

9. Technology and Innovation Risks

During the Review Period, the competition in the environmental water industry in which the Group operates became very intense and the PRC government continuously promulgated new policies on environmental protection and ecological management. This has accelerated the Group's urgency in bringing technological innovation to drive its business development. The Group, during the Review Period, 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, adhering to the direction of pursuing "Technology-Driven Development". The existing control measures are effective as a whole. However, the risk level remains unchanged since technological research and innovation, and the research of new businesses and technologies 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 Review Period, the Group strictly complied with the requirements of the relevant PRC laws and regulations, 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 compliance trainings on various topics, including inviting external industry experts, so as to enhance the compliance knowledge of the Group's employees. In terms of important matters, the Group conducted regular or ad hoc reviews during the Review Period 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

The Group upholds sustainability as its key vision and has been actively diversifying, optimising and promoting innovative integrated water environment management solutions. As a leading water environment management enterprise in China, the Group continues to strive for outstanding performance. All projects under the Group 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 will evaluate and shortlist the project's environmental and social risks prior to investment, ensuring that all related permits and environmental impact assessment approvals are obtained before the commencement of construction and that the relevant acceptance procedures, such as environmental protection acceptance, are completed in a timely manner upon completion of construction.

The Group strictly complies with laws and regulations concerning environmental protection, safe production, occupational health and social responsibility, including the *Anti-Unfair Competition Law of the PRC*, *Law of the PRC on Product Quality*, *Water Pollution Prevention and Control Law of the PRC*, the *Labour Law of the PRC*, the *Work Safety Law of the PRC*, the *Social Insurance Law of the PRC*, *Environmental Protection Law of the PRC*, *Law of the PRC on Environmental Impact Assessment*, *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste*, relevant discharge standards for pollutants prescribed by national and local governments, etc. Furthermore, the Group strives to continuously improve the environmental and hygienic conditions of the water environment in China, and the majority of its projects complies with, or is better than, the Grade 1A standard of the *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)*, in order to minimise the environmental damage caused by waste water discharge and protect the health and well-being of the public. During 1HFY2023, the Group had no records of significant losses or impacts caused by illegal or non-compliant activities relating to the environmental and social-related laws and regulations.

With the aim of achieving long-term sustainable values with its stakeholders, the Group implements the comprehensive Environmental, Safety, Health and Social Responsibility (“ESHS”) Management System (“ESHS Management System”) and Risk Management System, while ensuring timely and comprehensive information disclosure. In 1HFY2023, the Group continuously implemented the ESHS Management System across all the departments and employees, on-site third-party contractors and subcontractors. To promote all-rounded sustainable development, the Group has been standardising the internal management and risk control in all different processes, optimising the management system, strengthening emergency response capabilities, and minimising the negative environmental, safety, health and social impacts on the project areas.

To demonstrate its strong willingness and determination to undertake greater social and environmental responsibilities, the Group has been voluntarily sharing relevant information with the public on its corporate website, and proactively embraces public scrutiny, to improve operational transparency. The public may access data including environmental impact assessment report approvals, annual environmental monitoring plans, environmental emergency preparedness and response plans, waste water discharge/odour emissions/noise monitoring assessment results, etc.

In order to enhance public awareness on water resources and strengthen community resilience and sustainable development, the Group proactively responded to government initiatives and opened its waste water treatment facilities and plants to the public. By organising various visits, training workshops and interactive learning experiences, the Group has furthered its efforts to embody multifunctional roles and utilise its facilities as an integrative educational hub. As at 30 June 2023, a total of 40 projects of the Group has been officially opened to the public. In 1HFY2023, these projects received 178 batches of visitors and a total of 6,735 visitors with more than 110,000 online viewers. To widen the scope of public engagement, the Group continues to launch various online and offline activities along with different environmental protection and technology associations as well as government organisations. In recognition of its efforts on enhancing the public's knowledge on environmental protection and raising their awareness on water conservation, the Group has received various awards, including the honorary award titles of "Environmental Education Base", "Science Popularisation and Education Base", "Open Day Promotion and Education Centre", etc., at provincial and municipal levels.

CORPORATE GOVERNANCE

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

Since the listing of the Company's ordinary shares on the Main Board of the SEHK on 8 May 2019 (the "HK Listing Date"), the Company has regularly reviewed and updated its corporate governance practices to be in line with the principles and provisions under Singapore's Code of Corporate Governance 2018 (the "SG CG Code") and 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. 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 1HFY2023, the Company has complied with the principles and provisions of the SG CG Code and the HK CG Code.

Please refer to the "Corporate Governance Report" in the Company's FY2022 Annual Report for more information on the Company's corporate governance practices.

BOARD COMMITTEES

The Board holds meetings on a regular basis (at least four times in a year). During 1HFY2023, the Board had four Board Committees, namely the Audit Committee, the Remuneration Committee, the Nominating Committee and the Strategy Committee, the details of which are set out below.

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 websites of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk) and the Company (www.ebwater.com).

During 1HFY2023, the members of the Audit Committee reviewed (i) the audited consolidated financial results of the Group for FY2022; and (ii) 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 the 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 1HFY2023, the members of the Remuneration Committee reviewed the remuneration payment for FY2022 and remuneration framework for the financial year ending 31 December 2023 (“FY2023”), 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 the 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 1HFY2023, 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 FY2023.

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 the 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 the 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 periods 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 1HFY2023.

Interim Dividend

(a) Current financial period reported on

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

As part of the Directors' continuing efforts to enhance the Shareholders' return, when they deem appropriate for the Company to do so, the Directors will recommend or declare a dividend. The Directors have declared an interim dividend of HK6.63 cents (equivalent to 1.13 Sing cents) per ordinary share for 1HFY2023 ("1HFY2023 Interim Dividend").

Name of Dividend	1HFY2023 Interim Dividend
Dividend Type	Cash
Dividend Amount	HK6.63 cents (equivalent to 1.13 Sing cents) per ordinary share
Tax Rate	One-Tier Tax Exempt

(b) Corresponding period of the immediately preceding financial year

Name of Dividend	1HFY2022 Interim Dividend
Dividend Type	Cash
Dividend Amount	HK5.45 cents (equivalent to 0.98 Sing cent) per ordinary share
Tax Rate	One-Tier Tax Exempt

(c) Date payable

The 1HFY2023 Interim Dividend will be paid on or around 8 September 2023 (Friday).

(d) Books closure date(s)

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 25 August 2023 (Friday), being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the 1HFY2023 Interim 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 25 August 2023 (Friday) will be registered before entitlements to the 1HFY2023 Interim Dividend are determined. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5:00 p.m. (Singapore time) on 25 August 2023 (Friday) will rank for the 1HFY2023 Interim Dividend.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 28 August 2023 (Monday) to 29 August 2023 (Tuesday), both days inclusive, and during this period no transfer of shares will be registered. Shareholders whose names appear on the Hong Kong branch register of members of the Company as at 4:30 p.m. (Hong Kong time) on 25 August 2023 (Friday) will be entitled to the 1HFY2023 Interim 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 25 August 2023 (Friday), will be registered before entitlements to the 1HFY2023 Interim Dividend are determined.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities for the six months ended 30 June 2023.

Convertibles, Preference Shares and Treasury Shares

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 30 June 2023 and 30 June 2022. During the six months ended 30 June 2023, there were no sales, transfers, disposal, cancellations and/or use of treasury shares.

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

During 1HFY2023, there was no acquisition or disposal of shares in subsidiaries ("Subsidiaries"), associated companies ("Associated Companies") of the Company or in any company which became or ceased to be a Subsidiary or Associated Company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A of the SGX Listing Manual.

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

None.

Publication of Interim Results and Interim Report

The interim results announcement for 1HFY2023 is published on (i) the SGXNet at <https://www.sgx.com>; (ii) the website of HKEx at <https://www.hkexnews.hk>; and (iii) the Company's website at <https://www.ebwater.com> by going to "Investor Relations" and clicking on the hyperlink "Announcements & Circulars – SGX" or "Announcements & Circulars – HKEX". The FY2023 interim report of the Company containing, among others, all the information required by the SEHK Listing Rules, will be published on the SGXNet and the websites of HKEx and the Company, and its printed version will be despatched to the relevant Shareholders*.

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 unaudited interim financial results for 1HFY2023 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, 10 August 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.

* *The Company has adopted an electronic communication regime. For details, please refer to the announcement of the Company dated 10 July 2023.*

APPENDIX

Report on Review of Interim Financial Information

The Board of Directors

China Everbright Water Limited

Introduction

We have reviewed the interim financial information, which comprises the condensed consolidated statement of financial position as at 30 June 2023 of China Everbright Water Limited and its subsidiaries, and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Listing Manual of Singapore Exchange Securities Trading Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”).

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

Scope of Review

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

Conclusion

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

Ernst & Young LLP

Public Accountants and

Chartered Accountants

Singapore

10 August 2023