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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **HIGHLIGHTS**

- Revenue decreased slightly by 0.3% to HK\$6,704,684,000 (FY2022: HK\$6,727,967,000)
- EBITDA increased by 13% to HK\$2,469,511,000 (FY2022: HK\$2,180,523,000)
- Profit before tax increased by 21% to HK\$1,666,123,000 (FY2022: HK\$1,382,010,000)
- Profit attributable to equity holders of the Company increased by 17% to HK\$1,187,412,000 (FY2022: HK\$1,010,565,000)
- Final dividend of HK5.81 cents (equivalent to 0.99 Sing cent) per ordinary share (FY2022: HK5.14 cents (equivalent to 0.86 Sing cent) per ordinary share). Total dividend for FY2023 of HK12.44 cents (equivalent to 2.12 Sing cents) per ordinary share (FY2022: HK10.59 cents (equivalent to 1.84 Sing cents) per ordinary share)

#### **ANNUAL RESULTS**

The board (the “Board”) of directors (the “Directors”) of China Everbright Water Limited (the “Company”) announces the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2023 (“FY2023” or “year under review”) (the “FY2023 Annual Results”), together with the comparative figures for the financial year ended 31 December 2022 (“FY2022”). Unless otherwise stated, the figures in FY2023 Annual Results are extracted from the consolidated financial statements of the Group for FY2023, which have been audited by Ernst & Young LLP in accordance with International Standards on Auditing. Ernst & Young LLP’s report on the audit of the consolidated financial statements of the Group for FY2023 is included as the Appendix to this announcement. The report does not have any qualification, disclaimer of opinion, adverse opinion or emphasis of matter. The FY2023 Annual Results have been reviewed by the audit committee of the Company (the “Audit Committee”).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

		FY2023 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	Increase/ (decrease) %
	<i>Notes</i>			
<b>REVENUE</b>	4	<b>6,704,684</b>	6,727,967	(0.3%)
Direct costs and operating expenses		<u>(3,882,301)</u>	<u>(4,163,980)</u>	(7%)
<b>Gross profit</b>		<b>2,822,383</b>	2,563,987	10%
Other income and gains, net	5	<b>46,007</b>	53,793	(14%)
Administrative and other operating expenses		<u>(641,273)</u>	(730,683)	(12%)
Finance income	6	<b>26,658</b>	28,302	(6%)
Finance costs	6	<b>(590,921)</b>	(544,615)	9%
Share of profits of associates		<b>2,008</b>	11,226	(82%)
Share of profit of a joint venture		<u>1,261</u>	–	NM
<b>PROFIT BEFORE TAX</b>	7	<b>1,666,123</b>	1,382,010	21%
Income tax expense	8	<u>(404,910)</u>	<u>(315,101)</u>	29%
<b>PROFIT FOR THE YEAR</b>		<u><b>1,261,213</b></u>	<u>1,066,909</u>	18%
<b>OTHER COMPREHENSIVE LOSS</b>				
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>(445,920)</u>	<u>(1,672,596)</u>	(73%)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX</b>		<u><b>(445,920)</b></u>	<u>(1,672,596)</u>	(73%)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u><b>815,293</b></u>	<u>(605,687)</u>	NM

*NM – Not meaningful*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)*

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>FY2023</b> <b>HK\$'000</b>	FY2022 <i>HK\$'000</i>	Increase/ (decrease) %
<b>PROFIT ATTRIBUTABLE TO:</b>				
Equity holders of the Company		<b>1,187,412</b>	1,010,565	17%
Holders of perpetual capital instruments		<b>37,578</b>	14,334	162%
Non-controlling interests		<b>36,223</b>	42,010	(14%)
		<u><b>1,261,213</b></u>	<u>1,066,909</u>	18%
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Company		<b>774,922</b>	(550,953)	NM
Holders of perpetual capital instruments		<b>37,578</b>	14,334	162%
Non-controlling interests		<b>2,793</b>	(69,068)	NM
		<u><b>815,293</b></u>	<u>(605,687)</u>	NM
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>				
– Basic and diluted	<i>10</i>	<u><b>HK41.51 cents</b></u>	<u>HK35.32 cents</u>	17%

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Notes	Group		Company	
		31 December 2023 HK\$'000	31 December 2022 HK\$'000	31 December 2023 HK\$'000	31 December 2022 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		970,663	994,950	-	-
Right-of-use assets		88,500	89,835	-	-
Investment properties		11,096	11,398	-	-
		<u>1,070,259</u>	<u>1,096,183</u>	<u>-</u>	<u>-</u>
Intangible assets		2,156,026	2,369,863	-	-
Goodwill		1,364,093	1,400,952	-	-
Interests in subsidiaries		-	-	10,023,114	10,618,932
Interests in associates		11,953	11,094	-	-
Interest in a joint venture		1,262	-	-	-
Other receivables	11	235,125	556,154	-	-
Contract assets	12	19,779,711	19,077,113	-	-
Deferred tax assets		880	3,253	-	-
		<u>24,619,309</u>	<u>24,514,612</u>	<u>10,023,114</u>	<u>10,618,932</u>
Total non-current assets					
<b>CURRENT ASSETS</b>					
Inventories		58,336	85,820	-	-
Trade and other receivables	11	5,382,761	3,767,702	10,505,695	9,611,167
Contract assets	12	2,157,706	2,010,393	-	-
Other financial assets	13	121,148	221,717	88,150	186,219
Cash and cash equivalents	14	1,881,401	2,845,907	42,470	98,085
		<u>9,601,352</u>	<u>8,931,539</u>	<u>10,636,315</u>	<u>9,895,471</u>
Total current assets					

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

*As at 31 December 2023*

	<i>Notes</i>	<b>Group</b>		<b>Company</b>	
		<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	<b>3,241,736</b>	3,168,112	<b>183,082</b>	145,880
Borrowings		<b>4,606,893</b>	5,686,435	<b>3,624,164</b>	4,634,455
Tax payable		<b>84,410</b>	61,329	–	–
Lease liabilities		<b>5,412</b>	2,656	–	–
Total current liabilities		<b>7,938,451</b>	8,918,532	<b>3,807,246</b>	4,780,335
<b>NET CURRENT ASSETS</b>		<b>1,662,901</b>	13,007	<b>6,829,069</b>	5,115,136
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>26,282,210</b>	24,527,619	<b>16,852,183</b>	15,734,068
<b>NON-CURRENT LIABILITIES</b>					
Borrowings		<b>10,798,480</b>	9,575,700	<b>6,049,733</b>	4,772,482
Deferred tax liabilities		<b>2,029,945</b>	1,950,690	–	–
Lease liabilities		<b>1,443</b>	351	–	–
Total non-current liabilities		<b>12,829,868</b>	11,526,741	<b>6,049,733</b>	4,772,482
<b>NET ASSETS</b>		<b>13,452,342</b>	13,000,878	<b>10,802,450</b>	10,961,586
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	16	<b>2,860,877</b>	2,860,877	<b>2,860,877</b>	2,860,877
Reserves		<b>8,545,244</b>	8,106,613	<b>7,134,591</b>	7,293,727
		<b>11,406,121</b>	10,967,490	<b>9,995,468</b>	10,154,604
Perpetual capital instruments		<b>806,982</b>	806,982	<b>806,982</b>	806,982
Non-controlling interests		<b>1,239,239</b>	1,226,406	–	–
<b>TOTAL EQUITY</b>		<b>13,452,342</b>	13,000,878	<b>10,802,450</b>	10,961,586

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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
<b>Group</b>											
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 year	-	-	-	-	-	-	1,187,412	1,187,412	37,578	36,223	1,261,213
Foreign currency translation differences	-	-	(412,490)	-	-	-	-	(412,490)	-	(33,430)	(445,920)
2022 final dividend declared	-	-	-	-	-	-	(146,390)	(146,390)	-	-	(146,390)
2023 interim dividend declared	-	-	-	-	-	-	(189,901)	(189,901)	-	-	(189,901)
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	(37,578)	-	(37,578)
Capital contributions received by non wholly-owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	-	47,227	47,227
Dividend declared to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	(37,187)	(37,187)
Transfer to statutory reserve	-	-	-	86,981	-	-	(86,981)	-	-	-	-
At 31 December 2023	<u>2,860,877</u>	<u>1,599,765</u>	<u>(1,375,419)</u>	<u>776,715</u>	<u>1,229,302</u>	<u>8,203</u>	<u>6,306,678</u>	<u>11,406,121</u>	<u>806,982</u>	<u>1,239,239</u>	<u>13,452,342</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

*For the year ended 31 December 2023*

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Contributed surplus reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Perpetual capital instruments HK\$'000	
<b>Company</b>									
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 year	-	-	-	-	-	371,991	371,991	37,578	409,569
Foreign currency translation differences	-	-	(194,836)	-	-	-	(194,836)	-	(194,836)
2022 final dividend declared	-	-	-	-	-	(146,390)	(146,390)	-	(146,390)
2023 interim dividend declared	-	-	-	-	-	(189,901)	(189,901)	-	(189,901)
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	(37,578)	(37,578)
At 31 December 2023	<u>2,860,877</u>	<u>389,715</u>	<u>(1,338,525)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>379,366</u>	<u>9,995,468</u>	<u>806,982</u>	<u>10,802,450</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 year	-	-	-	-	-	229,491	229,491	14,334	243,825
Foreign currency translation differences	-	-	(977,907)	-	-	-	(977,907)	-	(977,907)
2021 final dividend declared	-	-	-	-	-	(195,468)	(195,468)	-	(195,468)
2022 interim dividend declared	-	-	-	-	-	(156,172)	(156,172)	-	(156,172)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	806,982	806,982
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	(14,334)	(14,334)
At 31 December 2022	<u>2,860,877</u>	<u>389,715</u>	<u>(1,143,689)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>343,666</u>	<u>10,154,604</u>	<u>806,982</u>	<u>10,961,586</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	FY2023 HK\$'000	FY2022 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		<b>1,666,123</b>	1,382,010
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	7	<b>51,771</b>	63,424
Depreciation of right-of-use assets	7	<b>10,055</b>	13,243
Amortisation of intangible assets	7	<b>150,641</b>	177,231
(Gain)/loss on disposals of property, plant and equipment	7	<b>(19)</b>	94
Loss on disposal of intangible assets	7	<b>2,853</b>	–
Finance costs	6	<b>590,921</b>	544,615
Interest income	6	<b>(26,658)</b>	(28,302)
Share of profits of associates		<b>(2,008)</b>	(11,226)
Share of profit of a joint venture		<b>(1,261)</b>	–
Fair value changes of other financial assets, net	5	<b>32,804</b>	15,785
Allowance for expected credit losses on trade receivables, net	7	<b>194,487</b>	226,899
Allowance for expected credit losses on other receivables, net	7	<b>466</b>	33,829
Allowance for expected credit losses on contract assets	7	<b>1,282</b>	4,002
Impairment of intangible assets	7	<b>–</b>	14,230
Effect of foreign exchange rates changes, net		<b>(100,668)</b>	(155,383)
<b>Operating cash flows before working capital changes</b>		<b>2,570,789</b>	2,280,451
<b>Changes in working capital:</b>			
Decrease/(increase) in inventories		<b>26,126</b>	(22,344)
Increase in contract assets		<b>(1,433,887)</b>	(1,275,259)
Increase in trade and other receivables		<b>(1,565,580)</b>	(1,310,398)
Increase/(decrease) in trade and other payables		<b>116,264</b>	(61,043)
<b>Cash used in operations</b>		<b>(286,288)</b>	(388,593)
People's Republic of China ("PRC") income tax paid		<b>(242,495)</b>	(251,036)
<b>Net cash flows used in operating activities</b>		<b>(528,783)</b>	(639,629)

**CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)**For the year ended 31 December 2023*

	<i>Notes</i>	<b>FY2023</b> <b>HK\$'000</b>	FY2022 HK\$'000
<b>Cash flows from investing activities</b>			
Acquisition of a subsidiary, net of cash acquired		–	(9,606)
Capital contribution to an associate		(443)	–
Purchases of items of property, plant and equipment		(54,079)	(116,979)
Proceeds from disposals of property, plant and equipment		233	478
Payment for additions of intangible assets		(1,636)	(255,754)
Decrease/(increase) in amounts due from an associate		2,836	(385)
Proceeds from redemption of other financial assets		9,790	–
Interest received		26,658	28,302
		<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>		<b>(16,641)</b>	<b>(353,944)</b>
<b>Cash flows from financing activities</b>			
Capital contributions from non-controlling shareholders of subsidiaries		10,040	24,544
Proceeds from the issuance of medium-term notes (“MTN”), net of related expenses paid		3,856,583	1,233,688
Proceeds from the issuance of super and short-term commercial papers (“SCP”), net of related expenses paid		1,152,800	2,384,000
Proceeds from issuance of perpetual capital instruments, net of related expenses paid		–	806,982
New bank loans		4,260,355	4,483,246
Repayments of corporate bonds		(858,363)	(820,750)
Repayments of MTN		(1,089,500)	–
Repayments of asset-backed securities (“ABS”)		(152,684)	(66,190)
Repayments of SCP		(2,225,800)	(1,156,300)
Repayments of bank loans		(4,393,707)	(4,215,294)
Interest paid		(550,329)	(503,664)
Principal elements of lease payments		(7,132)	(10,329)
Interest elements of lease payments	6	(353)	(602)
Increase in restricted bank balances		(18,919)	(17)
Dividends paid to the shareholders of the Company (the “Shareholders”)		(336,718)	(356,358)
Dividend paid to a non-controlling shareholder of a subsidiary		–	(17,573)
Distribution paid to holders of perpetual capital instruments		(25,558)	–
		<hr/>	<hr/>
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(379,285)</b>	<b>1,785,383</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(924,709)</b>	<b>791,810</b>
Cash and cash equivalents at the beginning of the year		2,844,990	2,281,001
Effect of exchange rate fluctuations on cash and cash equivalents, net		(58,374)	(227,821)
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>		<b>1,861,907</b>	<b>2,844,990</b>

Notes:

## 1. BASIS OF PREPARATION

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

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

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of FY2023 Annual Results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements.

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

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 years which have been prepared and presented.

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

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>2</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>1</sup></i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements<sup>1</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>1</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> No mandatory effective date yet but available for adoption

## 3. OPERATING SEGMENT INFORMATION

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group operates in a single business segment which is the water environment management business. No operating segments have been aggregated to form the following reportable operating segment.

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

#### Business segment

The Group had only one operating segment for the years ended 31 December 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.

#### Geographical information

(a) *Revenue from external customers*

	<b>FY2023</b> <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Mainland China	<b>6,653,554</b>	6,713,391
Germany	<b>51,130</b>	14,576
	<b><u>6,704,684</u></b>	<b><u>6,727,967</u></b>

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

(b) *Non-current assets*

	<b>At</b> <b>31 December</b> <b>2023</b> <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Mainland China	<b>24,611,079</b>	24,509,798
Hong Kong	<b>3,164</b>	956
Singapore	<b>2,753</b>	447
Germany	<b>171</b>	158
Mauritius	<b>1,262</b>	–
	<b><u>24,618,429</u></b>	<b><u>24,511,359</u></b>

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

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

#### Major customers

	FY2023 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Customer 1**	875,462	723,986
Customer 2**	N/A*	679,072

\* 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

	FY2023 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Construction service revenue from service concession arrangements	2,066,019	2,403,740
Finance income from service concession arrangements	1,097,182	1,107,945
Operation income from service concession arrangements	3,104,693	2,950,629
Construction contract revenue and technical service income	436,790	265,653
	<u>6,704,684</u>	<u>6,727,967</u>
<b>Timing of revenue recognition</b>		
At a point in time	212,158	170,522
Over time	5,395,344	5,449,500
	<u>5,607,502</u>	<u>5,620,022</u>
Finance income from service concession arrangements	1,097,182	1,107,945
	<u>6,704,684</u>	<u>6,727,967</u>

The aggregated amount of construction service revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK\$6,179,504,000 and HK\$6,357,746,000 for the years ended 31 December 2023 and 2022, respectively.

## 5. OTHER INCOME AND GAINS, NET

	<b>FY2023</b> <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Government grants*	<b>30,640</b>	37,365
Value-added tax (“VAT”) refunds**	<b>21,786</b>	19,855
Fair value (loss)/gain, net:		
Other financial assets – unlisted investments	<b>(31,218)</b>	(18,382)
Other financial assets – unlisted equity investment	<b>(1,586)</b>	2,597
Sundry income	<b>26,385</b>	12,358
	<b>46,007</b>	53,793

\* Government grants of HK\$30,640,000 and HK\$37,365,000 were granted during the years ended 31 December 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\$21,786,000 and HK\$19,855,000 were received/receivable during the years ended 31 December 2023 and 2022, respectively, in relation to the Group’s certain environmental water projects in operation in the PRC. The receipt of such tax refunds is not subject to any unfulfilled conditions or any other contingencies. There is no assurance that the Group will continue to receive such tax refunds in the future.

## 6. NET FINANCE COSTS

	<b>FY2023</b> <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
<u>Finance income</u>		
Interest income on:		
Bank deposits	<b>26,306</b>	27,929
Amounts due from an associate	<b>352</b>	373
	<b>26,658</b>	28,302
<u>Finance costs</u>		
Interest expense on:		
Bank and other loans	<b>(368,128)</b>	(330,138)
Corporate bonds, ABS, MTN and SCP	<b>(222,440)</b>	(213,875)
Lease liabilities	<b>(353)</b>	(602)
	<b>(590,921)</b>	(544,615)
Net finance costs	<b>(564,263)</b>	(516,313)

## 7. PROFIT BEFORE TAX

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

	FY2023 HK\$'000	FY2022 HK\$'000
Depreciation*		
– property, plant and equipment	51,771	63,424
– right-of-use assets	10,055	13,243
Amortisation		
– intangible assets*	150,641	177,231
(Gain)/loss on disposals of property, plant and equipment	(19)	94
Loss on disposal of intangible assets	2,853	–
Cost of construction services from service concession arrangements**	1,629,194	1,730,322
R&D costs	52,538	50,976
Rental expense from short-term leases	1,258	4,188
Allowance for expected credit losses on trade receivables, net	194,487	226,899
Allowance for expected credit losses on other receivables, net	466	33,829
Allowance for expected credit losses on contract assets	1,282	4,002
Impairment of intangible assets	–	14,230
Foreign exchange differences, net	<u>(67,813)</u>	<u>(39,620)</u>
Employee benefit expense (including directors' remuneration)*:		
Wages, salaries, allowances and benefits in kind	431,100	415,334
Retirement scheme contributions	<u>53,010</u>	<u>58,764</u>
	<u>484,110</u>	<u>474,098</u>
Fees paid to auditor of the Company:		
Audit fees	<u>790</u>	<u>760</u>
Fees paid to affiliates of auditor of the Company:		
Audit fees	2,860	2,790
Non-audit fees		
– Others	<u>1,019</u>	<u>1,119</u>

\* Amortisation of intangible assets, depreciation and employee benefit expense in total of HK\$381,025,000 and HK\$440,349,000 for the years ended 31 December 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.

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

## 8. INCOME TAX EXPENSE

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

	<b>FY2023</b> <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Current – PRC:		
Charge for the year	<b>260,619</b>	238,790
Underprovision in prior years	<b>7,066</b>	1,524
Deferred	<b>137,225</b>	74,787
	<hr/>	<hr/>
Total tax expense for the year	<b>404,910</b>	315,101

## 9. DIVIDENDS

	<b>FY2023</b> <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Dividends for the financial year:		
Interim – 6.63 Hong Kong cents (“HK cents”) (equivalent to 1.13 Singapore cents (“Sing cent(s)”) (FY2022: HK5.45 cents (equivalent to 0.98 Sing cent)) per ordinary share	<b>189,901</b>	156,172
Proposed final – HK5.81 cents (equivalent to 0.99 Sing cent) (FY2022: HK5.14 cents (equivalent to 0.86 Sing cent)) per ordinary share	<b>166,323</b>	146,390
	<hr/>	<hr/>
	<b>356,224</b>	302,562
	<hr/>	<hr/>
Final dividend for the previous financial year which was paid during the financial year – HK5.14 cents (equivalent to 0.86 Sing cent) (FY2022: HK6.83 cents (equivalent to 1.19 Sing cents)) per ordinary share	<b>146,390</b>	195,468

The proposed final dividend for FY2023 is subject to the approval of the Shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 10. EARNINGS PER SHARE

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

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

	<b>FY2023</b> <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the year	<u>1,187,412</u>	<u>1,010,565</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>41.51</u>	<u>35.32</u>

## 11. TRADE AND OTHER RECEIVABLES

### Group

	At 31 December 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
<b>Non-current</b>		
Other receivables	22,869	304,462
Less: Impairment	<u>(9,782)</u>	<u>(33,354)</u>
	13,087	271,108
VAT receivables	193,824	285,046
Prepayments	<u>28,214</u>	<u>–</u>
	<u>235,125</u>	<u>556,154</u>
<b>Current</b>		
Trade receivables	5,060,763	3,808,432
Less: Impairment	<u>(626,215)</u>	<u>(446,835)</u>
	4,434,548	3,361,597
Other receivables and sundry deposits	636,027	126,497
Less: Impairment	<u>(29,187)</u>	<u>(17,516)</u>
	606,840	108,981
VAT receivables	121,805	165,655
Amounts due from an associate	6,329	9,365
Prepayments	<u>213,239</u>	<u>122,104</u>
	<u>5,382,761</u>	<u>3,767,702</u>
<b>Total</b>	<u><b>5,617,886</b></u>	<u><b>4,323,856</b></u>

The amounts due from an associate are 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 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
At the beginning of the year	446,835	252,045
Impairment losses recognised, net (note 7)	194,487	226,899
Exchange realignment	(15,107)	(32,109)
	<u>626,215</u>	<u>446,835</u>
At the end of the year	<u>626,215</u>	<u>446,835</u>

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

### Group

	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
At the beginning of the year	50,870	20,350
Impairment losses recognised, net (note 7)	466	33,829
Write-offs	(11,200)	–
Exchange realignment	(1,167)	(3,309)
	<u>38,969</u>	<u>50,870</u>
At the end of the year	<u>38,969</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 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
Within 1 month	1,012,238	678,873
More than 1 month but within 2 months	352,188	317,034
More than 2 months but within 4 months	556,492	370,343
More than 4 months but within 7 months	636,809	482,419
More than 7 months but within 13 months	605,792	661,136
More than 13 months	1,271,029	851,792
	<u>4,434,548</u>	<u>3,361,597</u>

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

Included in “Trade and other receivables” of the Group as at 31 December 2023 and 2022 were trade receivables of HK\$4,434,548,000 and HK\$3,361,597,000, respectively, of which (a) HK\$60,554,000 and nil, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, (b) HK\$22,735,000 and HK\$13,963,000, respectively, were due from a related company of a non wholly-owned subsidiary.

## 11. TRADE AND OTHER RECEIVABLES (continued)

Included in “Other receivables and sundry deposits” of the Group as at 31 December 2023 and 2022 were government compensation receivables of HK\$26,751,000 and HK\$26,508,000, respectively, arising from compensation of sludge disposal cost as stipulated in the concession service agreement of Everbright Water (Beijing) Limited.

Included in “Other receivables and sundry deposits” of the Group as at 31 December 2023 and 2022 were consideration receivables of HK\$4,514,000 and HK\$6,394,000, respectively, due from third parties arising from the disposals of service concession rights held by Suqian City Cheng Bei Water Treatment Co., Ltd. and Suqian City Cheng Bei Wastewater Treatment Co., Ltd. years ago, for which impairment of HK\$1,309,000 (31 December 2022: HK\$2,283,000) was provided as at 31 December 2023.

## 12. CONTRACT ASSETS

### Group

		At 31 December 2023	At 31 December 2022	At 1 January 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current</b>				
Service concession assets	(a)	<b>19,798,284</b>	19,094,999	19,766,155
Less: impairment	(c)	<b>(18,573)</b>	(17,886)	(15,831)
		<b>19,779,711</b>	19,077,113	19,750,324
<b>Current</b>				
Service concession assets	(a)	<b>2,005,427</b>	1,953,883	1,949,143
Less: impairment	(c)	<b>(1,881)</b>	(1,830)	(1,561)
		<b>2,003,546</b>	1,952,053	1,947,582
Other contract assets	(b)	<b>154,160</b>	58,340	42,884
		<b>2,157,706</b>	2,010,393	1,990,466
Total		<b>21,937,417</b>	21,087,506	21,740,790

### Notes:

- (a) Included in “Contract assets” as at 31 December 2023 and 2022 are amounts of HK\$769,354,000 and HK\$525,427,000, respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK\$731,752,000 and HK\$704,322,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 31 December 2023 and 2022 totalling HK\$21,803,711,000 and HK\$21,048,882,000, respectively, bear interest at rates ranging from 4.20% to 7.83% and 4.40% to 7.83%, respectively, per annum. As at 31 December 2023 and 2022, HK\$20,364,924,000 and HK\$17,360,843,000, respectively, related to the service concession arrangements with operation commenced. The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (*note 11*).

## 12. CONTRACT ASSETS (continued)

- (b) The balance as at 31 December 2023 and 2022 comprised contract assets arising from performance under construction management service contracts. Such contracts include payment schedules which require stage payments over the service periods once milestones are reached.
- (c) Impairment assessment

As at 31 December 2023, HK\$20,454,000 (31 December 2022: HK\$19,716,000) was recognised as an allowance for expected credit losses on contract assets.

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

### Group

	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
At the beginning of the year	19,716	17,392
Impairment losses recognised (note 7)	1,282	4,002
Exchange realignment	(544)	(1,678)
	<u>20,454</u>	<u>19,716</u>
At the end of the year	<u>20,454</u>	<u>19,716</u>

As at 31 December 2023 and 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\$5,550,547,000 and HK\$5,678,281,000, respectively, were pledged to secure the banking facilities granted to the Group and the issuance of ABS.

## 13. OTHER FINANCIAL ASSETS

### Group

	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
Unlisted investments, at fair value	88,150	186,219
Unlisted equity investment, at fair value	32,998	35,498
<b>Total</b>	<b><u>121,148</u></b>	<b><u>221,717</u></b>

### 13. OTHER FINANCIAL ASSETS (continued)

As at 31 December 2023 and 2022, the above unlisted investments were wealth management products issued by a financial institution in Hong Kong and the above unlisted equity investment represents the 6% equity interest in Yancheng CCCC Shanghai Dredging Water Environment Investment Co., Ltd. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

### 14. CASH AND CASH EQUIVALENTS

#### Group

	At 31 December 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Cash on hand and bank balances	1,861,907	2,844,990
Restricted bank balances	19,494	917
	<u>1,881,401</u>	<u>2,845,907</u>

Included in “Cash and cash equivalents” of the Group as at 31 December 2023 and 2022 are deposits of HK\$84,485,000 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 31 December 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Trade payables	2,335,983	2,278,842
Distribution payable to holders of perpetual capital instruments	25,128	13,672
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	5,835	5,364
Interest payable	155,216	128,912
Tax payables	176,442	31,144
Other creditors and accrued expenses	543,132	710,178
	<u>3,241,736</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

	<b>At 31 December 2023 HK\$'000</b>	At 31 December 2022 HK\$'000
Within 6 months	<b>1,514,769</b>	1,558,574
Over 6 months	<b>821,214</b>	720,268
	<b><u>2,335,983</u></b>	<u>2,278,842</u>

Trade payables totalling HK\$1,864,144,000 and HK\$1,653,099,000 as at 31 December 2023 and 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 31 December 2023 and 2022 were trade payables of HK\$69,745,000 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 its major customers.

Included in “Trade payables” of the Group as at 31 December 2023 and 2022 were trade payables of HK\$3,752,000 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 31 December 2023 and 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 31 December 2023 were other payables of HK\$215,385,000 (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 <b>31 December</b> <b>2023</b> <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Authorised: 10,000,000,000 ordinary shares of par value of HK\$1.00 each	<b><u>10,000,000</u></b>	<u>10,000,000</u>
Issued and fully paid: 2,860,876,723 ordinary shares of par value of HK\$1.00 each	<b><u>2,860,877</u></b>	<u>2,860,877</u>
	<b>No. of shares '000</b>	<b>Amount HK\$'000</b>
Issued and fully paid: At 31 December 2022, 1 January 2023, 30 June 2023 and 31 December 2023	<b><u>2,860,877</u></b>	<u>2,860,877</u>

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

## 17. EVENTS AFTER THE REPORTING PERIOD

On 8 January 2024, the Company announced the completion of issuance of China Everbright Water Limited First Tranche Medium Term Notes 2024 (the “2024 First Tranche MTN”) on 4 January 2024 and 5 January 2024, which was fully subscribed for by institutional investors in the national inter-bank bond market (the “Institutional Investors”) of mainland China. The 2024 First 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 2.80%. The proceeds from the issuance of the 2024 First Tranche MTN are used to replenish the working capital of the Company’s subsidiaries and repay the interest-bearing debts of the Company or its subsidiaries.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

#### *Operating Results*

In the year of 2023, amidst the uncertain and volatile international situation, the global economy experienced unstable recovery, slow growth momentum and downbeat sentiment. Despite the intensified global economic uncertainties, China, as one of the largest driving forces for global economic growth, steadily advanced high-quality development, with its domestic economy showing consistent and promising growth. As the year 2023 marks the mid-point of its “14<sup>th</sup> Five-Year Plan”, China continued to make thorough progress in the tough battle against pollution and in the goal of “Building a Beautiful China”. Notwithstanding the challenging and evolving landscape, the environmental protection industry in China was continuously exploring paths for upgrading, transformation and high-quality development.

In the year of 2023, despite the unpredictable external environment and the ongoing adjustment phase of the industry, the Group adhered to the development principle of “Striving For Steady Progress”, and maintained its strategic focus. While focusing on the “water-related” business, the Group proactively explored new areas and innovations to solidify its foundation and provide strong support. The Group also improved its quality to increase profit, formulated plans for future development based on the current situation, and nurtured its corporate culture to enhance its corporate image. As such, the Group recorded positive results in its major operating indicators with a healthy financial position, embarking on a journey of green, low-carbon and high-quality development, and maintaining its industry-leading position.

As at 31 December 2023, the Group invested in and held 166 environmental protection projects, with a total investment of approximately RMB30.780 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 project(s) and water treatment/supply capacity is set out below:

<b>Project Type<sup>(1)</sup></b>	<b>Number of Projects</b>	<b>Water Treatment/Supply Capacity (m<sup>3</sup>/day)</b>
Municipal waste water treatment projects <sup>(2) (3)</sup>	131	5,770,000
Industrial waste water treatment projects <sup>(2) (3)</sup>	23	416,000
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 project <sup>(2)</sup>	1	1,500
Sludge treatment and disposal projects <sup>(4)</sup>	2	N/A
Livestock and poultry manure resource utilisation project	1	N/A
<b>Total</b>	<b>176</b>	<b>7,468,100</b>

*Notes:*

- (1) EPC project(s) excluded
- (2) O&M project(s) included
- (3) EPCO project(s) included
- (4) Total sludge treatment and disposal capacity of 2,175 tonnes/day, involving treatment capacities of multiple sludge treatment and disposal facilities within waste water treatment projects

In terms of operating results for FY2023, the Group made steady progress, and recorded a revenue of HK\$6.70 billion, representing a slight decrease of 0.3% from HK\$6.73 billion in FY2022; earnings before interest, taxes, depreciation and amortisation (“EBITDA”) were HK\$2.47 billion, representing an increase of 13% from HK\$2.18 billion in FY2022; profit attributable to equity holders of the Company reached HK\$1.19 billion, representing an increase of 17% from HK\$1.01 billion in FY2022; basic earnings per share were HK41.51 cents, representing an increase of 17% from HK35.32 cents in FY2022; overall gross profit margin was 42%, up by 4 percentage points (“ppt”) compared to 38% in FY2022. The Group has ready access to various diversified financing channels, holds quality assets and sufficient funds, maintains a reasonable gearing ratio, and is in a healthy financial position.

In relation to market expansion for FY2023, despite the exceptionally challenging market conditions, the Group, with a focus on the “water-related” business, solidified and enhanced its advantages in the traditional business and actively explored opportunities in asset-light business areas. As a result, the Group managed to achieve a balance between the asset-light and asset-heavy businesses in its business expansion and development, and achieved breakthroughs in various aspects, such as its geographical markets, scopes of business, and business models. Securing Guangdong Nanxiong Livestock and Poultry Manure Resource Utilisation Project, which is the Group’s first project in the Guangdong Province and the Guangdong-Hong Kong-Macao Greater Bay Area, marks the Group’s entry into the field of livestock and poultry manure resource utilisation. This project enables the Group to expand its water environment management business into the areas of non-point source pollution control and rural environmental management, widening the scope of its “water-related” businesses. By adopting the EPCO model, the Group undertook water projects in Lianshui County of Huai’an City, and Jiangyin High-tech Zone, Jiangsu Province. By adopting this asset-light business model, the Group was able to make full use of its experience and advantages in operations management to serve external clients. This also represents the practical achievements resulting from the collaboration with the local government authorities to explore new business models in public utilities and environmental management. Furthermore, the Group continued to focus on the “water-related” concept and established dedicated research teams to brainstorm new ideas, conduct in-depth research and formulate new strategies and plans on a wide range of topics, such as “low-carbon development + new rural areas” and “industrials + water-related areas”, as well as zero-discharge of waste water and ecological buffer zones.

In FY2023, the Group invested in and secured 6 new projects and signed 1 supplementary agreement for an existing project, involving a total investment of approximately RMB1.213 billion, with an additional designed daily municipal waste water treatment capacity of 45,000 m<sup>3</sup>, designed daily industrial waste water treatment capacity of 60,000 m<sup>3</sup>, designed daily reusable water supply capacity of 15,000 m<sup>3</sup> and designed daily livestock and poultry manure capacity of 300 tonnes. In addition, during the year under review, the Group undertook 2 O&M projects (excluding a renewed O&M project), 3 EPCO projects and other asset-light projects and services, involving a total contract value of approximately RMB1.914 billion; among which, the newly undertaken O&M and EPCO projects contributed an additional designed daily waste water treatment capacity of 100,000 m<sup>3</sup>.

As for technological innovation, the Group has been adhering to the philosophy of “Development Driven by Technological Innovation” and continued its effort on carrying out relevant works. In FY2023, the Group initiated more than 10 research and development (“R&D”) projects, covering various topics, including intelligent water plants, iris valves and venturi valves, and sludge ultra-high-pressure filtration test system, all of which resulted in multiple achievements. The Group also completed the development of its intelligent management platform, which was put under a trial run. Additionally, the Group actively participated in the formulation of industrial standards such as *Technical Specification for Greenhouse Gas Monitoring of Sewage and Waste Water Treatment Plants*. During the year under review, the Group provided its in-house developed technological processes to both internal and external clients, which amounted to a total contract value of approximately RMB192 million; and was newly granted 28 patents (including 7 invention patents and 21 utility model patents).

In terms of operations management, the Group continuously focused on energy saving, cost reduction, efficiency enhancement, and opened up new revenue sources through green measures. In FY2023, in order to reduce its costs and enhance the efficiency of its operations management from different aspects, the Group carried out on-site counselling on project operation (the “Counselling Program”), and construction of the intelligent water plants. Additionally, the Group also launched the “Five Innovations” initiative (which refers to small inventions, small transformations, small innovations, small designs, and small suggestions), and the “in-plant solar energy” project. During the year under review, nearly 50 operating projects of the Group participated in the Counselling Program, resulting in significant optimisation and improvement of project management. The intelligent water plants operations management system was applied to all the operating projects of the Group. Following the issuance and implementation of the *Standards for Everbright Water’s Intelligent Waste Water*

*Treatment Plants* and other standards, the operations management of the Group's projects was further enhanced. Over 20 achievements under the "Five Innovations" initiative were promoted across projects under the Group, effectively enhancing project management, cost control, energy saving, emission reduction, and efficiency. The "in-plant solar energy" project had been implemented in an orderly manner. As at 31 December 2023, 4 solar power generation facilities projects were put into operation. These facilities generated over 10 million kWh of green electricity during the year under review, while the implementation of solar power generation facilities in 10 other projects was in progress. In FY2023, 11 waste water treatment plants of the Group received regulatory approval for tariff hikes, ranging from 4% to 36%, and subsidies of approximately RMB33 million in total were granted to the Group. Moreover, the Group treated approximately 1.749 billion m<sup>3</sup> of waste water and supplied approximately 46 million m<sup>3</sup> of reusable water.

In relation to project construction for FY2023, the Group consistently applied the principle of "Building for Use" by planning the progress of construction according to the operation needs, thereby enhancing the project construction capability and improving the quality of construction. During the year under review, the Group had 18 projects that commenced construction, with a designed daily waste water treatment capacity of 325,000 m<sup>3</sup>; and 13 projects that completed construction and commenced operation, with a designed daily waste water treatment capacity of 130,000 m<sup>3</sup>. As at 31 December 2023, the Group had 9 projects in the preparatory stage, with a designed daily waste water treatment capacity of 292,000 m<sup>3</sup>.

In relation to safety and environmental management for FY2023, the Group leveraged its "Triple Three" leadership system for safety and environmental management\* to particularly strengthen the safety and environmental management leadership of its project leaders. It also emphasised a shift in management effort according to the philosophy of "Triple Transformations" (from internal to external, from general practices to specific practices, and from back to front), enhancing the Group's pre-emptive prevention and control capabilities. The Group also enhanced its efforts to build its safety and environmental management team, by organising regular cautionary education on safety and environmental accidents and incidents, and ensuring all safety and environmental management personnel has proper certification. Thanks to the solid implementation of the all-staff system for safety and environmental management and the dual prevention mechanism, the Group achieved its "Dual Zero" (zero safety accidents and zero environment-related incidents) goal during the year under review, laying a solid foundation for safety for its development.

\* The "Triple Three" leadership system for safety and environmental management includes three "Knows", three "Understands" and three "Efforts". Among them, the three "Knows" refer to knowing the individual responsibilities, corporate risks, and channels and measures relating to safety and environmental management; the three "Understands" refer to understanding harmfulness of relevant accidents and incidents, the dynamic nature of such risks, and the exemplary role of safety and environmental management; and the three "Efforts" refer to making effort to enhance the recognition and participation of safety and environmental management practices, to improve intrinsic safety and environmental management level, and to improve response capabilities under relevant emergency situations.

In terms of capital market for FY2023, the Group continued to diversify its financing channels, applied different financing tools in a proper and appropriate manner to effectively enhance the liquidity level, and optimised the capital structure to further strengthen the financial support for its overall operation and development. The Group's major financing arrangements during the year under review are set out in the table below:

<b>Issuance date</b>	<b>Financing arrangements and uses of proceeds</b>	<b>Issuance size (RMB)</b>
August 2023	Issuance of 2023 Third Tranche Medium Term Notes 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
July 2023	Issuance of 2023 Second Tranche Medium Term Notes to the Institutional Investors in mainland China, the proceeds of which were used to replenish the working capital of the Company's subsidiaries and repay the interest-bearing debts of the Company or its subsidiaries.	1.5 billion
April 2023	Issuance of 2023 First Tranche Medium Term Notes 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 2023 First Tranche Super & Short-Term Commercial Papers 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 actively discharged its responsibilities and obligations as a central state-owned enterprise and a corporate citizen by fully utilising its own business characteristics, strengths, core responsibilities and principal businesses. As a leading water environment management enterprise in China, the Group actively participated in various industrial exchange activities, such as the China Water Industry Strategy Forum, to discuss industry trends and seek development opportunities with government officials, industry partners, experts and academics, thereby enhancing its brand influence in the industry. The Group also organised an inter-company knowledge competition under the theme of China’s “Peaking Carbon Emissions and Achieving Carbon Neutrality” (the “Dual Carbons”) goals, to enhance the staff’s knowledge and proficiency in the relevant topics. As an environmental protection enterprise dedicated to serving people’s livelihoods, the Group successfully organised various public welfare activities under the “World Environment Day” theme for the sixth consecutive year, such as the “I am a Little Ecology Artist” painting competition and the campaign jointly organised by its project companies in six cities including Nanjing and Ji’nan. Through these events, the Group collaborated with local communities to promote a green and low-carbon lifestyle and build a beautiful home for humanity. During the year under review, various projects under the Group opened for public visits and received a total of over 9,000 visitors from all walks of life, thereby creating public awareness on environmental protection.

Thanks to its continuous efforts in business development, operation and management, engineering and construction, and sustainable development, the Group received multiple awards and recognitions during the year under review, details are as follows:

Award	Awarding Organisation(s)
One of the “Top Ten Influential Enterprises in China’s Water Industry” (for the sixth consecutive year)	E20 Environment Platform
ListCo Excellence Award 2023 (for the fourth consecutive year)	The “ListCo Excellence Awards” jointly launched by organisations including Hong Kong stocks channel of <i>ifeng.com</i> and Hong Kong media “ <i>am730</i> ”
Singapore Corporate Sustainability Award (Mid-Cap Category)	Investors’ Choice Awards 2023 by the Securities Investors Association (Singapore)

<b>Award</b>	<b>Awarding Organisation(s)</b>
Shandong Ji’nan East Station Area Waste Water Treatment Project received “the highest quality rating for municipal projects in 2023”	China Municipal Engineering Association
Everbright Water (Ji’nan) Limited was shortlisted in “ <i>Excellent Cases of Environmental Protection Facilities Opening for Public Visit</i> ”	Ministry of Ecology and Environment of the PRC
Jiangsu Tongyong Environment Engineering Co., Ltd. was recognised as “the Enterprise that Uses Special and Sophisticated Technologies to Produce Novel and Unique Products and Services in Jiangsu Province”	Industry and Information Technology Department of Jiangsu Province, the PRC
Shuitang River (Section a), which is operated and managed under Nanning Shuitang River Integrated Restoration Public-Private-Partnership (“PPP”) 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, the PRC
Everbright Water (Nanjing) Limited was granted the title of “Water-saving Enterprise in Jiangsu Province in 2022”	Department of Water Resources of Jiangsu Province and others, the PRC

The Company remains committed to sharing fruitful operating results with the shareholders of the Company (the “Shareholders”) and creating value through its sustainable corporate development. The Board recommended a final dividend of HK5.81 cents (equivalent to 0.99 Sing cent) per ordinary share to the Shareholders for FY2023 (FY2022: HK5.14 cents (equivalent to 0.86 Sing cent) per ordinary share), which makes the total dividend for FY2023 amount to HK12.44 cents (equivalent to 2.12 Sing cents) per ordinary share (FY2022: HK10.59 cents (equivalent to 1.84 Sing cents) per ordinary share).

## *Industry Prospects*

In 2023, the global landscape was characterised by a sluggish economic recovery and escalating global issues. However, amidst these new challenges and uncertainties, and in response to various pressures, China's economy overcame obstacles and forged ahead, continuing to demonstrate remarkable development resilience. Following the implementation of China's ecological civilisation, its economy and society continued to forge ahead on an accelerated path towards a green and low-carbon development.

The National Conference on Ecological and Environmental Protection held in July 2023 emphasised that the coming five years will be critical for “Building a Beautiful China” to uphold the idea that “lucid waters and lush mountains are invaluable assets”. The conference emphasised the need to support high-quality development with a high-quality ecological environment, and to maintain green and low-carbon development as the fundamental solution to ecological and environmental issues. It also called for efforts to improve the diversity, stability, and sustainability of the ecosystem. Meanwhile, it also encouraged to implement the “Dual Carbons” “1+N” policy framework to develop a clean, low-carbon, safe and efficient energy sector. In addition, the conference also highlighted the importance of coordinating resources across various fields such as the legal system, market, science and technology, and policies, to promote an effective synergy between efficient markets and competent government. The relevant top-level design and deployment set forth by the Chinese government have provided positive guidance for the transformation, upgrading, and high-quality development of the environmental protection industry and the industry players in the face of transitional challenges.

Being the Group's 20<sup>th</sup> anniversary, the year 2023 symbolised Everbright Water's unwavering determination and advancement, fueled by its enduring passion and dedication. Everbright Water remained steadfast and committed to its mission and vision over the past two decades. Adhering to the philosophy of “20 Years of Commitment to Water Environment Leading to A Brighter Future”, the Group will remain true to its commitment to protecting the water environment, maintaining unwavering determination and embracing professionalism. With a focus on the “water-related” business field, the Group will uphold the direction of “Striving for Steady Progress in Pursuit of Stability”. It will ensure stability in strategy, operations and management to solidify the foundation for development, and explore opportunities in the market, recruit new talents and seek innovation to facilitate high-quality development and enhance industrial value. The Group will also provide solid assurance and support for its development by prioritising six key areas for optimisation and improvement, namely organisational structure, talent pool, financing channels, safety and environmental management, trade receivables risk and technology support.

Embarking on a journey for growth and development is long and challenging with obstacles but a rewarding process. Guided by the strategic directions of the Board and with the confidence and support of all stakeholders, the Group will hold fast to its aspirations and forge ahead with confidence towards the development of its vision of “Creating Value to Industries through Various Water-Related Businesses”, striving to build a new development paradigm and align itself more effectively with national strategies.

## Financial Review

In FY2023, the revenue of the Group decreased slightly by 0.3% to HK\$6,704.68 million compared with the revenue of HK\$6,727.97 million in FY2022, among which the construction service revenue decreased to HK\$2,066.02 million (FY2022: HK\$2,403.74 million), the operation income increased to HK\$3,104.69 million (FY2022: HK\$2,950.63 million) and the finance income decreased to HK\$1,097.18 million (FY2022: HK\$1,107.95 million). Gross profit of the Group increased from HK\$2,563.99 million in FY2022 to HK\$2,822.38 million in FY2023, representing an increase of 10%. The profit of the Group increased from HK\$1,066.91 million in FY2022 to HK\$1,261.21 million in FY2023, representing an increase of 18%. The profit attributable to equity holders of the Company in FY2023 amounted to HK\$1,187.41 million, representing an increase of 17% over FY2022.

	<b>FY2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	FY2022 <i>HK\$'000</i> (Unaudited)	Increase/ (decrease) %
Revenue for the first half year	<b>3,082,000</b>	3,478,939	(11%)
Profit for the first half year	<b>674,854</b>	550,537	23%
Revenue for the second half year	<b>3,622,684</b>	3,249,028	12%
Profit for the second half year	<b>586,359</b>	516,372	14%

## *Consolidated Statement of Comprehensive Income*

### *Revenue*

Overall, the Group's revenue decreased by HK\$23.28 million or 0.3%, from HK\$6,727.97 million in FY2022 to HK\$6,704.68 million in FY2023.

Construction service revenue decreased to HK\$2,066.02 million in FY2023 from HK\$2,403.74 million in FY2022, representing a decrease of HK\$337.72 million or 14%. The decrease was mainly due to a drop in construction activities in FY2023 compared to FY2022.

Operation income was HK\$154.06 million or 5% higher than FY2022. A higher operation income was due to the (i) commencement of operation of new projects during the second half of FY2022 and FY2023; and (ii) tariff hikes for several projects effected during the second half of FY2022 and FY2023.

#### *Direct costs and operating expenses*

Direct costs and operating expenses decreased by HK\$281.68 million or 7% from HK\$4,163.98 million in FY2022 to HK\$3,882.30 million in FY2023. Among which, the cost of construction services dropped by HK\$101.13 million or 6% from HK\$1,730.32 million in FY2022 to HK\$1,629.19 million in FY2023, which is in line with the drop in construction service revenue. Despite the increase in operation income, the operating costs decreased by HK\$276.06 million or 12% to HK\$1,943.11 million in FY2023 from HK\$2,219.18 million in FY2022. 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 the first half of FY2022.

#### *Gross profit margin*

Overall gross profit margin in FY2023 increased to 42% (FY2022: 38%). 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 partly also due to the drop in the proportion of the construction service revenue recognised within the total revenue in FY2023 in comparison to FY2022. 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 (raise) the overall gross margin. In comparison with FY2022, construction service revenue accounted for about 31% (FY2022: 36%) of total revenue in FY2023. Therefore, the overall gross profit margin increased by 4 ppt over FY2022.

*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 decreased by HK\$7.79 million from HK\$53.79 million in FY2022 to HK\$46.01 million in FY2023. The decrease in other income and gains, net was attributable to the Group's recognition of a larger fair value losses on financial assets at fair value through profit or loss during FY2023 than that for FY2022. The breakdown of other income and gains, net is set out below.

	<b>FY2023</b>	FY2022
	<b>HK\$'000</b>	HK\$'000
Government grants	<b>30,640</b>	37,365
VAT refunds	<b>21,786</b>	19,855
Fair value (loss)/gain, net:		
Other financial assets – unlisted investments	<b>(31,218)</b>	(18,382)
Other financial assets – unlisted equity investment	<b>(1,586)</b>	2,597
Sundry income	<b>26,385</b>	12,358
	<b><u>46,007</u></b>	<u>53,793</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, other taxes, as well as allowance for expected credit losses of trade receivables, other receivables and contract assets, and impairment of intangible assets.

Other operating expenses for FY2023 included the (a) allowance for expected credit losses on trade receivables amounting to HK\$194.49 million (FY2022: HK\$226.90 million); (b) allowance for expected credit losses on other receivables amounting to HK\$0.47 million (FY2022: HK\$33.83 million); (c) allowance for expected credit losses on contract assets amounting to HK\$1.28 million (FY2022: HK\$4.00 million); and (d) no impairment of intangible assets (FY2022: HK\$14.23 million). The allowance for expected credit losses on trade receivables in FY2023 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 expected credit losses on trade receivables.

Other than the other operating expenses mentioned above, administrative expenses decreased by HK\$6.68 million or 1% from HK\$451.72 million in FY2022 to HK\$445.04 million in FY2023. The decrease in administrative expenses was mainly attributed to cost control measures implemented by the Group.

Administrative expenses for FY2023 included, *inter alia*, net gain on disposals of property, plant and equipment of HK\$20,000 (FY2022: net loss of HK\$90,000).

#### *Finance costs*

Finance costs increased to HK\$590.92 million in FY2023 from HK\$544.62 million in FY2022. The increase was mainly due to (a) the increase in the average balance of borrowings in FY2023 compared with last year; and (b) the increase in average lending rate in FY2023 compared with FY2022, which was due to the increases in reference rates for bank loans denominated in foreign currencies caused by the global rate hikes started in the first half of FY2022.

#### *Income tax expense*

Income tax expense increased by 29% from HK\$315.10 million in FY2022 to HK\$404.91 million in FY2023, which is in line with the increase in profits before tax.

Income tax expense for FY2023 included, *inter alia*, underprovision of income tax in respect of prior years amounting to HK\$7.07 million (FY2022: HK\$1.52 million).

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

As at 31 December 2023, the Group's total assets amounted to approximately HK\$34.22 billion with net assets amounting to HK\$13.45 billion. Net asset value per share attributable to equity holders of the Company was HK\$3.99 per share, representing an increase of 4% as compared to HK\$3.83 per share as at the end of FY2022. As at 31 December 2023, the gearing ratio (total liabilities over total assets) of the Group was 60.7%, which decreased slightly by 0.4 ppt from 61.1% at the end of FY2022.

### *Assets*

Total assets of the Group increased by HK\$774.51 million from HK\$33.45 billion as at 31 December 2022 to HK\$34.22 billion as at 31 December 2023. The increase in total assets was primarily the net result of the increases in contract assets and trade and other receivables and the decreases in intangible assets, other financial assets and cash and cash equivalents.

Investment properties amounted to HK\$11.10 million as at 31 December 2023. Investment properties are stated at fair value, which reflects market conditions at the end of the year under review. There was no change in fair value during FY2023.

Contract assets (including both current and non-current portions) increased by HK\$849.91 million from HK\$21.09 billion as at 31 December 2022 to HK\$21.94 billion as at 31 December 2023. The increase in contract assets was mainly attributable to the recognition of construction service revenue for new waste water treatment plants and expansion and upgrading projects for several existing waste water treatment plants during FY2023. Intangible assets on the other hand dropped from HK\$2.37 billion as at 31 December 2022 to HK\$2.16 billion as at 31 December 2023. The drop was primarily due to recognition of amortisation on the intangible assets and depreciation of RMB over HKD during FY2023.

Trade and other receivables (including both current and non-current portions) of the Group increased from HK\$4.32 billion as at 31 December 2022 to HK\$5.62 billion as at 31 December 2023. Among them, trade receivables increased by HK\$1.07 billion from HK\$3.36 billion as at 31 December 2022 to HK\$4.43 billion as at 31 December 2023, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during FY2023; and (ii) slowdown of payment of operation service fees by local governments.

Other financial assets as at 31 December 2023 amounted to HK\$121.15 million which comprised unlisted investment of HK\$88.15 million and unlisted equity investment of HK\$33.00 million. The unlisted investment is wealth management product issued by a financial institution in Hong Kong. It was mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. Decrease in other financial assets by HK\$100.57 million is primarily due to redemption of one of the unlisted investments during FY2023 and recognition of net fair value changes of HK\$32.80 million for the year.

#### *Liabilities*

Total borrowings (including both current and non-current portions) increased by HK\$143.24 million. The increase was mainly due to the issuance of three tranches of MTN with net proceeds amounting to HK\$3,856.58 million, issuance of SCP with net proceeds amounting to HK\$1,152.80 million, and new bank loans amounting to approximately HK\$4,260.36 million, offset by repayments of corporate bonds of HK\$858.36 million, repayments of MTN of HK\$1,089.50 million, repayments of ABS of HK\$152.68 million, repayments of SCP of HK\$2,225.80 million, and repayments of bank loans amounting to HK\$4,393.71 million in FY2023 with the effect of exchange differences of borrowings.

The Group was in a net current asset position of HK\$1,662.90 million as at 31 December 2023, representing an increase of HK\$1,649.89 million from HK\$13.01 million as at 31 December 2022. The significant increase was primarily due to refinancing of borrowings due within one year with the net proceeds from the issuance of MTN with tenure of 3 years during FY2023. Accordingly, the current ratio has improved from 1.00 as at 31 December 2022 to 1.21 as at 31 December 2023.

## Equity

The Group's total equity amounted to HK\$13.45 billion as at 31 December 2023 (31 December 2022: HK\$13.00 billion). The increase was mainly due to the following: (i) recognition of profit amounting to HK\$1,261.21 million in FY2023; (ii) foreign currency translation loss of HK\$445.92 million arising from depreciation of RMB against HK\$; (iii) decrease of HK\$146.39 million in equity due to declaration and payment of 2022 final dividend; (iv) decrease of HK\$189.90 million in equity due to declaration and payment of 2023 interim dividend; (v) decrease of HK\$37.58 million due to distribution to holders of perpetual capital instruments; (vi) capital contributions of HK\$47.23 million by non-controlling shareholders of subsidiaries during FY2023; and (vii) decrease of HK\$37.19 million due to distribution of dividend to a non-controlling shareholder of a subsidiary during FY2023.

## 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\$1.86 billion as at 31 December 2023. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At 31 December 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Cash and cash equivalents as stated		
in the consolidated statement of financial position	1,881,401	2,845,907
Less: Restricted bank balances	<u>(19,494)</u>	<u>(917)</u>
Cash and cash equivalents as stated		
in the consolidated statement of cash flows	<u>1,861,907</u>	<u>2,844,990</u>

### *Cash flows from operating activities*

The Group had cash inflow of HK\$2,570.79 million (FY2022: HK\$2,280.45 million) before the changes in working capital during FY2023. The changes in working capital resulted in cash outflow of HK\$2,857.08 million in FY2023, and payment of income tax resulted in cash outflow of HK\$242.50 million in FY2023. As a result, the Group recorded a net cash outflow of HK\$528.78 million from operating activities in FY2023. The changes in working capital in FY2023 arose mainly from:

- (i) the decrease in inventories by HK\$26.13 million;
- (ii) the increase in contract assets by HK\$1,433.89 million;
- (iii) the increase in trade and other receivables by HK\$1,565.58 million; and
- (iv) the increase in trade and other payables by HK\$116.26 million.

### *Cash flows from investing activities*

In FY2023, the Group recorded a net cash outflow of HK\$16.64 million from investing activities. The net cash outflow mainly arose from:

- (i) the payment of HK\$54.08 million for the purchases of items of property, plant and equipment;
- (ii) the payment of HK\$1.64 million for the additions of intangible assets;
- (iii) the decrease in amount due from an associate by HK\$2.84 million;
- (iv) the receipt of proceeds from redemption of other financial assets amounted to HK\$9.79 million; and
- (v) the receipt of interest of HK\$26.66 million.

*Cash flows from financing activities*

The Group recorded a net cash outflow from financing activities of HK\$379.29 million in FY2023. The net cash outflow was mainly caused by:

- (i) the capital contributions from non-controlling shareholders of subsidiaries of HK\$10.04 million;
- (ii) the receipt of net proceeds of HK\$3,856.58 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 corporate bonds of HK\$858.36 million;
- (v) the repayment of MTN of HK\$1,089.50 million;
- (vi) the repayment of ABS of HK\$152.68 million;
- (vii) the repayment of SCP of HK\$2,225.80 million;
- (viii) the net repayment of bank loans of HK\$133.35 million;
- (ix) the payment of interest of HK\$550.33 million;
- (x) the payment of principal and interest elements of lease payments of HK\$7.49 million;
- (xi) the increase in restricted bank balances by HK\$18.92 million;
- (xii) the payment of dividends to the Shareholders of HK\$336.72 million; and
- (xiii) the payment of distribution to holders of perpetual capital instruments of HK\$25.56 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 year divided by the weighted average number of ordinary shares of the Company in issue during the year.

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

	<b>FY2023</b> <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the year	<u>1,187,412</u>	<u>1,010,565</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>41.51</u>	<u>35.32</u>

## Net Asset Value Per Share

	Group		Company	
	At 31 December 2023 <i>HK\$</i>	At 31 December 2022 <i>HK\$</i>	At 31 December 2023 <i>HK\$</i>	At 31 December 2022 <i>HK\$</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective year	<u>3.99</u>	<u>3.83</u>	<u>3.49</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 year.

## 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 finances for operations mainly comprise 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 31 December 2023, the Group had cash and bank balances of approximately HK\$1.88 billion, representing a decrease of HK\$964.51 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 31 December 2023		At 31 December 2022	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
218,916	4,387,977	337,307	5,349,128

*Amounts payable after one year*

At 31 December 2023		At 31 December 2022	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
2,426,280	8,372,200	1,954,369	7,621,331

The Group is dedicated to improving financing methods and increasing banking facility limits to reserve capital for developing the water environment management business. As at 31 December 2023, the Group had outstanding borrowings of HK\$15.41 billion, representing an increase of HK\$143.24 million as compared to HK\$15.26 billion as at the end of FY2022. The borrowings included secured interest-bearing borrowings of HK\$2.65 billion and unsecured interest-bearing borrowings of HK\$12.76 billion. The borrowings of the Group are mainly denominated in RMB, representing approximately 86% of total borrowings, and the remainder is denominated in HK\$ and Euros ("EUR"). Borrowings at fixed rates and at floating rates accounted for 45% and 55% of the total borrowings, respectively. As at 31 December 2023, the Group had bank loan facilities of HK\$10.28 billion, of which HK\$1.60 billion have not been utilised. The remaining terms of the bank loan facilities range from 1 to 19 years. During FY2023, 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 the new assets in foreign operations into the Group’s reporting currency of HK\$. During FY2023, the Group was affected by the changes in the exchange rates and did not adopt any formal hedging policies nor use any financial instrument for hedging purpose. Although the Group was exposed to foreign currency exchange risks, the Board believes that the future currency fluctuations will not have any material impact on the Group’s operations.

## **Pledge of Assets**

Certain bank loan facilities of the Group as at 31 December 2023 were secured by certain revenue, contract assets and receivables in connection with the Group’s service concession arrangements. As at 31 December 2023, the aggregate net book value of pledged assets amounted to HK\$5.55 billion.

## **Commitments**

As at 31 December 2023, the Group had outstanding purchase commitments of HK\$2.86 billion in connection with the construction contracts and an outstanding capital commitment of HK\$22.71 million in connection with an unlisted equity investment. The Group intends to use internal resources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the above commitments.

## **Contingent Liabilities**

As at 31 December 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 31 December 2023 for the provision of the guarantees was HK\$363.15 million. Nonetheless, the Group did not recognise any contingent liabilities at the consolidated level as at 31 December 2023.

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

The Group obtained a general mandate (the “IPT Mandate”) from the Shareholders for interested person transactions (the “IPTs”) in its annual general meeting held on 26 April 2022 pursuant to Rule 920 of the listing manual (the “SGX Listing Manual”) of Singapore Exchange Securities Trading Limited (“SGX”). The IPT Mandate was renewed in the Company’s annual general meeting held on 26 April 2023. The aggregate value of the IPTs in excess of SGD100,000 during FY2023 are set out as follows:

<b>Name of interested person</b>	<b>Nature of relationship</b>	<b>Aggregate value of all IPTs during FY2023 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)</b>	<b>Aggregate value of all IPTs conducted under the IPT Mandate during FY2023 (excluding transactions less than SGD100,000)</b>
China Everbright Environment Group Limited	Controlling shareholder	Nil	HK\$16,796,000 (equivalent to SGD2,887,000)
Sun Life Everbright Life Insurance Co., Ltd.	Associate of the controlling shareholder	Nil	HK\$17,459,000 (equivalent to SGD3,001,000)
Everbright Securities Company Limited	Associate of the controlling shareholder	Nil	HK\$8,962,000 (equivalent to SGD1,540,000)
China CYTS Tours Holding Co., Ltd.	Associate of the controlling shareholder	HK\$990,000 (equivalent to SGD170,000)	Nil

## INTERNAL MANAGEMENT

Corporate management and risk control are imperative in ensuring efficient, healthy and sustainable corporate development. The Group has established a sound management structure with four committees under the Board (the “Board Committees”), comprising the Audit Committee, the Remuneration Committee, the Nominating Committee and the Strategy Committee. The Group has also established the Management Committee as the decision-making body for its daily management. The Management Committee holds a meeting at least once a month to deliberate 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 Procurement Management Department, the Budget Management Department, the Finance Management Department, the Human Resources Department, the Supervision Department, the Internal Audit Department, the Legal & Risk Management Department, and the General Management Department. Moreover, in response to business needs, the Group has also set up five regional management centres, including one in Tianjin which was newly established during the year under review, in order to manage its projects by regions and create favourable synergies.

The Group has continuously improved its internal management by establishing a comprehensive internal 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 from project investment, construction to operations, to identify and control risks, and to enhance the overall operational efficiency and profitability. The Group has further enhanced its corporate governance practices and ensured the compliance of its business activities and processes.

During the year under review, the Group established a special team to formulate various policies on the implementation of upgrading projects, as well as providing on-site counselling and training to improve its operations management practices so as to effectively strengthen the refined management of its operating projects. The Group made significant progress in the digital and intelligent transformation, completed the development of a standardised system at its intelligent water plants, and successfully installed and applied the operations management system at its operating projects. Moreover, the Group completed research on various topics relating to intelligent water plants, which has been applied to a number of its projects. Furthermore, through operations, the quality and efficiency were improved in order to achieve high-quality development of the Company.

## **HUMAN RESOURCE MANAGEMENT**

Talent is the most valuable asset and the key force to driving business growth. 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 mechanisms, taking care of their physical and mental health, enriching their lifestyles and cultivating their values. During the year under review, the Group thoroughly implemented the strategy to develop business through talent management, actively attracted excellent talents and focused on strengthening the development and training of its workforce. The Group also organised and conducted various levels of professional trainings covering a wide range of topics for employees at different levels according to their skill sets and needs. Furthermore, the Group built a strong talent pool in order to support and safeguard its high-quality development, and foster a mutual success and growth for both the Group and its employees.

As at 31 December 2023, the Group had 1,755 employees (including those in Hong Kong and Singapore), 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 in accordance with laws and regulations of the relevant jurisdictions. In addition, the Group is committed to providing all employees with equal opportunities in various aspects and continuous professional development so as to improve their knowledge, skills and professionalism.

## PRINCIPAL RISKS AND UNCERTAINTIES

During the year under review, 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 year under review, including policy changing risk, new business investment and market competition risks, environmental compliance and safe production management risks, trade receivables risk, engineering management risk, staff turnover risk, financing management risk, cost control risk, technology and innovation risks, and compliance risk.

During the year under review, the PRC government continued to implement action plans in relation to its “Dual Carbons” strategic goals, intensively formulated and promulgated the relevant policies. It also strengthened the comprehensive ecological and environmental management, improved the basic infrastructure relating to urban pollution prevention and control, promoted green and low-carbon development, accelerated the construction of a beautiful and harmonious countryside for living and working, further opened up to other countries and actively promoted the high-quality “Belt and Road” initiatives. Nonetheless, the instability and uncertainties of the global trend have affected the economy. The environmental water industry, in which the Group operates, remains fiercely competitive.

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

<b>Number</b>	<b>Name of risk</b>	<b>Effectiveness of the control measures</b>	<b>Changes of trend in risk level (Note)</b>
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	Staff turnover 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 year under review, 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, potential new business investment projects and PPP model 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 continuously monitor the PRC government's environmental policies and PPP development, study the changes in the market and new business patterns and rapidly adjust its development plan to adapt such changes, so as to ensure the continuous and stable development of the Group's operations.

During the year under review, the Group actively responded to the PRC government's policies and closely monitored the changes in regulations and market conditions by establishing certain special teams to conduct research on various topics such as pollution and carbon emission reduction, resource recycling and utilisation, agricultural non-point source pollution control, construction of new rural areas and new business investment models. The Group also paid close attention to the "Dual Carbons"-related laws and policies and accelerated its research on PPP-related laws. 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. The environmental water industry, in which the Group operates, is experiencing an influx of capital and numerous competitors. Failure to effectively analyse and predict the future market and industry trends, deploy existing resources based on its own advantages, or discover new business investments and realise reasonable profits may result in unsatisfactory investment returns or insignificant competitive advantages.

During the year under review, the Group strengthened its efforts in research and expansion on new businesses, agricultural non-point source pollution control, and construction of rural areas, by forming specialised teams to conduct research on environmental, social and governance and industrial parks. The Group also actively studied policies in relation to major industries, agricultural non-point source pollution prevention, "Dual Carbons" as well as the national key protection of river-basin ecology, in order to explore new opportunities in the water industry and the Group's business developments. The Group has also been seeking suitable merger and acquisition opportunities and overseas environmental water projects. The existing control measures are effective as a whole, but considering the intensifying competition in the environmental water industry of China and the fact that investment in new businesses requires extensive research and a prudent business plan, the risk level remains unchanged.

### **3. Environmental Compliance and Safe Production Management Risks**

During the year under review, the Group was able to control the environmental compliance and safe production management risks, and no major risk incident took place. During the year under review, the PRC government issued and revised various laws and regulations on environmental compliance and safe production management and 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 requirements on environmental compliance and safe production management. In the event of incidents such as excessive discharge of pollutants or unsatisfactory safety management, whether due to the external environment or human factors, the Group may face legal liabilities such as administrative penalties and environmental remediation, which could affect 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 affected. The major customers of the Group are local PRC governments of the places where the environmental water projects are located. During the year under review, 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 COVID-19 and international trade conflicts.

During the year under review, 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 recovery proposals and actively communicated with local governments regarding the settlement of water 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 risk of loss and non-compliance that arise from 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 year under review. However, the progress and budget control of certain engineering construction projects were affected by the engineering construction procedures and the fluctuation of labour and material costs during the year under review. The existing control measures are effective as a whole and the risk level remains unchanged.

## **6. Staff Turnover Risk**

The Group relies on the experience and capability of its key management team and qualified personnel in managing different business aspects. Any resignation or departure of these key personnel, whether from management or technical positions, could have a negative impact on the Group's operations and 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 year under review, 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 year under review, the employee team was stable and all relevant works were carried out in an orderly manner. The risk level remains unchanged.

## **7. Financing Management Risk**

Maintaining the Group's competitiveness and implementing development strategies require sufficient capital resources. In view of the industry model, the Group is required to invest a large amount of funds for 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 financing 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 its finance cost, the Group, during the year under review, continued to monitor the financing environment within and outside mainland China and the trend of the RMB exchange rate fluctuations. Additionally, the Group made reasonable forecast of the capital required and adjusted the borrowing structure when appropriate through various financing channels, and strictly controlled the gearing ratio and 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 of environmental water projects. Substantial changes in the market price of relevant raw materials, energy, financial and labour costs would adversely affect the profit of the Group. During the year under review, the changes in the relevant PRC government policies 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 risk control measures are effective as a whole and the risk level remains unchanged.

## **9. Technology and Innovation Risks**

During the year under review, the competition in the environmental water industry in which the Group operates became very intense and the PRC government continuously promulgated new 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 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 internal process for legal and compliance issues, such as reviewing legal documents and providing legal advice by its in-house legal and external legal teams, to ensure the relevant matters are properly reviewed and handled. During the year under review, the Group strictly complied with the requirements of the relevant PRC laws and regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "SEHK Listing Rules"), the SGX Listing Manual and relevant industry specifications, and achieved a good compliance record. Additionally, the Group also organised various online and offline compliance trainings on various topics, including inviting external industry experts, enhancing the legal knowledge of the Group's employees. When handling important matters, the Group conducted regular or ad hoc reviews during the year under review to ensure strict compliance of its 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 actively engages in the water environment management business, steadily expands the pipeline of its high-quality water projects, and continuously solidifies its market position. With its robust business capability, the Group promotes the sustainable development of water environments in various regions, contributing to the construction of ecological civilisation in China. By leveraging on its expertise in the water sector, the Group strategically expands its business across the “water-related” industry chain, fostering innovation and generating value within the industry.

While focusing on the “Dual Carbons” strategic goal, the Group diligently developed a number of “low-carbon demonstration projects” that integrate various carbon reduction and resource utilisation measures, promoting green and low-carbon development within the industry. It has also further improved the greenhouse gas information disclosure framework, disclosing such information on a regular basis. All the Group’s projects have either obtained or are actively applying for various international management standard certifications, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 45001 Occupational Health and Safety Management System. Moreover, the Group conducts thorough identification and assessment of environmental and social risks prior to making investments, ensuring effective control over such risks. It also ensures all the necessary administrative permissions and approvals are obtained, such as environmental impact assessment approvals, before commencing construction activities. Upon completion of construction activities, the Group also promptly carries out and completes the environment protection acceptance and other relevant procedures.

As a leading water environment management enterprise in China, the Group prioritises project compliance with utmost caution. The Group adheres to the highest level of professionalism and strictly follows the relevant requirements as outlined in the environmental impact assessment reports, ensuring that the effluent discharged from most of the Group’s operational projects complies with or is better than the Grade 1A standard set by the *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant* (GB18918-2002). The Group also reports its environmental performance in various key aspects, including waste water treatment and discharge monitoring, odour control, sludge treatment, waste management, climate resilience, energy and material usage, water resource utilisation, etc. By doing so, the Group’s projects effectively minimise environmental damage resulting from municipal and industrial waste water discharge, safeguard public health, and promote sustainable development of the water environment. Notably, in FY2023, the Group had no record of significant losses and impacts caused by breaches of relevant national, industry and domestic laws and regulations relating to work safety, environmental management, and social issues.

To ensure consistent operational practices and integrate social responsibility into the Group's business operations and daily management, the Group has developed and implemented the ESHS Management System, Risk Management System, "Intelligent Water" Information Management System, and Safety and Environmental Management System. These systems were established to standardise internal management, enhance risk control, optimise the management systems, and strengthen emergency response capabilities, altogether sharing the goal of promoting sustainable development. Throughout FY2023, the Group continued to implement the ESHS Management System at all levels, including employees, on-site third-party contractors, and subcontractors. The Group also takes preventive measures against risks associated with environmental, social, and governance factors during investments and operations, so as to reduce the potential impact of such risks on the business. Additionally, the Group has committed to identifying and regularly reviewing pertinent climate change risks and opportunities at all levels of its operations, and improving its measures. This includes factors such as extreme weather events, policy changes, environmental compliance, technology advancements, and innovation.

The Group is dedicated to disclosing transparent, reliable and consistent operational performance information to the public. To achieve this, the Group proactively publishes such information on its corporate website and other government-designated platforms for public scrutiny. This includes sharing environmental impact assessment reports, annual environmental monitoring plans, environmental emergency preparedness and response plans, as well as monitoring results related to effluent discharge, odour emissions, noise, sludge, and more. Through these actions, the Group demonstrates its commitment to assuming greater social and environmental responsibilities and actively promoting sustainable development.

Moreover, in order to enhance public awareness on water resources and promote sustainable community development, the Group proactively responds to the national initiatives and adheres to its core values by organising various environmental science and educational events. The Group continues to open its waste water treatment facilities and plant areas to the public, in order to develop the water plants as environmental awareness hubs that integrate public visits, practical experiences, and training. During FY2023, a total of 45 projects of the Group were officially opened to the public, receiving 11,023 visitors in 308 batches. The Group actively organises public visits through both online and offline approaches. In particular, the Group offers virtual tours of its waste water treatment facilities using various methods such as uploading videos to official media platforms, playing pre-recorded videos, and live streaming, attracting more than 160,000 online views during FY2023. Additionally, the Group collaborates with local environmental protection and technology associations, and government organisations to carry out ecological environmental protection education activities, encouraging the public to value and conserve water while learning about environmental science, and promoting public awareness and sense of responsibility towards environmental protection. In recognition of the Group's commitment to environmental education within the community, its projects received multiple honours in FY2023: a total of 24 projects have been honoured with titles such as "Environmental Education Hub" or "Science Popularisation and Education Hub" at national, provincial, and municipal levels, and 2 projects have received the title of "Open Day Promotion and Education Centre".

## **CORPORATE GOVERNANCE**

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

The Company's ordinary shares have been listed on the Main Board of the SEHK since 8 May 2019 (the "HK Listing Date"). Since then, the Company has adopted the principles and code provisions of the Corporate Governance Code (the "HK CG Code") as set out in Appendix C1 (formerly known as Appendix 14) to the SEHK Listing Rules as part of its governance framework, in addition to the principles and provisions under Singapore's Code of Corporate Governance 2018 (the "SG CG Code"). In the event of any conflicts between the SG CG Code and the HK CG Code, the Company will comply with the more stringent requirements. Throughout FY2023, the Company has complied with the principles and provisions under the HK CG Code and the SG CG Code.

The details of the Company's corporate governance practices will be set out in the FY2023 Annual Report.

## **BOARD COMMITTEES**

The Board holds meetings on a regular basis (at least four times in a year). The Board currently has four Board Committees, namely the Audit Committee, the Remuneration Committee, the Nominating Committee and the Strategy Committee, 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](http://www.sgx.com)) and the websites of Hong Kong Exchanges and Clearing Limited ("HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ebwater.com](http://www.ebwater.com)).

During FY2023, the members of the Audit Committee reviewed (a) the audited consolidated financial results of the Group for FY2022; (b) the unaudited consolidated financial results of the Group for the six months ended 30 June 2023; and (c) the internal auditor's report and the external auditor's report.

## **Remuneration Committee**

The Remuneration Committee currently comprises three independent non-executive Directors, namely Ms. Cheng Fong Yee (Chairman), Mr. Zhai Haitao and Mr. Lim Yu Neng Paul. The Remuneration Committee is primarily responsible for implementing a formal, transparent and objective procedure for fixing the remuneration packages of individual Directors and Key Management Personnel (as defined in the SG CG Code) (including senior management), and ensuring 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 for the long term. The terms of reference of the Remuneration Committee are available on the SGXNet and the websites of HKEx and the Company.

During FY2023, the members of the Remuneration Committee reviewed the remuneration payment for FY2022 and remuneration framework for 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 the 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 FY2023, the members of the Nominating Committee reviewed the (i) 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 C3 (formerly known as 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 period or while they are in possession of unpublished inside information or price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code and the Internal Code throughout FY2023.

## **DIVIDEND**

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

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

As part of the Directors' continuing efforts to enhance the Shareholder's return, the Directors have recommended a final dividend of HK5.81 cents (equivalent to 0.99 Sing cent) per ordinary share for FY2023, which is subject to the approval by the Shareholders at the forthcoming annual general meeting to be held on or around 26 April 2024 (Friday) (the "AGM").

<b>Name of Dividend</b>	FY2023 Proposed Final Dividend
<b>Dividend Type</b>	Cash
<b>Dividend Amount</b>	HK5.81 cents (equivalent to 0.99 Sing cent) per ordinary share
<b>Tax Rate</b>	One-Tier Tax Exempt

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

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

**(c) Date payable**

Subject to the Shareholders' approval, the FY2023 Proposed Final Dividend will be paid on or around 24 May 2024 (Friday).

**(d) Books closure date**

Details on closure of books are set out in the section below entitled "Closure of Register of Transfer and Register of Members – (b) For determining the entitlement to the FY2023 Proposed Final Dividend".

**Annual General Meeting**

The AGM is expected to be held on or around 26 April 2024 (Friday). The notice of the AGM 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 in due course\*.

**Closure of Register of Transfer and Register of Members**

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

*For Singapore Shareholders*

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. (Singapore time) on 22 April 2024 (Monday) for the purpose of determining the entitlement of Singapore Shareholders to attend and vote at the AGM. Duly completed registrable transfers of shares received by the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to 5:00 p.m. (Singapore time) on 22 April 2024 (Monday) will be registered to determine Singapore Shareholders' entitlements to attend and vote at the AGM.

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

*For Hong Kong Shareholders*

The Hong Kong branch register of members of the Company will be closed from 23 April 2024 (Tuesday) to 26 April 2024 (Friday), both days inclusive, for the purpose of determining the entitlement of Hong Kong Shareholders to attend and vote at the AGM. Duly completed registrable transfers of shares received by the 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 22 April 2024 (Monday), will be registered to determine Hong Kong Shareholders' entitlements to attend and vote at the AGM.

- (b) For determining the entitlement to the FY2023 Proposed Final Dividend

*For Singapore Shareholders*

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. (Singapore time) on 3 May 2024 (Friday), being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the FY2023 Proposed Final Dividend.

Duly completed registrable transfers of shares received by the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to 5:00 p.m. (Singapore time) on 3 May 2024 (Friday) will be registered before entitlements to the FY2023 Proposed Final Dividend are determined. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5:00 p.m. (Singapore time) on 3 May 2024 (Friday) will rank for the FY2023 Proposed Final Dividend.

*For Hong Kong Shareholders*

The Hong Kong branch register of members of the Company will be closed from 6 May 2024 (Monday) to 7 May 2024 (Tuesday), both days inclusive, during this period no transfer of shares will be registered. Shareholders whose names appear on the Hong Kong branch register of members of the Company as at 4:30 p.m. (Hong Kong time) on 3 May 2024 (Friday) will be entitled to the FY2023 Proposed Final Dividend.

Duly completed registrable transfers of shares received by the Company's Hong Kong Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 3 May 2024 (Friday), will be registered before entitlements to the FY2023 Proposed Final Dividend are determined.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities for the year ended 31 December 2023.

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

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 31 December 2023 and 2022. During the year ended 31 December 2023, there were no sales, transfers, disposal, cancellation and/or use of treasury shares.

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

During FY2023, there was no acquisition or disposal of shares in subsidiaries (“Subsidiaries”), associated companies (“Associated Companies”) of the Company or in any company which became or ceased to be a Subsidiary or Associated Company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A of the SGX Listing Manual.

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

None.

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

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a Director or chief executive officer or substantial Shareholder of the Company for the years ended 31 December 2023 and 2022.

## **Publication of Annual Results and Annual Report**

The annual results announcement for FY2023 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 annual report of the Company containing, among others, all the information required by the SEHK Listing Rules and the SGX Listing Manual will be published on the SGXNet and the websites of HKEx and the Company, and 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 audited financial results of the Group for FY2023 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, 27 February 2024

*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**

Independent Auditor's Report  
For the financial year ended 31 December 2023

**To the Members of China Everbright Water Limited**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of China Everbright Water Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, the consolidated statement of changes in equity of the Group, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

#### **Basis for opinion**

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

#### **Key audit matters**

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

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

## **The key audit matter**

## **How the matter was addressed in our audit**

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

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

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

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

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

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

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

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

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

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

As at 31 December 2023, the Group had trade receivables amounting to HK\$4,434,548,000, net of expected credit losses (“ECL”) allowance of HK\$626,215,000. The Group determines impairment losses by making debtor-specific assessment of ECL for credit impaired debtors and has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for the remaining group of debtors.

The estimation of impairment loss of trade receivables is based on the evaluation of collectability and ageing analysis of trade receivables as well as expectation of forward-looking factors. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, taking into consideration the current creditworthiness and the past collection history of each debtor. Accordingly, we identified this as a key audit matter. Disclosures of the trade receivables are included in notes 2.4, 3 and 24 to the financial statements.

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

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

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

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

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

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

As at 31 December 2023, the goodwill carried in the Group’s financial statements amounted to HK\$1,364,093,000. Disclosures of goodwill are included in notes 2.4, 3 and 18 to the financial statements.

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

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

We reviewed the cash flow forecasts by comparing them to recent and past performance, taking into consideration the approach used in the valuation. We tested the reasonableness of key assumptions used in the cash flows forecast, which include growth rate, discount rate and long-term growth rate.

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

## **Other information**

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

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

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

## **Responsibilities of management and directors for the financial statements**

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

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

**Ernst & Young LLP**  
*Public Accountants and*  
*Chartered Accountants*  
**Singapore**

27 February 2024