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光大水務
Everbright Water

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 2020

HIGHLIGHTS

- Revenue increased by 2% to HK$5,663,292,000 (FY2019: HK$5,550,773,000)
- EBITDA increased by 17% to HK$1,931,379,000 (FY2019: HK$1,647,064,000)
- Profit before tax increased by 24% to HK$1,483,286,000 (FY2019: HK$1,195,079,000)
- Profit attributable to equity holders of the Company increased by 23% to HK$1,024,271,000 (FY2019: HK$833,483,000)
- Final dividend of HK6.07 cents (equivalent to 1.04 Sing cents) per ordinary share (FY2019: HK3.74 cents (equivalent to 0.67 Sing cent) per ordinary share). Total dividend for FY2020 of HK9.81 cents (equivalent to 1.71 Sing cents) per ordinary share (FY2019: HK7.48 cents (equivalent to 1.32 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 2020 ("FY2020") (the "FY2020 Annual Results"), together with the comparative figures for the financial year ended 31 December 2019 ("FY2019"). Unless otherwise stated, the figures in FY2020 Annual Results are extracted from the consolidated financial statements of the Group for FY2020, 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 FY2020 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 FY2020 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 2020

	Notes	FY2020 HK$'000	FY2019 HK$'000	Increase/ (decrease) %
REVENUE	4	**5,663,292**	5,550,773	2%
Direct costs and operating expenses		**(3,462,756)**	(3,658,332)	(5%)
Gross profit		**2,200,536**	1,892,441	16%
Other income and gains, net	5	**53,068**	113,465	(53%)
Administrative and other operating expenses		**(441,554)**	(476,502)	(7%)
Finance income	6	**15,807**	20,348	(22%)
Finance costs	6	**(348,795)**	(355,287)	(2%)
Share of profits of associates		**4,224**	614	588%
PROFIT BEFORE TAX	7	**1,483,286**	1,195,079	24%
Income tax	8	**(396,922)**	(310,350)	28%
PROFIT FOR THE YEAR		**1,086,364**	884,729	23%
OTHER COMPREHENSIVE INCOME				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of functional currency to the presentation currency		**956,424**	(290,747)	NM
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**956,424**	(290,747)	NM
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,042,788**	593,982	244%

NM – Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the year ended 31 December 2020

	Notes	FY2020 HK$'000	FY2019 HK$'000	Increase/ (decrease) %
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Company		**1,024,271**	833,483	23%
Non-controlling interests		**62,093**	51,246	21%
		1,086,364	884,729	23%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Company		**1,927,449**	558,139	245%
Non-controlling interests		**115,339**	35,843	222%
		2,042,788	593,982	244%
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*10*			
– Basic and diluted		**HK35.80 cents**	HK30.07 cents	19%

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

		Group		Company	
		31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment		**152,855**	141,744	**5**	11
Right-of-use assets		**16,285**	25,609	**–**	–
Investment properties		**12,082**	3,138	**–**	–
		181,222	170,491	**5**	11
Intangible assets		**1,880,919**	1,658,437	**–**	–
Goodwill		**1,295,475**	1,213,509	**–**	–
Interests in subsidiaries		**–**	–	**10,880,417**	9,988,163
Interests in associates		**8,143**	3,588	**–**	–
Trade and other receivables	*11*	**289,902**	113,892	**–**	–
Contract assets	*12*	**17,348,620**	14,144,440	**–**	–
Other financial assets	*13*	**443,198**	462,045	**409,147**	431,035
Total non-current assets		**21,447,479**	17,766,402	**11,289,569**	10,419,209
CURRENT ASSETS					
Inventories		**93,641**	37,948	**–**	–
Trade and other receivables	*11*	**1,965,697**	1,414,673	**6,502,232**	4,982,545
Contract assets	*12*	**1,681,187**	1,389,205	**–**	–
Cash and cash equivalents	*14*	**1,719,530**	2,074,803	**23,128**	213,793
Total current assets		**5,460,055**	4,916,629	**6,525,360**	5,196,338

STATEMENTS OF FINANCIAL POSITION *(continued)*
As at 31 December 2020

		Group		Company	
		31 December	31 December	**31 December**	31 December
		2020	2019	**2020**	2019
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
CURRENT LIABILITIES					
Trade and other payables	*15*	**2,540,938**	2,472,484	**99,253**	92,881
Borrowings		**2,246,673**	2,010,556	**1,954,648**	1,522,919
Tax payable		**69,029**	64,930	**–**	–
Lease liabilities		**8,388**	9,534	**–**	–
Total current liabilities		**4,865,028**	4,557,504	**2,053,901**	1,615,800
NET CURRENT ASSETS		**595,027**	359,125	**4,471,459**	3,580,538
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,042,506**	18,125,527	**15,761,028**	13,999,747
NON-CURRENT LIABILITIES					
Borrowings		**8,831,460**	7,069,140	**5,129,809**	4,039,303
Deferred tax liabilities		**1,801,819**	1,496,256	**–**	–
Lease liabilities		**3,368**	11,379	**–**	–
Total non-current liabilities		**10,636,647**	8,576,775	**5,129,809**	4,039,303
NET ASSETS		**11,405,859**	9,548,752	**10,631,219**	9,960,444
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	*16*	**2,860,877**	2,860,877	**2,860,877**	2,860,877
Reserves		**7,673,416**	5,949,192	**7,770,342**	7,099,567
		10,534,293	8,810,069	**10,631,219**	9,960,444
Non-controlling interests		**871,566**	738,683	**–**	–
TOTAL EQUITY		**11,405,859**	9,548,752	**10,631,219**	9,960,444

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Foreign currency translation reserve *HK$'000*	Statutory reserve *HK$'000*	Contributed surplus reserve *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Group										
At 1 January 2020	2,860,877	1,599,765	(777,967)	398,409	1,229,302	(2,181)	3,501,864	8,810,069	738,683	9,548,752
Profit for the year	-	-	-	-	-	-	1,024,271	1,024,271	62,093	1,086,364
Foreign currency translation differences	-	-	903,178	-	-	-	-	903,178	53,246	956,424
2019 final dividend declared	-	-	-	-	-	-	(106,645)	(106,645)	-	(106,645)
2020 interim dividend declared	-	-	-	-	-	-	(106,964)	(106,964)	-	(106,964)
Acquisition of a non-controlling interest of a subsidiary	-	-	-	-	-	10,384	-	10,384	(39,374)	(28,990)
Capital contributions received by non wholly-owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	56,918	56,918
Transfer to statutory reserve	-	-	-	126,401	-	-	(126,401)	-	-	-
At 31 December 2020	2,860,877	1,599,765	125,211	524,810	1,229,302	8,203	4,186,125	10,534,293	871,566	11,405,859

For the year ended 31 December 2019

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

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital *HK$'000*	Share premium *HK$'000*	Foreign currency translation reserve *HK$'000*	Contributed surplus reserve *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
Company							
At 1 January 2020	**2,860,877**	**389,715**	**(1,181,298)**	**7,639,082**	**64,953**	**187,115**	**9,960,444**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**211,187**	**211,187**
Foreign currency translation differences	**–**	**–**	**673,197**	**–**	**–**	**–**	**673,197**
2019 final dividend declared	**–**	**–**	**–**	**–**	**–**	**(106,645)**	**(106,645)**
2020 interim dividend declared	**–**	**–**	**–**	**–**	**–**	**(106,964)**	**(106,964)**
At 31 December 2020	**2,860,877**	**389,715**	**(508,101)**	**7,639,082**	**64,953**	**184,693**	**10,631,219**
At 1 January 2019	2,676,062	123,131	(934,538)	7,639,082	64,953	201,096	9,769,786
Profit for the year	–	–	–	–	–	168,678	168,678
Foreign currency translation differences	–	–	(246,760)	–	–	–	(246,760)
2018 final dividend declared	–	–	–	–	–	(77,476)	(77,476)
2019 interim dividend declared	–	–	–	–	–	(105,183)	(105,183)
Issue of shares under global offering	103,970	206,900	–	–	–	–	310,870
Share issue expenses in relation to global offering	–	(11,643)	–	–	–	–	(11,643)
Issue of shares pursuant to scrip dividend scheme	80,845	71,681	–	–	–	–	152,526
Share issue expenses in relation to scrip dividend scheme	–	(354)	–	–	–	–	(354)
At 31 December 2019	2,860,877	389,715	(1,181,298)	7,639,082	64,953	187,115	9,960,444

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	FY2020 ***HK$'000***	FY2019 *HK$'000*
Cash flows from operating activities		
Profit before tax	**1,483,286**	1,195,079
Adjustments for:		
Depreciation of property, plant and equipment	**16,633**	16,571
Depreciation of right-of-use assets	**10,129**	6,979
Amortisation of intangible assets	**72,536**	73,148
Loss on disposals of property, plant and equipment	**406**	933
Finance costs	**348,795**	355,287
Interest income	**(15,807)**	(20,348)
Share of profits of associates	**(4,224)**	(614)
Fair value adjustment of contingent consideration receivable	**7,814**	646
Fair value changes of other financial assets, net	**47,746**	(28,008)
Dividend received from other financial assets	**(1,929)**	–
Provision for impairment of trade receivables	**25,492**	17,314
Provision for impairment of other receivables	**3,342**	–
Provision for impairment of contract assets	**12,695**	–
Effect of foreign exchange rates changes, net	**(25,021)**	4,355
Operating cash flows before working capital changes	**1,981,893**	1,621,342
Changes in working capital:		
(Increase)/decrease in inventories	**(50,201)**	1,740
Increase in contract assets	**(2,327,398)**	(2,755,533)
Increase in trade and other receivables	**(635,243)**	(397,433)
(Decrease)/increase in trade and other payables	**(83,802)**	607,019
Cash used in operations	**(1,114,751)**	(922,865)
People's Republic of China ("PRC") income tax paid	**(207,594)**	(135,257)
Net cash flows used in operating activities	**(1,322,345)**	(1,058,122)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2020

	FY2020	FY2019
	HK$'000	*HK$'000*
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(18,478)**	(17,885)
Proceeds from disposals of property, plant and equipment	**14**	1
Payment for additions of intangible assets	**(164,513)**	(229,313)
Increase in amounts due from an associate	**(733)**	(4,646)
Increase in other financial assets	**–**	(451,563)
Dividend received from other financial assets	**1,929**	–
Decrease in fixed deposits with maturity period of over three months and restricted balances in financial institutions	**–**	549,040
Interest received	**15,807**	20,348
Net cash flows used in investing activities	**(165,974)**	(134,018)
Cash flows from financing activities		
Proceeds from issue of shares under global offering	**–**	310,870
Payment for listing expenses	**–**	(11,643)
Capital contributions from non-controlling shareholders of subsidiaries	**51,859**	45,368
Acquisition of a non-controlling interest	**(28,990)**	–
Decrease in amounts due to intermediate holding companies	**–**	(4)
Proceeds from the issuance of corporate bonds, net of related expenses paid	**–**	804,235
Proceeds from the issuance of asset-backed securities ("ABS"), net of related expenses paid	**320,426**	–
Proceeds from the issuance of medium-term notes ("MTN"), net of related expenses paid	**1,120,135**	–
New bank loans	**2,665,730**	3,203,420
Repayments of corporate bonds	**(337,290)**	–
Repayments of ABS	**(41,599)**	–
Repayments of bank and other loans	**(2,164,948)**	(2,388,854)
Interest paid	**(334,334)**	(332,973)
Principal elements of lease payments	**(9,605)**	(6,430)
Interest elements of lease payments	**(797)**	(777)
Decrease/(increase) in pledged bank deposits	**7,037**	(1,397)
Dividends paid to the Shareholders	**(214,002)**	(29,279)
Share issue expenses in relation to scrip dividend scheme	**–**	(354)
Dividends paid to a non-controlling shareholder of a subsidiary	**–**	(28,990)
Net cash flows generated from financing activities	**1,033,622**	1,563,192
Net (decrease)/increase in cash and cash equivalents	**(454,697)**	371,052
Cash and cash equivalents at beginning of the year	**2,052,250**	1,706,871
Effect of exchange rate fluctuations on cash and cash equivalents, net	**105,302**	(25,673)
Cash and cash equivalents at end of the year	**1,702,855**	2,052,250

Notes:

1. BASIS OF PREPARATION

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

The accounting policies and basis of preparation adopted in the preparation of the financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2019 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 2020 and 2019 included in this preliminary announcement of annual results 2020 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The principal effects of adopting these revised IFRSs are as follows:

(a) Amendments to IFRS 3 *Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

(b) Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

(c) Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

(d) Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]
IFRS 17	*Insurance Contracts*[4]
Amendments to IFRS 17	*Insurance Contracts*[4]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to IAS 16	*Property, plant and Equipment: Proceeds Before Intended Use*[3]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[3]
Various IFRS standards	*2018–2020 Annual Improvements to IFRS standards*[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	*Interest Rate Benehmark Reform — Phase 2*[2]
Amendments to IFRS 16	*COVID-19 Related Rent Concessions*[1]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

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

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

Business segment

The Group had only one operating segment for the years ended 31 December 2020 and 2019, namely the water environment management business, the details of which are set out below:

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

Geographical information

(a) Revenue from external customers

	FY2020	FY2019
	HK$'000	*HK$'000*
Mainland China	**5,661,365**	5,536,089
Germany	**1,927**	14,684
	5,663,292	5,550,773

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

(b) Non-current assets

	At 31 December 2020	At 31 December 2019
	HK$'000	*HK$'000*
Mainland China	**20,997,841**	17,292,356
Hong Kong	**5,647**	9,659
Singapore	**434**	2,154
Germany	**359**	188
	21,004,281	17,304,357

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Major customers

	FY2020	FY2019
	HK$'000	*HK$'000*
Customer 1**	**1,136,798**	1,139,784
Customer 2**	**727,410**	N/A*
Customer 3**	**588,419**	644,862

* 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

	FY2020	FY2019
	HK$'000	*HK$'000*
Construction service revenue from service concession arrangements	**2,794,395**	3,007,524
Finance income from service concession arrangements	**905,676**	796,192
Operation income from service concession arrangements	**1,825,176**	1,547,984
Construction contract revenue and technical service income	**138,045**	199,073
	5,663,292	5,550,773
Timing of revenue recognition:		
At a point in time	**103,376**	110,731
Over time	**4,654,240**	4,643,850
	4,757,616	4,754,581
Finance income from service concession arrangements	**905,676**	796,192
	5,663,292	5,550,773

The aggregated amount of construction service revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK$5,459,209,000 and HK$5,282,742,000 for the years ended 31 December 2020 and 2019 respectively.

5. OTHER INCOME AND GAINS, NET

	FY2020	FY2019
	HK$'000	*HK$'000*
Government grants*	**44,947**	21,536
Value-added tax ("VAT") refunds**	**44,762**	57,282
Fair value gain/(loss), net:		
Contingent consideration receivable	**(7,814)**	(646)
Other financial assets – unlisted investments	**(48,629)**	23,512
Other financial assets – unlisted equity investment	**883**	4,496
Dividend received from other financial assets	**1,929**	–
Sundry income	**16,990**	7,285
	53,068	113,465

* Government grants of HK$44,947,000 and HK$21,536,000 were granted during the years ended 31 December 2020 and 2019, respectively, to subsidise certain waste water treatment plants of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

** VAT refunds of HK$44,762,000 and HK$57,282,000 were received/receivable during the years ended 31 December 2020 and 2019, respectively, in relation to certain of the Group's environmental water projects in operation in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refunds. There is no assurance that the Group will continue to receive such tax refunds in the future.

6. NET FINANCE COSTS

	FY2020	FY2019
	HK$'000	*HK$'000*
Finance income		
Interest income on:		
Bank deposits	**15,141**	19,697
Amounts due from an associate	**666**	651
	15,807	20,348
Finance costs		
Interest expense on:		
Bank and other loans	**(212,682)**	(232,095)
Corporate bonds, ABS, and MTN	**(135,316)**	(122,415)
Lease liabilities	**(797)**	(777)
	(348,795)	(355,287)
Net finance costs	**(332,988)**	(334,939)

7. PROFIT BEFORE TAX

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

	FY2020	FY2019
	HK$'000	*HK$'000*
Depreciation*		
– property, plant and equipment	**16,633**	16,571
– right-of-use assets	**10,129**	6,979
Amortisation		
– intangible assets*	**72,536**	73,148
Loss on disposals of property, plant and equipment	**406**	933
Cost of construction services from service concession arrangements**	**2,113,912**	2,272,345
Research and development costs	**47,982**	41,112
Rental expense from short-term leases	**3,593**	5,349
Provision for impairment of trade receivables	**25,492**	17,314
Provision for impairment of other receivables	**3,342**	–
Provision for impairment of contract assets	**12,695**	–
Foreign exchange differences, net	**(7,072)**	13,618
Listing expenses	**–**	19,065
Employee benefit expense (including directors' remuneration)*:		
Wages, salaries, allowances and benefits in kind	**269,711**	278,529
Retirement scheme contributions	**55,229**	64,762
	324,940	343,291
Fees paid to auditor of the Company:		
Audit fees	**680**	680
Non-audit fees		
– Others	**270**	–
Fees paid to affiliates of auditor of the Company:		
Audit fees	**2,320**	2,400
Non-audit fees		
– Reporting accountant fees (included in listing expenses)	**–**	1,078
– Others	**2,393**	735

* Amortisation of intangible assets, depreciation and employee benefit expense in total of HK$232,419,000 and HK$242,043,000 for the years ended 31 December 2020 and 2019, respectively, are included in "Direct costs and operating expenses" in the consolidated statement of comprehensive income.

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

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

8. INCOME TAX

No provision for Singapore or Hong Kong income tax was made as the Group did not earn any income subject to Singapore or Hong Kong income tax during the years ended 31 December 2020 and 2019.

Tax for the PRC operations is charged at the statutory rate of 25% based on the assessable profits in accordance with the tax rules and regulations in the PRC. During the years ended 31 December 2020 and 2019, certain PRC subsidiaries of the Group were subject to a preferential tax rate of 15% pursuant to the relevant tax rules and regulations. During the years ended 31 December 2020 and 2019, certain PRC subsidiaries of the Group were subject to tax at half of the foregoing statutory rate or fully exempted from income tax pursuant to the relevant tax rules and regulations.

	FY2020	FY2019
	HK$'000	*HK$'000*
Current – PRC:		
Charge for the year	**205,721**	158,824
Underprovision/(overprovision) in prior years	**1,568**	(2,167)
Deferred	**189,633**	153,693
Total tax expense for the year	**396,922**	310,350

9. DIVIDENDS

	FY2020	FY2019
	HK$'000	*HK$'000*
Dividends for the financial year:		
Interim – 3.74 Hong Kong cents ("HK cents") (equivalent to 0.67 Singapore cent ("Sing cent")) (FY2019: HK3.74 cents (equivalent to 0.65 Sing cent)) per ordinary share	**106,964**	105,183
Proposed final – HK6.07 cents (equivalent to 1.04 Sing cents) (FY2019: HK3.74 cents (equivalent to 0.67 Sing cent)) per ordinary share	**173,655**	106,645
	280,619	211,828
Final dividend for the previous financial year which was paid during the financial year – HK3.74 cents (equivalent to 0.67 Sing cent) (FY2019: 0.50 Sing cent) per ordinary share	**106,645**	77,476

The proposed final dividend for FY2020 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 amount is based on the Group's profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year.

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

	FY2020	FY2019
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**1,024,271**	833,483
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**2,860,877**	2,772,099
	HK cents	*HK cents*
Basic and diluted earnings per share	**35.80**	30.07

11. TRADE AND OTHER RECEIVABLES

Group

	At 31 December 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Non-current		
Trade receivables	**–**	4,714
VAT receivables	**285,324**	93,539
Other receivables	**4,578**	7,458
Amounts due from an associate	**–**	8,181
	289,902	113,892
Current		
Trade receivables	**1,365,321**	971,831
Less: Impairment	**(97,246)**	(65,902)
	1,268,075	905,929
Other receivables and sundry deposits	**355,727**	254,116
Less: Impairment	**(3,521)**	–
	352,206	254,116
VAT receivables	**141,426**	153,908
Amounts due from an associate	**17,614**	7,587
Prepayments	**186,376**	85,425
	1,965,697	1,406,965
Contingent consideration receivable	**–**	7,708
	1,965,697	1,414,673
Total	**2,255,599**	1,528,565

The amounts due from an associate are unsecured and interest-bearing at a rate of 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 2020 *HK$'000*	At 31 December 2019 *HK$'000*
At the beginning of the year	**65,902**	49,888
Impairment losses recognised *(note 7)*	**25,492**	17,314
Exchange realignment	**5,852**	(1,300)
At the end of the year	**97,246**	65,902

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 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Within 1 month	**448,151**	517,087
More than 1 month but within 2 months	**125,719**	80,356
More than 2 months but within 4 months	**165,675**	71,936
More than 4 months but within 7 months	**106,074**	73,728
More than 7 months but within 13 months	**164,376**	56,103
More than 13 months	**258,080**	111,433
	1,268,075	910,643

Trade receivables are due within 30 to 90 days from the date of billing. Trade receivables past due amounting to HK$5,035,000 and HK$4,714,000 as at 31 December 2020 and 2019, respectively, will be settled by instalments in 2021 pursuant to the repayment schedules agreed by certain local government authorities.

Included in "Trade and other receivables" of the Group as at 31 December 2020 and 2019 were trade receivables of HK$1,268,075,000 and HK$910,643,000, respectively, of which (a) HK$25,068,000 and HK$70,615,000, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, (b) HK$13,596,000 and HK$11,072,000, respectively, were due from a related company of a non wholly-owned subsidiary, and (c) HK$61,525,000 and HK$57,803,000, respectively, were due from a fellow subsidiary.

Included in "Other receivables and sundry deposits" of the Group as at 31 December 2020 and 2019 were consideration receivables of HK$11,043,000 and HK$19,079,000, due from third parties arising from the disposals of service concession rights held by Suqian City Cheng Bei Water Treatment Co., Ltd. and Suqian City Cheng Bei Wastewater Treatment Co., Ltd. years ago, for which impairment of HK$3,521,000 was provided as at 31 December 2020 (31 December 2019: nil).

12. CONTRACT ASSETS

Group

	Notes	At **31 December 2020** *HK$'000*	At 31 December 2019 *HK$'000*
Non-current			
Service concession assets	*(a)*	**17,360,815**	14,144,440
Less: impairment	*(c)*	**(12,195)**	–
		17,348,620	14,144,440
Current			
Service concession assets	*(a)*	**1,679,084**	1,360,370
Less: impairment	*(c)*	**(1,179)**	–
		1,677,905	1,360,370
Other contract assets	*(b)*	**3,282**	28,835
		1,681,187	1,389,205
Total		**19,029,807**	15,533,645

(a) Included in "Contract assets" as at 31 December 2020 and 2019 are amounts of HK$549,290,000 and HK$542,172,000 respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK$789,747,000 and HK$730,733,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 31 December 2020 and 2019 totaling HK$19,039,899,000 and HK$15,504,810,000, respectively, bear interest at rates ranging from 4.90% to 7.83% and 4.90% to 7.83%, respectively, per annum. As at 31 December 2020 and 2019, HK$8,677,273,000 and HK$8,120,095,000, respectively, related to the service concession arrangements with operation commenced. The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables.

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

12. CONTRACT ASSETS *(continued)*

(c) Impairment assessment

As at 31 December 2020, HK$13,374,000 (31 December 2019: nil) 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 2020 *HK$'000*	At 31 December 2019 *HK$'000*
At the beginning of the year	**–**	–
Impairment losses recognised *(note 7)*	**12,695**	–
Exchange realignment	**679**	–
At the end of the year	**13,374**	–

As at 31 December 2020 and 2019, certain of the Group's concession rights of the environmental water projects (comprising concession rights of intangible assets, contract assets and trade receivables) with aggregated carrying amounts of HK$3,627,759,000 and HK$2,799,359,000, respectively, were pledged to secure the banking facilities granted to the Group and the issuance of the ABS.

13. OTHER FINANCIAL ASSETS

Group

	At 31 December 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Unlisted investments, at fair value	**409,147**	431,035
Unlisted equity investment, at fair value	**34,051**	31,010
	443,198	462,045

As at 31 December 2020 and 2019, the above unlisted investments were wealth management products issued by financial institutions in Hong Kong and the above unlisted equity investment represents the 6% equity interest in Yancheng CCCC Shanghai Dredging Water Environment Investment Co., Ltd.. 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 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Cash on hand and bank balances	**1,702,855**	2,052,250
Pledged bank deposits	**16,675**	22,553
	1,719,530	2,074,803

Included in "Cash and cash equivalents" of the Group as at 31 December 2020 and 2019 are deposits of HK$253,470,000 and HK$81,584,000, respectively, placed with a related party bank, which is a fellow subsidiary of the Company.

15. TRADE AND OTHER PAYABLES

Group

	At 31 December 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Trade payables	**1,796,446**	1,959,851
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	**17,025**	20,931
Interest payable	**85,745**	84,858
Payable for acquisition	**9,713**	9,094
Tax payables	**23,103**	27,690
Other creditors and accrued expenses	**608,906**	370,060
	2,540,938	2,472,484

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

Group

	At 31 December 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Within 6 months	**1,289,456**	1,525,166
Over 6 months	**506,990**	434,685
	1,796,446	1,959,851

15. TRADE AND OTHER PAYABLES *(continued)*

Trade payables totalling HK$1,085,901,000 and HK$1,627,065,000 as at 31 December 2020 and 2019, respectively, represent construction payables for the Group's build-operate-transfer, build-own-operate, and transfer-operate-transfer arrangements. The construction payables are not yet due for payment.

Included in "Trade payables" of the Group as at 31 December 2020 and 2019 were trade payables of HK$1,355,000 and HK$2,218,000, respectively, due to a non-controlling shareholder of a non wholly-owned subsidiary, which are unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling shareholder to its major customers.

Included in "Trade payables" of the Group as at 31 December 2020 and 2019 were trade payables of HK$6,962,000 and HK$8,361,000, respectively, due to an associate, which are unsecured, interest-free and repayable on credit terms similar to those offered by the associate to its major customers.

Included in "Other creditors and accrued expenses" of the Group as at 31 December 2020 and 2019 was a guarantee deposit of HK$14,148,000 and HK$14,240,000, respectively, from a former director of a subsidiary.

16. SHARE CAPITAL

Group and Company

	At 31 December 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$1.00 each	**10,000,000**	10,000,000
Issued and fully paid:		
2,860,876,723 ordinary shares of HK$1.00 each	**2,860,877**	2,860,877

	No. of shares ***'000***	**Amount** ***HK$'000***
Issued and fully paid:		
At 31 December 2019, 1 January 2020 and 31 December 2020	2,860,877	2,860,877

The Group and the Company did not have any treasury shares as at 31 December 2020 and 2019.

17. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2021, the Company announced its completion of the issuance of the second tranche of MTN to institutional investors in the inter-bank bond market of the PRC, with a principal amount of RMB1,000,000,000, a maturity period of 3 years and an interest rate of 3.75%. The proceeds from such issuance will be used to replenish working capital of the Company's subsidiaries.

On 21 January 2021, a subsidiary of the Company entered into certain agreements to purchase 65% equity interest in Tianjin Binhai New Area Huantang Sewage Treatment Co., Ltd. ("Tianjin Huantang") for a cash consideration of RMB666,335,724 (the "TJ Transaction"). After completion of the TJ Transaction, Tianjin Huantang will continue to hold and operate waste water treatment and reusable water projects with an aggregate daily water treatment capacity of 220,000 m^3 and will become a non-wholly owned subsidiary of the Company. Further details about the TJ Transaction are provided in the Company's announcement dated 22 January 2021.

On 25 January 2021, the Company announced that its subsidiary had entered into a supplementary agreement to secure the Huaiyin Eastern District Waste Water Treatment Project Phase II (the "Huaiyin Project Phase II") based on a build-operate-transfer model with an investment amount of approximately RMB150 million. The Huaiyin Project Phase II has a designed daily waste water treatment capacity of 50,000 m^3 and a concession period that will expire in July 2050. Its discharged water will comply with the national Grade 1A standard according to the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Operating Results

During FY2020, the unexpected outbreak and spread of the novel coronavirus ("COVID-19") added uncertainty to the complex international macro-environment. The PRC government fostered a new development paradigm with domestic circulation as the mainstay and the domestic and international circulations reinforcing each other. In the meantime, through effective pandemic control and sound progress in economic and social development, China has outshined other major global economies in achieving a stable economic recovery, boosting market vitality and ensuring people's livelihood. During the last year of the "13th Five-Year Plan", China accomplished the phased goal set for pollution prevention and control, significantly improving ecological and environmental quality. In addition, China achieved its 2020 carbon emission target ahead of schedule. During the year under review, despite the impact of the COVID-19 pandemic on various businesses to a varying degree, China reiterated the great attention it places on ecological and environmental management and protection. It rolled out a series of important policies and plans to further specify the focus of sub-sectors in the ecological and environmental protection industry in order to drive a rational and healthy industrial growth, propel the industry, unleash its potential and break new ground.

Amid the opportunities and challenges in the external environment, the Group, during the year under review, focused on the "Innovation-driven Development" ethos and upheld the business philosophy of "pursuing stability with good progress and seeking opportunities amid changes". It made a concerted effort to steadily forge ahead with market expansion, project construction, operations management and technological research and development ("R&D"). As a result, the Group made good progress in the synergy and development of asset-light and asset-heavy businesses, refined management and expansion of financing channels. In addition, the Group demonstrated a stable progress in its overall business, thereby further cementing its fully-fledged business coverage and full industry chain in the area of water environment management.

As at 31 December 2020, the Group invested in and held 138 environmental protection projects, commanding a total investment of approximately RMB24.68 billion. In addition, it undertook 3 engineering, procurement and construction ("EPC") projects, the total contract sum of which amounted to approximately RMB207 million, and 2 operation and management ("O&M") projects. A summary of the number of projects and water treatment/supply capacity is set out below:

Project Type[1]	Number of Projects	Water Treatment/ Supply Capacity (m^3/day)
Municipal waste water treatment projects[2]	107	5,175,000
Industrial waste water treatment projects[2]	13	181,000
Reusable water projects	7	196,600
River-basin ecological restoration projects	6	115,000
Water supply projects	3	250,000
Raw water protection project	1	600,000
Leachate treatment project	1	600
Waste water source heat pump projects	2	N/A
Total	**140**	**6,518,200**

Notes:

(1) EPC projects excluded

(2) O&M projects included

In terms of operating results, with steady operation in FY2020, the Group's revenue amounted to HK$5.66 billion, representing an increase of 2% from HK$5.55 billion in FY2019. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") increased by 17% from HK$1.65 billion in FY2019 to HK$1.93 billion in FY2020. Profit attributable to equity holders of the Company for FY2020 was HK$1,024.27 million, up 23% from HK$833.48 million recorded in FY2019. Basic earnings per share for FY2020 were HK35.80 cents, indicating an increase of HK5.73 cents from HK30.07 cents in FY2019. Gross profit margin stood at 39%, representing an increase of 5 percentage points from FY2019. The Group has ready access to diverse financing channels, holds quality assets and sufficient funds with a reasonable gearing ratio, and is in a healthy financial position.

In relation to market expansion, during the year under review, the Group focused on traditional business sectors like waste water treatment, and continued solidifying its market position in regions such as the Yangtze River Economic Belt and the Bohai Economic Rim. In FY2020, the Group secured 9 new projects, commanding a total investment of approximately RMB1.19 billion, in addition to 1 EPC project and 1 O&M project. Such projects contribute an additional designed daily waste water treatment capacity (inclusive of the O&M project and exclusive of the EPC project) of 290,000 m^3 and an additional daily reusable water supply capacity of 30,000 m^3.

In relation to project construction, during the year under review, the Group was dedicated to implementing the joint prevention and control mechanisms amid the COVID-19 pandemic, to achieve an effective pandemic control and business continuity. By ensuring the staff's health and safety, as well as complying with the relevant regulations of government authorities at all levels, the Group managed to proceed with its construction work in an orderly manner. In FY2020, the Group had 15 projects that commenced construction (inclusive of 1 EPC project), with a designed daily waste water treatment capacity of 340,000 m^3, a designed daily reusable water supply capacity of 83,000 m^3, and a designed daily water supply capacity of 600,000 m^3; a total of 8 projects completed construction and commenced operation, with a designed daily waste water treatment capacity of 230,000 m^3, a designed daily reusable water supply capacity of 40,000 m^3, and a designed daily sludge treatment capacity of 200 tonnes; 28 projects commenced construction in succession (inclusive of EPC projects), with a designed daily water treatment capacity of 1,371,500 m^3. As at 31 December 2020, the Group had 9 projects in the preparatory stage, with a designed daily water treatment capacity of 312,000 m^3.

In relation to operations management, during the year under review, the Group set "zero work safety accident and zero excessive discharge of pollutants" as its target, and ensured that its operating projects operated stably and were in compliance with the relevant discharge standards. During the critical period of the COVID-19 pandemic, the Group responded swiftly by carrying out effective pandemic prevention and control measures. Not only did the Group ensure zero infection of its staff, but also it established a multi-level managerial and coordination mechanism involving the headquarter, the regional management centers and the project companies. As a result, the Group's projects operated at full swing, providing high-quality water treatment services to the local communities. In addition, the Group continued undertaking various measures, including improving its rules and guidances, studying relevant policies, and exploring new controlling parameters and models, in order to further standardise its operations and refine its management. It organised various activities related to safe production, such as training and rehearsals, to strengthen the staff's safety awareness and build a strong line of defense for safe production. While enhancing the effort to implement the "Intelligent Water" management system, the Group published the "China Everbright Water Limited Intelligent Water Whitepaper", which analyses and discusses the application scenarios, technical options and implementation methods relating to "Intelligent Water" in the future. During the year under review, a total of 3 waste water treatment plants of the Group received regulatory approval for tariff hikes, ranging from 9% to 26%, and subsidies of RMB125.32 million in total were granted to the Group.

In relation to technological R&D, during the year under review, the Group adhered to the philosophy of "Innovation-driven Development" and leveraged on technologies to drive the development of asset-light businesses, boosting the effort in providing technology services and products for external markets. In FY2020, the Group secured a number of projects from internal and external clients to provide its in-house developed technological processes, with a total contract sum of approximately RMB168 million. Meanwhile, the Group proactively participated in the development of multiple industry standards, and constantly applied for the relevant qualifications. The Group's R&D subsidiary in Nanjing City was recognised as a technological research center for advanced waste water treatment technologies in the city, while the Group's Shenzhen subsidiary was recognised as a high-tech enterprise. During the year under review, the Group was granted 25 patents (including 22 utility models, 1 invention patent, 1 software copyright and 1 design patent).

In relation to the capital market, during the year under review, the Group achieved good progress in exploring various financing channels to facilitate its business development. In June 2020, the Company issued its first ABS to qualified investors in mainland China with a size of issue of RMB300 million (including the preference ABS and the subordinate ABS). The proceeds from the ABS issuance were used to replenish the working capital of the Group. In August 2020, the Company issued its first tranche of MTN, with a principal amount of RMB1 billion, to institutional investors in the inter-bank bond market in mainland China. The proceeds from the MTN issuance were used to replenish the working capital of the Company's subsidiaries. The issuance of the ABS and the first tranche of MTN helped optimise the Group's financing structure and kept its financial costs within a reasonable range. In addition, the Group continued its regular reviews on the loan structure and financing costs and made appropriate adjustment when necessary, laying a solid capital foundation for the Group's sustainable development in the future.

In addition to pursuing economic efficiency, the Group strived to fulfill its corporate social responsibility, staying committed to an all-win situation for the economy, society and environment. During the COVID-19 pandemic, the Group put the protection of water environmental safety as its top priority, and mobilised manpower and supplies to support its frontline staff to fight against the pandemic. It provided uninterrupted waste water treatment services in the project service areas and ensured the stable operation of all projects in compliance with the relevant discharge standards. At the same time, the Group helped the local governments to properly treat medical waste water and waste water from quarantined locations, which effectively prevented secondary virus transmission through waste water and other types of waste. In addition, the Group's project companies actively participated in local voluntary activities in relation to pandemic prevention and control. The Group donated money and supplies, and worked hand-in-hand with the local governments and communities to overcome difficulties. Given the regular pandemic control during the post-pandemic period, the Group has been more flexible and innovative in opening up its environmental protection facilities for public visits. Although the on-site public visits were suspended due to the pandemic, the Group's projects launched online activities to promote environmental protection, such as the webcast of the "Poetry Contest Themed with Environmental Protection on World Environment Day" and the "Science Popularisation Webinar about Pandemic". The project companies of the Group also continued to voluntarily organise regular charitable and public welfare activities, such as donations, charitable visits and poverty alleviation, and actively interacted with the local governments and communities to enhance mutual trust and support. During the year under review, the Group continued opening up its operating projects for public visits and received a total of 543 groups of more than 7,000 visitors from all walks of life.

During the year under review, the Group received a number of domestic and international awards through dedicated work and unremitting efforts in all aspects. The Group was recognised as one of the "Top 10 Influential Enterprises in China's Water Industry" for the third consecutive year; "The Edge Singapore's Billion Dollar Club 2020" awarded the Company the "Highest Growth in Profit After Tax Over Three Years Award" under the transportation and utilities sector in the Centurion Club Category; and multiple institutions including the Hong Kong stocks channel of "ifeng.com" and Hong Kong media "am730" jointly granted the Company the "ListCo Excellence Award 2020". On the project level, several waste water treatment projects of the Group in Jiangsu and Shandong Provinces were listed in the fourth batch of the "National Environmental Protection Facilities and Urban Waste Water and Waste Treatment Facilities Opened to the Public". There were also a number of operating projects selected as the environmental protection facilities opened to the public at the provincial and municipal levels.

The Company is committed to creating value for and sharing fruitful operating results with the Shareholders. The Board recommended a final dividend of HK6.07 cents (equivalent to 1.04 Sing cents) per ordinary share for FY2020 (FY2019: HK3.74 cents (equivalent to 0.67 Sing cent) per ordinary share), which makes the total dividend for FY2020 amount to HK9.81 cents (equivalent to 1.71 Sing cents) per ordinary share (FY2019: HK7.48 cents (equivalent to 1.32 Sing cents) per ordinary share).

Business Prospects

Stepping into 2021, the outlook of the global macroeconomy remains highly uncertain. The COVID-19 pandemic, trade tensions and economic downturn continue posing headwinds to the global macroeconomy. Nonetheless, China has achieved a rapid economic recovery in 2020 thanks to the effective prevention and control of the pandemic, and such momentum is expected to continue this year.

Amid the complicated global trends and the stable and improving domestic environment in China, China's "14th Five-Year Plan" and long-range goals for 2035 have clearly specified the requirements on ecological environmental protection. Carrying out works relating to peaking carbon dioxide emissions and achieving carbon neutrality have been recognised as one of the eight major tasks for 2021 at the Central Economic Work Conference, in particular the promotion of industrial transformation and upgrading as well as reduction of pollutants and carbon. The water environment management has been elevated to an unprecedented strategic level as an important mission of China's ecological conservation and pollution prevention and control. "High-quality development" will become a key focus for the water environment management industry and the relevant enterprises during the "14th Five-Year Plan" period.

It is undeniable that the world still has a long way to go in the COVID-19 battle. The Group will further improve and optimise the relevant rules, procedures and measures, on top of the existing regular pandemic prevention and control system, in order to be well prepared for any unexpected pandemic situations and also improve its safety management proficiencies at all levels in the long-term. In the meantime, the Group will make full efforts as always to protect the staff's health and safety, ensure stable operations of the projects, and safeguard the smooth progress of all construction works. By carrying out all works in an orderly manner, the Group will continue providing stable and high-quality water services to the local communities to safeguard the local water environment.

In this new year, amid uncertainties of the external environment, the Group will seize opportunities arising from the national policies, focusing on national strategic regions such as the Beijing-Tianjin-Hebei region, Bohai Economic Rim, Guangdong-Hong Kong-Macao Greater Bay Area, and Yangtze River Economic Belt; continue its optimisation of the asset-light and asset-heavy allocation to promote the steady improvement of its operating efficiency; pursue development that is led by innovation, in order to fully harness the strength of its technological R&D platform; and accelerate the development of digitalisation across the Group, strengthen refined management and create value by "resource recovery". The Group will leverage on its dual listing status in Singapore and Hong Kong to drive business integration with capital. With the continuous efforts of all the staff who work as a team to overcome challenges, the Group is confident that it will defeat all the obstacles, focus on innovation, forge ahead, and seize the opportunities to fully embark on a new journey of high-quality development.

Financial Review

In FY2020, the revenue of the Group increased by 2% to HK$5,663.29 million compared with the revenue of HK$5,550.77 million in FY2019. Gross profit of the Group increased from HK$1,892.44 million in FY2019 to HK$2,200.54 million in FY2020, representing an increase of 16%. The profit of the Group increased from HK$884.73 million in FY2019 to HK$1,086.36 million in FY2020, representing a rise of 23%. The profit attributable to equity holders of the Company in FY2020 amounted to HK$1,024.27 million, representing an increase of 23% over FY2019.

	FY2020 ***HK$'000*** **(Unaudited)**	FY2019 *HK$'000* (Unaudited)	Increase/ (decrease) %
Revenue for the first half year	**2,120,086**	2,485,366	(15%)
Profit for the first half year	**426,562**	448,734	(5%)
Revenue for the second half year	**3,543,206**	3,065,407	16%
Profit for the second half year	**659,802**	435,995	51%

Consolidated Statement of Comprehensive Income

Revenue

Overall, the Group's revenue increased by HK$112.52 million or 2%, from HK$5,550.77 million in FY2019 to HK$5,663.29 million in FY2020.

Construction service revenue amounted to HK$2,794.40 million in FY2020 (FY2019: HK$3,007.52 million). Construction service revenue dropped in FY2020 as compared to FY2019, mainly due to the slowing down of construction progress in the first half of FY2020 caused by the temporary policies issued by local PRC governments regarding postponement of work resumption and traffic restrictions to control the COVID-19 outbreak. Following the effective containment of the epidemic in China, such temporary policies were lifted. As at mid-April 2020, all the Group's construction projects resumed constructions.

Operation income in FY2020 increased by HK$277.19 million or 18% over FY2019. The increase in operation income was the result of (i) commencement of operation of new projects during FY2020; (ii) tariff hikes for several projects effected during FY2020; and (iii) reduction of VAT rate for waste water treatment business from 13% to 6% with effect from May 2020. In view of the nature of the Group's core business as public utilities, the COVID-19 outbreak had little impact on the operations of the Group's operating projects.

Direct costs and operating expenses

Direct costs and operating expenses decreased by HK$195.58 million or 5% from HK$3,658.33 million in FY2019 to HK$3,462.76 million in FY2020. The decrease in FY2020 was due to the slowing down of construction activities during FY2020 which is in line with the drop in construction service revenue in FY2020.

Gross profit margin

Overall gross profit margin in FY2020 increased to 39% (FY2019: 34%). The increase was mainly due to a lower portion of the sum of construction service revenue, construction contract revenue and technical service income recognized in the mix of the total revenue of FY2020 as compared to the preceding year. The sum of construction service revenue, construction contract revenue and technical service income comprised approximately 52% of total revenue in FY2020 (FY2019: 58%). In general, construction services, construction contract and technical services have a lower gross profit margin than operation services, and thus a smaller (larger) portion of construction service revenue, construction contract revenue and technical service income will increase (reduce) the overall gross profit margin.

Other income and gains, net

Other income and gains, net mainly consisted of VAT refunds, government grants, fair value change on financial assets at fair value through profit or loss, dividend received from other financial assets, and other sundry income. Other income and gains, net decreased by 53% to HK$53.07 million in FY2020 as compared with HK$113.47 million in FY2019. The decrease in other income and gains, net was mainly due to the recognition of fair value loss on other financial assets at fair value through profit or loss during FY2020 while a gain was recognised during FY2019. The breakdown of other income and gains, net was set out below.

	FY2020	FY2019
	HK$'000	*HK$'000*
Government grants	**44,947**	21,536
VAT refunds	**44,762**	57,282
Fair value gain/(loss), net:		
Contingent consideration receivable	**(7,814)**	(646)
Other financial assets – unlisted investment	**(48,629)**	23,512
Other financial assets – unlisted equity investment	**883**	4,496
Dividend received from other financial assets	**1,929**	–
Sundry income	**16,990**	7,285
	53,068	113,465

Administrative and other operating expenses

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

Other operating expenses for FY2020 were provision for impairment of trade receivables amounting to HK$25.49 million (FY2019: HK$17.31 million), provision for impairment of other receivables amounting to HK$3.34 million (FY2019: nil), and provision for impairment of contract assets amounting to HK$12.70 million (FY2019: nil).

Administrative and other operating expenses decreased by 7% from HK$476.50 million in FY2019 to HK$441.55 million in FY2020. This was mainly because such expenses in FY2019 included legal and professional fees incurred in connection with the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") in FY2019.

Administrative expenses for FY2020 included, *inter alia*, net loss on disposals of property, plant and equipment of HK$0.41 million (FY2019: HK$0.93 million).

Finance costs

Finance costs decreased slightly by HK$6.49 million or 2% from HK$355.29 million in FY2019 to HK$348.80 million in FY2020. Despite the increase in the average balance of borrowings in FY2020 over FY2019, the average interest rate of borrowings in FY2020 was substantially lower than that in FY2019 as the benchmark rates such as Loan Prime Rate, Hong Kong Interbank Offered Rate and London Inter-Bank Offered Rate had dropped in FY2020 due to the expansionary monetary policies in light of the COVID-19 pandemic.

Income tax

Income tax in FY2020 increased by 28% from HK$310.35 million in FY2019 to HK$396.92 million. The increase is in line with the increase in profits before tax.

Income tax for FY2020 included, *inter alia*, underprovision of income tax in respect of prior years amounting to HK$1.57 million (FY2019: overprovision of HK$2.17 million).

Consolidated Statement of Financial Position

As at 31 December 2020, the Group's total assets approximately amounted to HK$26.91 billion with net assets amounting to HK$11.41 billion. Net asset value per share attributable to equity holders of the Company was HK$3.68 per share, representing an increase of 19% as compared to HK$3.08 per share as at the end of 2019. As at 31 December 2020, gearing ratio (total liabilities over total assets) of the Group was 57.6%, which decreased slightly by 0.3 ppt* from 57.9% at the end of 2019.

Assets

The total assets of the Group increased from HK$22.68 billion as at 31 December 2019 to HK$26.91 billion as at 31 December 2020, representing a growth of 19%. The increase in total assets was mainly attributable to the net effect of (i) increase in contract assets, intangible assets, and trade and other receivables; and (ii) decrease in cash and cash equivalents.

Contract assets (including both current and non-current) increased from HK$15.53 billion as at 31 December 2019 to HK$19.03 billion as at 31 December 2020, while intangible assets increased from HK$1.66 billion as at 31 December 2019 to HK$1.88 billion as at 31 December 2020. The increase in contract assets and intangible assets was mainly attributable to the recognition of construction service revenue for expansion and upgrading projects for several waste water treatment plants, the raw water protection project and other water environment treatment projects during FY2020.

* *ppt – Percentage point*

Trade and other receivables (including both current and non-current) of the Group increased from HK$1.53 billion as at 31 December 2019 to HK$2.26 billion as at 31 December 2020. Among them, trade receivables increased by HK$357.43 million from HK$910.64 million as at 31 December 2019 to HK$1,268.08 million as at 31 December 2020, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during FY2020; and (ii) the slower pace of trade receivables settlement as compared to FY2019 due to the adverse impact of the COVID-19 pandemic during FY2020. Other receivables (including both current and non-current) increased by HK$369.60 million from HK$617.92 million as at 31 December 2019 to HK$987.52 million as at 31 December 2020, which was mainly driven by the increase in VAT receivable and payment of a deposit for the proposed purchase of equity interest in Tianjin Huantang.

Other financial assets as at 31 December 2020 amounted to HK$443.20 million which comprised unlisted investments of HK$409.15 million and unlisted equity investment of HK$34.05 million. The unlisted investments were wealth management products issued by financial institutions in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Liabilities

Total borrowings (including both current and non-current) increased by HK$1,998.44 million. The increase was mainly due to the issuance of MTN with net proceeds amounting to HK$1,120.14 million, issuance of ABS with net proceeds amounting to HK$320.43 million, and new bank loans amounting to approximately HK$2,665.73 million, offset by repayments of corporate bonds of HK$337.29 million, repayments of ABS of HK$41.60 million, and repayments of bank and other loans amounting to HK$2,164.95 million in FY2020 with the effect of exchange differences of borrowings.

The Group was in a net current asset position of HK$595.03 million as at 31 December 2020, representing an increase of HK$235.90 million from HK$359.13 million as at 31 December 2019.

Equity

The Group's total equity amounted to HK$11.41 billion as at 31 December 2020 (31 December 2019: HK$9.55 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HK$1,086.36 million in FY2020; (ii) foreign currency translation gain of HK$956.42 million arising from appreciation of RMB against HK$; (iii) decrease of HK$106.65 million in equity due to declaration and payment of 2019 final dividend; (iv) decrease of HK$106.96 million in equity due to declaration and payment of 2020 interim dividend; (v) decrease of HK$28.99 million in equity due to acquisition of a non-controlling interest of a subsidiary; and (vi) capital contributions of HK$56.92 million by non-controlling shareholders of subsidiaries during FY2020.

Consolidated Statement of Cash Flows

Cash and cash equivalents as per consolidated statement of cash flows decreased from HK$2.05 billion as at 31 December 2019 to HK$1.70 billion as at 31 December 2020. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At 31 December 2020	At 31 December 2019
	HK$'000	*HK$'000*
Cash and cash equivalents per consolidated statement of financial position	**1,719,530**	2,074,803
Less: Pledged bank deposits	**(16,675)**	(22,553)
Cash and cash equivalents per consolidated statement of cash flows	**1,702,855**	2,052,250

Cash flows from operating activities

The Group had cash inflow of HK$1,981.89 million (FY2019: HK$1,621.34 million) before the changes in working capital during FY2020. The changes in working capital resulted in cash outflow of HK$3,096.64 million in FY2020, and payment of income tax resulted in cash outflow of HK$207.59 million in FY2020. As a result, the Group recorded a net cash outflow of HK$1,322.35 million from operating activities in FY2020. The changes in working capital in FY2020 arose mainly from:

(i) the increase in inventories by HK$50.20 million;

(ii) the increase in contract assets by HK$2,327.40 million;

(iii) the increase in trade and other receivables by HK$635.24 million; and

(iv) the decrease in trade and other payables by HK$83.80 million.

Cash flows from investing activities

In FY2020, the Group recorded a net cash outflow of HK$165.97 million from investing activities. The net cash outflow mainly arose from:

(i) the payment of HK$18.48 million for the purchase of items of property, plant and equipment;

(ii) the payment of HK$164.51 million for the additions of intangible assets;

(iii) the receipt of dividend of HK$1.93 million from other financial assets; and

(iv) the receipt of interest of HK$15.81 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HK$1,033.62 million in FY2020. The net cash inflow was mainly caused by:

(i) the capital contributions from non-controlling shareholders of subsidiaries of HK$51.86 million;

(ii) the payment for consideration of HK$28.99 million for the acquisition of a non-controlling interest;

(iii) the repayments of corporate bonds of HK$337.29 million;

(iv) the receipt of net proceeds of HK$1,120.14 million from the issuance of MTN, net of related expenses paid;

(v) the receipt of net proceeds of HK$278.23 million after the issuance (net of related expenses paid) and the partly repayment of ABS;

(vi) the receipt of net proceeds of HK$500.78 million after the drawdown and the partly repayment of bank and other loans;

(vii) the payment of principal and interest elements of lease payments of HK$10.40 million;

(viii) the payment of interest of HK$334.33 million;

(ix) the decrease in pledged bank deposits of HK$7.04 million; and

(x) the payment of dividends to the Shareholders of HK$214.00 million.

Earnings Per Share

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

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

	FY2020	FY2019
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**1,024,271**	833,483
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**2,860,877**	2,772,099
	HK cents	*HK cents*
Basic and diluted earnings per share	**35.80**	30.07

Net Asset Value Per Share

	Group		**Company**	
	At 31 December 2020	At 31 December 2019	**At 31 December 2020**	At 31 December 2019
	HK$	*HK$*	***HK$***	*HK$*
Net asset value per ordinary share based on the issued share capital as at the end of the respective year	**3.68**	3.08	**3.72**	3.48

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

Financial Resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks, supplemented by funds raised from issuance of corporate bonds, ABS and MTN. As at 31 December 2020, the Group had cash and bank balances of HK$1.72 billion, representing a decrease of HK$355.27 million as compared to HK$2.07 billion at the end of 2019. Most of the Group's cash and bank balances, representing approximately 99%, was denominated in HK$ and RMB.

Borrowings of the Group

Amounts payable within one year or less, or on demand

At 31 December 2020		At 31 December 2019	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
217,228	**2,029,445**	224,274	1,786,282

Amounts payable after one year

At 31 December 2020		At 31 December 2019	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
1,658,100	**7,173,360**	1,307,594	5,761,546

The Group is dedicated to improving financing methods and increasing bank facility limit to reserve funding for developing the water environment management business. As at 31 December 2020, the Group had outstanding borrowings of HK$11.08 billion, representing an increase of HK$2.00 billion as compared to HK$9.08 billion as at the end of 2019. The borrowings included secured interest-bearing borrowings of HK$1.88 billion and unsecured interest-bearing borrowings of HK$9.20 billion. The borrowings are mainly denominated in RMB, representing approximately 64% of the total, and the remainder is denominated in HK$, United States dollars ("USD") and euros ("EUR"). Most of the borrowings are at floating rates. As at 31 December 2020, the Group had bank loan facilities of HK$12.79 billion, of which HK$5.78 billion have not been utilised. The bank loan facilities are of 1 to 21 years terms.

Foreign Exchange Risks

The Group mainly operates in the PRC. Currency exposure arises within entities of the Group when transactions are mainly denominated in foreign currencies such as USD, EUR, Singapore dollars ("SGD"), HK$ and RMB. In addition, the Group is exposed to currency translation risk upon translation of the new assets in foreign operations into the Group's reporting currency of HK$. During FY2020, the Group was affected by the changes in the exchange rates.

Pledge of Assets

Certain bank loan facilities and ABS of the Group as at 31 December 2020 and 2019 were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group's service concession arrangements and the equity interests in certain subsidiaries of the Company. As at 31 December 2020, the aggregate net book value of assets and equity interests in subsidiaries under pledge arrangements amounted to HK$4.68 billion.

Commitments

As at 31 December 2020, the Group had outstanding purchase commitments of HK$2.94 billion in connection with the construction contracts and an outstanding capital commitment of HK$24.73 million in connection with an unlisted equity investment.

Contingent Liabilities

As at 31 December 2020, the Company provided financial guarantees for 2 subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2020 for the provision of the guarantees was HK$989.14 million.

Interested Person Transactions Mandate and Aggregate Value of such Transactions

The Group obtained a general mandate (the "IPT Mandate") from the Shareholders for interested person transactions (the "IPTs") during its annual general meeting held on 12 April 2019 pursuant to Rule 920 of the listing manual (the "SGX Listing Manual") of Singapore Exchange Securities Trading Limited ("SGX"). The IPT Mandate was renewed during the Company's annual general meeting held on 10 June 2020. The aggregate value of the IPTs in excess of SGD100,000 during FY2020 are set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during FY2020 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during FY2020 (excluding transactions less than SGD100,000)
China Everbright Environment Group Limited (formerly known as China Everbright International Limited)	Controlling shareholder	Nil	HK$7,166,650 (equivalent to SGD1,273,279)
Sun Life Everbright Life Insurance Co., Ltd.	Associate of the controlling shareholder	Nil	HK$1,658,641 (equivalent to SGD294,686)

INTERNAL MANAGEMENT

Corporate management and risk control are of paramount importance in ensuring efficient, healthy and sustainable corporate development. The Group has established a sound management structure with five committees under the Board (the "Board Committees"), comprising the Audit Committee, the Remuneration Committee, the Nominating Committee, the Strategy Committee and the Management Committee. As the decision-making body for the Company's daily management, the Management Committee holds a meeting at least once a month to deliberate the matters regarding the Group's business and management, ensuring sustainable development of the Company. The Company has also set up various functional departments, including the Legal & Risk Management Department, the Internal Audit Department, the Finance Management Department, the Budget Management Department, the Human Resources Department, the Operations Management Department, the Safety & Environmental Management Department and the Investment & Development Department. Moreover, in response to business needs, the Group has also set up four regional management centres, in order to manage the Group's projects by region and create good synergies. The Group has continuously improved the internal management, established complete management systems and emergency response capacity, and fully implemented the Environmental, Safety, Health and Social Responsibility ("ESHS") Management System ("ESHS Management System") and the Risk Management System at all levels of the Group in order to standardise the management of all aspects in the process of project investment, construction and operations, identify and control risks, and enhance the overall operational efficiency and profitability. During the year under review, when facing the complex situation with diverse projects, a large number of personnel and heavy tasks under the severe COVID-19 pandemic, the Group applied effective and scientific pandemic prevention and control measures, issued targeted policies and strengthened implementation to achieve "zero infection" in the work area; it has overcome various internal and external unfavourable factors in ensuring continuous operations of operating projects to provide waste water treatment services and safeguarding environmental safety and health of residents.

HUMAN RESOURCE MANAGEMENT

Talent is the key resource for corporate development. The Group highly values its employees and puts great emphasis on talent training and development. During the year under review, the Group continued optimising the management structures at all levels, vigorously cultivating and selecting outstanding young management personnel, improving the assessment and evaluation as well as the discipline and motivation mechanism, further building the leadership capacity at all levels, improving the quality of candidates and employees, and continuously identifying and cultivating outstanding talents. The Group is dedicated to exploring various management models and carrying out rotation programs for the training purpose in pilot areas. In addition, the Group completed both online and offline training of the members in the "backup talent pool" in the second batch of "Yongquan Programme", in decentralized and concentrated forms, which achieved satisfying results. The Group also organized lectures and seminars to safeguard the empowerment and sustainable development of the Group.

As at 31 December 2020, the Group had 2,231 employees. Employees within the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary bonus, the Group also provides other benefits such as the pension funds as required by the laws and regulations in the relevant jurisdictions.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year under review, the Group continued enhancing its efforts in improving the risk management system to effectively control the risks that the Group faced. The principal risks that the Group faced during the year under review were policy changing risk, accounts receivable risk, financing management risk, engineering construction and operations management risks, technology and innovation risks, compliance risk, investment and market competition risks, internal control risk, staffing risk and cost control risk. In response to the above principal risks, the Group has implemented risk control measures and currently evaluates that the control measures are effective. During the year under review, due to the impact of the COVID-19 pandemic, the risk levels of accounts receivable risk and investment and market competition risks of the Group are on an upward trend. With reference to the implementation effect of the Group's internal control during the year under review and in the past, the risk level of compliance risk, internal control risk and staffing risk is each on a downward trend. Taking into account the complexity and diversity of the external factors of other principal risks which are beyond the Group's control, the risk level of such other principal risks each remains unchanged.

No.	Name of Risk	Whether the control measures are effective	Change of trend in risk level *(Note)*
1	Policy changing risk	Effective	→
2	Accounts receivable risk	Effective	↑
3	Financing management risk	Effective	→
4	Engineering construction and operations management risks	Effective	→
5	Technology and innovation risks	Effective	→
6	Compliance risk	Effective	↓
7	Investment and market competition risks	Effective	↑
8	Internal control risk	Effective	↓
9	Staffing risk	Effective	↓
10	Cost control risk	Effective	→

Note:

Change of trend in risk level:
→ means that the risk level remains unchanged;
↑ means that the risk level is on an upward trend;
↓ means that the risk level is on a downward trend.

1. Policy changing risk

The Group is subject to risks associated with changes in regulations and policies for waste water treatment, river-basin ecological restoration, sponge city construction, reusable water, water supply and waste water source heat pump businesses in the PRC. If the Group fails to effectively respond to the changes in the national policies in a timely manner, its performance will be adversely affected. The Group has been closely monitoring the changes in such policies and adjusting its development roadmap swiftly in accordance with such changes, to ensure achieving the Group's business goal of sustainable and stable development. During the year under review, the existing control measures are effective as a whole. However, the risk level remains unchanged due to the uncontrollability of the risk.

2. Accounts receivable risk

Because of its business model, the Group's business, financial condition, results of operations and prospects are affected by the revenue and creditworthiness of the customers of the Group's environmental water projects to a large extent. The Group's major customers are the local PRC governments where environmental water projects are located. During the year under review, the Group was subject to the increase in accounts receivable risk since the local PRC governments' financial capability was affected by the pandemic. The Group strengthened the management and collection of accounts receivables by analysing the accounts receivables on a regular basis, setting receivables recovery objectives and composing recovery plans, reviewing the recoverability of accounts receivables and actively communicating with various local governments. The existing control measures are effective as a whole. However, the risk level is on an upward trend since the pandemic is not over yet and economic recovery requires an objective process.

3. Financing management risk

Maintaining the Group's competitiveness and implementing growth strategies both require the Group to posess sufficient capital resources. During the year under review, the financial market was affected by the global COVID-19 pandemic with consistent changes in exchange rates, interest rates and financing conditions. During the year under review, the Group continued monitoring the changes in the domestic and overseas financing environment and the trend of the RMB exchange rate. The Group made adjustment to its financing structure in a timely manner and broadened the financing channels through the issuance of ABS and MTN. Through strict control of capital usage, the Group ensured that its capital reserves were sufficient and financing costs were controllable. The existing control measures are effective as a whole. However, the risk level remains unchanged since financing activities are affected by many different factors.

4. Engineering construction and operations management risks

The Group's revenue is mainly generated from the engineering construction and operations management of projects. At the beginning of the year under review, the construction progress of a number of the Group's construction projects was affected by the epidemic prevention and control arrangements imposed by various local PRC governments, and the construction and operation of the projects were burdened with epidemic prevention work. In order to cope with the relevant risks, the Group set up an epidemic response leading team to coordinate the epidemic prevention and control work of the entire company, formulated and issued relevant procedures in a timely manner, actively sourced epidemic prevention supplies through multiple channels and resumed construction in all respects in an orderly manner. During the year under review, the Group's construction progress resumed in an orderly manner after a short period of slowdown, and its operation and management were stable and improved with no occurrence of major risk events. The Group has accumulated intensive experience in construction and operations management through years of operation, but considering the Group had a large number of new construction and operation projects during the year under review and the fact that the pandemic is still ongoing, the level of such risk remains unchanged.

5. Technology and innovation risks

Along with the increasing importance of the construction of ecological civilization emphasized by the PRC government and the relevant government measures implemented every year aiming to building a beautiful China, the standards of the environmental water industry in the PRC may rise in the future. Large state-owned enterprises in other fields continued to enter the water environment management industry in the PRC during the year under review, resulting in intensified competition in the industry. To ensure that the Group can maintain its leading position in the water environment management industry, the Group continuously puts efforts on and resources in R&D and the identification of new technologies. During the year under review, the Group attached great importance to technological R&D and innovation, proactively brought in professional and technological talents and fostered the application of technological achievements to its projects, so as to pursue development driven by technology. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the fierce competition in the water environment management industry.

6. Compliance risk

Failure to strictly comply with the relevant laws and regulations of the PRC, the Rules Governing the Listing of Securities on the SEHK (the "SEHK Listing Rules"), the SGX Listing Manual and relevant industry norms, etc., may result in administrative penalties or legal proceedings against the Group in the relevant jurisdictions, which may adversely affect the reputation and operation of the Group. With years of internal and external control, the Group has established relatively comprehensive compliance and approval procedures, including the provision of safeguards through internal legal personnel and external legal experts. During the year under review, the Group strictly complied with the relevant laws and regulations with no occurrence of material compliance risk-related incidents. The existing control measures are effective as a whole with the risk level on a downward trend.

7. Investment and market competition risks

During the year under review, the COVID-19 pandemic resulted in the restriction of personnel mobility to a certain extent and a decline in fiscal revenue of the local PRC governments, which presented a challenge to the Group's business expansion. Meanwhile, a substantial influx of capital and competitors are seen in the water environment management industry in which the Group operates, causing intensified competition in the market, which may affect its business expansion and investment return of the Group's projects. During the year under review, the Group stepped up its efforts in business expansion through existing projects and achieved positive outcome. In addition, the Group proactively explored innovative business models and continuously focused on quality business expansion so as to achieve sustainable growth of the Group's businesses. The existing control measures are effective as a whole. However, the risk level is on an upward trend due to the macroeconomic environment including the continuance of the COVID-19 pandemic and the intensifying industry competition.

8. Internal control risk

The Group established an efficient and appropriate organisational structure to specify the duties of each level and the functional departments, set up special committees such as Risk Assessment Committee, Engineering and Technology Committee, Budget Management Committee and Procurement Management Committee, and strengthened specialised review of material matters. Through establishing a "three lines of defence" risk management mechanism comprising project companies, functional departments at the headquarters and the Internal Audit Department, effective risk management is achieved. During the year under review, the internal control measures of the Group were effective and no significant internal control risk event occurred. Considering the Group's comprehensive internal control, organisation structure and the relevant mechanisms in place, and that the actual risks are well controlled, the risk level is on a downward trend.

9. Staffing risk

The Group relies on the experience and ability of the Group's key management team and qualified staff to achieve stable and satisfactory operating results. The training of key staff, management and technical personnel is a cyclical process. With more and more new projects put into operation, there might be continual difficulties in the allocation of human resources. Besides, external recruitment can only meet part of the Group's demands for talents. As a result, the Group persists to the approach of the combination of internal training and external recruitment. During the year under review, the control measures are effective as a whole and the risk level is on a downward trend.

10. Cost control risk

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

ENVIRONMENTAL AND SOCIAL MANAGEMENT

The Group adheres to the concept of responsible and green operation, as well as attaches great importance to both the environmental and social impacts arising from its operations. During the COVID-19 pandemic, the Group promptly set up an epidemic response leading team, quickly deployed pandemic prevention and control measures and implemented effective and scientific pandemic control measures. It also actively implemented regular prevention and control measures in particular during the autumn and winter seasons and the major festivals and holidays which strengthened the pandemic control measures with unrelenting effort. Under the premise of ensuring the health and safety of its employees at various locations, the Group ensured the safe production, stable operations and compliant discharge of all projects and helped the local communities to prevent secondary virus transmission through waste water and other types of waste.

The Group has been actively evaluating and managing its environmental and social performance against internationally recognised standards, including the World Bank Group's Environmental, Health, and Safety Guidelines, and has been regularly submitting monitoring reports to International Finance Corporation ("IFC") since 2016. Most of the Group's projects have obtained or are actively applying for various related international management standard certificates, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and OHSAS 18001/ISO 45001 Occupational Health and Safety Management System. In addition, the Group's "Intelligent Water" information management system makes use of big data to improve the efficiency and accuracy of the operations system, to manage the entire production, management and service processes in a more refined and dynamic manner, and to improve the environmental and social performance of its projects with operations management on the basis of the full life cycle.

The operating and environmental performance of the Group's projects strictly adheres to relevant standards and requirements prescribed in their respective environmental impact assessment reports. The Group also takes into account the expectations of surrounding communities and implements appropriate and sufficient mitigation measures to resolve the "Not in My Back Yard Syndrome". The key regulations and standards which are highly relevant to the Group's business include the Environmental Protection Law of the PRC, Production Safety Law of the PRC, Labour Law of the PRC, Law of the PRC on Environmental Impact Assessment, Water Pollution Prevention and Control Law of the PRC, Marine Environment Protection Law of the PRC, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the PRC on Prevention and Control of Environmental Noise Pollution, Atmospheric Pollution Prevention and Control Law of the PRC, Discharge Standard for Pollutants of Municipal Wastewater Treatment Plants (GB18918-2002) and the applicable discharge standards for pollutants prescribed by local governments, etc. No breach of such laws and regulations which resulted in any significant loss or impact to the Group was recorded in FY2020.

With the aim of integrating policies and regulatory requirements into the operational practices, improving the entire environmental and social management process, as well as ensuring that the Group undertakes the health and safety responsibility relating to its products and services, the Group has implemented the ESHS Management System since 2016. In FY2020, the Group continued strengthening the implementation of the ESHS Management System and Risk Management System at the group level and across all project companies, standardising the management of all aspects throughout project investment, construction and operation, so as to optimise the environmental and social performance of the Group. The Group at all times abides by the principle of "compliance with discharge standards" to minimise the impact of harmful pollutants to the aquatic and terrestrial ecosystems. In the aspect of occupational health and safety, the Group placed "safe production" as its first priority and continued carrying out "Safe Production Month" initiative and fully implementing the "Three Zeros" goal (zero work safety accident, zero excessive discharge of pollutants and zero case for violation of regulations or discipline) through themed activities, training and education, safety inspection and emergency drills across all project companies. In addition, the Group included climate risks into its Risk Management System to formulate more comprehensive emergency and natural disaster contingency plans. During the COVID-19 pandemic, the Group implemented scientific prevention measures, achieved "zero infection" in the work area, ensured non-stop operations of operating projects to provide waste water treatment services, and safeguarded the environmental safety and health of residents.

Furthermore, the Group strives to provide the public with transparent, reliable and consistent environmental information associated with its project operations, such as environmental impact assessment reports, annual environmental monitoring plans, environmental assessment monitoring results and acceptance reports for completed projects, environmental emergency preparedness and response plans, monitoring results of waste water/air emissions/noise etc. The Group uploaded such information to its corporate website or the official websites designated by the local governments for public scrutiny.

At the same time, the Group actively responded to the requirements under the "Notice on Further Opening the National Environmental Protection Facilities and Urban Waste Water and Waste Treatment Facilities to the Public" issued by the Ministry of Ecology and Environment and the Ministry of Housing and Urban-Rural Development, and opened its waste water treatment facilities to the public. The Group is committed to developing itself into an advanced hub open to public for environmental education that provides on-site visits, practical learnings and technical trainings simultaneously. As at 31 December 2020, a total of 27 projects of the Group were officially opened to the public. During FY2020, these projects received in aggregate, 543 groups of visits with more than 7,000 visitors in total. Although the physical public visits were suspended for a while due to the COVID-19 pandemic, the Group's projects launched activities to promote environmental protection via online platforms, aiming to promote environmental protection concepts and relevant scientific knowledge to the public. The Group has implemented specific targets and policies for public opening of facilities. It is also committed to participating in national and international environmental protection and technology activities, as well as aligning with national policies to formulate policies for environmental protection open days, and encourages employees to live a low-carbon lifestyle. In addition, The Group's waste water treatment projects have received various awards and recognitions, such as the "Science Popularisation and Education Hub", "Environmental Education Hub" and "Practices Base for Ecological Civilisation Development".

CORPORATE GOVERNANCE

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

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 code provisions of the Corporate Governance Code (the "HK CG Code") as set out in Appendix 14 to the SEHK Listing Rules as part of its governance framework, in addition to the principles and provisions under Singapore Code of Corporate Governance 2018 (the "SG CG Code"). In the event of any conflicts between the SG CG Code and the HK CG Code, the Group will comply with the more stringent requirements. Throughout FY2020, the Company has complied with the HK CG Code and the SG CG Code.

The details of the Company's corporate governance practices will be set out in 2020 Annual Report.

BOARD COMMITTEES

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

Audit Committee

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

During FY2020, the members of the Audit Committee reviewed the (a) audited consolidated financial results of the Group for FY2019; and (b) the unaudited consolidated financial results of the Group for the six months ended 30 June 2020.

Remuneration Committee

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

During FY2020, the members of Remuneration Committee reviewed the 2019 remuneration payment and 2020 remuneration framework for the individual Directors and the Key Management Personnel (including senior management) of the Company.

Nominating Committee

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

Strategy Committee

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

Management Committee

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

DEALINGS IN THE SECURITIES

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

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

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

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

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

Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code and the Internal Code throughout FY2020.

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 HK6.07 cents (equivalent to 1.04 Sing cents) per ordinary share for FY2020, which is subject to the approval by the Shareholders at the forthcoming annual general meeting to be held on or around 27 April 2021 (Tuesday) (the "AGM").

Name of Dividend	FY2020 Proposed Final Dividend
Dividend Type	Cash
Dividend Amount	HK6.07 cents (equivalent to 1.04 Sing cents) per ordinary share
Tax Rate	One-Tier Tax Exempt

(b) Corresponding period of the immediately preceding financial year

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

(c) Date payable

Subject to the Shareholders' approval, the FY2020 Proposed Final Dividend will be paid on or around 17 May 2021 (Monday).

(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 FY2020 Proposed Final Dividend".

Annual General Meeting

The AGM is expected to be held on or around 27 April 2021 (Tuesday). The notice of the AGM will be published on the SGXNet and the websites of the Company and HKEx and despatched to the Shareholders in due course.

Closure of Register of Transfer and Register of Members

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

For Singapore Shareholders

The Register of Transfer and Register of Members of the Company will be closed at 5:00 p.m. on 22 April 2021 (Thursday) for the purpose of determining the entitlement of Singapore Shareholders to attend and vote at the AGM. Duly completed registrable transfers received by the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on 21 April 2021 (Wednesday) will be registered to determine Singapore Shareholders' entitlements to attend and vote at the AGM.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 22 April 2021 (Thursday) to 27 April 2021 (Tuesday), both days inclusive, for the purpose of determining the entitlement of Hong Kong Shareholders to attend and vote at the AGM. Duly completed registrable transfers of Shares received by the Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 21 April 2021 (Wednesday), will be registered to determine Hong Kong Shareholders' entitlements to attend and vote at the AGM.

(b) For determining the entitlement to the FY2020 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 30 April 2021 (Friday) being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the FY2020 Proposed Final Dividend.

Duly completed registrable transfers of Shares received by the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. (Singapore time) on 30 April 2021 (Friday) will be registered before entitlements to the FY2020 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 30 April 2021 (Friday) will rank for the FY2020 Proposed Final Dividend.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 3 May 2021 (Monday) to 5 May 2021 (Wednesday), 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 30 April 2021 (Friday) will be entitled to the FY2020 Proposed Final Dividend.

Duly completed registrable transfers of Shares received by the Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 30 April 2021 (Friday), will be registered before entitlements to the FY2020 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 2020.

Convertibles, Preference Shares and Treasury Shares

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 31 December 2020 and 2019. During the year ended 31 December 2020, 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

On 25 August 2020, the Company has, through its wholly-owned subsidiary, Everbright Water (Nanjing) Limited, increased its shareholding in Everbright Industrial Waste Water Treatment Nanjing Limited ("Nanjing IWWT") from 60% to 100% by acquiring the remaining 40% (the "Target Equity") from an independent third party, Nanjing Zhuohong Environmental Protection Technology Co., Ltd, with whom it had jointly incorporated Nanjing IWWT (the "Acquisition").

The purchase consideration for the Acquisition was RMB26 million (the "Purchase Consideration"). The Purchase Consideration was arrived at after good-faith negotiations on a willing-buyer and willing-seller basis, taking into account the net asset value represented by the Target Equity as at 31 March 2020, which was RMB20.336 million. The Purchase Consideration has been paid in full in lump sum in cash and funded entirely through internal resources.

Save as disclosed above, during FY2020, there was no acquisition or disposal of shares in subsidiaries ("Subsidiaries"), associated companies ("Associated Companies") of the Company or in any company which became or ceased to be a Subsidiary or Associated Company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A of the SGX Listing Manual.

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

None.

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

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a Director or chief executive officer or substantial Shareholder of the Company for the years ended 31 December 2020 and 2019.

Publication of Annual Results and Annual Report

The annual results announcement for FY2020 is published on the SGXNet (https://www.sgx.com) and the websites of the Company (https://www.ebwater.com/en/ir/reports.php) and HKEx (https://www.hkexnews.hk). The annual report of the Company for FY2020 containing, among others, all the information required by the SEHK Listing Rules and SGX Listing Manual will be published on the SGXNet and the websites of the Company and HKEx and despatched to the Shareholders in due course.

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

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

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

I, An Xuesong, do hereby confirm on behalf of the Board that to the best of our knowledge, nothing has come to the attention of the Board which may render the audited financial results of the Group for FY2020 to be false or misleading in any material aspect.

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

Hong Kong and Singapore, 25 February 2021

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

Independent Auditor's Report
For the financial year ended 31 December 2020

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 2020, the consolidated statement of changes in equity of the Group, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to present fairly, in all material respects of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 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 identify any inappropriate estimates. 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 *(continued)*

Recoverability of trade receivables

As at 31 December 2020, the Group had trade receivables amounting to HK$1,268,075,000, net of expected credit losses ("ECL") allowance of HK$97,246,000. The Group determines impairment losses by making debtor-specific assessment of ECL for credit impaired debtors and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for the remaining group of debtors taking into consideration impact arising from the COVID-19 pandemic.

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

How the matter was addressed in our audit *(continued)*

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

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

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

The key audit matter *(continued)*

Impairment assessment of goodwill

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

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

As at 31 December 2020, the goodwill carried in the Group's financial statements amounted to HK$1,295,475,000. Disclosures of goodwill are included in notes 2.4, 3 and 18 to the financial statements.

How the matter was addressed in our audit *(continued)*

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

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

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

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

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Alvin Phua Chun Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

25 February 2021