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CHINA EVERBRIGHT WATER LIMITED

中國光大水務有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

ANNOUNCEMENT ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Revenue increased by 22% to HK\$6,912,371,000 (FY2020: HK\$5,663,292,000)
- EBITDA increased by 16% to HK\$2,245,235,000 (FY2020: HK\$1,931,379,000)
- Profit before tax increased by 14% to HK\$1,687,894,000 (FY2020: HK\$1,483,286,000)
- Profit attributable to equity holders of the Company increased by 17% to HK\$1,200,329,000 (FY2020: HK\$1,024,271,000)
- Final dividend of HK6.83 cents (equivalent to 1.19 Sing cents) per ordinary share (FY2020: HK6.07 cents (equivalent to 1.04 Sing cents) per ordinary share). Total dividend for FY2021 of HK12.58 cents (equivalent to 2.20 Sing cents) per ordinary share (FY2020: HK9.81 cents (equivalent to 1.71 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 2021 (“FY2021”) (the “FY2021 Annual Results”), together with the comparative figures for the financial year ended 31 December 2020 (“FY2020”). Unless otherwise stated, the figures in FY2021 Annual Results are extracted from the consolidated financial statements of the Group for FY2021, 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 FY2021 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 FY2021 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 2021

		FY2021	FY2020	Increase/ (decrease)
	Notes	HK\$'000	HK\$'000	%
REVENUE	4	6,912,371	5,663,292	22%
Direct costs and operating expenses		<u>(4,110,782)</u>	<u>(3,462,756)</u>	19%
Gross profit		2,801,589	2,200,536	27%
Other income and (losses)/gains, net	5	(22,492)	53,068	(142%)
Administrative and other operating expenses		<u>(671,142)</u>	<u>(441,554)</u>	52%
Finance income	6	21,999	15,807	39%
Finance costs	6	(435,302)	(348,795)	25%
Share of profits and losses of associates		<u>(6,758)</u>	<u>4,224</u>	(260%)
PROFIT BEFORE TAX	7	1,687,894	1,483,286	14%
Income tax	8	<u>(404,908)</u>	<u>(396,922)</u>	2%
PROFIT FOR THE YEAR		<u>1,282,986</u>	<u>1,086,364</u>	18%
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		<u>507,007</u>	<u>956,424</u>	(47%)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>507,007</u>	<u>956,424</u>	(47%)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,789,993</u>	<u>2,042,788</u>	(12%)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)**For the year ended 31 December 2021*

	<i>Notes</i>	FY2021 HK\$'000	FY2020 HK\$'000	Increase/ (decrease) %
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Company		1,200,329	1,024,271	17%
Non-controlling interests		82,657	62,093	33%
		<u>1,282,986</u>	<u>1,086,364</u>	18%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Company		1,673,707	1,927,449	(13%)
Non-controlling interests		116,286	115,339	1%
		<u>1,789,993</u>	<u>2,042,788</u>	(12%)
EARNINGS PER SHARE				
ATTRIBUTABLE TO				
EQUITY HOLDERS				
OF THE COMPANY				
– Basic and diluted	<i>10</i>	<u>HK41.96 cents</u>	<u>HK35.80 cents</u>	17%

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Notes	Group		Company	
		31 December 2021 HK\$'000	31 December 2020 HK\$'000	31 December 2021 HK\$'000	31 December 2020 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment		1,043,532	152,855	-	5
Right-of-use assets		104,372	16,285	-	-
Investment properties		12,468	12,082	-	-
		1,160,372	181,222	-	5
Intangible assets		2,280,920	1,880,919	-	-
Goodwill		1,531,576	1,295,475	-	-
Interests in subsidiaries		-	-	11,505,621	10,880,417
Interests in associates		231	8,143	-	-
Other receivables	11	771,809	289,902	-	-
Contract assets	12	19,750,324	17,348,620	-	-
Other financial assets	13	36,122	443,198	-	409,147
Deferred tax assets		6,127	-	-	-
Total non-current assets		25,537,481	21,447,479	11,505,621	11,289,569
CURRENT ASSETS					
Inventories		70,189	93,641	-	-
Trade and other receivables	11	2,866,254	1,965,697	8,483,239	6,502,232
Contract assets	12	1,990,466	1,681,187	-	-
Other financial assets	13	222,880	-	222,880	-
Cash and cash equivalents	14	2,281,986	1,719,530	134,962	23,128
Total current assets		7,431,775	5,460,055	8,841,081	6,525,360

STATEMENTS OF FINANCIAL POSITION *(continued)*

As at 31 December 2021

	Notes	Group		Company	
		31 December 2021 HK\$'000	31 December 2020 HK\$'000	31 December 2021 HK\$'000	31 December 2020 HK\$'000
CURRENT LIABILITIES					
Trade and other payables	15	3,215,673	2,540,938	147,539	99,253
Borrowings		3,392,028	2,246,673	2,897,360	1,954,648
Tax payable		78,274	69,029	-	-
Lease liabilities		5,234	8,388	-	-
Total current liabilities		<u>6,691,209</u>	<u>4,865,028</u>	<u>3,044,899</u>	<u>2,053,901</u>
NET CURRENT ASSETS		<u>740,566</u>	<u>595,027</u>	<u>5,796,182</u>	<u>4,471,459</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,278,047</u>	<u>22,042,506</u>	<u>17,301,803</u>	<u>15,761,028</u>
NON-CURRENT LIABILITIES					
Borrowings		11,049,910	8,831,460	6,047,143	5,129,809
Deferred tax liabilities		2,063,737	1,801,819	-	-
Lease liabilities		1,168	3,368	-	-
Total non-current liabilities		<u>13,114,815</u>	<u>10,636,647</u>	<u>6,047,143</u>	<u>5,129,809</u>
NET ASSETS		<u>13,163,232</u>	<u>11,405,859</u>	<u>11,254,660</u>	<u>10,631,219</u>
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	16	2,860,877	2,860,877	2,860,877	2,860,877
Reserves		9,009,206	7,673,416	8,393,783	7,770,342
Non-controlling interests		11,870,083	10,534,293	11,254,660	10,631,219
		<u>1,293,149</u>	<u>871,566</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>13,163,232</u>	<u>11,405,859</u>	<u>11,254,660</u>	<u>10,631,219</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2020

	Attributable to equity holders of the Company									Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	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	
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	<u>2,860,877</u>	<u>1,599,765</u>	<u>125,211</u>	<u>524,810</u>	<u>1,229,302</u>	<u>8,203</u>	<u>4,186,125</u>	<u>10,534,293</u>	<u>871,566</u>	<u>11,405,859</u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Contributed surplus reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Company							
At 1 January 2021	2,860,877	389,715	(508,101)	7,639,082	64,953	184,693	10,631,219
Profit for the year	-	-	-	-	-	619,039	619,039
Foreign currency translation differences	-	-	342,319	-	-	-	342,319
2020 final dividend declared	-	-	-	-	-	(173,266)	(173,266)
2021 interim dividend declared	-	-	-	-	-	(164,651)	(164,651)
At 31 December 2021	<u>2,860,877</u>	<u>389,715</u>	<u>(165,782)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>465,815</u>	<u>11,254,660</u>
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	<u>2,860,877</u>	<u>389,715</u>	<u>(508,101)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>184,693</u>	<u>10,631,219</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	<i>Notes</i>	FY2021 HK\$'000	FY2020 HK\$'000
Cash flows from operating activities			
Profit before tax		1,687,894	1,483,286
Adjustments for:			
Depreciation of property, plant and equipment	7	50,297	16,633
Depreciation of right-of-use assets	7	12,616	10,129
Amortisation of intangible assets	7	59,126	72,536
Loss on disposals of property, plant and equipment	7	7,129	406
Loss on disposal of intangible assets	5	3,217	–
Loss on disposal of contract assets	5	33,045	–
Finance costs	6	435,302	348,795
Interest income	6	(21,999)	(15,807)
Share of profits and losses of associates		6,758	(4,224)
Gain from disposal of an associate		(2)	–
Fair value adjustment of contingent consideration receivable	5	–	7,814
Fair value changes of other financial assets, net	5	57,615	47,746
Dividend received from other financial assets	5	–	(1,929)
Provision for impairment of trade receivables, net	7	101,981	25,492
Provision for impairment of other receivables	7	16,451	3,342
Provision for impairment of contract assets	7	3,533	12,695
Effect of foreign exchange rates changes, net		26,837	(25,021)
Operating cash flows before working capital changes		2,479,800	1,981,893
Changes in working capital:			
Decrease/(increase) in inventories		34,252	(50,201)
Increase in contract assets		(2,324,253)	(2,327,398)
Increase in trade and other receivables		(784,941)	(635,243)
Increase/(decrease) in trade and other payables		125,605	(83,802)
Cash used in operations		(469,537)	(1,114,751)
People's Republic of China ("PRC") income tax paid		(199,604)	(207,594)
Net cash flows used in operating activities		(669,141)	(1,322,345)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**For the year ended 31 December 2021*

	<i>Notes</i>	FY2021 HK\$'000	FY2020 HK\$'000
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		(794,616)	–
Proceeds from disposal of an associate		1,222	–
Purchases of items of property, plant and equipment		(29,744)	(18,478)
Proceeds from disposals of property, plant and equipment		709	14
Payment for additions of intangible assets		(482,210)	(164,513)
Decrease/(increase) in amounts due from an associate		8,201	(733)
Decrease in other financial assets		137,577	–
Dividend received from other financial assets		–	1,929
Interest received		21,999	15,807
		<hr/>	<hr/>
Net cash flows used in investing activities		(1,136,862)	(165,974)
Cash flows from financing activities			
Capital contributions from non-controlling shareholders of subsidiaries		4,223	51,859
Acquisition of a non-controlling interest		–	(28,990)
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		1,199,392	1,120,135
Proceeds from the issuance of super and short-term commercial papers (“SCP”), net of related expenses paid		962,320	–
New bank loans		5,660,898	2,665,730
Repayments of corporate bonds		(14,615)	(337,290)
Repayments of ABS		(64,354)	(41,599)
Repayments of SCP		(962,320)	–
Repayments of bank loans		(3,706,012)	(2,164,948)
Interest paid		(380,488)	(334,334)
Principal elements of lease payments		(10,128)	(9,605)
Interest elements of lease payments	6	(456)	(797)
Decrease in pledged bank deposits		15,750	7,037
Dividends paid to the shareholders of the Company (the “Shareholders”)		(338,546)	(214,002)
Dividends paid to non-controlling shareholders of subsidiaries		(43,956)	–
		<hr/>	<hr/>
Net cash flows generated from financing activities		2,321,708	1,033,622
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1,702,855	2,052,250
Effect of exchange rate fluctuations on cash and cash equivalents, net		62,441	105,302
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		2,281,001	1,702,855

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 2020 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 2021 and 2020 included in this preliminary announcement of annual results 2021 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>COVID-19 Related Rent Concessions</i>

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

1. BASIS OF PREPARATION *(continued)*

(b) Amendment to IFRS 16 *COVID-19 Related Rent Concessions*

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the novel coronavirus (“COVID-19”) pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to IFRS 4	<i>Extension of the Temporary Exemption from Applying IFRS 9⁴</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies³</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts³</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information³</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds Before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract²</i>
Various IFRS Standards	<i>2018–2020 Annual Improvements to IFRS standards²</i>
Amendment to IFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021¹</i>

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet but available for adoption

3. OPERATING SEGMENT INFORMATION

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

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

Business segment

The Group had only one operating segment for the years ended 31 December 2021 and 2020, namely the water environment management business, the details of which are set out below:

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

Geographical information

(a) Revenue from external customers

	FY2021 HK\$'000	FY2020 HK\$'000
Mainland China	6,907,083	5,661,365
Germany	5,288	1,927
	<u>6,912,371</u>	<u>5,663,292</u>

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

(b) Non-current assets

	At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
Mainland China	25,497,214	20,997,841
Hong Kong	1,646	5,647
Singapore	2,237	434
Germany	262	359
	<u>25,501,359</u>	<u>21,004,281</u>

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Major customers

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Customer 1**	811,907	588,419
Customer 2**	709,115	1,136,798
Customer 3**	<u>N/A*</u>	<u>727,410</u>

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

** The customers are local government authorities.

4. REVENUE

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Construction service revenue from service concession arrangements	3,098,448	2,794,395
Finance income from service concession arrangements	1,068,040	905,676
Operation income from service concession arrangements	2,522,688	1,825,176
Construction contract revenue and technical service income	<u>223,195</u>	<u>138,045</u>
	<u>6,912,371</u>	<u>5,663,292</u>
Timing of revenue recognition		
At a point in time	127,607	103,376
Over time	<u>5,716,724</u>	<u>4,654,240</u>
	5,844,331	4,757,616
Finance income from service concession arrangements	<u>1,068,040</u>	<u>905,676</u>
	<u>6,912,371</u>	<u>5,663,292</u>

The aggregated amount of construction service revenue, finance income and operation income derived from the local government authorities in the PRC amounted to HK\$6,608,774,000 and HK\$5,459,209,000 for the years ended 31 December 2021 and 2020, respectively.

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

	FY2021 HK\$'000	FY2020 HK\$'000
Government grants*	50,011	44,947
Value-added tax (“VAT”) refunds**	9,324	44,762
Fair value gain/(loss), net:		
Contingent consideration receivable	–	(7,814)
Other financial assets – unlisted investments	(58,583)	(48,629)
Other financial assets – unlisted equity investment	968	883
Dividend received from other financial assets	–	1,929
Loss on disposal of intangible assets	(3,217)	–
Loss on disposal of contract assets	(33,045)	–
Gain from disposal of an associate	2	–
Sundry income	12,048	16,990
	<u>(22,492)</u>	<u>53,068</u>

* Government grants of HK\$50,011,000 and HK\$44,947,000 were granted during the years ended 31 December 2021 and 2020, respectively, to subsidise certain waste water treatment plants of the Group in the PRC. The receipt of such grants is not subject to any unfulfilled conditions or any other contingencies. There is no assurance that the Group will continue to receive such grants in the future.

** VAT refunds of HK\$9,324,000 and HK\$44,762,000 were received/receivable during the years ended 31 December 2021 and 2020, respectively, in relation to the Group’s certain environmental water projects in operation in the PRC. The receipt of such tax refunds is not subject to any unfulfilled conditions or any other contingencies. There is no assurance that the Group will continue to receive such tax refunds in the future.

6. NET FINANCE COSTS

	FY2021 HK\$'000	FY2020 HK\$'000
<u>Finance income</u>		
Interest income on:		
Bank deposits	21,289	15,141
Amounts due from an associate	710	666
	<u>21,999</u>	<u>15,807</u>
<u>Finance costs</u>		
Interest expense on:		
Bank and other loans	(226,603)	(212,682)
Corporate bonds, ABS, MTN and SCP	(208,243)	(135,316)
Lease liabilities	(456)	(797)
	<u>(435,302)</u>	<u>(348,795)</u>
Net finance costs	<u>(413,303)</u>	<u>(332,988)</u>

7. PROFIT BEFORE TAX

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

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Depreciation*		
– property, plant and equipment	50,297	16,633
– right-of-use assets	12,616	10,129
Amortisation		
– intangible assets*	59,126	72,536
Loss on disposals of property, plant and equipment	7,129	406
Loss on disposal of intangible assets	3,217	–
Loss on disposal of contract assets	33,045	–
Cost of construction services from service concession arrangements**	2,331,530	2,113,912
R&D costs	50,097	47,982
Rental expense from short-term leases	2,835	3,593
Provision for impairment of trade receivables, net	101,981	25,492
Provision for impairment of other receivables	16,451	3,342
Provision for impairment of contract assets	3,533	12,695
Foreign exchange differences, net	<u>3,691</u>	<u>(7,072)</u>
Employee benefit expense (including directors' remuneration)*:		
Wages, salaries, allowances and benefits in kind	394,917	269,711
Retirement scheme contributions	<u>124,512</u>	<u>55,229</u>
	<u>519,429</u>	<u>324,940</u>
Fees paid to auditor of the Company:		
Audit fees	720	680
Non-audit fees		
– Others	<u>–</u>	<u>270</u>
Fees paid to affiliates of auditor of the Company:		
Audit fees	2,660	2,320
Non-audit fees		
– Others	<u>1,620</u>	<u>2,393</u>

* Amortisation of intangible assets, depreciation and employee benefit expense in total of HK\$309,036,000 and HK\$232,419,000 for the years ended 31 December 2021 and 2020, 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 2021 and 2020.

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 2021 and 2020, 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 2021 and 2020, 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.

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Current – PRC:		
Charge for the year	220,030	205,721
(Overprovision)/underprovision in prior years	(16,766)	1,568
Deferred	201,644	189,633
	<hr/>	<hr/>
Total tax expense for the year	404,908	396,922
	<hr/>	<hr/>

9. DIVIDENDS

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Dividends for the financial year:		
Interim – 5.75 Hong Kong cents (“HK cents”) (equivalent to 1.01 Singapore cents (“Sing cents”)) (FY2020: HK3.74 cents (equivalent to 0.67 Sing cent)) per ordinary share	164,651	106,964
Proposed final – HK6.83 cents (equivalent to 1.19 Sing cents) (FY2020: HK6.07 cents (equivalent to 1.04 Sing cents)) per ordinary share	195,448	173,266
	<hr/>	<hr/>
	360,099	280,230
	<hr/>	<hr/>
Final dividend for the previous financial year which was paid during the financial year – HK6.07 cents (equivalent to 1.04 Sing cents) (FY2020: HK3.74 cents (equivalent to 0.67 Sing cent)) per ordinary share	173,266	106,645
	<hr/>	<hr/>

The proposed final dividend for FY2021 is subject to the approval of the Shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10. EARNINGS PER SHARE

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

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

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company	<u>1,200,329</u>	<u>1,024,271</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>41.96</u>	<u>35.80</u>

11. TRADE AND OTHER RECEIVABLES

Group

	At 31 December 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Non-current		
Other receivables	333,489	4,578
Less: Impairment	<u>(6,967)</u>	<u>–</u>
	326,522	4,578
VAT receivables	417,859	285,324
Prepayments	<u>27,428</u>	<u>–</u>
	<u>771,809</u>	<u>289,902</u>
Current		
Trade receivables	2,548,697	1,365,321
Less: Impairment	<u>(252,045)</u>	<u>(97,246)</u>
	2,296,652	1,268,075
Other receivables and sundry deposits	103,817	355,727
Less: Impairment	<u>(13,383)</u>	<u>(3,521)</u>
	90,434	352,206
VAT receivables	192,277	141,426
Amounts due from an associate	9,843	17,614
Prepayments	<u>277,048</u>	<u>186,376</u>
	<u>2,866,254</u>	<u>1,965,697</u>
Total	<u>3,638,063</u>	<u>2,255,599</u>

The amounts due from an associate are unsecured, repayable on demand and interest-bearing at a rate of 4.75% (31 December 2020: 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 2021 HK\$'000	At 31 December 2020 HK\$'000
At the beginning of the year	97,246	65,902
Impairment losses recognised (note 7)	149,289	25,492
Impairment losses reversed (note 7)	(47,308)	–
Reversal of previous write-off of impairment losses	47,308	–
Exchange realignment	5,510	5,852
	<u>252,045</u>	<u>97,246</u>

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

Group

	At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
At the beginning of the year	3,521	–
Impairment losses recognised (note 7)	16,451	3,342
Exchange realignment	378	179
	<u>20,350</u>	<u>3,521</u>

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

Group

	At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 1 month	553,679	448,151
More than 1 month but within 2 months	276,958	125,719
More than 2 months but within 4 months	235,831	165,675
More than 4 months but within 7 months	435,829	106,074
More than 7 months but within 13 months	498,179	164,376
More than 13 months	296,176	258,080
	<u>2,296,652</u>	<u>1,268,075</u>

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

Included in “Trade and other receivables” of the Group as at 31 December 2021 and 2020 were trade receivables of HK\$2,296,652,000 and HK\$1,268,075,000, respectively, of which (a) HK\$11,657,000 and HK\$25,068,000, respectively, were due from a non-controlling shareholder of a non wholly-owned subsidiary, (b) HK\$14,211,000 and HK\$13,596,000, respectively, were due from a related company of a non wholly-owned subsidiary, and (c) nil and HK\$61,525,000, respectively, were due from a fellow subsidiary.

11. TRADE AND OTHER RECEIVABLES (continued)

Included in “Other receivables and sundry deposits” of the Group as at 31 December 2021 and 2020 were government compensation receivables of HK\$19,381,000 and HK\$17,238,000, arising from compensation of sludge disposal cost as stipulated in the concession service agreement of Everbright Water (Beijing) Limited.

Included in “Other receivables and sundry deposits” of the Group as at 31 December 2021 and 2020 were consideration receivables of HK\$8,095,000 and HK\$11,043,000, due from third parties arising from the disposals of service concession rights held by Suqian City Cheng Bei Water Treatment Co., Ltd. and Suqian City Cheng Bei Wastewater Treatment Co., Ltd. years ago, for which impairment of HK\$2,382,000 was provided as at 31 December 2021 (31 December 2020: HK\$3,521,000).

12. CONTRACT ASSETS

Group

		At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000	At 1 January 2020 HK\$'000
	<i>Notes</i>			
Non-current				
Service concession assets	(a)	19,766,155	17,360,815	14,144,440
Less: impairment	(c)	(15,831)	(12,195)	–
		19,750,324	17,348,620	14,144,440
Current				
Service concession assets	(a)	1,949,143	1,679,084	1,360,370
Less: impairment	(c)	(1,561)	(1,179)	–
		1,947,582	1,677,905	1,360,370
Other contract assets	(b)	42,884	3,282	28,835
		1,990,466	1,681,187	1,389,205
Total		21,740,790	19,029,807	15,533,645

Notes:

- (a) Included in “Contract assets” as at 31 December 2021 and 2020 are amounts of HK\$534,155,000 and HK\$549,290,000 respectively, which are due from a non-controlling shareholder of a non wholly-owned subsidiary, and amounts of HK\$822,617,000 and HK\$789,747,000, respectively, which are due from a related company of a non wholly-owned subsidiary.

Contract assets as at 31 December 2021 and 2020 totalling HK\$21,715,298,000 and HK\$19,039,899,000, 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 2021 and 2020, HK\$11,218,763,000 and HK\$8,677,273,000, 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.

12. CONTRACT ASSETS (continued)

- (b) The balance as at 31 December 2021 and 2020 comprised contract assets arising from performance under construction management service contract. Such contracts include payment schedules which require stage payments over the service periods once milestones are reached.
- (c) Impairment assessment

As at 31 December 2021, HK\$17,392,000 (31 December 2020: HK\$13,374,000) was recognised as an allowance for expected credit losses on contract assets.

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

Group

	At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
At the beginning of the year	13,374	–
Impairment losses recognised (note 7)	3,533	12,695
Exchange realignment	485	679
	<u>17,392</u>	<u>13,374</u>

As at 31 December 2021 and 2020, certain of the Group's concession rights of the environmental water projects (comprising concession rights of intangible assets, contract assets and trade receivables) with aggregate carrying amounts of HK\$5,786,528,000 and HK\$3,627,759,000, respectively, were pledged to secure the banking facilities granted to the Group and the issuance of ABS.

13. OTHER FINANCIAL ASSETS

Group

	At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
Non-current		
Unlisted investments, at fair value	–	409,147
Unlisted equity investment, at fair value	36,122	34,051
	<u>36,122</u>	<u>443,198</u>
Current		
Unlisted investments, at fair value	(i) 222,880	–
	<u>222,880</u>	<u>–</u>
Total	<u>259,002</u>	<u>443,198</u>

Note:

- (i) The wealth management products are available for redemption at the option of the Group after the expiry of the applicable lock-up period.

13. OTHER FINANCIAL ASSETS (continued)

As at 31 December 2021 and 2020, 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 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Cash on hand and bank balances	2,281,001	1,702,855
Pledged bank deposits	985	16,675
	<u>2,281,986</u>	<u>1,719,530</u>

Included in “Cash and cash equivalents” of the Group as at 31 December 2021 and 2020 are deposits of HK\$199,771,000 and HK\$253,470,000, respectively, placed with a related party bank, which is a fellow subsidiary of the Company.

15. TRADE AND OTHER PAYABLES

Group

	At 31 December 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Trade payables	2,307,616	1,796,446
Dividend payable to a non-controlling shareholder of a non wholly-owned subsidiary	–	17,025
Interest payable	125,637	85,745
Payable for acquisition	10,023	9,713
Tax payables	30,977	23,103
Other creditors and accrued expenses	741,420	608,906
	<u>3,215,673</u>	<u>2,540,938</u>

15. TRADE AND OTHER PAYABLES (continued)

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

Group

	At 31 December 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Within 6 months	1,451,077	1,289,456
Over 6 months	<u>856,539</u>	<u>506,990</u>
	<u>2,307,616</u>	<u>1,796,446</u>

Trade payables totalling HK\$1,742,243,000 and HK\$1,085,901,000 as at 31 December 2021 and 2020, 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 2021 and 2020 were trade payables of HK\$80,889,000 and HK\$1,355,000, respectively, due to non-controlling shareholders of non wholly-owned subsidiaries, which are unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling shareholders to its major customers.

Included in “Trade payables” of the Group as at 31 December 2021 and 2020 were trade payables of HK\$12,970,000 and HK\$6,962,000, 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 2021 and 2020 was a guarantee deposit of HK\$14,102,000 and HK\$14,148,000, respectively, from a former director of a subsidiary.

Included in “Other creditors and accrued expenses” of the Group as at 31 December 2021 were other payables of HK\$228,468,000 (31 December 2020: nil), due to a non-controlling shareholder of a non wholly-owned subsidiary, which are unsecured, interest-bearing at the rates announced by the People’s Bank of China and repayable on demand.

16. SHARE CAPITAL

Group and Company

	At 31 December 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Authorised: 10,000,000,000 ordinary shares of par value of HK\$1.00 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid: 2,860,876,723 ordinary shares of par value of HK\$1.00 each	<u>2,860,877</u>	<u>2,860,877</u>
	No. of shares '000	Amount <i>HK\$'000</i>
Issued and fully paid: At 31 December 2020, 1 January 2021 and 31 December 2021	<u>2,860,877</u>	<u>2,860,877</u>

The Group and the Company did not have any treasury shares as at 31 December 2021 and 2020.

17. EVENTS AFTER THE REPORTING PERIOD

On 3 January 2022, the Company announced that it had entered into a concession agreement to secure Ji'nan International Centre for Medical Sciences Waste Water Treatment Project Phase I ("Ji'nan Medical Centre Project") based on a Build-Operate-Transfer model with an investment amount of approximately RMB319,519,000. Ji'nan Medical Centre Project has a designed daily municipal waste water treatment capacity of 50,000 m³ and a concession period of 30 years.

On 13 January 2022, the Company announced its completion of the issuance of second tranche of RMB-denominated SCP in mainland China with a principal amount of RMB1,000,000,000, an interest rate of 2.50% and a maturity period of 150 days. The proceeds from the second tranche of the SCP issuance were used to replenish working capital of the Company's subsidiaries.

On 25 February 2022, the Company announced the result of the resale exercise in respect of the third tranche RMB-denominated corporate bonds with an aggregate principal amount of RMB700,000,000 ("Third Tranche Corporate Bonds"). The Company had (i) repurchased Third Tranche Corporate Bonds with an aggregate value of RMB251,100,000 ("Repurchased Third Tranche Corporate Bonds"); and (ii) resold the Repurchased Third Tranche Corporate Bonds with an aggregate value of RMB251,100,000. Accordingly, there were no unsold Repurchased Third Tranche Corporate Bonds which required to be cancelled.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Operating Results

During FY2021, the ongoing COVID-19 pandemic has caused increasing challenges and complexity to the global macroeconomic environment. Despite various external pressure, China's economy continued demonstrating strong resilience and navigating through the new development outlook to pursue "high-quality development". This marked a good start to the "14th Five-Year Plan" period.

In the first year of the "14th Five-Year Plan", China successfully achieved all the eight binding targets in the areas of ecology and environment as set out in the national economic and social development plan. This demonstrates good progress in terms of the domestic ecological and environmental protection work and shows China's full attention and firm determination on environmental protection tasks. As the global sense of crisis and voices on climate change are getting stronger, promotion of green and low-carbon development has also become an important task in China's tough battle against pollution and climate change. Following China's strategic goals of "Peaking Carbon Dioxide Emission" and "Achieving Carbon Neutrality" ("Dual Carbons"), "Reducing Pollution and Carbon Emission" and "Boosting Synergy and Efficiency" have become key development themes for the water environment management sector and even the whole environmental protection industry.

Amidst the new landscape, new opportunities and new challenges, the Group, during the year under review, made steady progress with unremitting effort. Moreover, with the hard work and concerted effort, the Group has achieved fruitful results in the areas of market expansion, technological innovation, engineering and construction, operations management, safety and environmental management, among others. In the meantime, the Group has further developed its strategies which emphasise the "Innovation-driven Development" in various aspects such as business, management and R&D to nurture competitive businesses. During the year under review, the Group achieved steady operating results and continued solidifying its competitive advantages and market position in the water environment management sector.

As at 31 December 2021, the Group invested in and held 153 environmental protection projects, with a total investment of approximately RMB28.43 billion. In addition, it undertook 4 engineering, procurement and construction (“EPC”) projects and 3 operation and management (“O&M”) projects (including 1 overseas O&M project). A summary of the number of projects and water treatment/supply capacity is set out below:

Project Type⁽¹⁾	Number of Projects	Water Treatment/ Supply Capacity (m³/day)
Municipal waste water treatment projects ⁽²⁾	120	5,639,000
Industrial waste water treatment projects ⁽²⁾	15	206,000
Reusable water projects	8	250,600
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	<u>156</u>	<u>7,061,200</u>

Notes:

⁽¹⁾ Excluding EPC projects

⁽²⁾ Including O&M projects

In terms of operating results for FY2021, with its stable operating momentum, the Group recorded revenue of HK\$6.91 billion, representing an increase of 22% from HK\$5.66 billion for FY2020; earnings before interest, taxes, depreciation and amortisation (“EBITDA”) was HK\$2.25 billion, representing an increase of 16% from HK\$1.93 billion in FY2020; profit attributable to equity holders of the Company reached HK\$1.20 billion, representing an increase of 17% from HK\$1.02 billion in FY2020; basic earnings per share were HK41.96 cents, indicating an increase of HK6.16 cents or 17% from HK35.80 cents in FY2020; overall gross profit margin was 41%, up 2 percentage points (“ppt”) compared to FY2020. The Group has ready access to diverse financing channels with comprehensive long- and short-term financing tools, holds quality assets and sufficient funds with a reasonable gearing ratio, and is in a healthy financial position.

With respect to market development, the Group, during the year under review, firmly pursued “high-quality development” and made its first entry into the water markets in Tianjin Municipality, Hebei Province and Mauritius. Thereby, the Group has solidified its business footprint in China’s strategic regions such as the Beijing-Tianjin-Hebei region, and successfully entered the water market along the “Belt and Road” route, further expanding its business outlook. During the year under review, the purchase of 65% equity interest in Tianjin Binhai New Area Huantang Sewage Treatment Co., Ltd. (“Tianjin Huantang”) helped the Group tap into Tianjin’s water market and gain valuable experience in pursuing opportunities under the mixed-ownership reform of China’s state-owned enterprises; securing Hebei Cangzhou Huanghua Waste Water Treatment Plants Public-Private Partnership (“PPP”) Project enabled the Group to achieve comprehensive development in the Beijing-Tianjin-Hebei market; and securing the O&M project in relation to the Mauritius St. Martin Waste Water Treatment Plant, through the Company’s 80%-owned subsidiary E+B Umwelttechnik GmbH, marked an important milestone and a good start of the Group in developing overseas markets. Additionally, the Group, during the year under review, signed a framework agreement for Shandong Qingdao Madao Waste Water Treatment Plant Expansion and Upgrading Project, as part of its effort to transform the Group’s Qingdao Waste Water Treatment Project (Madao Plant) into an iconic “community-friendly” project that integrates high-quality water treatment facilities and a neighbourhood-friendly park. In FY2021, the Group secured 14 waste water treatment projects and 1 reusable water project, commanding a total investment of approximately RMB3.76 billion. The Group also undertook 1 EPC project and 1 overseas O&M project. These newly-secured projects contribute an additional designed daily waste water treatment capacity of 489,000 m³ (including capacity of the O&M project) and an additional designed daily reusable water supply capacity of 54,000 m³.

Against the backdrop of China’s “Dual Carbons” strategic goals, the Group has carried out the relevant research and pilot programmes relating to “Reducing Pollution and Carbon Emission” and “Boosting Synergy and Efficiency”, by leveraging on its own business characteristics and competitive strengths. The Group, during the year under review, proactively established working teams that specialised in six different areas, such as reusable water, in-plant solar energy and waste water source heat pump, to provide the necessary support for its future strategic development. Among them, the Group launched the in-plant solar energy pilot programme at its Shandong Zibo Waste Water Treatment Project. The solar energy facilities were successfully connected to the power grid in August 2021, which are expected to generate electricity to satisfy 9% of the project’s power consumption. This enables the Group to accumulate valuable experience to further promote such programmes in the future. In addition, the Group, during the year under review, participated in the first batch of pilot projects for monitoring and evaluation of greenhouse gas emissions, which was organised by the Ministry of Ecology and Environment of the PRC (“MEE”), to carry out water sample analysis and data collection for carbon calculation.

As for technological innovation, the Group continued focusing on the digital transformation which is driven by technological innovation, and has achieved good progress. The Group, during the year under review, further promoted its “Intelligent Water” management system. The application of various systems, such as smart inspection system and smart dosing system, has reduced the workload of frontline staff and enhanced the management proficiency of the water projects. In addition, the Group actively developed the “Intelligent Water” blueprint which covers various aspects including design and operations, and promoted the development of an information and supervisory system and the implementation of smart plants. The Group has widely applied the operations management system to more than 20 waste water treatment plants. In FY2021, the Group provided its in-house developed technological processes to its internal and external clients, with a total contract value of over RMB100 million. The Group, during the year under review, was granted 28 patents (including 1 invention patent, 25 utility models, and 2 software copyrights), and published 28 technical papers.

In terms of safety and environmental management, the Group is devoted to safeguarding the health and safety of individuals and the environment. It increases awareness of safety and environmental risk prevention and strictly complies with the requirements of “zero work safety accident, zero excessive discharge of pollutants, and zero case for violation of regulations or discipline”. The Group, during the year under review, comprehensively fostered the accountability of safety and environment, carried out the specified rectification tasks on safe production, and enhanced management and training relating to project safety and environmental protection. A solid foundation has been built for safe production and operation and compliance with emission standards.

In relation to project construction, the Group, during the year under review, firmly implemented measures to ensure safety and quality of project construction as well as pandemic prevention and control for the smooth progress of its project construction works. In FY2021, the Group had 6 projects that commenced construction, which have an aggregate designed daily waste water treatment capacity of 130,000 m³; 5 projects that completed construction (including EPC projects), which have an aggregate designed daily waste water treatment capacity of 72,500 m³; and 11 projects that completed construction and commenced operation, which have an aggregate designed daily waste water treatment capacity of 249,000 m³. As at 31 December 2021, the Group had 13 projects in the preparatory stage, with an aggregate designed daily water treatment capacity of 396,000 m³.

In relation to operations management, the Group continued exploring various opportunities to boost its operations management efficiency. The Group, during the year under review, proactively explored energy structure optimisation of waste water treatment plants by leveraging on its projects in operation. The Group co-operated with its partners to participate in market-based electricity transactions in Jiangsu and Shandong Provinces, effectively reducing the electricity cost. In FY2021, 9 waste water treatment plants of the Group received regulatory approval for tariff hikes, ranging from 4% to 58%; and subsidies of approximately RMB71.35 million in total were granted to the Group.

In relation to the capital market, the Group, during the year under review, continued with its flexibility in selecting suitable financing tools to match with its business development plan and keep its finance costs within a reasonable range. In January 2021, the Company issued the second tranche of MTN, with a principal amount of RMB1 billion and a subscription rate of 1.97 times; and in August 2021, the Company issued the first tranche of SCP, with a principal amount of RMB800 million. The funds raised from such financing arrangements effectively replenished the working capital of the Company's subsidiaries. While expanding its financing channels, the Group also reviewed its loan structure and finance costs on a regular basis, and made adjustments and improvements as and when appropriate, to provide solid capital protection for "high-quality development" in the future.

The Group highly values the concurrent enhancement of economic, social and environmental benefits as part of its business development, and therefore incorporating social and environmental responsibility initiatives into its day-to-day work. The Group, during the year under review, actively organised various online and offline charitable environmental protection activities in conjunction with several environmental protection-themed days, such as the "World Water Day", "Earth Day" and "World Environment Day". These activities have enhanced the local communities' knowledge and concepts on treasuring water resources and fostered a positive and interactive relationship with the local communities. In addition, the activities increased the local residents' understanding and recognition of environmental protection facilities. During the year under review, the Group's projects received more than 400 batches of visitors from all walks of life.

In view of its outstanding performance in business development, operations management and sustainability, the Group, during the year under review, received a number of awards from various well-known domestic and international organisations. The major awards are summarised as below:

Award	Awarding Organisation(s)
One of the Top 10 Influential Enterprises in China’s Water Industry (for the fourth consecutive year)	E20 Environment Platform
Award of Excellence in Corporate Governance (category for newly-listed companies)	The Hong Kong Corporate Governance and ESG Excellence Awards 2021 by organisations including the Chamber of Hong Kong Listed Companies (“CHKLC”)
Award of Excellence in ESG (category for newly-listed companies)	The Hong Kong Corporate Governance and ESG Excellence Awards 2021 by organisations including CHKLC
A Special Mention for ESG in the Non-Hang Seng Index (Small Market Capitalisation) Category	The Best Corporate Governance and ESG Awards 2021 organised by the Hong Kong Institute of Certified Public Accountants
ListCo Excellence Award 2021 (for the second consecutive year)	The annual “ListCo Excellence Awards” by organisations including Hong Kong stock channel of <i>ifeng.com</i> and Hong Kong media “ <i>am730</i> ”
The Group’s Jiangsu Zhenjiang Sponge City Construction PPP Project was shortlisted as Top 5 in the Building Back Better Infrastructure Award of UNECE and awarded an Honorary Mention	United Nations Economic Commission for Europe (“UNECE”)

Award	Awarding Organisation(s)
The project on “Key Technologies and Applications for Intelligent Monitoring and Optimal Operation of Municipal Waste Water Treatment Plants”, in which Everbright Water (Shenzhen) Limited joined as a key participant, received the second prize of the 2020 State Scientific and Technological Progress Award	The National Office for Science and Technology Awards
The whole process technology research on the construction of sponge city in Zhenjiang City received the third prize of the Huaxia Construction Science and Technology Award 2020	Huaxia Construction Science and Technology Award Committee
Several water projects of the Group in multiple places, including Jiangsu, Shandong and Henan Provinces, were shortlisted in the fourth batch of the National Environmental Protection Facilities and Urban Waste Water and Waste Treatment Facilities Opened to the Public	MEE and Ministry of Housing and Urban-Rural Development of the PRC
Second Prize at the “Narrators for Ecology and Environment” Competition	MEE

The Company remains dedicated to creating value for, and sharing fruitful operating results with the Shareholders. The Board recommended a final dividend of HK6.83 cents (equivalent to 1.19 Sing cents) per ordinary share to the Shareholders for FY2021 (FY2020: HK6.07 cents (equivalent to 1.04 Sing cents) per ordinary share), which makes the total dividend for FY2021 amount to HK12.58 cents (equivalent to 2.20 Sing cents) per ordinary share (FY2020: HK9.81 cents (equivalent to 1.71 Sing cents) per ordinary share).

Business Prospect

In 2022, the global macro-economic situation is expected to remain fluid and keep changing, due to the impact brought by several global issues, such as the COVID-19 pandemic, inflation and monetary policy adjustments. Notwithstanding the slowdown in the global economic recovery momentum and divergent recovery trajectories, China will continue responding to various changes with its stability. This is to ensure that its domestic social-economic development will move forward steadily, with the fundamentals remaining positive in the long term.

Despite the divergence in the economic recovery and policy tightening of different countries, governments around the world are firmly determined to promote “carbon emission reduction” in response to climate change, which is a pressing global issue. Following China’s proposal of “Dual Carbons” strategic goals, “carbon emission reduction” has been regarded as a strategic key task of ecological conservation. “Reducing Pollution and Carbon Emission” and “Boosting Synergy and Efficiency” will remain the key missions for the water environment management sector and the whole environmental protection industry. As the traditional water market gradually becomes saturated and more competitive, “Intelligent Water”, pipe network construction, sludge utilisation and other sub-sectors will open up new space for development and drive the industry to enhance its core competitiveness through technological upgrades, management optimisation and other measures. This will bring steady progress in terms of green and low-carbon transformation.

Marching into 2022, with both opportunities and challenges presenting, the Group is determined to adhere to the national strategies and overall industry trends, focus on stability, explore opportunities, be innovative, and work exceptionally hard. Focusing on “Carbon emission reduction”, the Group will proactively carry out pilot programmes, develop landmark projects, and explore industry-leading operation models, all of which are relating to low carbon. Focusing on the key areas such as the Yangtze River Economic Belt, Guangdong-Hong Kong-Macau Greater Bay Area, Beijing-Tianjin-Hebei region and the “Belt and Road” route, the Group will solidify its strength in the existing markets, actively expand its business footprint, and enhance the coordination and synergy among different regions. Following the consolidation and extension of the industrial chain, the Group will actively explore new businesses and new business models to expand new sources of business growth, while enhancing its competitiveness along the existing industry chain. The Group will work diligently and continuously to achieve its goals. In 2022, the Group will strive and forge ahead with determination towards the goal of becoming a water environment management company that is driven by green innovation.

Financial Review

In FY2021, the revenue of the Group increased by 22% to HK\$6,912.37 million compared with the revenue of HK\$5,663.29 million in FY2020. Gross profit of the Group increased from HK\$2,200.54 million in FY2020 to HK\$2,801.59 million in FY2021, representing an increase of 27%. The profit of the Group increased from HK\$1,086.36 million in FY2020 to HK\$1,282.99 million in FY2021, representing a rise of 18%. The profit attributable to equity holders of the Company in FY2021 amounted to HK\$1,200.33 million, representing an increase of 17% over FY2020.

	FY2021 HK\$'000 (Unaudited)	FY2020 <i>HK\$'000</i> (Unaudited)	Increase/ (decrease) %
Revenue for the first half year	3,112,935	2,120,086	47%
Profit for the first half year	577,134	426,562	35%
Revenue for the second half year	3,799,436	3,543,206	7%
Profit for the second half year	705,852	659,802	7%

Consolidated Statement of Comprehensive Income

Revenue

Overall, the Group's revenue increased by HK\$1,249.08 million or 22%, from HK\$5,663.29 million in FY2020 to HK\$6,912.37 million in FY2021.

Construction service revenue increased to HK\$3,098.45 million in FY2021 from HK\$2,794.40 million in FY2020, representing an increase of HK\$304.05 million or 11%. The increase in construction service revenue was mainly due to a smaller amount of construction service revenue being recorded for the first half of FY2020. The local Chinese government had issued temporary policies during the first half of FY2020 on the postponement of work resumptions and traffic restrictions to control the COVID-19 outbreak. This resulted in a slowing down of construction progress and a smaller amount of construction service revenue being recorded for the first half of FY2020. Following the effective containment of the epidemic in China, such temporary policies were lifted. As such, all the Group's construction projects have resumed construction since April 2020 and went smoothly in accordance with the schedule in FY2021. Therefore, the Group recorded a bigger amount of construction service revenue for FY2021.

Operation income increased by HK\$697.51 million or 38% over FY2020. The increase in operation income was the result of (i) commencement of operation of new projects during FY2021; (ii) tariff hikes for several projects effected during FY2021; and (iii) operation income contributed by Tianjin Huantang, the newly acquired subsidiary, since March 2021.

Direct costs and operating expenses

Direct costs and operating expenses increased by \$648.02 million or 19% from HK\$3,462.76 million in FY2020 to HK\$4,110.78 million in FY2021. Such increase in FY2021 was due to a smaller amount of direct costs and operating expenses being recorded for the first half of FY2020. As mentioned above, the slowing down of construction progress in the first half of FY2020 caused by the COVID-19 control measures had resulted in a smaller amount of construction service revenue and a smaller amount of construction costs being recorded for the first half of FY2020. Since April 2020, the Group resumed all its construction activities. Following the effective containment of the epidemic in China, the Group's construction activities went smoothly in accordance with its schedule in FY2021 and as such, the Group recorded a bigger amount of construction service revenue as well as a bigger amount of the construction costs in FY2021.

Gross profit margin

Overall gross profit margin in FY2021 increased to 41% (FY2020: 39%). The increase was mainly due to a lower portion of the sum of construction service revenue, construction contract revenue and technical service income recognised in the mix of the total revenue of FY2021 as compared to the preceding year. The sum of construction service revenue, construction contract revenue and technical service income comprised approximately 48% of total revenue in FY2021 (FY2020: 52%). 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 (losses)/gains, net

Other income and (losses)/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, losses on disposal of intangible assets and contract assets and other sundry income. Other income and (losses)/gains, net decreased by 142% to net losses of HK\$22.49 million in FY2021 as compared with net gains of HK\$53.07 million in FY2020. The decrease in other income and (losses)/gains, net was partly due to the significant drop in VAT refunds. Pursuant to the PRC's VAT incentive policy on comprehensive utilisation of resources, the Group's waste water treatment projects and reusable water projects are entitled to enjoy partial refund of VAT and accordingly, the Group recognises such VAT refunds as other income. The amount of VAT refunds is calculated based on the amount of VAT paid. With effect from May 2020, the VAT rate for waste water treatment industry in China has reduced from 13% to 6% and as such, the Group paid a less amount of VAT from then which in turn resulted in a decrease in VAT refunds. The decrease in other income and (losses)/gains, net was also partly attributable to the Group's recognition of a greater fair value loss on other financial assets at fair value through profit or loss during FY2021 than that for FY2020. The breakdown of other income and (losses)/gains, net was set out below.

	FY2021	FY2020
	HK\$'000	HK\$'000
Government grants	50,011	44,947
VAT refunds	9,324	44,762
Fair value gain/(loss), net:		
Contingent consideration receivable	–	(7,814)
Other financial assets – unlisted investment	(58,583)	(48,629)
Other financial assets – unlisted equity investment	968	883
Dividend received from other financial assets	–	1,929
Loss on disposal of intangible assets	(3,217)	–
Loss on disposal of contract assets	(33,045)	–
Gain from disposal of an associate	2	–
Sundry income	12,048	16,990
	(22,492)	53,068

Administrative and other operating expenses

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

Other operating expenses for FY2021 included (a) provision for impairment of trade receivables amounting to HK\$101.98 million (FY2020: HK\$25.49 million); (b) provision for impairment of other receivables amounting to HK\$16.45 million (FY2020: HK\$3.34 million); and (c) provision for impairment of contract assets amounting to HK\$3.53 million (FY2020: HK\$12.70 million). The increase of provision for impairment of trade receivables in FY2021 was mainly due to the slowdown of payment of water treatment service fees by local governments as a result of the COVID-19 pandemic, and the Group adopted a more prudent approach to assess the provision for impairment of trade receivables.

Other than the other operating expenses mentioned above, administrative expenses increased by 37% from HK\$400.02 million in FY2020 to HK\$549.18 million in FY2021. The increase of such expenses over FY2020 was mainly attributable to the increase in staff costs, business development expenses and other operating expenses which were incurred in relation to the business expansion of the Group and the acquisition of Tianjin Huantang which was completed in March 2021.

Administrative expenses for FY2021 included, *inter alia*, net loss on disposals of property, plant and equipment of HK\$7.13 million (FY2020: HK\$0.41 million).

Finance costs

Finance costs increased to HK\$435.30 million in FY2021 from HK\$348.80 million in FY2020. The increase was mainly due to the increase of the average balance of borrowings in FY2021 over FY2020, resulting from the issuance of the second tranche of RMB-denominated MTN of RMB1 billion in January 2021 and the first tranche of RMB-denominated SCP of RMB800 million in August 2021.

Income tax

Income tax in FY2021 increased by 2% from HK\$396.92 million in FY2020 to HK\$404.91 million.

Income tax for FY2021 included, *inter alia*, overprovision of income tax in respect of prior years amounting to HK\$16.77 million (FY2020: underprovision of HK\$1.57 million).

Consolidated Statement of Financial Position

As at 31 December 2021, the Group's total assets amounted to approximately HK\$32.97 billion with net assets amounting to HK\$13.16 billion. Net asset value per share attributable to equity holders of the Company was HK\$4.15 per share, representing an increase of 13% as compared to HK\$3.68 per share as at the end of 2020. As at 31 December 2021, the gearing ratio (total liabilities over total assets) of the Group was 60.1%, which increased by 2.5 ppt from 57.6% at the end of 2020.

Assets

Total assets of the Group increased from HK\$26.91 billion as at 31 December 2020 to HK\$32.97 billion as at 31 December 2021, representing a growth of 23%. The increase in total assets was mainly attributable to the increase in property, plant and equipment, right-of-use assets, intangible assets, goodwill, contract assets, and trade and other receivables.

Property, plant and equipment, right-of-use assets and goodwill increased from HK\$152.86 million, HK\$16.29 million and HK\$1,295.48 million as at 31 December 2020 to HK\$1,043.53 million, HK\$104.37 million and HK\$1,531.58 million as at 31 December 2021, respectively. Such increase was primarily due to the acquisition of Tianjin Huantang which was completed in March 2021.

Investment properties amounted to HK\$12.47 million as at 31 December 2021. Investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Contract assets (including both current and non-current) increased from HK\$19.03 billion as at 31 December 2020 to HK\$21.74 billion as at 31 December 2021, while intangible assets increased from HK\$1.88 billion as at 31 December 2020 to HK\$2.28 billion as at 31 December 2021. 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, raw water protection project and other water environment treatment projects during FY2021.

Trade and other receivables (including both current and non-current) of the Group increased from HK\$2.26 billion as at 31 December 2020 to HK\$3.64 billion as at 31 December 2021. Among them, trade receivables increased by HK\$1,028.58 million from HK\$1,268.08 million as at 31 December 2020 to HK\$2,296.65 million as at 31 December 2021, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during FY2021; and (ii) the consolidation of trade and other receivables of Tianjin Huantang resulting from the completion of its acquisition in March 2021. Other receivables (including current and non-current) increased by HK\$353.89 million from HK\$987.52 million as at 31 December 2020 to HK\$1,341.41 million as at 31 December 2021, which was driven by the increase in receivables on compensation on disposals of intangible assets and contract assets related to service concession arrangements, VAT receivables[#] and prepayments for construction works.

Other financial assets (including both current and non-current) as at 31 December 2021 amounted to HK\$259.00 million which comprised unlisted investments of HK\$222.88 million and unlisted equity investment of HK\$36.12 million. The unlisted investments were wealth management products issued by financial institutions in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Decrease in other financial assets by HK\$184.20 million is primarily due to redemption of one of the unlisted investments during FY2021 and recognition of net fair value losses of HK\$57.62 million for the year.

Liabilities

Total borrowings (including both current and non-current) increased by HK\$3,363.81 million. The increase was mainly due to the issuance of second tranche of MTN with net proceeds amounting to HK\$1,199.39 million, issuance of SCP with net proceeds amounting to HK\$962.32 million, and new bank loans amounting to approximately HK\$5,660.90 million, offset by repayments of corporate bonds of HK\$14.62 million, repayments of ABS of HK\$64.35 million, repayments of SCP of HK\$962.32 million, and repayments of bank loans amounting to HK\$3,706.01 million in FY2021 with the effect of exchange differences of borrowings.

The Group was in a net current asset position of HK\$740.57 million as at 31 December 2021, representing an increase of HK\$145.54 million from HK\$595.03 million as at 31 December 2020.

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

Equity

The Group's total equity amounted to HK\$13.16 billion as at 31 December 2021 (31 December 2020: HK\$11.41 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HK\$1,282.99 million in FY2021; (ii) foreign currency translation gain of HK\$507.01 million arising from appreciation of RMB against HK\$; (iii) decrease of HK\$173.27 million in equity due to declaration and payment of 2020 final dividend; (iv) decrease of HK\$164.65 million in equity due to declaration and payment of 2021 interim dividend; (v) increase of non-controlling interest of HK\$327.66 million in connection with the acquisition of Tianjin Huantang which was completed in March 2021; (vi) capital contribution of HK\$4.22 million by a non-controlling shareholder of a subsidiary during FY2021; and (vii) decrease of HK\$26.58 million due to distribution of dividends to non-controlling shareholders of subsidiaries during FY2021.

Consolidated Statement of Cash Flows

Cash and cash equivalents as per consolidated statement of cash flows increased from HK\$1.70 billion as at 31 December 2020 to HK\$2.28 billion as at 31 December 2021. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
Cash and cash equivalents		
per consolidated statement of financial position	2,281,986	1,719,530
Less: Pledged bank deposits	(985)	(16,675)
Cash and cash equivalents		
per consolidated statement of cash flows	<u>2,281,001</u>	<u>1,702,855</u>

Cash flows from operating activities

The Group had cash inflow of HK\$2,479.80 million (FY2020: HK\$1,981.89 million) before the changes in working capital during FY2021. The changes in working capital resulted in cash outflow of HK\$2,949.34 million in FY2021, and payment of income tax resulted in cash outflow of HK\$199.60 million in FY2021. As a result, the Group recorded a net cash outflow of HK\$669.14 million from operating activities in FY2021. The changes in working capital in FY2021 arose mainly from:

- (i) the decrease in inventories by HK\$34.25 million;
- (ii) the increase in contract assets by HK\$2,324.25 million;
- (iii) the increase in trade and other receivables by HK\$784.94 million; and
- (iv) the increase in trade and other payables by HK\$125.61 million.

Cash flows from investing activities

In FY2021, the Group recorded a net cash outflow of HK\$1,136.86 million from investing activities. The net cash outflow mainly arose from:

- (i) the payment for acquisition of a subsidiary (net of cash acquired) of HK\$794.62 million;
- (ii) the payment of HK\$29.74 million for the purchase of items of property, plant and equipment;
- (iii) the payment of HK\$482.21 million for the additions of intangible assets;
- (iv) the decrease in amounts due from an associate by HK\$8.20 million;
- (v) the receipt of proceeds from redemption of other financial assets amounted to HK\$137.58 million; and
- (vi) the receipt of interest of HK\$22.00 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HK\$2,321.71 million in FY2021. The net cash inflow was mainly caused by:

- (i) the capital contribution from a non-controlling shareholder of a subsidiary of HK\$4.22 million;
- (ii) the receipt of net proceeds of HK\$1,199.39 million from the issuance of MTN, net of related expenses paid;
- (iii) the repayment of corporate bonds of HK\$14.62 million;
- (iv) the repayment of ABS of HK\$64.35 million;
- (v) the receipt of net proceeds from bank loans of HK\$1,954.89 million;
- (vi) the payment of principal and interest elements of lease payments of HK\$10.58 million;
- (vii) the payment of interest of HK\$380.49 million;
- (viii) the decrease in pledged bank deposits of HK\$15.75 million;
- (ix) the payment of dividends to the Shareholders of HK\$338.55 million; and
- (x) the payment of dividends to non-controlling shareholders of subsidiaries of HK\$43.96 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.

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company	<u>1,200,329</u>	<u>1,024,271</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year	<u>2,860,877</u>	<u>2,860,877</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	<u>41.96</u>	<u>35.80</u>

Net Asset Value Per Share

	Group		Company	
	At	At	At	At
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective year	<u>4.15</u>	<u>3.68</u>	<u>3.93</u>	<u>3.72</u>

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

Financial Resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks, supplemented by funds raised from issuance of corporate bonds, ABS, MTN and SCP. As at 31 December 2021, the Group had cash and bank balances of HK\$2.28 billion, representing an increase of HK\$562.46 million as compared to HK\$1.72 billion at the end of 2020. Most of the Group's cash and bank balances, representing approximately 99%, was denominated in HK\$ and RMB.

Borrowings and Debt Securities of the Group

Amounts payable within one year or less, or on demand

At 31 December 2021		At 31 December 2020	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
385,514	3,006,514	217,228	2,029,445

Amounts payable after one year

At 31 December 2021		At 31 December 2020	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
2,121,674	8,928,236	1,658,100	7,173,360

The Group is dedicated to improving financing methods and increasing banking facility limit to reserve funding for developing the water environment management business. As at 31 December 2021, the Group had outstanding borrowings of HK\$14.44 billion, representing an increase of HK\$3.36 billion as compared to HK\$11.08 billion as at the end of 2020. The borrowings included secured interest-bearing borrowings of HK\$2.51 billion and unsecured interest-bearing borrowings of HK\$11.93 billion. The borrowings are mainly denominated in RMB, representing approximately 69% 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 2021, the Group had bank loan facilities of HK\$15.36 billion, of which HK\$6.26 billion have not been utilised. The bank loan facilities are of 1 to 17 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 FY2021, 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 2021 and 2020 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 2021, the aggregate net book value of assets and equity interests in subsidiaries under pledge arrangements amounted to HK\$8.51 billion.

Commitments

As at 31 December 2021, the Group had outstanding purchase commitments of HK\$1.70 billion in connection with the construction contracts and an outstanding capital commitment of HK\$25.52 million in connection with an unlisted equity investment.

Contingent Liabilities

As at 31 December 2021, the Company provided financial guarantees to two subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2021 for the provision of the guarantees was HK\$934.70 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”) in its annual general meeting held on 10 June 2020 pursuant to Rule 920 of the listing manual (the “SGX Listing Manual”) of Singapore Exchange Securities Trading Limited (“SGX”). The IPT Mandate was renewed in the Company’s annual general meeting held on 27 April 2021. The aggregate value of the IPTs in excess of SGD100,000 during FY2021 are set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs during FY2021 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during FY2021 (excluding transactions less than SGD100,000)
China Everbright Environment Group Limited	Controlling shareholder	Nil	HK\$7,392,000 (equivalent to SGD1,277,000)
Sun Life Everbright Life Insurance Co., Ltd.	Associate of the controlling shareholder	Nil	HK\$20,343,000 (equivalent to SGD3,515,000)

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 four committees under the Board (the “Board Committees”), comprising the Audit Committee, the Remuneration Committee, the Nominating Committee and the Strategy Committee. The Company has also established the Management Committee as the decision-making body for its daily management. The Management Committee holds a meeting at least once a month to deliberate the matters regarding the Group’s business and management, ensuring its sustainable development. The 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 General Management 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 its projects by region and create favourable synergies. The Group has continuously improved the internal management, established complete management systems and emergency response capacity, and fully implemented the Environmental, Safety, Health and Social Responsibility (“ESHS”) Management System (“ESHS Management System”) and the Risk Management System at all levels in order to standardise the management of all aspects in the process of project investment, construction and operations, identify and control risks, and enhance the overall operational efficiency and profitability. The Group has continued to promote the establishment and improvement of corporate governance and integrated compliance management into its business activities and processes. During the year under review, the Group established an investigation mechanism, conflict of interest mechanism relating to family members, anti-corruption mechanism and accountability system, and clarified the relevant rules in the “Sunshine Declaration” signed with the suppliers. Accordingly, the suppliers can report the misconduct of the Group’s employees in accordance with the channels provided in the agreement in order to assist the Group to supervise the integrity of its employees. This has further regulated the operation of the Group and enhanced its corporate governance.

HUMAN RESOURCE MANAGEMENT

The Group highly values its employees and adheres to the “People-Oriented” philosophy and competency-based recruitment approach. Additionally, the Group evaluates its employees based on their integrity, knowledge, ability and performance, and establishes an open, competitive and merit-based recruitment mechanism. During the year under review, the Company has established an evaluation model assessing the employees’ competency level and ability to perform their duties. Such model is to effectively identify outstanding high-potential talents. Moreover, the Company continuously summarised its human resources (“HR”) management experiences, optimised HR management systems, established HR management information systems, and improved the proficiency of the management team. These measures assure the Company’s sustainable development.

The Group puts great emphasis on talent training. Based on its strategic development goal, the Company has organised comprehensive trainings to enhance the capability of its employees in all kinds of positions as well as the development courses and management courses to enhance their vocational skill. The Company has established its internal trainer team to enhance the professional skill and comprehensive quality of its employees by adopting diversified methods of online and offline training. The Company has steadily developed its talent pool comprising various professionals so as to provide internal assurance and support for its long-term development.

The Group cares for its employees and always puts employees’ personal safety as priority. Following the ongoing global pandemic, the Group quickly adopted prevention measures and actively coordinated various resources to provide its employees with adequate preventive and protective materials and conduct health testing to safeguard employees’ safety and health.

As at 31 December 2021, the Group had 2,318 employees, who are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from discretionary bonuses, the Group also provides employees with other benefits such as setting up and maintaining a pension scheme pursuant to the laws and regulations in the relevant jurisdictions. During the year under review, in order to further enhance the employee’s sense of belongings and improve medical and health protection schemes, the Group purchased long-term medical insurance and health protection plan for eligible employees. In addition, the Group is committed to providing all employees with equal opportunities in various aspects and making efforts to employees’ continuous education to keep improving employees’ knowledge, skill and engagement.

PRINCIPAL RISKS AND UNCERTAINTIES

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

During the year under review, the PRC government proposed its targets on “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”, and issued multiple policies on the eco-environment-oriented development (the “EOD”) model. Amidst the new opportunities and challenges presented to the domestic environmental water industry in China, seeking differentiated products and services and discovering new business growth points have become the common issues of major water enterprises. Therefore, the new business investment and market competition risks faced by the Group are on an upward trend. Given the effect of the implementation of internal controls throughout the Group during the year under review and the past years and taking into account the complexity and diversity of external factors of other key risks which are beyond the Group’s control, the risk levels of other key risks remain unchanged during the year under review.

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

Note:

Change of trend in risk level:

- means that the risk level remains unchanged;
- ↑ means that the risk level is on an upward trend.

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

1. Policy Changing Risk

The Group is subject to risks associated with changes in regulations and policies in respect of waste water treatment, river-basin ecological restoration, sponge city construction, reusable water, water supply and waste water source heat pump projects in the PRC. During the year under review, the PRC government issued a number of policy documents on the EOD model. This has enabled the EOD model to become a new research headline in the environmental water industry after “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”. In order to maintain its leading position in the environmental water industry and maintain its stable business growth, the Group is required to continuously monitor the PRC government’s environmental policies, and study changes in the market and new industry patterns. During the year under review, the Group actively responded to the PRC government’s policies by setting up special teams to study topics such as reduction of pollutants and carbon and carrying out pilot projects such as water resource utilisation and solar energy, while closely monitoring the changes in government policies and market. The existing control measures are effective as a whole and the risk level remains unchanged.

2. New Business Investment and Market Competition Risks

With the intense market competition faced by traditional water projects, the Group needs to expand new business investments. Massive capital and numerous competitors are entering the environmental water industry where the Group operates. If the Group fails to effectively analyse and predict market trends and industry developments in the future, or fails to effectively integrate existing resources based on its own advantages, it will lead to unsatisfactory investment return or unapparent competitive advantages. During the year under review, the Group strengthened its efforts in research and expansion on new businesses and actively explored development opportunities, such as suitable merger and acquisition opportunities, overseas environmental water projects and new business models. The existing control measures are effective as a whole. However, the risk level is on an upward trend due to the intensifying competition of the environmental water industry in China and the direction of new policies issued by the PRC government during the year under review.

3. Environmental Compliance and Safe Production Management Risks

During the year under review, the Group was able to control the environmental compliance and safe production management risks, and no major risk incident took place. During the year under review, the PRC government issued and revised various laws and regulations to strengthen the supervisory and enforcement power on environmental compliance and safe production management. This has resulted in the tightening of external regulations. As such and following the increasing number of its construction and operation projects, the Group was exposed to increasingly stringent pressure in environmental compliance and safe production management. If any incident (such as excessive discharge of pollutants or unsatisfactory safety management) caused by the external environment or any human factors occurs, the Group might be subject to liabilities such as administrative penalties, which might affect its reputation and revenue. The existing control measures are effective as a whole. However, the risk level remains unchanged since the Group has a large number of construction and operation projects.

4. Accounts Receivable Risk

Due to its business model, the business, financial condition, operating results and prospects of the Group are significantly affected by the revenue and creditworthiness of the customers of the Group's environmental water projects. If the customers' abilities to settle service charges are affected due to financial difficulties, or the customers delay their payment of service charges, the Group's capital management and profit may be affected. The major customers of the Group are local PRC governments of the places where the environmental water projects are located. During the year under review, the Group was still subject to high accounts receivable risk since the local PRC governments' financial capability was affected by the COVID-19 pandemic. The Group has put in place various measures to strengthen the recovery of accounts receivable. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the uncontrollability of the relevant factors.

5. Engineering Management Risk

Engineering management risk refers to the mismanagement in different areas, such as the safety, quality, progress and budget of engineering constructions, that potentially leads to losses. Such mismanagement could be due to insufficient staff, tight timelines, and failure of contractors to supervise the participating units properly. In relation to the environmental water industry where the Group operates, engineering construction is the paramount factor in ensuring the subsequent stable and up-to-standard operation and cost control of projects. The Group has closely monitored the engineering management, and no major risk incident took place during the year under review. The existing control measures are effective as a whole. However, the risk level remains unchanged due to the large amount of business and a lot of construction units and staff involved as well as the continuity of the COVID-19 pandemic prevention and control.

6. Staffing Risk

The Group relies on the experience and capability of its key management team and qualified staff in managing different businesses. The training of key staff, management and technical personnel is a cyclical process. Due to its business development and the increasingly competitive conditions in the environmental water industry, the Group needs to bring in suitable management and technical talents as and when appropriate to ensure the stable development of the Group's businesses. During the year under review, the Group remained dedicated to talent training and recruitment, implemented management systems such as "Measures on Management of Reserve Talents" and "Measures on Assessment and Recruitment of Professional and Technical Staff", established and refreshed the talent pool, organised professional training regularly, and strengthened the effort on external recruitment for a few relatively remote projects. The existing control measures are effective as a whole, and during the year under review, the team was stable and all relevant works were carried out in an orderly manner. The risk level remains unchanged.

7. Financing Management Risk

In order to maintain its competitiveness and implement growth strategies, the Group is required to have sufficient capital resources. In view of the industry model, the Group spends a large sum of monies in construction during the early stage of projects and gradually receives cash flow during the operation process at the later stage. If it fails to reasonably control the finance cost or fails to obtain a reasonable amount of financings from the financial market as and when needed, the Group may face difficulties in carrying out business and achieving its profit target. To ensure that the Group maintains a sufficient capital reserve and good control of finance cost, the Group, during the year under review, continued monitoring the domestic and overseas financing environment and the trend of the RMB exchange rate, adjusting the Group's borrowing structure as appropriate, and strictly controlling the use of capital. The existing control measures are effective as a whole and the risk level remains unchanged.

8. Cost Control Risk

The Group's business involves engineering construction and operation relating to environmental water projects. Substantial changes in the costs of relevant raw materials, energy, financing and labour would adversely affect the profit of the Group. During the year under review, due to the COVID-19 pandemic and relevant policy adjustments by the PRC government, the prices of certain raw materials and energy required for the Group's construction and operation substantially fluctuated. This led to an adverse impact on the Group's cost control. The Group continuously optimised the tender and procurement systems and procedures, and adopted various measures to control procurement costs and ensure procurement quality. In addition, it strengthened budget management, strictly controlled project investment and operation costs, and conducted regular evaluations. The existing control measures are effective as a whole and the risk level remains unchanged.

9. Technology and Innovation Risks

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

10. Compliance Risk

The Group has established a relatively comprehensive compliance procedure, including the provision of effective legal protection through internal legal personnel and external legal experts, to ensure relevant matters are effectively reviewed and handled. During the year under review, the Group strictly complied with the requirements of the relevant PRC laws and regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK")(the "SEHK Listing Rules"), the SGX Listing Manual and relevant industry specifications, and achieved a good compliance record. The existing control measures are effective as a whole and the risk level remains unchanged.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

With a focus on environmental protection, the Group is committed to actively promoting national ecological civilisation and sustainable urban development through its high-quality water environment management business. The Group has been actively evaluating its environmental and social performance based on internationally recognised standards, including the World Bank Group's *Environmental, Health, and Safety Guidelines*, and has been submitting annual monitoring reports to International Finance Corporation since 2016. Such monitoring reports cover all projects of the Group, including projects in the preparatory stage, projects under construction, projects that completed construction and projects in operation. All of the Group's projects have obtained or are actively applying for international management standard certificates, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 45001 Occupational Health and Safety Management System. In addition, the Group will identify and evaluate the project's environmental and social risks prior to investment so as to effectively control environmental and social risks, and ensure that the requisite administrative permissions and approvals, such as environmental impact assessment approvals, are duly obtained before commencing construction.

In order to protect the environment, prevent and control pollution and other public nuisances, protect public health and promote ecological civilisation, sustainable economic and social development, the Group strictly complies with the PRC's laws, regulations and standards related to environmental protection, safe production, occupational health and social responsibility. Key laws, regulations, and standards applicable to the Group include *Environmental Protection Law of the PRC*, *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 Environmental Impact Assessment*, *Law of the PRC on Prevention and Control of Environmental Noise Pollution*, *Atmospheric Pollution Prevention and Control Law of the PRC*, *Work Safety Law of the PRC*, *Labour Law of the PRC*, *Social Insurance Law of the PRC*, *Discharge Standard for Pollutants of Municipal Wastewater Treatment Plants (GB18918-2002)* and the relevant discharge standards for pollutants prescribed by local governments, etc. In addition, the Group is committed to continually improving the water environmental conditions of the places at which the Group's projects are located, with all the projects in operation complying with the Grade 1A or higher standard under the *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)*. The Group's projects greatly minimise the environmental damage caused by waste water discharge, protect public health and promote sustainable development of the water environment. No breach of these laws and regulations which resulted in any significant loss or impact to the Group was recorded in FY2021.

The Group implements and organically integrates the comprehensive ESHS Management System and Risk Management System into its daily operations management, and makes timely and comprehensive information disclosure. This will ensure that the Group's management structure and core values in social responsibility, as well as risk management, are safeguarded and applied across various business units at all times. In FY2021, the Group continued implementing the ESHS Management System at all levels, covering all of its employees, on-site third party contractors and subcontractors. This is to standardise the internal management and risk control in all aspects, continuously optimise the management system, and strengthen emergency response ability, for the purpose of sustainable development. The system also minimises the environmental, safety, health and social impacts on the project areas.

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

Furthermore, to respond to the national initiatives, the Group has been active at the forefront of environmental science popularisation and education enhancing the public awareness of water environmental protection and the soft power of community sustainable development. The Group continued opening up its waste water treatment facilities and plant areas to the public, enhancing its role as an environmental protection publicity base which integrates public visits, practice and training. Provided that the local requirements relating to pandemic prevention and control are complied with and all the safety measures are in place, certain projects have resumed physical visits by the public. In FY2021, a total of 31 projects of the Group had been officially opened to the public and received 9,430 visitors in 267 batches in aggregate. The Group continues actively organising public visits through both online and offline methods. In particular, the Group offered the public to virtually visit its waste water treatment facilities by using various methods, such as: uploading videos to the official media, playing pre-recorded videos and live streaming, for a wider outreach. Such methods attracted more than 550,000 online views during FY2021. At the same time, the Group, in collaboration with local environmental protection, technology associations and government organisation, encourages the public to treasure and conserve water and gain environmental protection knowledge. Such activities also aimed to enhance public awareness and responsibility relating to environmental protection. A total of 13 projects of the Group were awarded with the honorary titles of "Environmental Education Base" or "Science Popularisation Education Base" at the national, provincial and municipal levels and 2 projects were awarded with the title of "Open Day Promotion and Education Centre".

CORPORATE GOVERNANCE

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

The Company's ordinary shares have been listed on the Main Board of the SEHK since 8 May 2019 (the "HK Listing Date"). Since then, the Company has adopted the 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 FY2021, the Company has complied with the principles and provisions under the HK CG Code and the SG CG Code.

The details of the Company's corporate governance practices will be set out in 2021 Annual Report.

BOARD COMMITTEES

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

Audit Committee

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

During FY2021, the members of the Audit Committee reviewed the (a) audited consolidated financial results of the Group for FY2020; (b) the unaudited consolidated financial results of the Group for the six months ended 30 June 2021; and (c) the internal auditor's report and the external auditor's report.

Remuneration Committee

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

During FY2021, the members of Remuneration Committee reviewed the 2020 remuneration payment and 2021 remuneration framework for the Directors and the Key Management Personnel (including senior management) of the Company.

Nominating Committee

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

During FY2021, the Nominating Committee reviewed (i) the continued independence of independent non-executive Directors; (ii) performance of each individual Director, each individual Board Committee and the Board as a whole; and (iii) re-election of the retiring Directors at the AGM (defined below) of the Company.

Strategy Committee

The Strategy Committee currently comprises three executive Directors, namely Mr. Hu Yanguo (Chairman), Mr. Tao Junjie and Mr. Luo Junling, and an independent non-executive Director, namely Ms. Hao Gang. The Strategy Committee is primarily responsible for assisting the Board in providing strategic 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 Company has also set up a Management Committee, as the decision-making authority for the day-to-day administration, operations, management and personnel matters of the Group. It 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 currently comprises three executive Directors, namely Mr. Hu Yanguo (Chairman), Mr. Tao Junjie and Mr. Luo Junling, and six Key Management Personnel.

The Management Committee has ceased to be a Board Committee with effect from 11 August 2021. Please refer to the Company's announcement entitled "Management Committee Ceasing to be a Board Committee" dated 11 August 2021 for further details.

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 FY2021.

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 HK6.83 cents (equivalent to 1.19 Sing cents) per ordinary share for FY2021, which is subject to the approval by the Shareholders at the forthcoming annual general meeting to be held on or around 26 April 2022 (Tuesday) (the "AGM").

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

(b) Corresponding period of the immediately preceding financial year

Name of Dividend	FY2020 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

(c) Date payable

Subject to the Shareholders' approval, the FY2021 Proposed Final Dividend will be paid on or around 18 May 2022 (Wednesday).

(d) Books closure date

Details on closure of books are set out in the section below entitled "Closure of Register of Transfer and Register of Members – (b) For determining the entitlement to the FY2021 Proposed Final Dividend".

Annual General Meeting

The AGM is expected to be held on or around 26 April 2022 (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 20 April 2022 (Wednesday) 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 Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to 5:00 p.m. on 20 April 2022 (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 21 April 2022 (Thursday) to 26 April 2022 (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 Company's Hong Kong Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 20 April 2022 (Wednesday), will be registered to determine Hong Kong Shareholders' entitlements to attend and vote at the AGM.

- (b) For determining the entitlement to the FY2021 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 29 April 2022 (Friday) being the Singapore Books Closure Date for the purpose of determining the entitlement of the Singapore Shareholders to the FY2021 Proposed Final Dividend.

Duly completed registrable transfers of Shares received by the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to 5:00 p.m. (Singapore time) on 29 April 2022 (Friday) will be registered before entitlements to the FY2021 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 29 April 2022 (Friday) will rank for the FY2021 Proposed Final Dividend.

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from 3 May 2022 (Tuesday) to 5 May 2022 (Thursday), 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 29 April 2022 (Friday) will be entitled to the FY2021 Proposed Final Dividend.

Duly completed registrable transfers of Shares received by the Company's Hong Kong Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, up to 4:30 p.m. (Hong Kong time) on 29 April 2022 (Friday), will be registered before entitlements to the FY2021 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 2021.

Convertibles, Preference Shares and Treasury Shares

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 31 December 2021 and 2020. During the year ended 31 December 2021, 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

Save as disclosed below, during FY2021, 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.

(a) Acquisition of 65% equity interest in Tianjin Huantang

On 1 March 2021, the Company has, through its wholly-owned subsidiary, Beijing Everbright Water Investment Management Co., Ltd. (“BEWIM”), completed the acquisition of 65% equity interest in Tianjin Huantang from an independent third party, Tianjin Binhai Environmental Protection Asset Development Co., Ltd. (the “Acquisition”).

The purchase consideration for the Acquisition was RMB666.34 million (the “Purchase Consideration”) and was determined through a competitive online bidding process. In submitting the final bidding price, BEWIM took into account, among others, (i) the appraised value of 100% of the equity interest in Tianjin Huantang as at 30 June 2020 using market-based approach was determined to be RMB912.53 million; (ii) the prospects of the projects of Tianjin Huantang; and (iii) the historical financial performance of Tianjin Huantang. The Purchase Consideration has been paid in full in cash and funded entirely through internal resources.

Upon completion of the Acquisition, Tianjin Huantang became an indirect non-wholly owned Subsidiary.

(b) Disposal of 20% equity interest in Hebei Xiong’an Huashen Water Engineering Technology Limited (“Xiong’an Huashen”)

On 10 December 2021, the Company has, through its wholly-owned subsidiary, Everbright Water (Shenzhen) Limited, completed the disposal of 20% equity interest in Xiong’an Huashen to an independent third party (the “Disposal”).

The sale consideration for the Disposal was RMB1.02 million (approximately HK\$1.22 million) (the “Sale Consideration”) after taking into consideration the appraised value of 100% of the equity interest in Xiong’an Huashen as at 31 December 2020 using market-based approach, which was determined to be RMB5.09 million. The net asset value of the 20% equity interest in Xiong’an Huashen as at 31 December 2020 was RMB1.01 million. The Sale Consideration was received in full in cash.

Upon completion of the Disposal, the Company and its subsidiaries no longer held any equity interest in Xiong’an Huashen and therefore, Xiong’an Huashen ceased to be an indirect Associated Company.

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

None.

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

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a Director or chief executive officer or substantial Shareholder of the Company for the years ended 31 December 2021 and 2020.

Publication of Annual Results and Annual Report

The annual results announcement for FY2021 is published on the SGXNet (<https://www.sgx.com>) and the websites of the Company (https://www.ebwater.com/en/ir/announcements_sgx.php) and HKEx (<https://www.hkexnews.hk>). The annual report of the Company for FY2021 containing, among others, all the information required by the SEHK Listing Rules and the SGX Listing Manual will be published on the SGXNet and the websites of 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, Hu Yanguo, do hereby confirm on behalf of the Board that to the best of our knowledge, nothing has come to the attention of the Board which may render the audited financial results of the Group for FY2021 to be false or misleading in any material aspect.

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

Hong Kong and Singapore, 28 February 2022

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

APPENDIX

Independent Auditor's Report
For the financial year ended 31 December 2021

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 2021, 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 2021 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

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.

How the matter was addressed in our audit

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)***How the matter was addressed in our audit**
*(continued)***Recoverability of trade receivables**

As at 31 December 2021, the Group had trade receivables amounting to HK\$2,296,652,000, net of expected credit losses (“ECL”) allowance of HK\$252,045,000. The Group determines impairment losses by making debtor-specific assessment of ECL for credit impaired debtors and has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for the remaining group of debtors taking into consideration impact arising from the COVID-19 pandemic.

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

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

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

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

The key audit matter *(continued)*

How the matter was addressed in our audit *(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 2021, the goodwill carried in the Group’s financial statements amounted to HK\$1,531,576,000. Disclosures of goodwill are included in notes 2.4, 3 and 18 to the financial statements.

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

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

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

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

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 February 2022