

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



CHINA EVERBRIGHT GREENTECH LIMITED

中國光大綠色環保有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1257)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

- Revenue remained flat, recording HK\$4,245,875,000 (2019: HK\$4,241,430,000)
- EBITDA increased by 14% to HK\$1,565,385,000 (2019: HK\$1,369,150,000)
- Profit before taxation slightly decreased by 1% to HK\$1,026,486,000 (2019: HK\$1,040,544,000)
- Profit attributable to equity shareholders of the Company slightly increased by 1% to HK\$822,208,000 (2019: HK\$813,184,000)
- Interim dividend of HK8.0 cents per share (2019: HK8.0 cents per share)

INTERIM FINANCIAL RESULTS

The board of directors (the “Board”) of China Everbright Greentech Limited (the “Company” or “Everbright Greentech”) announces the unaudited interim financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020. The interim financial results are unaudited, but have been reviewed by Ernst & Young (“EY”), in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), whose report on review of interim financial information is included in the interim report to be sent to the shareholders of the Company (the “Shareholders”). The interim financial results have also been reviewed by the Company’s audit and risk management committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	4,245,875	4,241,430
Direct costs and operating expenses		<u>(2,819,731)</u>	<u>(2,914,325)</u>
GROSS PROFIT		1,426,144	1,327,105
Other revenue		114,018	70,344
Other gains/(losses)		13	(334)
Administrative expenses		(240,908)	(202,690)
Finance costs	5	(261,676)	(155,718)
Share of profits/(losses) of joint ventures		<u>(11,105)</u>	<u>1,837</u>
PROFIT BEFORE TAX	6	1,026,486	1,040,544
Income tax	7	<u>(199,281)</u>	<u>(214,183)</u>
PROFIT FOR THE PERIOD		<u>827,205</u>	<u>826,361</u>
ATTRIBUTABLE TO:			
Equity shareholders of the Company		822,208	813,184
Non-controlling interests		<u>4,997</u>	<u>13,177</u>
		<u>827,205</u>	<u>826,361</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
Basic and diluted	9	<u>HK39.80 cents</u>	<u>HK39.36 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>827,205</u>	<u>826,361</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(181,339)	(72,843)
Share of other comprehensive income/(loss) of an associate	(967)	99
Share of other comprehensive losses of joint ventures	<u>(749)</u>	<u>(678)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(183,055)</u>	<u>(73,422)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>644,150</u>	<u>752,939</u>
ATTRIBUTABLE TO:		
Equity shareholders of the Company	642,516	741,791
Non-controlling interests	<u>1,634</u>	<u>11,148</u>
	<u>644,150</u>	<u>752,939</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,947,621	2,630,584
Right-of-use assets		524,643	416,646
Goodwill	10	145,700	149,079
Intangible assets	10	11,264,230	10,781,335
Interests in joint ventures		50,923	61,177
Interest in an associate		75,654	76,621
Other receivables, deposits and prepayments	11	615,152	602,982
Contract assets	12	4,743,969	3,962,637
Deferred tax assets		54,061	29,396
		<u>20,421,953</u>	<u>18,710,457</u>
CURRENT ASSETS			
Inventories		257,838	228,391
Debtors, other receivables, deposits and prepayments	11	1,692,300	1,379,846
Tax recoverable		2,968	986
Contract assets	12	3,955,148	3,041,149
Pledged bank deposits		175,690	189,847
Deposits with banks		—	22,180
Cash and cash equivalents		2,361,003	2,685,459
		<u>8,444,947</u>	<u>7,547,858</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**At 30 June 2020*

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Creditors, other payables and accrued expenses	<i>13</i>	2,913,569	3,005,792
Interest-bearing bank and other borrowings		2,327,462	2,022,339
Lease liabilities		3,456	4,634
Tax payable		72,178	43,771
		<hr/>	<hr/>
Total current liabilities		5,316,665	5,076,536
		<hr/>	<hr/>
NET CURRENT ASSETS		3,128,282	2,471,322
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,550,235	21,181,779
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables	<i>13</i>	568,344	556,845
Interest-bearing bank and other borrowings		10,825,834	9,072,437
Lease liabilities		7,154	8,381
Deferred tax liabilities		1,052,788	956,764
		<hr/>	<hr/>
Total non-current liabilities		12,454,120	10,594,427
		<hr/>	<hr/>
NET ASSETS		11,096,115	10,587,352
		<hr/>	<hr/>
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital		1,608,029	1,608,029
Reserves		9,215,420	8,738,190
		<hr/>	<hr/>
		10,823,449	10,346,219
Non-controlling interests		272,666	241,133
		<hr/>	<hr/>
TOTAL EQUITY		11,096,115	10,587,352
		<hr/>	<hr/>

NOTES

1 BASIS OF PREPARATION

The unaudited interim financial information of the Group for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the HKICPA and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). This unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

The accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019, except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards and Interpretations) for the first time for the current period’s unaudited interim financial information, as further detailed in note 2 below.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time in the current period’s unaudited interim financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, and HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>COVID-19 — Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The amendments did not have material impact on the Group’s interim financial information.

3 OPERATING SEGMENT INFORMATION

The Group manages its business by segments, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following 4 reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Integrated biomass utilisation project construction and operation: this segment engages in the construction and operation of biomass direct combustion power generation projects, biomass heat supply project, biomass electricity and heat cogeneration projects, waste-to-energy projects and integrated biomass and waste-to-energy projects to generate revenue from construction services, revenue from operation services as well as finance income.
- (ii) Hazardous and solid waste treatment project construction and operation: this segment engages in the construction and operation of hazardous waste landfill projects, hazardous waste incineration projects and physicochemical and resources recycling projects to generate revenue from construction services, revenue from operation services as well as finance income.
- (iii) Environmental remediation project operation: this segment engages in the operation of environmental remediation projects covering restoration of industrial contaminated sites, contaminated farmland, mines and landfills, treatment of industrial gas emission, integrated treatment of oil sludge, treatment of river/lake sediments and industrial sludge, construction and operation of wetland parks, environmental stewardship services and anti-seepage at landfill sites to generate revenue from operation services.
- (iv) Solar energy and wind power project operation: this segment engages in the operation of solar energy projects and wind power projects to generate revenue from operation services.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, goodwill, interests in an associate and joint ventures, deferred tax assets and current assets with the exception of intercompany receivables and other corporate assets. Segment liabilities include tax payable, deferred tax liabilities, creditors, other payables and accrued expenses attributable to the activities of the individual segments and interest-bearing bank and other borrowings managed directly by the segments, with the exception of intercompany payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "earnings before interest, taxes, depreciation and amortisation" ("EBITDA"). To arrive at EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning EBITDA, management is provided with segment information concerning revenue, interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

3 OPERATING SEGMENT INFORMATION (continued)

(i) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Integrated biomass utilisation project construction and operation		Hazardous and solid waste treatment project construction and operation		Environmental remediation project operation		Solar energy and wind power project operation		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment results:										
Revenue from external customers and reportable segment revenue	3,639,878	3,344,279	446,306	573,885	61,912	215,691	97,779	107,575	4,245,875	4,241,430
Reportable segment profit (EBITDA)	1,309,613	991,665	191,674	281,031	13,224	51,868	96,196	100,582	1,610,707	1,425,146
Finance costs									(261,676)	(155,718)
Depreciation and amortisation, including unallocated portion									(277,223)	(172,888)
Unallocated head office and corporate income									6,299	8,047
Unallocated head office and corporate expenses									(51,621)	(64,043)
Consolidated profit before tax									<u>1,026,486</u>	<u>1,040,544</u>
Other segment information:										
Depreciation and amortisation	171,162	101,934	63,609	29,606	6,916	6,052	32,386	34,041	274,073	171,633
Additions to property, plant and equipment, right- of-use assets, intangible assets, goodwill and non-current portion of prepayments	889,372	1,533,647	816,961	543,236	3,132	231,663	4,559	2,017	1,714,024	2,310,563
Additions to non-current portion of contract assets	1,052,637	621,351	3,626	77,566	—	—	—	—	1,056,263	698,917
	Integrated biomass utilisation project construction and operation		Hazardous and solid waste treatment project construction and operation		Environmental remediation project operation		Solar energy and wind power project operation		Total	
	30 June 31 December		30 June 31 December		30 June 31 December		30 June 31 December		30 June 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Reportable segment assets	21,280,778	18,899,891	4,895,634	4,247,704	512,545	503,712	1,301,808	1,302,854	27,990,765	24,954,161
Unallocated head office and corporate assets									876,135	1,304,154
Consolidated total assets									<u>28,866,900</u>	<u>26,258,315</u>
Reportable segment liabilities	9,883,920	9,430,879	1,830,175	1,382,686	360,734	337,821	447,186	477,163	12,522,015	11,628,549
Unallocated head office and corporate liabilities									5,248,770	4,042,414
Consolidated total liabilities									<u>17,770,785</u>	<u>15,670,963</u>

4 REVENUE

Revenue represents the revenue from construction services, revenue from integrated biomass utilisation project, hazardous and solid waste treatment project, environmental remediation project and solar energy and wind power project operation services and finance income.

Disaggregation of revenue is analysed as follows:

Types of services

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from integrated biomass utilisation project construction services	1,602,668	1,980,882
Revenue from hazardous and solid waste treatment project construction services	132,803	254,015
Revenue from integrated biomass utilisation project operation services	1,918,767	1,277,502
Revenue from hazardous and solid waste treatment project operation services	309,877	315,736
Revenue from environmental remediation project operation services	61,912	215,691
Revenue from solar energy and wind power project operation services	97,779	107,575
	<hr/>	<hr/>
Revenue from contracts with customers	4,123,806	4,151,401
Finance income from service concession arrangements	122,069	90,029
	<hr/>	<hr/>
Total revenue	4,245,875	4,241,430

For the six months ended 30 June 2020, the Group has transactions with one (six months ended 30 June 2019: one) local government authority in the People's Republic of China ("PRC") which individually exceeded 10% of the Group's revenue. The revenue from the PRC local government authority during the six months ended 30 June 2020 amounted to HK\$937,415,000 (six months ended 30 June 2019: HK\$906,381,000).

5 FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank and other borrowings	257,810	165,248
Interest on amount due to an intermediate holding company	9,484	2,688
Interest on lease liabilities	230	220
	<hr/>	<hr/>
Finance costs incurred	267,524	168,156
Less: Interest capitalised*	(5,848)	(12,438)
	<hr/>	<hr/>
	261,676	155,718

* The borrowing costs have been capitalised at a rate ranging from 4.08% to 4.90% (six months ended 30 June 2019: 4.90% to 5.39%) per annum during the six months ended 30 June 2020.

6 PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Amortisation of intangible assets	187,140	106,316
Depreciation of property, plant and equipment	82,858	63,533
Depreciation of right-of-use assets	7,225	3,039
Interest income	(9,421)	(6,871)
Government grants*	(54,147)	(27,314)
Value-added tax refunds**	(42,589)	(28,172)
Lease payments not included in the measurement of lease liabilities	5,294	4,232
Carrying amount of inventories consumed	916,378	696,561
Employee benefit expense		
Wages and salaries	231,049	194,119
Pension scheme contributions	30,349	37,049
	<hr/>	<hr/>
	261,398	231,168

6 PROFIT BEFORE TAX (continued)

- * Government grants of HK\$52,245,000 (six months ended 30 June 2019: HK\$25,605,000) were granted during the six months ended 30 June 2020 to subsidise certain integrated biomass utilisation and hazardous and solid waste treatment projects of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to those grants. There is no assurance that the Group will continue to receive such grants in the future. The remaining amounts represent amortisation of deferred income.
- ** The Group was entitled to PRC value-added tax refunds of HK\$42,589,000 (six months ended 30 June 2019: HK\$28,172,000) during the six months ended 30 June 2020. There were no unfulfilled conditions and other contingencies attached to such tax refunds. There is no assurance that the Group will continue to receive such tax refunds in the future.

7 INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2020 and 2019.

Tax for the PRC operations is charged at the statutory rate of 25% of the assessable profits under tax rules and regulations in the PRC. During the period, certain PRC subsidiaries are subject to tax concessions under the relevant tax rules and regulations.

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Elsewhere:		
Charge for the period	120,119	93,150
Overprovision in prior periods	(4,814)	(2,421)
Deferred	83,976	123,454
	<u>199,281</u>	<u>214,183</u>
Total tax expense for the period	<u>199,281</u>	<u>214,183</u>

8 DIVIDENDS

On 11 August 2020, the board of directors declared an interim dividend of HK8.0 cents (six months ended 30 June 2019: HK8.0 cents) per ordinary share, amounting to a total of approximately HK\$165,286,000 (six months ended 30 June 2019: HK\$165,286,000).

9 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity shareholders of the Company of HK\$822,208,000 (2019: HK\$813,184,000), and the weighted average number of ordinary shares of 2,066,078,000 (2019: 2,066,078,000) shares during the period.

No adjustment has been made to the calculation of the basic earnings per share amounts presented as there was no dilutive event during the six months ended 30 June 2020 and 2019.

10 INTANGIBLE ASSETS AND GOODWILL

	Integrated biomass utilisation project operating rights HK\$'000	Hazardous and solid waste treatment project operating rights HK\$'000	Licences HK\$'000	Technology HK\$'000	Backlog contracts HK\$'000	Computer software HK\$'000	Total intangible assets HK\$'000	Goodwill HK\$'000	Total HK\$'000
Cost:									
At 31 December 2019 and 1 January 2020 (audited)	9,523,715	1,746,511	116,838	13,633	2,941	—	11,403,638	149,079	11,552,717
Additions	672,008	132,803	3,099	—	—	7,230	815,140	—	815,140
Exchange realignment	(130,152)	(23,050)	(1,509)	(172)	(36)	(77)	(154,996)	(3,379)	(158,375)
At 30 June 2020 (unaudited)	10,065,571	1,856,264	118,428	13,461	2,905	7,153	12,063,782	145,700	12,209,482
Accumulated amortisation:									
At 31 December 2019 and 1 January 2020 (audited)	524,699	82,242	12,187	1,704	1,471	—	622,303	—	622,303
Amortisation provided during the period	147,126	31,383	6,478	850	734	569	187,140	—	187,140
Exchange realignment	(8,233)	(1,373)	(223)	(30)	(26)	(6)	(9,891)	—	(9,891)
At 30 June 2020 (unaudited)	663,592	112,252	18,442	2,524	2,179	563	799,552	—	799,552
Net carrying amount:									
At 30 June 2020 (unaudited)	9,401,979	1,744,012	99,986	10,937	726	6,590	11,264,230	145,700	11,409,930
At 31 December 2019 (audited)	8,999,016	1,664,269	104,651	11,929	1,470	—	10,781,335	149,079	10,930,414

11 DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Debtors	931,827	711,104
Other receivables, deposits and prepayments	1,336,984	1,219,028
Amounts due from fellow subsidiaries	11,668	30,516
Amount due from non-controlling interests	22,545	22,180
Amounts due from joint ventures	4,428	—
	<u>2,307,452</u>	<u>1,982,828</u>
Less: Portion classified as non-current assets	<u>(615,152)</u>	<u>(602,982)</u>
Current portion	<u><u>1,692,300</u></u>	<u><u>1,379,846</u></u>

Included in “Debtors, other receivables, deposits and prepayments” are debtors (net of loss allowance), that were not individually nor collectively considered to be impaired, with the following ageing analysis as at the end of the reporting period:

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current	<u>499,025</u>	<u>387,300</u>
Within 1 month past due	85,639	115,398
More than 1 month but within 3 months past due	21,284	16,919
More than 3 months but within 6 months past due	84,265	61,423
More than 6 months but within 12 months past due	129,051	70,669
More than 12 months past due	<u>112,563</u>	<u>59,395</u>
Amounts past due	<u>432,802</u>	<u>323,804</u>
	<u><u>931,827</u></u>	<u><u>711,104</u></u>

11 DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

An ageing analysis of the debtors as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
Within 1 month	335,585	269,187
More than 1 month but within 2 months	108,452	112,467
More than 2 months but within 4 months	92,817	87,208
More than 4 months but within 7 months	105,441	86,545
More than 7 months but within 13 months	142,966	77,489
More than 13 months	146,566	78,208
	<u>931,827</u>	<u>711,104</u>

Debtors are mainly due immediately to within 90 days from the date of billing.

12 CONTRACT ASSETS

	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>	
Service concession assets	(a) 5,088,670	4,225,112
Unbilled renewable energy tariff subsidy	(b) 3,381,343	2,561,239
Environmental remediation contract assets	(c) 229,104	217,435
	<u>8,699,117</u>	<u>7,003,786</u>
Less: Portion classified as non-current assets	<u>(4,743,969)</u>	<u>(3,962,637)</u>
Current portion	<u>3,955,148</u>	<u>3,041,149</u>
Contract assets arising from performance under construction contracts in connection with service concession arrangements, which are included in "Intangible assets"	<u>1,423,197</u>	<u>2,156,941</u>

12 CONTRACT ASSETS (continued)

Notes:

(a) Service concession assets

Service concession assets arose from the Group's revenue from construction services under certain Build-Operate-Transfer ("BOT") and Build-Operate-Own ("BOO") arrangements and bear interest at rates ranging from 4.90% to 6.60% (31 December 2019: 4.90% to 6.60%) per annum as at 30 June 2020.

As at 30 June 2020, HK\$3,668,088,000 (31 December 2019: HK\$3,400,221,000) relates to certain BOT and BOO arrangements with operations commenced.

Pursuant to the BOT and BOO arrangements, the Group receives no payment from the grantors during the construction period and instead receives service fees for the Group's operation services when relevant services are rendered during the operating periods. The service concession assets are not yet due for payment and will be settled by the service fees to be received during the operating periods of the arrangements.

All of the current portion of service concession assets are expected to be recovered within one year.

(b) Unbilled renewable energy tariff subsidy

The balance represents government on-grid tariff subsidy receivables for certain integrated biomass utilisation projects which newly commenced operations and arose from the Group's revenue from operations. The amounts will be billed and settled upon the completion of government administrative procedures pursuant to "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies" (Caibanjian [2020] No. 6) 《關於開展可再生能源發電補貼項目清單審核有關工作的通知》 issued by the Ministry of Finance of the PRC.

(c) Environmental remediation contract assets

The balance arose from performance under environmental remediation contracts. Such contracts include payment schedules which require stage payments over the service periods once milestones are reached.

13 CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
Creditors		
— third parties	2,057,156	2,126,266
— fellow subsidiaries	12,620	12,005
Other payables and accrued expenses	842,580	824,844
Amounts due to fellow subsidiaries	1,235	618
Amount due to non-controlling interests	55	16,635
Amount due to an intermediate holding company	438,442	443,600
Deferred income — government grants	129,825	138,669
	<u>3,481,913</u>	<u>3,562,637</u>
Less: Portion classified as non-current liabilities	<u>(568,344)</u>	<u>(556,845)</u>
Current portion	<u><u>2,913,569</u></u>	<u><u>3,005,792</u></u>

Included in “Creditors, other payables and accrued expenses” are creditors with the following ageing analysis based on the date of invoice as at the end of the reporting period:

	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
Within 6 months	1,812,227	1,913,174
More than 6 months	257,549	225,097
	<u><u>2,069,776</u></u>	<u><u>2,138,271</u></u>

Creditors totalling HK\$1,546,432,000 (31 December 2019: HK\$1,594,892,000) as at 30 June 2020 represent construction payables for the Group’s BOT and certain BOO arrangements.

Creditors due to fellow subsidiaries are unsecured, interest-free and repayable in accordance with the contract terms.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Year 2020 is the concluding year for the general development of a moderately prosperous society and the “13th Five-year Plan”, as well as a decisive year for winning the critical battle for prevention and treatment of pollution. During the first half of the year, COVID-19 swept the world by storm while the global political scene was complex. Subjected to a range of complicated factors, the Chinese economy was at one point facing grave, unprecedented challenges. Nevertheless, following the normalisation of epidemic prevention measures, the situation has been stabilising. With business operations and production gradually returning to normal, a positive trend of ongoing recovery has emerged in the Chinese economy.

Under the new situation, the Chinese government has maintained its strategic focus on the development of ecological civilisation. In relation to the national governance system, the “Guiding Opinions on Building a Modern Environmental Governance System” has been published to set out the mission and goal of establishing a sound and modern environmental governance regime. In terms of legal assurance, the latest revised edition of the “Law on the Prevention and Control of Solid Waste Pollution” has been announced to ensure rigorous implementation of measures to prevent and control pollution by solid wastes. In connection with environmental regulation, the second batch of the second cycle of environmental inspection by the central authorities will commence within the year to implement key tasks in pollution control. The announcement and implementation of such policies and action plans is set to drive the ecological and environmental sector in China towards higher levels of standardisation and specialisation, thereby presenting broader and better market opportunities to companies engaged in the environmental business.

As a provider of specialised environmental protection services in China, the Group achieved steady development in various businesses despite the impacts of multiple unfavourable factors in 2020, as it rolled out comprehensive business development with the aim of “creating value and enhancing reform” in ongoing adherence to the corporate mission of being “Devoted to Ecology and Environment for a Beautiful China”.

The Group is principally engaged in the businesses of integrated biomass utilisation, hazardous and solid waste treatment, environmental remediation and solar energy and wind power. As of 30 June 2020, the Group had 116 environmental protection projects with a total investment of approximately RMB30 billion and undertook 31 environmental remediation projects, with a total contract amount of approximately RMB874 million.

In terms of market development, the Group has been actively seeking premium projects with greater returns and stronger cashflow generating ability with an innovative mindset. During the period under review, the Group secured 9 new projects and entered into 3 supplementary agreements, involving an additional total investment of approximately RMB1.081 billion and environmental remediation projects contract amount of approximately RMB149 million. Such new projects included 1 integrated biomass utilisation project, 4 hazardous and solid waste treatment projects and 4 environmental remediation projects. In terms of project scale, our designed capacities for household waste processing, steam supply and hazardous and solid waste treatment were increased by approximately 21,900 tonnes, 820,000 tonnes and 392,500 tonnes per year, respectively.

In terms of project construction, the Group continued to ensure steady progress in the construction work of its projects in adherence to the principle of “Brand Building through Excellence in Quality”. We started the implementation or construction of 15 new projects, while completing and commencing operation of 7 projects during the period under review. As at 30 June 2020, the Group had 35 projects under construction or implementation, including 11 integrated biomass utilisation projects, 13 hazardous and solid waste treatment projects and 11 environmental remediation projects. With a strong emphasis on construction safety and building quality for projects in progress, the Group has facilitated the development of engineering management systems and regulations for the enhancement of safety management at project sites.

In connection with technology research and development, the Group emphasises the enhancement of operating efficiency and reduction of operating costs for its projects through technological innovation. During the period under review, the Group’s effort was focused on the incineration of hazardous waste with high sulphuric and halogenic contents, treatment and disposal of general industrial solid waste, physicochemical treatment of hazardous waste, ultra-low emission of biomass and household waste, sludge disposal, waste and old tyre recycling, disposal and recycling of industrial waste salt, among others. During the period under review, the Group researched to formulate a technology package for the incineration of hazardous waste with high sulphuric and halogenic contents, and completed the compilation of the draft system and catalog of industrial technologies for solid waste processing. As of 30 June 2020, the Group held 141 authorised patents, including 23 invention patents and 118 utility model patents, and 5 software copyrights.

During the period under review, the Group continued to enhance the whole environmental management through its environmental, safety, health and social responsibility (“ESHS”) system. Risk identification initiatives in relation to production processes, on-site equipment and facilities, operating environment, staff awareness and skills were organised at its project sites to enhance staff awareness for the prevention and control of safety risks. Special inspection on high-risk operations was scheduled to strengthen the ability in self-protection of personnel engaged in such operations and enhance control over high-risk operations. In view of the greater number of hazards of newly commissioned projects, the lack of experience on the part of their staff and imperfections in their systems and regimes, ESHS audit and counselling for newly commissioned projects was introduced to enhance the standardisation of safety and environmental management of these projects. Moreover, to further standardise the organisational structure for safety management, the Group has established a safety management team with 133 dedicated staff to bolster its strengths in safety management.

In terms of risk management, the Group has continued to make improvements to its risk management system and align its risk management objectives with its strategic business objectives in a dynamic way. During the period under review, the Group conducted the risk assessment for 2020 and specific measures were implemented in response to significant risks to ensure that material risks are effectively managed. To counter risks in connection with COVID-19, the Group prepared and published the “Special Environmental Report on Risks associated with the Sudden Epidemic Outbreak” to provide a timely reminder of and set out the key measures against risks relating to disrupted operation and delayed construction. Complementing the extensive practical experience of various departments and their flexible responses, operations of the Group have been under control on the whole amid the COVID-19 outbreak. During the period under review, the Group achieved notable results in risk management by drawing on the prospective and precautionary natures of risk management.

The Group responded with calm and poise to the outbreak of the COVID-19 epidemic during the first half of 2020 and adopted sound and scientific counter-epidemic measures, such that business operations and production were resumed quicker than expected and the impact on the Group’s operations was contained. During the period under review, the Group’s integrated biomass utilisation business brought into play the extensive geographical distribution of its projects, as it resorted to complementary supplies of fuel resources among different regions to ensure normal supply of fuel and consumables, while effectively lowering procurement costs by promoting the “premium quality and premium price” purchase model. Our hazardous and solid waste treatment business established regional business coordination centres and perfected its “Big Customer” regime to generate regional synergy and expand the outreach of its market for hazard waste treatment in full utilisation of the potential local resources at its disposal. Our investment development department maintained good communication with the government and partners through a variety of channels, such as telephone and video-conferencing, and drove market expansion in an orderly manner with the use of

copywriting. Our construction works management department controlled construction costs at an optimal level by urging the suppliers to deploy more workers, reasonably extending construction work hours, conducting stringent examination of drawings, optimising designs and exercising control over work visas. On the back of its strong business fundamentals and extensive experience in project operation, the Group reported healthy cashflow as of 30 June 2020 with a mild year-on-year growth in profit.

As a member of the Standing Committee of the Biomass Energy Branch of China Association for the Promotion of Industrial Development (“BEIPA”), the Group worked in tandem with BEIPA and submitted the “Critical Report on the Impact of COVID-19 on the Biomass Energy Sector” to the National Development and Reform Commission (“NDRC”) and other competent national authorities during the period under review to reflect how the industry had been affected by COVID-19 and propose responsive measures. To help improve the current conditions of the industry, we have also participated in the drafting of the “Report on the Development of China’s Biomass Power Generation Industry in 2020” to provide an in-depth analysis of the opportunities and challenges for the biomass power generation industry. To provide guidance for the sustainable development of the industry, we have furnished active response to NDRC consultation on the development in the industries of waste-to-energy power generation and power generation using agricultural and forestry residues and effectively implemented relevant policies to foster a positive ambience in the industry.

In line with the belief that “An enterprise is not only the creator of wealth, but also the safeguard of environmental and social responsibility”, the Group adhered firmly to the principles of environmental protection and social responsibility. During the period under review, the Group was honoured with the “Caring Company” logo awarded by The Hong Kong Council of Social Service for the first time in recognition of its active participation and commitment to caring for society, staff and environment.

The Group regards the disclosure of environmental information in a highly transparent manner and the opening of environmental facilities to the public in a more normalised manner as obligations for the enterprise. Flue emission and sewage discharge data of all of the Company’s projects in operation, among others, were synchronised and instantly uploaded to government-regulated public announcement platforms, while the environmental impact assessment reports and environmental surveillance data of projects are also disclosed to the public via various media for governmental and public supervision. During the period under review, the Group continued to fulfill the responsibility of opening its environmental facilities to the public with more intensive actions, as it explored an online approach based mainly on live webcast to enhance the influence, in terms of both magnitude and scope, of the opening of its environmental facilities to the public. As of 30 June 2020, a total of 21 projects were officially open to the public and 66 offline open-to-the-public activities had been held, receiving a total of 1,051 visitors. In addition, 8 online open-to-the-public sessions were organised and attracted 682,311 views.

In terms of operating results, the Group reported growth in revenue and profitability for the first half of 2020. The Group continued to enhance project management at the preparatory stage and drive steady progress of project construction. In connection with operation services, revenues from the operation service segment continued to grow in line with ongoing increase in the volumes of on-grid electricity through integrated biomass utilisation, household waste processed and steam supply. For the period under review, the Group's revenue amounted to approximately HK\$4,245,875,000, which was in line with HK\$4,241,430,000 for the same period last year. EBITDA increased by 14% to approximately HK\$1,565,385,000 over HK\$1,369,150,000 for the same period last year. Profit attributable to equity shareholders of the Company for the period was approximately HK\$822,208,000 in a mild 1% increase as compared to HK\$813,184,000 recorded for the same period last year. Basic earnings per share for the first half of 2020 was HK39.8 cents, HK0.44 cents more than HK39.36 cents for the same period last year. The Group was backed by ready access to various financing options and ample cash flow and reported sound financial indicators across the board.

BUSINESS REVIEW

For the period under review, revenue generated from integrated biomass utilisation, hazardous and solid waste treatment, environmental remediation and solar energy and wind power segments amounted to approximately HK\$4,245,875,000 in aggregate, comprising approximately HK\$1,735,471,000 from construction services, representing a 22% decrease compared to HK\$2,234,897,000 for the same period last year, and approximately HK\$2,388,335,000 from operation services, representing a 25% growth compared to HK\$1,916,504,000 for the same period last year. Revenue from construction services, revenue from operation services and finance income accounted for 41%, 56% and 3% respectively of our total revenue.

Major financial data of integrated biomass utilisation, hazardous and solid waste treatment, environmental remediation and solar energy and wind power projects for the first half of 2020 are summarised as follows:

	For the six months ended 30 June 2020					For the six months ended 30 June 2019				
	Integrated biomass utilisation projects	Hazardous and solid waste treatment projects	Environmental remediation projects	Solar energy and wind power projects	Total	Integrated biomass utilisation projects	Hazardous and solid waste treatment projects	Environmental remediation projects	Solar energy and wind power projects	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue										
— construction services	1,602,668	132,803	—	—	1,735,471	1,980,882	254,015	—	—	2,234,897
— operation services	1,918,767	309,877	61,912	97,779	2,388,335	1,277,502	315,736	215,691	107,575	1,916,504
— finance income	118,443	3,626	—	—	122,069	85,895	4,134	—	—	90,029
	<u>3,639,878</u>	<u>446,306</u>	<u>61,912</u>	<u>97,779</u>	<u>4,245,875</u>	<u>3,344,279</u>	<u>573,885</u>	<u>215,691</u>	<u>107,575</u>	<u>4,241,430</u>
EBITDA	<u>1,309,613</u>	<u>191,674</u>	<u>13,224</u>	<u>96,196</u>	<u>1,610,707</u>	<u>991,665</u>	<u>281,031</u>	<u>51,868</u>	<u>100,582</u>	<u>1,425,146</u>

As supported by the favourable national policies, the Group received a total of approximately RMB47,590,000 in government grants and approximately RMB38,480,000 in value-added tax refunds in the first half of 2020.

The Group remains dedicated to enhancing value for the shareholders of the Company (the “Shareholders”). To reward the Shareholders for their support while taking into account the Group’s long-term sustainable development, the board of directors of the Company (the “Board”) has declared an interim dividend of HK8.0 cents per share for the six months ended 30 June 2020 (2019: HK8.0 cents per share) to the Shareholders.

Integrated biomass utilisation

The Group mainly utilises biomass raw materials to generate both electricity and heat. Biomass raw materials are categorised into yellow culms and grey culms. Yellow culms consist of agricultural residues, such as wheat straw, rice straw, corn straw, rice husks, peanut husks, etc.; while grey culms consist of forestry residues such as branches, barks and other manufacturing wood wastes, etc. In addition, the Group has developed a unique business model of urban-rural integration combining integrated biomass utilisation projects and waste-to-energy projects to provide one-stop services for integrated treatment of agricultural and forestry residues and rural household wastes in a pioneering attempt at treatment of the ecological environment in county areas.

As of 30 June 2020, the Group had a total of 49 integrated biomass utilisation projects, located variously in 10 provinces in China, including mainly Anhui Province, Jiangsu Province, Shandong Province, Hubei Province and Henan Province. Such projects commanded a total investment of approximately RMB15.179 billion and provided an aggregate power generation designed capacity of 1,002 MW, an annual aggregate biomass processing designed capacity of 8,089,800 tonnes, and a daily aggregate household waste processing designed capacity of approximately 8,910 tonnes.

During the period under review, the Group had 36 integrated biomass utilisation projects in operation, generating approximately 2,514,567 MWh of on-grid electricity which represented an increase of 53% over the same period last year. Meanwhile, the Group processed approximately 2,891,000 tonnes of biomass raw materials and approximately 1,077,000 tonnes of household waste, representing increases of 43% and 70% over the same period last year respectively. During the period under review, the Group’s volume of steam supplied was approximately 588,000 tonnes, representing an increase of 67% over the same period last year. As of 30 June 2020, the Group had 11 integrated biomass utilisation projects under construction with an aggregate power generation designed capacity of 166.5 MW, an annual biomass processing designed capacity of approximately 1,020,000 tonnes, a daily household waste processing designed capacity of approximately 3,500 tonnes, and an annual steam generation designed capacity of approximately 960,000 tonnes.

For the period under review, EBITDA of the Group's integrated biomass utilisation projects was approximately HK\$1,309,613,000, an increase of 32% compared to the same period last year. The integrated biomass utilisation projects contributed net profit of approximately HK\$771,831,000, an increase of 23% over the same period last year.

The increase in profit was mainly attributable to the steady progress of a number of projects under construction during the period under review, coupled with ongoing increase in the volumes of on-grid electricity of projects in operation, household waste processing and steam supplied, contributing to a significant increase in revenue from the operation services.

Major operating and financial data of the integrated biomass utilisation segment for the first half of 2020 are summarised as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Integrated biomass utilisation projects		
On-grid electricity (<i>MWh</i>)	2,514,567	1,648,634
Biomass raw materials processing volume (<i>tonnes</i>)	2,891,000	2,020,000
Household waste processing volume (<i>tonnes</i>)	1,077,000	632,000
Volume of steam supplied (<i>tonnes</i>)	588,000	353,000
EBITDA (<i>HK\$'000</i>)	1,309,613	991,665
Segment net profit (<i>HK\$'000</i>)	771,831	626,507

Hazardous and solid waste treatment

The Group is principally engaged in the safe treatment and integrated utilisation of wastes including general industrial solid wastes, hazardous wastes and infectious animal carcasses. Currently, the Group conducts the disposal by way of incineration, landfill, physicochemical treatment and integrated utilisation.

The Group is a leading industry player in the hazardous waste treatment business, with capabilities for safely disposing of 43 out of 46 categories of hazardous wastes listed in the National Catalog of Hazardous Wastes. During the period under review, we continued to explore the potential of the general industrial solid waste electricity and heat cogeneration business. The Group is well-positioned to fully meet various requirements of customers on the back of its solid technical strengths and ability to provide one-stop services.

As of 30 June 2020, the Group had a total of 58 hazardous and solid waste treatment projects, located variously in 10 provinces and autonomous region in China, including mainly Jiangsu Province, Shandong Province, Anhui Province, Hubei Province, Zhejiang Province, etc. Such projects commanded a total investment of approximately RMB13.415 billion and an aggregate annual processing designed capacity of approximately 2,621,900 tonnes.

During the period under review, the Group operated and completed 20 hazardous and solid waste treatment projects. For detoxification treatment, approximately 80,000 tonnes of hazardous and solid waste were treated in total, a 2% decrease compared to the same period last year. For integrated resource utilisation, 5,700 tonnes of hazardous and solid waste were treated, increasing by 32% compared to the same period last year, and approximately 2,400 tonnes of recycled products were sold, a 20% increase compared to the same period last year. There were 13 hazardous and solid waste treatment projects under construction with an aggregate annual processing designed capacity of 754,800 tonnes.

For the period under review, the Group's hazardous and solid waste treatment projects contributed EBITDA of approximately HK\$191,674,000, a decrease of 32% compared to the same period last year. Hazardous and solid waste treatment projects contributed net profit of approximately HK\$100,965,000, a decrease of 40% over the same period last year. The decrease in profit is mainly attributable to the decrease in revenue from operation services owing to the epidemic. In addition, pre-operating expenses increased in accordance with the addition of projects under construction and those at the preparatory stage, as well as a 64% decrease in profit from construction services as most projects under construction during the period did not qualify for contributions to revenue from construction services.

Major operating and financial data of the hazardous and solid waste treatment segment for the first half of 2020 are summarised as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Hazardous and solid waste treatment projects		
Hazardous and solid waste processing volume (<i>tonnes</i>)		
— Detoxification treatment	80,000	82,000
— Integrated resource utilisation	5,700	4,300
Sales volume of recycled products (<i>tonnes</i>)	2,400	2,000
EBITDA (<i>HK\$'000</i>)	191,674	281,031
Segment net profit (<i>HK\$'000</i>)	100,965	168,094

Environmental remediation

The Group's environmental remediation business covers mainly the restoration of industrial contaminated sites, restoration of contaminated farmland, restoration of ecology for mines and landfills, treatment of industrial gas emission, integrated treatment of oil sludge, treatment of river and lake sediments and industrial sludge, construction and operation of wetland parks, environmental stewardship services and anti-seepage at landfill sites.

In connection with qualifications, as of 30 June 2020, the Group held the following accreditations: First-grade Professional Contracting Qualification for Environmental Protection Projects, Second-Grade General Contractor for Municipal Public Works, Third-Grade General Contractor for Construction Works, Environmental Engineering EPO License (Class B) (for pollution remediation and prevention of water pollution), Environmental Pollution Control License (Class A) (contaminated water body and soil remediation) in Jiangsu Province and the Environmental Pollution Control License (First Class) in Jiangsu Province. It had also obtained an "AAA" corporate credit rating and an "AA" credit rating given by a credit rating agency and China Construction Bank, respectively, as well as ISO9001, OHSAS18001 and ISO14001 management system accreditations. In addition, the Group holds the China Metrology Accreditation (CMA) which qualifies it to issue valid test data and results with proof.

As of 30 June 2020, the Group had 11 environmental remediation projects under implementation, the majority of which were located variously in Jiangsu Province, Jiangxi Province and Shandong Province, with a total contract amount of approximately RMB487 million. There were also 2 projects in the preparatory stage, with a total contract amount of RMB73.97 million.

For the period under review, the Group's environmental remediation projects contributed EBITDA of approximately HK\$13,224,000, a decrease of 75% compared the same period last year. Environmental remediation projects contributed net profit of approximately HK\$2,528,000, a decrease of 93% compared to the same period last year. The decrease in profit reflected mainly work progress during the period under review as affected by the epidemic.

Major financial data of the environmental remediation segment for the first half of 2020 are summarised as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Environmental remediation projects		
EBITDA (<i>HK\$'000</i>)	13,224	51,868
Segment net profit (<i>HK\$'000</i>)	<u>2,528</u>	<u>35,885</u>

Solar energy and wind power

The Group has 7 solar energy projects and 2 wind power projects in operation located in Jiangsu Province, Anhui Province, Shanxi Province and Germany respectively, involving a total investment of approximately RMB1.395 billion and providing an aggregate power generation designed capacity of 125.9MW. The Group is responsible for building, managing and operating these projects and selling electricity generated by such projects to local power grid companies.

For the period under review, the Group's solar energy and wind power projects sold approximately 135,965 MWh of electricity, representing a 5% decrease compared to the same period last year. The projects contributed EBITDA of approximately HK\$96,196,000, representing a 4% decrease compared to the same period last year. Solar energy and wind power projects contributed net profit of approximately HK\$43,790,000, representing a 7% decrease compared to the same period last year, which was mainly attributable to wind power curtailment in Shanxi Province due to the pandemic, resulting in a decrease in on-grid electricity.

Major operating and financial data of the solar energy and wind power segment for the first half of 2020 are summarised as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Solar energy and wind power projects		
On-grid electricity (<i>MWh</i>)	135,965	143,625
EBITDA (<i>HK\$'000</i>)	96,196	100,582
Segment net profit (<i>HK\$'000</i>)	43,790	47,335

The Group has been consistently committed to a dual emphasis on both social benefits and economic benefits in its vigorous efforts to promote energy conservation and emission reduction. During the period under review, the Group generated approximately 2,650,533 MWh of green electricity, which was sufficient for the annual electricity consumption of 2,208,777 households, reducing standard coal consumption by 1,060,213 tonnes and carbon dioxide (CO₂) emissions by 2,226,684 tonnes, while saving 344,569,246 trees. The Group also treated 308,976 m³ of leachate in its waste-to-energy power plants and hazardous waste landfills were processed.

BUSINESS PROSPECTS

In the wake of the 18th National Congress of the Communist Party of China, the development of ecological civilisation has been afforded a strategic priority like never before, and the building of a beautiful China has become a consensus for all throughout the nation. The unexpected outbreak of the COVID-19 epidemic has warranted new requirements for the nation's development of ecological civilisation, while the complicated and severe external environment has caused an impact on the traditional patterns of economic development. Given the significance of developing ecological and environmental business to protecting public health and safety and realising sustainable development of mankind, environmental governance could have enormous effect on directing the adjustment of the economic structure, transforming the pattern of economic development and enhancing qualitative economic growth. Going forward, the environmental sector is bound to embrace new historic opportunities for development.

Year 2020 is a year of planning and formulation for the “14th Five-year Plan”. The publication of the “Second Communique on the Nationwide Investigation of Pollution Sources” during the first half of the year brought the three-year investigation of sources of environmental pollution to a close. According to the findings of the investigation, while China’s effort in ecological protection in the past decade has resulted in notable accomplishments, there remains crucial and critical bottlenecks that have yet to be solved. Therefore, the pursuit of sound and scientific environmental governance plans with an emphasis on pollution treatment in a precise, scientific and lawful manner based on the conclusions of the investigation with an issue-oriented and target-guided approach shall be a logical focus of the “14th Five-year Plan”. It is foreseeable that, as China has adopted higher standards for environmental regulation with a strong emphasis for effectiveness in environmental governance in tandem with the growing sophistication of its views in the development of ecological civilisation, the next stage of ecological efforts will likely focus on whole treatment of environmental pollution covering all aspects, geographical locations and steps in the process.

The fast-changing scenes in domestic as well as international developments in 2020 pose not only a few risks but also have had a profound impact on the industrial structure of China. All in all, it has expedited the process of consolidation in the environmental sector for more in-depth development, where strong players are driving out the weak. Against a backdrop where both opportunities and challenges abound, we will continue to persist in development in “three dimensions”: extending the length of the industry chain, penetrating the depth for more market shares and broadening the scope of our business. Based on a profound commitment to “delivering value to customers”, we constantly enhance our ability to provide service and create value through a market-oriented and technology-driven approach.

The Group will continue to seek improvements in investment return in close adherence to national strategies, with a view to attaining qualitative growth. To consolidate its existing business strengths, the Group will drive quality and efficiency enhancement for its existing projects and further optimise its business mix by stepping up with the development of its environmental remediation business to increase its weighting in the Group’s overall business portfolio. The Group will also be actively engaged in business transformation, as new operations such as general industrial solid waste and disposal of waste old tyres will be developed under the hazardous and solid waste treatment business in a transition to the provision of industrial environmental services. Our existing asset-heavy projects will be consolidated to drive the transition of selected projects from an asset-heavy to an asset-light model. The Group will persist in leading the way through business innovations and driving sustainable development of various businesses through technological innovation and innovations in business model, in a full effort to foster core corporate competitiveness.

Moving forward, with the solid backing of China Everbright Group Limited (“Everbright Group”) and strong support of China Everbright International Limited (“CEIL”), the Company’s controlling shareholder, and on the back of its extensive experience in the development and operation of diversified project portfolios and strong ability in market development, the Group will work in close tandem with national policies and market trends with a firm strategic focus, as it continues to uphold the corporate vision of endeavouring “To create better investment value and undertake more social responsibility” and strive incessantly to become a leader in China’s environmental business sector.

FINANCIAL REVIEW

Financial position

As at 30 June 2020, the Group’s total assets amounted to approximately HK\$28,866,900,000 (31 December 2019: HK\$26,258,315,000) with net assets amounting to approximately HK\$11,096,115,000 (31 December 2019: HK\$10,587,352,000). Net asset value per share attributable to equity shareholders of the Company was HK\$5.24 per share, an increase of 5% as compared to net asset value per share of HK\$5.01 as at the end of 2019. As at 30 June 2020, the gearing ratio (total liabilities over total assets) of the Group was 61.6%, an increase of 1.9 percentage points as compared to that of 59.7% as at the end of 2019. The current ratio of the Group was 158.8%, an increase of 10.1 percentage points as compared to that of 148.7% as at the end of 2019.

Financial resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and lower the costs of funds. It finances its operations primarily with proceeds from the issue of medium-term notes, internally generated cash flow and bank loans. As at 30 June 2020, the Group had cash and bank balances of approximately HK\$2,536,693,000, a decrease of HK\$360,793,000 as compared to HK\$2,897,486,000 at the end of 2019. Most of the Group’s cash and bank balances were denominated in Hong Kong dollars and Renminbi.

Indebtedness

The Group endeavours to develop a diverse range of financing options and increasing banking facilities to reserve funds for the development of its environmental protection business. As at 30 June 2020, the Group had outstanding borrowings including 2020 First Tranche Medium-term Notes (as defined below) of approximately HK\$13,153,296,000, an increase of approximately HK\$2,058,520,000 as compared to HK\$11,094,776,000 as at the end of 2019. The borrowings included secured interest-bearing borrowings of approximately HK\$7,152,816,000 (31 December 2019: HK\$6,472,644,000) and unsecured interest-bearing borrowings of approximately HK\$6,000,480,000 (31 December 2019: HK\$4,622,132,000). The borrowings of the Group were denominated in Renminbi and Hong Kong dollars, representing 74% and 26% of the total respectively. The majority of the Group's borrowings were subject to floating rates. As at 30 June 2020, the Group had banking facilities of approximately HK\$18,810,330,000 (31 December 2019: HK\$17,423,770,000), of which approximately HK\$6,750,618,000 (31 December 2019: HK\$6,328,994,000) was unutilised. The tenor of banking facilities ranged from 1 year to 16 years.

In June 2018, the Company entered into a comprehensive strategic cooperation agreement with Bank of China Limited, Shenzhen Branch ("BOC") to deepen the two parties' strategic cooperation in energy conservation and environmental protection. Pursuant to the agreement, BOC will provide RMB4 billion funding to the Group in the coming 3 years, which would offer strong financial backup for its development. The RMB4 billion funding is subject to definitive agreements to be entered into by the Group and BOC.

The Company entered into a strategic cooperation agreement with Postal Savings Bank of China Co., Ltd., Shenzhen Branch ("PSBC Shenzhen Branch") in July 2019, paving the way for cooperation in the fields of ecology and environmental protection between the two parties. Pursuant to the cooperation agreement, PSBC Shenzhen Branch would offer financial cooperation with an aggregate amount of RMB5 billion to the Group in the coming 3 years. By extending its full support to the investment in construction and working capital requirements of the Group's environmental protection projects, it will offer comprehensive, quality, efficient, preferential and tailored financial services to the Group. The Company will take the opportunity presented by this strategic cooperation to deepen the cooperation between both parties continuously, establish a long-term, stable and mutually beneficial cooperative relationship with PSBC Shenzhen Branch.

On 20 May 2020, the Company received the notice of registration acceptance issued by the National Association of Financial Market Institutional Investors in respect of the Company's application for the proposed issue of medium-term notes in an aggregate principal amount of not more than RMB3.5 billion in the national inter-bank bond market of the People's Republic of China, which registered principal amount shall be valid for 2 years from the date of the notice of registration acceptance, being 19 May 2020. The targeted subscribers for the medium-term notes shall be institutional investors in the national inter-bank bond market. The medium-term notes shall be traded in the national inter-bank bond market.

During the period, the Company completed the issuance of 2020 first tranche medium-term notes of the Company (the "2020 First Tranche Medium-term Notes") on 12 June 2020. The 2020 First Tranche Medium-term Notes was issued for an amount of RMB1 billion with a maturity period of 3+2 years at a coupon rate of 3.68% per annum for the first 3 years. The Company shall be entitled to adjust the coupon rate of the 2020 First Tranche Medium-term Notes on the third anniversary of the issuance date. The adjusted coupon rate shall remain unchanged for the last 2 years. The proceeds from issuance of the 2020 First Tranche Medium-term Notes will be used as general working capital and for loan repayment. As at 30 June 2020, the Company's outstanding medium-term notes had an unissued registered principal amount of RMB2.5 billion.

Foreign exchange risks

The Company's financial statements are denominated in Hong Kong dollars, which is also the functional currency of the Company. The Group's investments made outside Hong Kong (including Mainland China) may incur foreign exchange risks. The Group's operations have been predominantly based in Mainland China, which makes up over 95% of its total investments and revenue. The majority of the Group's assets, borrowings and major transactions are denominated in Renminbi, forming basically a natural hedging effect. The Group closely manages its foreign exchange risk through the optimal allocation of borrowings in different currencies, moderate control of borrowings in non-base currencies, and adoption of appropriate financial instruments.

Pledge of assets

Certain banking facilities of the Group were secured by certain revenue rights, contract assets and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages on property, plant and equipment and right-of-use asset of the Group. As at 30 June 2020, the aggregate net book value of assets pledged amounted to approximately HK\$15,769,943,000 (31 December 2019: HK\$14,193,658,000).

Commitments

As at 30 June 2020, the Group had purchase commitments of approximately HK\$1,967,457,000 (31 December 2019: HK\$1,934,256,000) under the construction contracts and capital commitments relating to capital injection in an associate and a joint venture of approximately HK\$32,730,000 (31 December 2019: HK\$33,148,000) and HK\$15,279,000 (31 December 2019: Nil).

Contingent liabilities

As at 30 June 2020, the Group did not have any contingent liabilities (31 December 2019: Nil).

Tax relief and exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's shares.

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of more than 3,400 employees in Hong Kong and Mainland China. For the six months ended 30 June 2020, the total staff cost was approximately HK\$261,398,000 (30 June 2019: HK\$231,168,000). Employees are remunerated according to their qualifications, experiences, job nature and performance with reference to market conditions. In addition to discretionary performance bonuses, the Group also provides staff with continuous training and other benefits, such as medical insurance and the mandatory provident fund.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group believes that maintaining sound and high standards of corporate governance is not only a key element in safeguarding the Shareholders' interests, but also a way to enhance the corporate value and strengthen the accountability and transparency of the Group. The Group seeks to strengthen internal control, risk prevention and management through the implementation of relevant rules and regulations.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as the code for corporate governance practices of the Company. The Company has been in full compliance with the code provisions of the CG Code from 1 January 2020 to 30 June 2020.

The Board holds meetings on a regular basis. The Board has currently established 3 Board committees, namely, audit and risk management committee, nomination committee and remuneration committee.

In addition, the Company has a management committee in place to take in charge of the daily operations, formulating and implementing annual work plans and medium-term development plans for the Group. The management committee is the decision making body for day-to-day business activities and makes collective decisions on major matters relating to the Group's daily business operations, management and personnel matters, etc. Moreover, an internal audit department and a risk management department have also been set up to perform internal audits and risk control functions respectively to bolster the Group's governance standards.

Audit and Risk Management Committee

The audit and risk management committee currently comprises 3 independent non-executive directors, namely, Mr. CHOW Siu Lui (chairman), Mr. Philip TSAO and Prof. YAN Houmin. The committee is primarily responsible for, among others, providing an independent review of the effectiveness of financial reporting process, risk management and internal control systems of the Group, overseeing the audit process, reviewing the completeness, accuracy, clarity and fairness of the Company's financial statements, considering the scope, approach and nature of both internal and external audits and reviewing and monitoring connected transactions. The terms of reference of the audit and risk management committee are published on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

During the period, the audit and risk management committee reviewed with the management and the auditors of the Company, including but not limited to the accounting principles and practices adopted by the Group, significant audit matters such as significant accounting estimates and judgmental areas, and discussed the Group's risk management and internal control and financial reporting matters, including review of the audited annual financial results for the year ended 31 December 2019, the interim results and interim report for the six months ended 30 June 2020 and reports issued by internal audit department and risk management department of the Company.

Nomination Committee

The nomination committee currently comprises Mr. WANG Tianyi (chairman), the chairman of the Board, and 3 independent non-executive directors, Mr. CHOW Siu Lui, Mr. Philip TSAO and Prof. YAN Houmin. Its primary responsibilities include, among others, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; considering the need for identifying suitable persons to become directors and made recommendations to the Board on the selection of individuals nominated for directorships. The terms of reference of the nomination committee are published on the respective websites of the Company and HKEx.

During the period, the members of nomination committee reviewed the structure, size and composition (including skills, knowledge and experience) of the Board and the qualification and experience of each director according to the board diversity policy and the nomination policy. It has also considered the independence of each of the independent non-executive director and assessed the qualification and experience of Directors to be retired and entitled to be re-elected at the annual general meeting.

Remuneration Committee

The remuneration committee currently comprises Mr. Philip TSAO (chairman), an independent non-executive director, Mr. QIAN Xiaodong, the chief executive officer of the Company, and 2 other independent non-executive directors, namely, Mr. CHOW Siu Lui and Prof. YAN Houmin. The duties of the remuneration committee, including but not limited to the determination of remuneration packages for the individual executive directors and senior management based on their duties, are set out in the terms of reference of the remuneration committee, which are published on the respective websites of the Company and HKEx.

During the period, the members of remuneration committee reviewed the remuneration packages of executive directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiries with all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period under review.

INTERIM DIVIDEND

To share the fruit of success with Shareholders, the Board has declared an interim dividend of HK8.0 cents (2019: HK8.0 cents) per share for the six months ended 30 June 2020 to Shareholders whose names appear on the register of members of the Company on Tuesday, 15 September 2020. The interim dividend payout ratio is 20.1% (2019: 20.3%) for the six months ended 30 June 2020. The interim dividend will be paid on or around Monday, 5 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 11 September 2020 to Tuesday, 15 September 2020 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 10 September 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2020 is published on the websites of HKEx (www.hkex.com.hk) and the Company (<http://www.ebgreentech.com/en/ir/announcements.php>). The 2020 Interim Report will be published on the websites of HKEx and the Company and despatched to the Shareholders in due course.

By order of the Board
China Everbright Greentech Limited
QIAN Xiaodong
Executive Director and Chief Executive Officer

Hong Kong, 11 August 2020

As at the date of this announcement, the members of the Board comprise:

Mr. WANG Tianyi (*Chairman, non-executive director*)
Mr. QIAN Xiaodong (*Chief Executive Officer, executive director*)
Mr. YANG Zhiqiang (*Vice President, executive director*)
Mr. LO Kam Fan (*Chief Financial Officer, executive director*)
Ms. GUO Ying (*Non-executive director*)
Mr. SONG Jian (*Non-executive director*)
Mr. CHOW Siu Lui (*Independent non-executive director*)
Mr. Philip TSAO (*Independent non-executive director*)
Prof. YAN Houmin (*Independent non-executive director*)