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## **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 2021**

### **FINANCIAL HIGHLIGHTS**

- Revenue increased by 2% to HK\$4,318,742,000 (2020: HK\$4,245,875,000)
- EBITDA increased by 2% to HK\$1,590,554,000 (2020: HK\$1,565,385,000)
- Profit attributable to equity shareholders of the Company decreased by 15% to HK\$702,030,000 (2020: HK\$822,208,000)
- Interim dividend of HK7.0 cents per share (2020: 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 2021. 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 independent review 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 2021*

		For the six months ended 30 June	
		2021	2020
	<i>Notes</i>	<b>(Unaudited)</b> <i>HK\$'000</i>	<b>(Unaudited)</b> <i>HK\$'000</i>
<b>REVENUE</b>	4	<b>4,318,742</b>	4,245,875
Direct costs and operating expenses		<b>(2,996,160)</b>	(2,819,731)
Gross Profit		<b>1,322,582</b>	1,426,144
Other revenue		<b>144,476</b>	114,018
Other gains, net		<b>717</b>	13
Administrative expenses		<b>(244,905)</b>	(240,908)
Finance costs	5	<b>(359,211)</b>	(261,676)
Share of profit of an associate		<b>19,127</b>	—
Share of losses of joint ventures		<b>(11,333)</b>	(11,105)
<b>PROFIT BEFORE TAX</b>	6	<b>871,453</b>	1,026,486
Income tax	7	<b>(162,609)</b>	(199,281)
<b>PROFIT FOR THE PERIOD</b>		<b>708,844</b>	827,205
<b>ATTRIBUTABLE TO:</b>			
Equity shareholders of the Company		<b>702,030</b>	822,208
Non-controlling interests		<b>6,814</b>	4,997
		<b>708,844</b>	827,205
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>	9		
Basic and diluted		<b>HK33.98 cents</b>	HK39.80 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>708,844</b>	<b>827,205</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax		
— Subsidiaries	397,866	(181,339)
— Associates	4,083	(967)
— Joint ventures	1,247	(749)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>403,196</b>	<b>(183,055)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,112,040</b>	<b>644,150</b>
<b>ATTRIBUTABLE TO:</b>		
Equity shareholders of the Company	1,097,732	642,516
Non-controlling interests	14,308	1,634
	<b>1,112,040</b>	<b>644,150</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		4,694,205	3,848,120
Right-of-use assets		689,251	648,609
Goodwill		161,281	157,609
Intangible assets		13,967,348	13,311,103
Interests in joint ventures		37,835	44,632
Interests in associates		188,625	165,415
Other receivables, deposits and prepayments	<i>10</i>	815,072	816,945
Contract assets	<i>11</i>	6,893,479	6,310,283
Deferred tax assets		67,411	64,467
<b>Total non-current assets</b>		<u>27,514,507</u>	<u>25,367,183</u>
<b>CURRENT ASSETS</b>			
Inventories		262,301	218,493
Debtors, other receivables, deposits and prepayments	<i>10</i>	4,582,005	3,001,399
Tax recoverable		3,981	5,047
Contract assets	<i>11</i>	3,552,490	3,945,493
Pledged bank deposits		131,459	219,415
Deposits with banks		—	1,663
Cash and cash equivalents		2,459,864	2,505,975
<b>Total current assets</b>		<u>10,992,100</u>	<u>9,897,485</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**At 30 June 2021*

		<b>30 June</b>	31 December
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CURRENT LIABILITIES</b>			
Creditors, other payables and accrued expenses	<i>12</i>	<b>3,961,111</b>	3,970,968
Interest-bearing bank and other borrowings		<b>3,411,033</b>	2,314,706
Lease liabilities		<b>1,526</b>	2,333
Tax payables		<b>55,565</b>	47,530
<b>Total current liabilities</b>		<b>7,429,235</b>	6,335,537
<b>NET CURRENT ASSETS</b>		<b>3,562,865</b>	3,561,948
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>31,077,372</b>	28,929,131
<b>NON-CURRENT LIABILITIES</b>			
Other payables	<i>12</i>	<b>159,094</b>	150,568
Interest-bearing bank and other borrowings		<b>15,663,442</b>	14,618,667
Lease liabilities		<b>13,455</b>	6,503
Deferred tax liabilities		<b>1,392,600</b>	1,286,552
<b>Total non-current liabilities</b>		<b>17,228,591</b>	16,062,290
<b>NET ASSETS</b>		<b>13,848,781</b>	12,866,841
<b>EQUITY</b>			
<b>Equity attributable to equity shareholders of the Company</b>			
Share capital		<b>1,608,029</b>	1,608,029
Reserves		<b>11,869,360</b>	10,916,253
		<b>13,477,389</b>	12,524,282
Non-controlling interests		<b>371,392</b>	342,559
<b>TOTAL EQUITY</b>		<b>13,848,781</b>	12,866,841

## NOTES

### 1 BASIS OF PREPARATION

The unaudited interim financial information of the Group for the six months ended 30 June 2021 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 2020.

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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

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 four 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, general industrial solid waste electricity and heat cogeneration 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 most resources between segments, the Group's most 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 associates and joint ventures, deferred tax assets and current assets with the exception of intercompany receivables and other corporate assets which are managed on a group basis. Segment liabilities include tax payables, 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 which are managed on a group basis.

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 result is "earnings before interest, taxes, depreciation and amortisation" ("adjusted EBITDA"). To arrive at adjusted EBITDA, the Group's earnings are further excluded 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 segment information concerning segment result, 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)*

(ii) For the six months ended 30 June 2021, the Group has transactions with one (six months ended 30 June 2020: 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 2021 amounted to HK\$961,012,000 (six months ended 30 June 2020: HK\$937,415,000).

### 4 REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from integrated biomass utilisation project construction services	705,344	1,602,668
Revenue from hazardous and solid waste treatment project construction services	412,158	132,803
Revenue from integrated biomass utilisation project operation services	2,435,076	1,918,767
Revenue from hazardous and solid waste treatment project operation services	343,552	309,877
Revenue from environmental remediation project operation services	131,698	61,912
Revenue from solar energy and wind power project operation services	109,172	97,779
	<hr/>	<hr/>
Revenue from contracts with customers	4,137,000	4,123,806
Finance income from service concession arrangements	181,742	122,069
	<hr/>	<hr/>
Total revenue	<b>4,318,742</b>	<b>4,245,875</b>

The aggregated revenue from construction services, revenue from operation services and finance income derived from the local government authorities in the PRC amounted to HK\$3,598,743,000 (six months ended 30 June 2020: HK\$3,778,832,000) for the six months ended 30 June 2021. The revenue are included in four segments as disclosed in note 3.

## 5 FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings	315,715	265,144
Interest on lease liabilities	221	230
Interest on medium-term notes	21,977	2,150
Asset-backed notes arrangement fee	52,164	—
	<hr/>	<hr/>
Finance costs incurred	390,077	267,524
Less: Interest capitalised*	(30,866)	(5,848)
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	<b>359,211</b>	<b>261,676</b>
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\* The borrowing costs have been capitalised at a rate ranging from 3.89% to 4.70% (six months ended 30 June 2020: 4.08% to 4.90%) per annum during the six months ended 30 June 2021.

## 6 PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	252,252	187,140
Depreciation of property, plant and equipment	98,524	82,858
Depreciation of right-of-use assets	9,114	7,225
Interest income	(8,916)	(9,421)
Government grants*	(84,435)	(54,147)
Value-added tax refunds**	(36,010)	(42,589)
Lease payments not included in the measurement of lease liabilities	6,837	5,294
Carrying amount of inventories consumed	1,364,730	916,378
Employee benefit expense		
Wages and salaries	270,048	231,049
Pension scheme contributions	22,087	30,349
	<hr/>	<hr/>
	<b>292,135</b>	<b>261,398</b>
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## 6 PROFIT BEFORE TAX (continued)

- \* Government grants of HK\$82,676,000 (six months ended 30 June 2020: HK\$52,245,000) were granted during the six months ended 30 June 2021 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\$36,010,000 (six months ended 30 June 2020: HK\$42,589,000) during the six months ended 30 June 2021. 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 2021 and 2020.

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Elsewhere:		
Charge for the period	83,382	120,119
Under/(over) provision in prior periods	5,505	(4,814)
Deferred	73,722	83,976
	<u>162,609</u>	<u>199,281</u>
Total tax expense for the period	<u>162,609</u>	<u>199,281</u>

## 8 DIVIDENDS

On 9 August 2021, the board of directors declared an interim dividend of HK7.0 cents (six months ended 30 June 2020: HK8.0 cents) per ordinary share, amounting to a total of approximately HK\$144,625,000 (six months ended 30 June 2020: 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\$702,030,000 (2020: HK\$822,208,000), and the weighted average number of ordinary shares of 2,066,078,000 (2020: 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 2021 and 2020.

## 10 DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>Notes</i>	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Debtors	(i)	<b>3,796,004</b>	2,294,824
Other receivables, deposits and prepayments		<b>1,554,114</b>	1,485,286
Amounts due from fellow subsidiaries	(ii)	<b>1,188</b>	1,268
Loan to a non-controlling interest	(iii)	<b>26,240</b>	25,021
Amounts due from joint ventures	(iv)	<b>23,800</b>	16,117
		<b>5,401,346</b>	3,822,516
Impairment	(i)	<b>(4,269)</b>	(4,172)
		<b>5,397,077</b>	3,818,344
Less: Non-current portion			
— Other receivables, deposits and prepayments		<b>(788,832)</b>	(791,924)
— Loan to a non-controlling interest		<b>(26,240)</b>	(25,021)
		<b>(815,072)</b>	(816,945)
Current portion		<b>4,582,005</b>	3,001,399

## 10 DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes:

- (i) An ageing analysis of the debtors, based on the date of invoice (or date of revenue recognition, if earlier) and net of loss allowance as at the end of the reporting period is as follows:

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Within 1 month	1,996,418	1,703,520
More than 1 month but within 2 months	137,537	75,253
More than 2 months but within 4 months	185,684	83,109
More than 4 months but within 7 months	1,080,783	98,907
More than 7 months but within 13 months	151,808	177,487
More than 13 months	239,505	152,376
	<u>3,791,735</u>	<u>2,290,652</u>

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

- (ii) The amounts due from fellow subsidiaries are unsecured, interest-free and the prepayments are expected to be recognised as expenses within one year.
- (iii) The loan to a non-controlling interest is secured by its equity interest in a non-wholly owned subsidiary, interest bearing at 110% of the rates announced by the People's Bank of China and recoverable by December 2022. All of the current portion of the above balances were expected to be recovered or recognised as expenses within one year.
- (iv) Included in the amounts due from joint ventures is a loan to a joint venture of RMB5,000,000 (equivalent to HK\$6,061,000), which is unsecured, interest-bearing at 125% of Loan Prime Rate ("LPR") in the PRC and recoverable in 2021. The remaining balance is unsecured, interest-free and recoverable within one year.

## 11 CONTRACT ASSETS

		30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Service concession assets	<i>(a)</i>	7,437,444	6,789,387
Unbilled renewable energy tariff subsidy	<i>(b)</i>	2,650,465	3,162,113
Environmental remediation contract assets	<i>(c)</i>	<u>366,172</u>	<u>312,203</u>
		<b>10,454,081</b>	10,263,703
Impairment		<u>(8,112)</u>	<u>(7,927)</u>
		<b>10,445,969</b>	10,255,776
Less: Portion classified as non-current assets		<u>(6,893,479)</u>	<u>(6,310,283)</u>
Current portion		<u><b>3,552,490</b></u>	<u>3,945,493</u>
Contract assets arising from performance under construction contracts in connection with service concession arrangements, which are included in “Intangible assets”		<u><b>839,581</b></u>	<u>1,763,796</u>

*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 2020: 4.90% to 6.60%) per annum as at 30 June 2021.

As at 30 June 2021, HK\$7,437,444,000 (31 December 2020: HK\$4,623,440,000) relates to certain BOT and BOO arrangements with operations commenced.

Pursuant to the BOT and BOO arrangements, the Group receives no payment from the local government in Mainland China (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 arrangement.

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

## 11 CONTRACT ASSETS (continued)

Notes: (continued)

### (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.

## 12 CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Notes		
Creditors			
— third parties	(i)	2,472,857	2,619,974
— fellow subsidiaries	(i)	11,678	23,254
Other payables and accrued expenses		1,473,173	1,347,102
Amounts due to fellow subsidiaries	(ii)	1,404	892
Amount due to a non-controlling interest	(iii)	1,303	1,273
Loans from non-controlling interests	(iv)	11,300	—
Deferred income — government grants		<u>148,490</u>	<u>129,041</u>
		<b>4,120,205</b>	4,121,536
Less: Non-current portion			
— Deferred income — government grants		(64,791)	(71,559)
— Other payables and accrued expenses		<u>(94,303)</u>	<u>(79,009)</u>
		<b>(159,094)</b>	(150,568)
Current portion		<u><u>3,961,111</u></u>	<u><u>3,970,968</u></u>

## 12 CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES *(continued)*

*Notes:*

- (i) 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:

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Within 6 months	<b>2,210,864</b>	2,396,749
More than 6 months	<b>273,671</b>	246,479
	<b><u>2,484,535</u></b>	<b><u>2,643,228</u></b>

Creditors totalling HK\$1,728,642,000 (31 December 2020: HK\$1,951,163,000) as at 30 June 2021 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.

- (ii) The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.
- (iii) The amount due to a non-controlling interest is unsecured, interest-free and repayable within one year.
- (iv) Loans from non-controlling interests are unsecured, interest-free and repayable on demand.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING RESULTS

During the first half of 2021, the overall situation of epidemic prevention had been improving on a global basis, as recovery of the world economy was gaining pace on the back of gradual resumption in international trade, investment and manufacturing activities, despite the ongoing COVID-19 pandemic. As the first major economy to emerge from the shadow of the epidemic, the Chinese economy became a new engine driving world economic growth with a profound impact on the global economic landscape, particularly through the low-carbon green economic development model which was actively advocated.

Reviewing the first half of 2021, the Chinese government unprecedentedly included “carbon peak” and “carbon neutrality” in its overall planning for the construction of ecological civilisation and called for the accelerated establishment of an economic regime featuring low-carbon green recycling development. In pursuit of the carbon reduction goals, a number of regulations and measures were enacted, while a complete system of carbon trading rules was also developed to welcome the imminent commencement of the carbon trading market. Guided by the objective of developing a low-carbon green recycling economic regime, the National Carbon Emissions Trading Market Trading Center was set up in Shanghai and the National Green Technology Trading Center was established, while the Green Electricity Certificate trading market was warming up. These developments have undoubtedly outlined broader market prospects with stronger potentials for the environmental protection industry and have given rise to a brand new landscape for the development of ecological civilisation in China.

As a provider of specialised environmental protection services in China, the Group laid out plans for a new phase of qualitative development and achieved steady development in various business segments in 2021, persisting in prudent progress with a special focus on management enhancement and emphasis on innovation- and reform-driven measures in ongoing firm adherence to the corporate mission of being “Devoted to Ecology and Environment for a Beautiful China” and the corporate vision of endeavouring to “Create Better Investment Value and Undertake More Social Responsibility”.

The Group is principally engaged in the businesses of integrated biomass utilisation, hazardous and solid waste treatment, environmental remediation, solar energy and wind power. As of 30 June 2021, the Group had 130 environmental protection projects with a total investment of approximately RMB32.141 billion and had undertaken 40 environmental remediation projects, with a total contract amount of approximately RMB1.131 billion.

In terms of market development, the Group was engaged in full-gear efforts towards business transformation. The integrated biomass utilisation business has been transforming towards a value-added business model, while continuous progress was made in the heat supply market. For the hazardous and solid waste treatment business, it is steadily transforming to the role of an industrial environmental protection service provider alongside the end-of-life tyre disposal project obtaining further success. In our first move to deploy in the solar energy market since our spinoff listing, our business presence was extended to Hong Kong market. Moreover, the Group engaged in in-depth research of market opportunities in the strategic context of “carbon peak” and “carbon neutrality” in an active bid to explore new commercial models and growth niches.

During the period under review, the Group secured 15 new projects and entered into 2 supplementary agreements for biomass heat supply, involving an additional total investment of approximately RMB742 million and environmental remediation projects with a contract amount of approximately RMB117 million. Such new projects included 1 integrated biomass utilisation project, 1 hazardous and solid waste treatment project, 4 environmental remediation projects and 9 solar energy projects. In terms of project scale, our designed capacity for power generation was increased by 13.78 MW, while our designed capacity for household waste treatment, steam supply and hazardous and solid waste treatment were increased by approximately 182,500 tonnes, 450,000 tonnes and 100,000 tonnes per annum, respectively.

In terms of project construction, the Group continued to ensure steady progress in the construction work of its projects in adherence to the 7 principles of “productivity, efficiency, quality, cost-effectiveness, legitimacy, safety and integrity”. During the period under review, 14 new projects started implementation or construction, while 13 projects had completed construction or commenced operation. As at 30 June 2021, the Group had 35 projects under construction or implementation, including 3 solar energy projects, 1 integrated biomass utilisation project, 18 hazardous and solid waste treatment projects and 13 environmental remediation projects. With a strong emphasis on construction safety, construction quality and work scheduling for projects under construction, the Group has enhanced safety management at project sites through ongoing optimisation of its construction management system and framework.

In connection with technology research and development, the Group emphasises technological innovation as the driving force for development, as all technological research underway are in tandem with the requirements of the Company’s business transformation. During the period under review, the Group’s research effort focused on carbon neutrality, solar energy storage integration and power batteries recycling, which provided support for the technical feasibility of its new business categories. During the period under review, the project for the “Development and Application of Safe, Clean and Efficient Incineration Technology for General Combustible Industrial Solid Waste”, a major international cooperation project of the Group, commenced successfully with preliminary completion of interim tasks. As of 30 June 2021, the Group held 189 authorised patents, including 22 invention patents and 162 utility model patents, and 5 software copyrights.

In terms of operational management, the Group is committed to enhancing its operational safety level by improving the quality and efficiency of its project operations through delicacy management. During the period under review, the Group rolled out benchmarking management on all fronts to procure the application of uniform, standardised, timely and accurate key benchmarks for the production management system, whereby benchmarking and ranking among commenced projects were conducted regularly such that backward projects would benchmark themselves against advanced counterparts to make up for the gap so as to improve their economic efficiency for a more solid foundation for delicacy management. During the period under review, the Group continued to deepen the implementation of its environmental, safety, health and social responsibility (“ESHS”) system by drafting safety management standards for high-risk operations to supplement the regime of safety management systems. In-depth effort was made to the commencement of investigation and treatment of hazards to reduce the risk of accidents. Information on pollutant discharge by project companies was monitored on a real-time basis for more regulated environmental management. Moreover, to further standardise the organisational structure for safety management, the Group has established a management team with 155 dedicated staff to bolster its strengths in ESHS management.

In terms of risk management, the Group has continued to improve its risk management standards with more intensive efforts in the assessment of risk efficiency. During the period under review, the Group conducted comprehensive risk inspection of its project companies. Risk statistics and audit on various aspects such as contract management and performance, financial management, production safety and emission compliance, among others, were conducted and a “Risk and internal control management report” was drawn up to furnish advice and recommendations in operations and compliance to the project companies. During the period under review, the Group achieved notable results in risk management by drawing on the prospective and precautionary natures of risk management.

During the first half of 2021, the Group persisted in normalised epidemic prevention and control without easing, as it constantly monitored the health conditions of staff to effectively counter the impact of the epidemic on staff health and safeguard the normal operation of the Company’s production activities. Against the backdrop of substantial fluctuations in the prices of raw materials and environmental consumables and affecting the supply of raw materials, the Group’s integrated biomass utilisation business conducted reasonable allocation of resources within the system to ensure normal operation of the projects. Our hazardous and solid waste treatment business increased its processing volume by handling additional types of waste. To cope with the rising prices of environmental consumables, the efficiency of utilisation was enhanced by resorting to technological innovation. During the period under review, the Group ensured the sufficient supply of raw materials by consistently expanding the supply pipelines of upstream suppliers on the back of its advantage in scale.

During the period under review, the Group received the “Best in ESG — Small Cap” and “Best in Reporting — Small Cap” in the BDO ESG Awards 2021 organised by BDO Limited in recognition of its excellent performance in sustainable development, corporate governance and social responsibility. The Group also received the “Caring Company” 2020/21 logo by the Hong Kong Council of Social Service for the second consecutive year, underlining its active participation in and commitment to care for the community, staff and the environment.

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 in the development of group standards under the voluntary greenhouse gas emission reduction audit guide for biomass energy and power generation projects during the period under review to support the national initiatives of “carbon peak” and “carbon neutrality”. To ensure healthy and sustainable development of the industry, we have formulated the “Regulations for Automatic Monitoring Data Marking of Pollutant Discharge Entities in Thermal Power, Cement and Paper Industries (Trial)” for submission to competent industry authorities in a timely manner. The Group places a strong emphasis on close liaison with industry associations and competent industry authorities, and is committed to driving qualitative development of the industry as a whole through industry associations.

The Group firmly believes that highly transparent disclosure of environmental information and the opening of environmental facilities to the public in a normalised manner are requisite conditions for driving the sustainable development of an ecological and environmental enterprise. 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 flue emission and sewage discharge data of all 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 were also disclosed to the public via various media for governmental and public supervision. As of 30 June 2021, a total of 27 projects were officially opened to the public and 93 offline open-to-the-public activities had been held, receiving a total of 1,800 visitors.

In terms of operating results, the Group reported continuous growth in revenue for the first half of 2021. The Group continued to enhance project management at the preparatory stage and drive steady progress of project construction. In connection with operation services, revenues generated 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\$4,318,742,000, which represented a 2% growth compared with HK\$4,245,875,000 for the same period last year. EBITDA increased by 2% to approximately HK\$1,590,554,000 over HK\$1,565,385,000 for the same period last year. Profit attributable to equity shareholders of the Company for the period under review was approximately

HK\$702,030,000, decreasing by 15% as compared to HK\$822,208,000 recorded for the same period last year. Basic earnings per share for the first half of 2021 was HK33.98 cents, HK5.82 cents less compared to HK39.8 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.

The decrease in profit attributable to equity shareholders of the Company for the period under review was mainly attributable to the reduction in the number of integrated biomass utilisation projects under construction, the increase in the price of biomass raw materials and the difficult business environment of the hazardous waste market affecting our operations. In addition, the increase in finance costs in line with the steady growth in borrowings reduced the overall profit contribution.

## 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\$4,318,742,000 in aggregate, comprising approximately HK\$1,117,502,000 from construction services, representing a 36% decrease compared to HK\$1,735,471,000 for the same period last year, and approximately HK\$3,019,498,000 from operation services, representing a 26% growth compared to HK\$2,388,335,000 for the same period last year. Analysed by nature of revenue, construction services, operation services and finance income accounted for 26%, 70% and 4%, respectively, of the 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 2021 are summarised as follows:

	For the six months ended 30 June 2021					For the six months ended 30 June 2020				
	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	705,344	412,158	—	—	1,117,502	1,602,668	132,803	—	—	1,735,471
— operation services	2,435,076	343,552	131,698	109,172	3,019,498	1,918,767	309,877	61,912	97,779	2,388,335
— finance income	178,214	3,528	—	—	181,742	118,443	3,626	—	—	122,069
	<u>3,318,634</u>	<u>759,238</u>	<u>131,698</u>	<u>109,172</u>	<u>4,318,742</u>	<u>3,639,878</u>	<u>446,306</u>	<u>61,912</u>	<u>97,779</u>	<u>4,245,875</u>
EBITDA	<u>1,138,344</u>	<u>365,092</u>	<u>16,214</u>	<u>108,976</u>	<u>1,628,626</u>	<u>1,309,613</u>	<u>191,674</u>	<u>13,224</u>	<u>96,196</u>	<u>1,610,707</u>

Benefitting from the favourable national policies, the Group received a total of approximately RMB72,517,000 in government grants and approximately RMB30,063,000 in value-added tax refunds in the first half of 2021.

The Group remains dedicated to enhancing value for the Shareholders. To reward the Shareholders for their support while taking into account the Group's long-term sustainable development, the Board has declared an interim dividend of HK7.0 cents per share for the six months ended 30 June 2021 (2020: 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.

Our comprehensive biomass raw material supply regime has safeguarded sufficient fuel supply for and stable operation of the integrated biomass utilisation projects, while the Group has also curbed fuel cost by acquiring biomass raw materials in nearby regions through regional coordination initiatives. Through the combination of technical optimisation and delicacy management, the Group's integrated biomass utilisation projects have reported long cycles of stable operation, resulting in substantial improvements in the operating standards and economic efficiency of the projects.

As of 30 June 2021, the Group had a total of 51 integrated biomass utilisation projects, located variously in 10 provinces in China, including mainly Anhui Province, Jiangsu Province, Shandong Province, Hubei Province and Henan Province, etc. Such projects commanded a total investment of approximately RMB16.260 billion and provided an aggregate power generation designed capacity of 1,039 MW, an aggregate annual biomass processing designed capacity of 8,089,800 tonnes, and a daily aggregate household waste processing designed capacity of approximately 10,410 tonnes.

During the period under review, the Group operated and completed 49 integrated biomass utilisation projects, generating approximately 2,894,208 MWh of on-grid electricity which represented an increase of 15% over the same period last year. Meanwhile, the Group processed approximately 3,752,000 tonnes of biomass raw materials and approximately 1,664,000 tonnes of household waste, representing increases of 30% and 55% over the same period last year respectively. During the period under review, the Group's volume of steam supplied was approximately 1,059,000 tonnes,

representing an increase of 80% over the same period last year. As of 30 June 2021, the Group had 1 integrated biomass utilisation project under construction, with a power generation designed capacity of 25 MW and a daily household waste processing designed capacity of approximately 1,000 tonnes.

For the period under review, the Group's integrated biomass utilisation projects contributed EBITDA of approximately HK\$1,138,344,000, a decrease of 13% compared to the same period last year. The integrated biomass utilisation projects contributed net profit of approximately HK\$596,880,000, a decrease of 23% compared to the same period last year. The decrease in profit was mainly attributable to the decrease in the number of projects under construction resulting in the corresponding decrease in revenue generated from construction services, as well as the increase in operating costs driven by rising biomass raw materials prices during the period under review.

Major operating and financial data of the integrated biomass utilisation segment for the first half of 2021 are summarised as follows:

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
<b>Integrated biomass utilisation projects</b>		
On-grid electricity ( <i>MWh</i> )	<b>2,894,208</b>	2,514,567
Biomass raw materials processing volume ( <i>tonnes</i> )	<b>3,752,000</b>	2,891,000
Household waste processing volume ( <i>tonnes</i> )	<b>1,664,000</b>	1,077,000
Volume of steam supplied ( <i>tonnes</i> )	<b>1,059,000</b>	588,000
EBITDA ( <i>HK\$'000</i> )	<b>1,138,344</b>	1,309,613
Segment net profit ( <i>HK\$'000</i> )	<b>596,880</b>	771,831

#### **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 2021, the Group had a total of 61 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 RMB14.472 billion and an aggregate annual processing designed capacity of approximately 2,941,900 tonnes.

During the period under review, the Group operated and completed 26 hazardous and solid waste treatment projects. For detoxification treatment, approximately 104,000 tonnes of hazardous and solid waste were treated in total, a 30% increase compared to the same period last year. For integrated resource utilisation, 10,900 tonnes of hazardous and solid waste were treated, increasing by 91% compared to the same period last year, and approximately 4,600 tonnes of recycled products were sold, a 92% increase compared to the same period last year. There were 18 hazardous and solid waste treatment projects under construction with an aggregate annual hazardous waste processing designed capacity of 1,176,500 tonnes.

For the period under review, the Group's hazardous and solid waste treatment projects contributed EBITDA of approximately HK\$365,092,000, an increase of 90% compared to the same period last year. Hazardous and solid waste treatment projects contributed net profit of approximately HK\$222,130,000, a 120% increase over the same period last year. The increase in profit was mainly attributable to the increase in the number of projects under construction qualified for contributions to revenue generated from construction services during the period under review.

Major operating and financial data of the hazardous and solid waste treatment segment for the first half of 2021 are summarised as follows:

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
<b>Hazardous and solid waste treatment projects</b>		
Hazardous and solid waste processing volume ( <i>tonnes</i> )		
— Detoxification treatment	<b>104,000</b>	80,000
— Integrated resource utilisation	<b>10,900</b>	5,700
Sales volume of recycled products ( <i>tonnes</i> )	<b>4,600</b>	2,400
EBITDA ( <i>HK\$'000</i> )	<b>365,092</b>	191,674
Segment net profit ( <i>HK\$'000</i> )	<b>222,130</b>	100,965



## **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 2021, 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) (remediation of contaminated sites) in Jiangsu Province, Environmental Pollution Control License (Class B) (contaminated water body remediation) in Jiangsu Province, General Contractor for Environmental Pollution Control License (First Class) (remediation of contaminated sites) in Jiangsu Province and General Contractor for Environmental Pollution Control License (Second Class) (contaminated water body remediation) in Jiangsu Province. It had also obtained an "AAA" corporate credit rating given by a credit rating agency, as well as ISO9001, OHSAS18001 and ISO14001 management system accreditations. In addition, the Group holds the China National Accreditation Services for Conformity Assessment (CNAS) qualification accreditation certificate which qualifies it to issue test data and results to third parties as valid proof for certification purposes.

As of 30 June 2021, the Group had 13 environmental remediation projects under implementation, which were located variously in Jiangsu Province, Shandong Province, Anhui Province and Tianjin, with a total contract amount of approximately RMB689 million. There were also 2 projects in the preparatory stage, with a total contract amount of approximately RMB43.55 million.

For the period under review, the Group's environmental remediation projects contributed EBITDA of approximately HK\$16,214,000, an increase of 23% compared the same period last year. Environmental remediation projects contributed net profit of approximately HK\$2,560,000, which was broadly unchanged compared to the same period last year.

Major financial data of the environmental remediation segment for the first half of 2021 are summarised as follows:

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
<b>Environmental remediation projects</b>		
EBITDA ( <i>HK\$'000</i> )	<b>16,214</b>	13,224
Segment net profit ( <i>HK\$'000</i> )	<b><u>2,560</u></b>	<u>2,528</u>

### Solar energy and wind power

The Group has 13 solar energy projects and 2 wind power projects in operation located in Jiangsu Province, Anhui Province, Shanxi Province, Hong Kong and Germany, respectively, involving a total investment of approximately RMB1.408 billion and providing an aggregate power generation designed capacity of 126.86 MW. 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 145,139 MWh of electricity, representing a 7% increase compared to the same period last year. The projects contributed EBITDA of approximately HK\$108,976,000, representing a 13% increase compared to the same period last year. Solar energy and wind power projects contributed net profit of approximately HK\$47,624,000, representing a 9% increase compared to the same period last year, which was mainly attributable to stronger wind resources during the period under review.

Major operating and financial data of the solar energy and wind power segment for the first half of 2021 are summarised as follows:

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
<b>Solar energy and wind power projects</b>		
On-grid electricity ( <i>MWh</i> )	<b>145,139</b>	135,965
EBITDA ( <i>HK\$'000</i> )	<b>108,976</b>	96,196
Segment net profit ( <i>HK\$'000</i> )	<b><u>47,624</u></b>	<u>43,790</u>

In persistent adherence to the path of green development and the corporate pursuit of endeavouring to “Create Better Investment Value and Undertake More Social Responsibility”, the Group has endeavoured to enhance its environmental, social and governance performance and deliver long-term value to stakeholders. As an environmental company capable of achieving both waste reduction and carbon reduction, the Group completed carbon emission rights assets (“Carbon Assets”) stock-taking for 8 integrated biomass utilisation projects and established connections with a number of domestic carbon emission exchange and carbon verification consulting agencies during the period under review, which enabled it to adequately anticipate the carbon reduction potential of various business aspects and formulate reasonable carbon reduction goals for the future accordingly, so as to make due contributions to the realisation of “carbon neutrality” in China as scheduled.

During the period under review, the Group generated approximately 3,039,347 MWh of green electricity, which was sufficient for the annual electricity consumption of 2,532,989 households, reducing standard coal consumption by 1,215,739 tonnes and carbon dioxide (CO<sub>2</sub>) emissions by 2,598,747 tonnes, while saving 395,115,110 trees. The Group also treated 456,618 m<sup>3</sup> of leachate in its waste-to-energy power plants and hazardous waste landfills. With a profound awareness of the importance of undertaking requisite social responsibility for the Company’s long-term operation, while promoting the Company’s business development, we would generate positive impact on and pursue mutual progress with humanity and the Earth by reference to the Sustainable Development Goals of the United Nations.

## **BUSINESS PROSPECTS**

During the “14th Five-Year Plan” (“FYP”) period, the development of China’s ecological civilisation will enter into a critical stage underpinned by a strategic direction focused on carbon reduction, aiming to drive the enhancement of synergy generated from waste reduction and lower carbon emission and facilitating the comprehensive transition to green social and economic development, in a bid to realise the change from quantitative to qualitative transformation in the ecological environment. Entering into a new stage, the environmental protection industry will further expand in scale and engage the fast track for qualitative growth as a strategic new industry serving the dual attributes of driving economic growth and addressing environmental issues, given the requirement for the development of a eco-friendly and low-carbon circular economic regime and ongoing improvements in the industrial policy directives which include carbon emission reduction.

In 2021, the commencement year of the “14th FYP”, the environmental protection industry of China welcomes an important window for robust development under the profound impact of the development strategy underpinned by “carbon peak” and “carbon neutrality”. At the same time, with the gradual improvement in quality standard of the industry and the industrial policies becoming more mature, market competition is set to escalate. Amidst challenges as well as opportunities, the Group will continue to stick to the “three dimensional” development strategy: extending the industry chain, enhancing market penetration and broadening the scope of its business. By aiming at “delivering value” and starts with “reforms and improvements” alongside in-depth

research on measures and methods, the Group will drive quality and efficiency improvement in the existing business while exploring new business directions to seize new market opportunities.

To accelerate the pace of business transformation and upgrade, the Group will conduct policy, market and technology research with a specific focus on frontier developments of the industry, identify higher quality markets, more advanced technologies and projects with higher value and lower risks, in order to reserve the driving power for the Company's latest strategic transformation. The Group will advance the transformation of its existing business as before. Our integrated biomass utilisation business will continue to expand its heat supply operations to increase the Company's cash inflow and profitability. Our hazardous and solid waste treatment business will seek extensive development from hazardous waste and bulk solid waste in accordance with the new "Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes". Our environmental remediation business will vigorously build up cooperative alliances with various business ecology platforms to achieve innovation and breakthrough in the environmental remediation business model.

The Group will actively participate in carbon market trading and comprehensively enhance the operation and management of Carbon Assets. We will identify the potential resources for Chinese Certified Emission Reduction ("CCER") in our existing businesses and roll out strategic deployments in the carbon trading market, such as the development of Carbon Assets, carbon market analysis, green finance and carbon trade, among others, while tapping new energy markets with CCER potential such as solar energy, wind power and solar energy storage integration. Everbright Greentech will explore future new business directions with a broader mindset and drive transformation towards a technology- and ecology-based enterprise.

Moving forward, with the strong support of China Everbright Group Limited and strong support of China Everbright Environment Group Limited, 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.

### **Subsequent events**

On 27 July 2021, the Company completed the issuance of second tranche of medium-term notes, namely the 2021 Green Medium-term Note (Series 1) (Bond Connect/Carbon-neutral Bond/Rural Vitalisation) (the "2021 Green Medium-term Notes (Series 1) (Bond Connect/Carbon-neutral Bond/Rural Vitalisation)") for an amount of RMB1 billion with a maturity period of 3+2 years at a coupon rate of 3.5% per annum for the first 3 years. The Company shall be entitled to adjust the coupon rate of the 2021 Green Medium-term Notes (Series 1) (Bond Connect/Carbon-neutral Bond/Rural Vitalisation) 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 2021 Green

Medium-term Notes (Series 1) (Bond Connect/Carbon-neutral Bond/Rural Vitalisation) will be used for the repayment of project loan of relevant agricultural and forestry integrated biomass utilisation projects.

## **FINANCIAL REVIEW**

### **Financial position**

As at 30 June 2021, the Group's total assets amounted to approximately HK\$38,506,607,000 (31 December 2020: HK\$35,264,668,000) with net assets amounting to approximately HK\$13,848,781,000 (31 December 2020: HK\$12,866,841,000). Net asset value per share attributable to equity shareholders of the Company was HK\$6.52 per share, an increase of 8% as compared to HK\$6.06 per share as at the end of 2020. As at 30 June 2021, the gearing ratio (total liabilities over total assets) of the Group was 64.04%, an increase of 0.53 percentage points as compared to that of 63.51% as at the end of 2020. The current ratio of the Group was 148%, a decrease of 8.2 percentage points as compared to that of 156.2% as at the end of 2020.

### **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 ABN and medium-term notes, internally generated cash flow and bank loans. As at 30 June 2021, the Group had cash and bank balances of approximately HK\$2,591,323,000, a decrease of HK\$135,730,000 as compared to HK\$2,727,053,000 at the end of 2020. 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 2021, the Group had outstanding borrowings including 2020 First Tranche Medium-term Notes (as defined below) of approximately HK\$19,074,475,000, an increase of approximately HK\$2,141,102,000 as compared to HK\$16,933,373,000 as at the end of 2020. The borrowings included secured interest-bearing borrowings of approximately HK\$9,929,873,000 (31 December 2020: HK\$8,566,054,000) and unsecured interest-bearing borrowings of approximately HK\$9,144,602,000 (31 December 2020: HK\$8,367,319,000). The borrowings of the Group were denominated in Renminbi and Hong Kong dollars, representing 77% and 23% of the total respectively. The majority of the Group's borrowings were subject to floating rates. As at 30 June 2021, the Group had banking facilities of approximately HK\$23,355,947,000 (31 December 2020: HK\$22,038,898,000), of which approximately HK\$6,986,947,000 (31 December 2020: HK\$7,591,705,000) was unutilised. The tenor of banking facilities ranged from 1 year to 18 years.

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 strategic 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 (the “NAFMII”) in respect of the Company’s application for the proposed issue of medium-term notes (the “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 (the “PRC”), 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.

On 12 June 2020, the Company completed the issuance of 2020 first tranche Medium-term Notes of the Company (the “2020 First Tranche Medium-term Notes”). 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 2021, the Company’s outstanding Medium-term Notes had an unissued registered principal amount of RMB2.5 billion.

On 28 January 2021, the Company received the Notice of Registration Acceptance issued by the NAFMII in respect of the Company’s application for the proposed issue of ABN with the maximum registered principal amount of RMB2 billion in the national inter-bank bond market in the PRC. The registered principal amount shall be valid for two years from the date of the Notice of Registration Acceptance, being 27 January 2021. The targeted subscribers for the ABN shall be institutional investors in the national inter-bank bond market in the PRC. The ABN shall be traded in the national inter-bank bond market.

On 21 April 2021, the Company completed the issuance of the first ABN with the receivables in connection with additional subsidies for renewable energy power prices of the State (the “State Subsidies”) as underlying assets (the “ABN Series I 2021”). The ABN Series I 2021 has an issue size of RMB589 million and a term of three years, subject to revolving purchase arrangements, of which the first two years being the revolving purchase period. The issue size of the preferred ABN is RMB569 million, accounting for 96.6% of the total issue size and carrying a coupon rate of 4.05%. The issue size of the subordinated ABN is RMB20 million. Proceeds from the issuance of ABN Series I 2021 will be applied as replenishment of general working capital or for the repayment of borrowings to financial institutions. As at 30 June 2021, the unissued registered capital of the Company’s remaining ABN with State Subsidies receivables as underlying assets amounted to RMB1,411 million.

### **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 assets of the Group. As at 30 June 2021, the aggregate net book value of assets pledged amounted to approximately HK\$22,217,199,000 (31 December 2020: HK\$19,019,934,000).

### **Commitments**

As at 30 June 2021, the Group had purchase commitments of approximately HK\$725,607,000 (31 December 2020: HK\$1,104,064,000) under the construction contracts and capital commitments relating to capital injection in an associate and a joint venture of approximately HK\$36,230,000 (31 December 2020: HK\$35,405,000) and HK\$Nil (31 December 2020: HK\$3,575,000).

### **Contingent liabilities**

As at 30 June 2021, the Group did not have any contingent liabilities (31 December 2020: 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 2021, the Group had a total of more than 2,400 employees in Hong Kong and Mainland China. For the six months ended 30 June 2021, the total staff cost was approximately HK\$292,135,000 (30 June 2020: HK\$261,398,000). 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 2021 to 30 June 2021.

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.

The Company has a management committee in place to take in charge of the daily business operations and management, the research and review of the Company's development strategy, planning, business directions, annual plan and implementation. The management committee being the decision making body for day-to-day business activities, supervises the daily operations, safety and environmental management of each business unit of the Group, and reports to the Board on all major decisions, personnel changes and other business and issues which may affect the Group. 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.



In addition, the Company established the sustainability committee with specific written terms of reference with the aim of supervising the Group's management and effectiveness in sustainability matters, so as to ensure the smooth implementation of various sustainability policies and measures in different business segments and units of the Group. There are 3 working groups under the sustainability committee: operation management working group, employment and community investment working group, and compliance and risk working group. The 3 groups comprise employees from different positions, and the groups are responsible for the Company's environment and safety, social and human resources, governance and risk management issues respectively. The members of the 3 groups will report to the committee members at the sustainability committee meeting on the implementation of strategies and target practices in different areas.

### **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 under review, 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, approved the remuneration and terms of engagement of the auditors 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 2020, the interim results and interim report for the six months ended 30 June 2021 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 under review, 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 of the directors according to the board diversity policy and the nomination policy. It has also reviewed the appointment letter of a non-executive director, considered the independence of each of the independent non-executive directors 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 under review, the members of remuneration committee reviewed the remuneration packages of directors and senior management, the arrangement of bonus distribution of senior management for the year 2020 and the benchmark index assessment for the year 2021.

### **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 HK7.0 cents (2020: HK8.0 cents) per share for the six months ended 30 June 2021 to Shareholders whose names appear on the register of members of the Company on Monday, 13 September 2021. The interim dividend payout ratio is 20.6% (2020: 20.1%) for the six months ended 30 June 2021. The interim dividend will be paid on or around Monday, 4 October 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Thursday, 9 September 2021 to Monday, 13 September 2021 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents 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 Wednesday, 8 September 2021.

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

During the six months ended 30 June 2021, 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 2021 is published on the websites of HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.ebgreentech.com/en/ir/announcements.php>). The 2021 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, 9 August 2021

*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*)