

# **BOLD VISIONS TO OVERCOME EVERY CHALLENGE**

## **2016 Interim Results Presentation**

**August 2016**



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# Agenda

- 1H16 Results Review
- Development Outlook

# 1H16 Results Review

- **Results Highlights**
- **Financial Analysis**
- **Investment Management**
- **Investment Results**

# Results Highlights (1)

In 1H16, Everbright International completed the restructuring of its management by dividing its businesses into four segments:

- E** Envirotech (to form a comprehensive integrated system encompassing R&D, design and equipment manufacturing)
- E** Environmental Energy (Waste-to-energy and environmental protection industrial park)
- E** Environmental Water (Integrated management of water resources, listed on SGX)
- E** Greentech (Innovative industry, in progress of a spin-off and separate listing on HKEx)



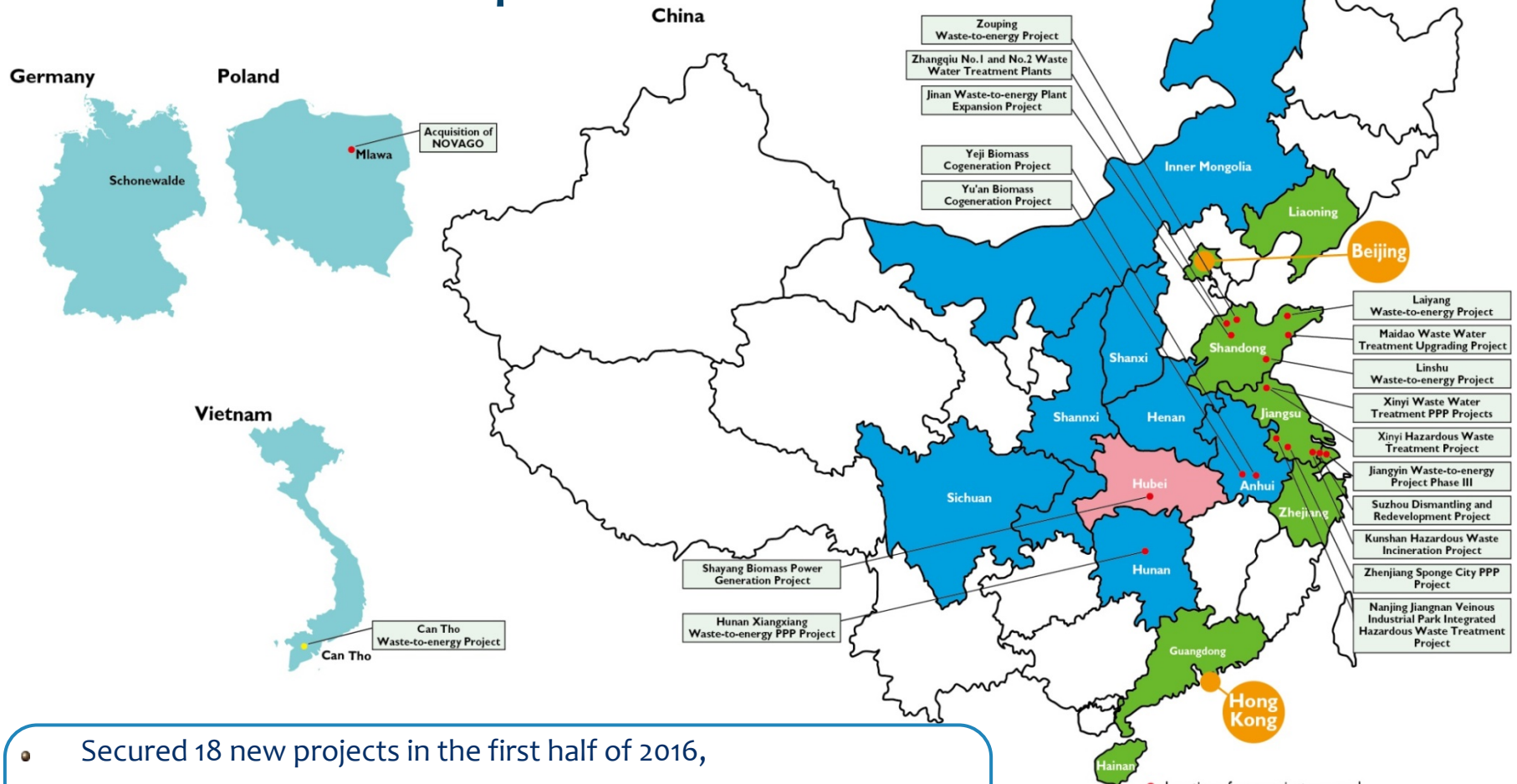
# Results Highlights (2)

## In terms of business development:

- The Group secured 18 new projects, with a total investment of approximately RMB9.456 billion, setting new records in terms of the number and investments of projects secured.
- Both the number of new construction projects and the number of projects under construction reached record highs.
  - ▶ 27 projects were under construction, with a total investment exceeded RMB10 Billion (approx. RMB10.3 billion);
    - ▶ Including 14 projects commenced construction, with a total investment of approximately RMB4.219 billion.

# Results Highlights (3)

In terms of investment portfolio:



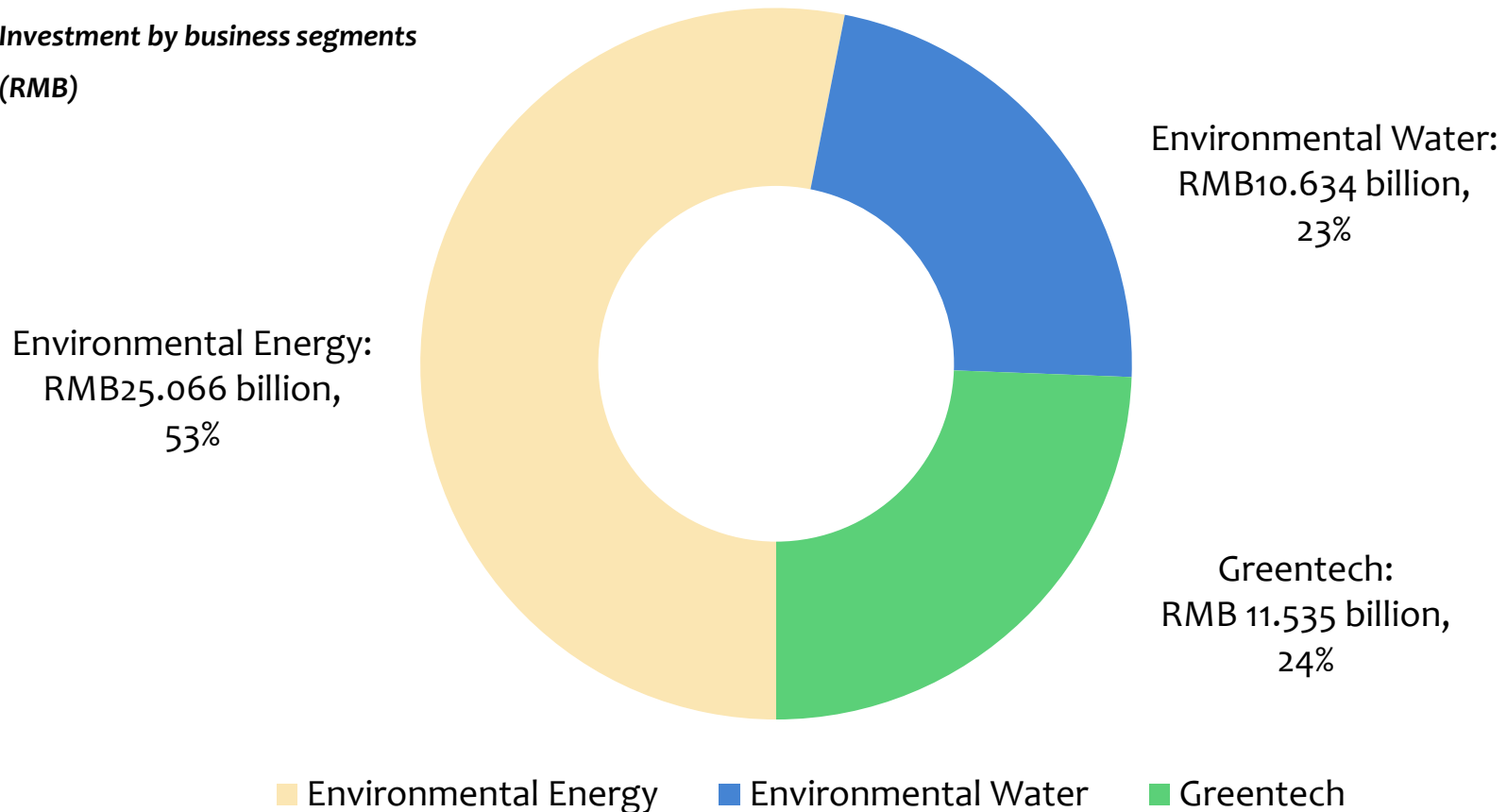
- Secured 18 new projects in the first half of 2016,
- So far, the Group had secured over 180 environmental protection projects in 80 counties and cities across 15 provinces in China as well as in Germany, Poland and Vietnam.

- Location of new projects secured
- Projects won in July 2016
- Provinces where CEI established a new presence in 1H16
- Location of CEI projects (inland cities)
- Location of CEI projects (coastal cities)

# Results Highlights (4)

- A strong project pipeline to drive the development of the Group.

Investment by business segments  
(RMB)





# Financial Analysis (1)

## In terms of business operations:

- Excluding the gain on sale of listed securities of HK\$ 92,904,000 for the same period last year, EBITDA and profit attributable to equity holders increased by 30% and 33% year-on-year, respectively.

| (HK\$'000)                            | For the six month ended 30 June |           | Change |
|---------------------------------------|---------------------------------|-----------|--------|
|                                       | 2016                            | 2015      |        |
| Revenue                               | 5,420,698                       | 3,769,079 | 44%    |
| Gross Profit                          | 2,253,095                       | 1,797,487 | 25%    |
| EBITDA                                | 2,198,118                       | 1,778,791 | 24%    |
| Profit attributable to equity holders | 1,208,912                       | 1,000,155 | 21%    |
| Basic EPS (HK cents)                  | 26.96                           | 22.31     | 21%    |
| Interim dividend per share (HK cents) | 7.5                             | 6.5       | 15%    |

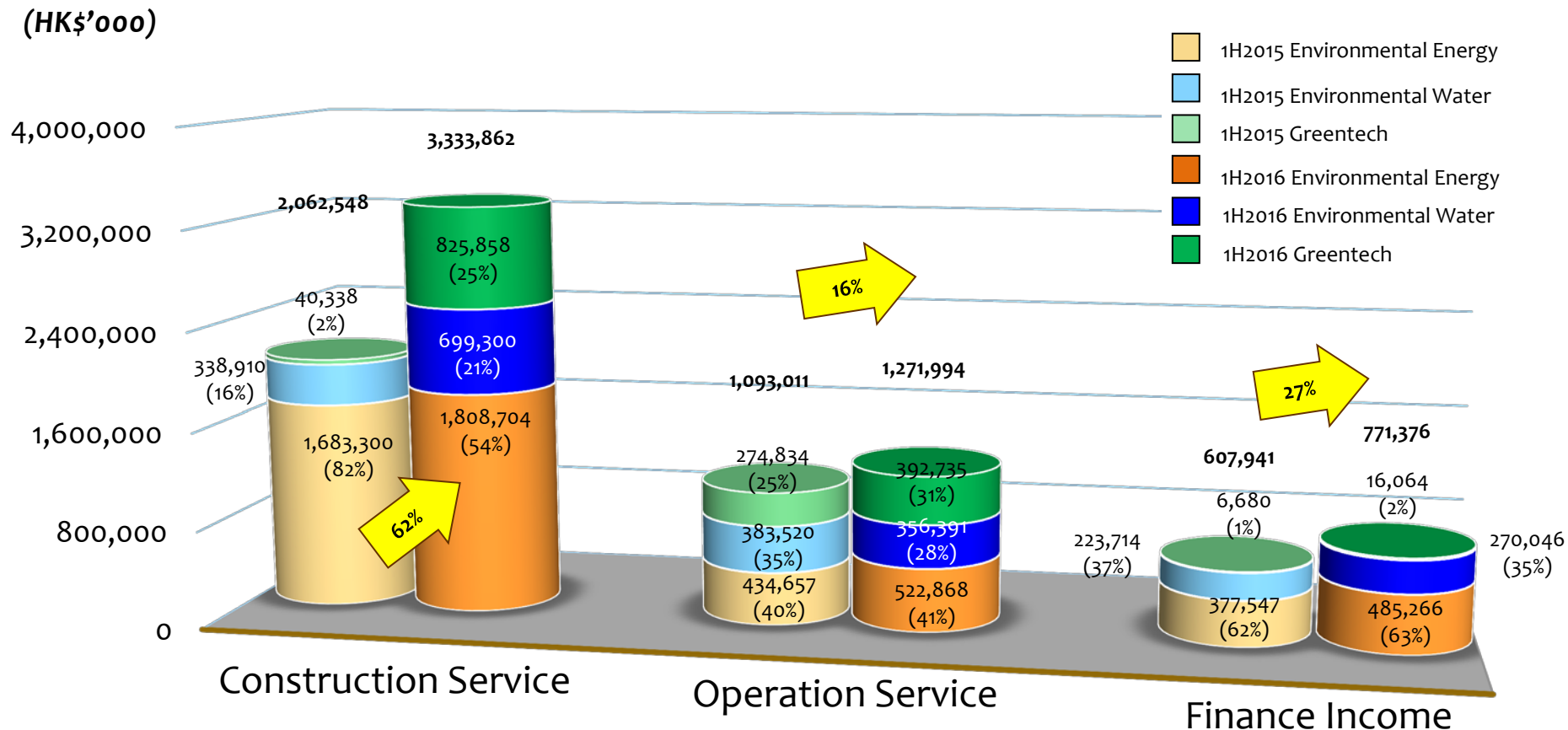
# Financial Analysis (2)

| HK\$ 'Mil   | As at<br>31/12/2011 | As at<br>31/12/2012 | As at<br>31/12/2013 | As at<br>31/12/2014 | As at<br>31/12/2015 | As at<br>30/6/2016          |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| <b>Total assets</b>   | 13,880              | 16,583              | 23,471              | 31,200              | 40,623              | <b>44,555</b>               |
| <b>Total liabilities</b>                                      | 7,218               | 7,913               | 9,692               | 13,357              | 21,203              | <b>24,661</b>               |
| <b>Shareholders' equity</b>                                   | 6,190               | 8,350               | 13,374              | 16,263              | 17,196              | <b>17,557</b>               |
| <b>Cash on hand</b>   | 1,900               | 2,797               | 5,815               | 5,150               | 6,673               | <b>6,861</b>                |
| <b>Return on equity holders (%)</b>                           | 13.90               | 15.45               | 12.20               | 11.49               | 12.46               | <b>6.96<br/>(half year)</b> |
| <b>Dividend payout ratio (%)</b>                              | 20.6                | 20.3                | 26.1                | 29.0                | 39.8                | <b>27.8</b>                 |
| <b>Gearing ratio (%)<br/>(Total liabilities/Total assets)</b> | 52                  | 48                  | 41                  | 43                  | 52                  | <b>55</b>                   |

- High quality assets, abundant cash on hand, reasonable gearing ratio and healthy financial position;
- Received positive recognition and long-standing support from international financial institutions and policy banks such as Asian Development Bank, The World Bank and China Development Bank;
- Strong financial resources ensure the Group has sufficient funds for its development.

# Financial Analysis (3)

## Revenue Analysis of the 3 Business segments



1H2016 : HK\$5,377,232,000\* (up43%)

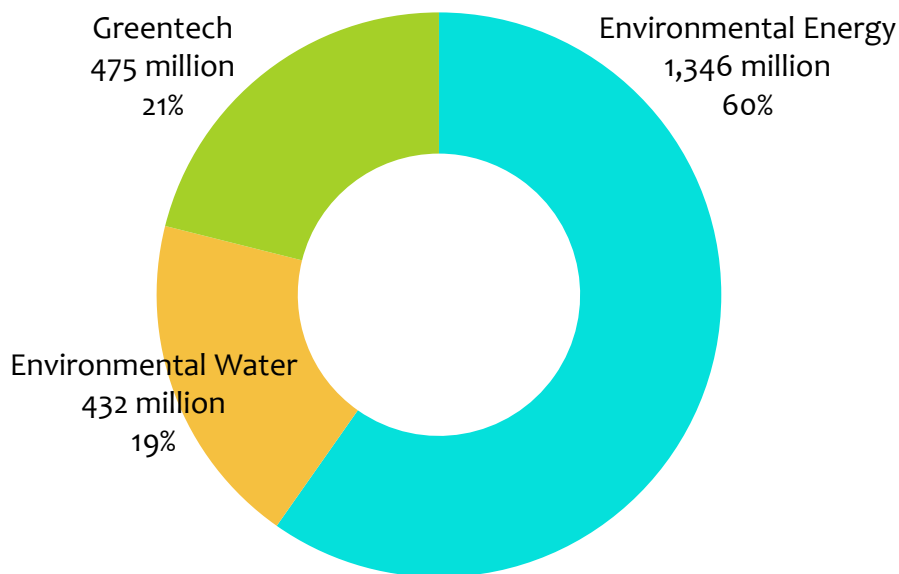
1H2015 : HK\$3,763,500,000

\* Excluding the revenue from sales of equipment and environment protection project design services

# Financial Analysis (4)

## Profit Analysis of the 3 Business segments

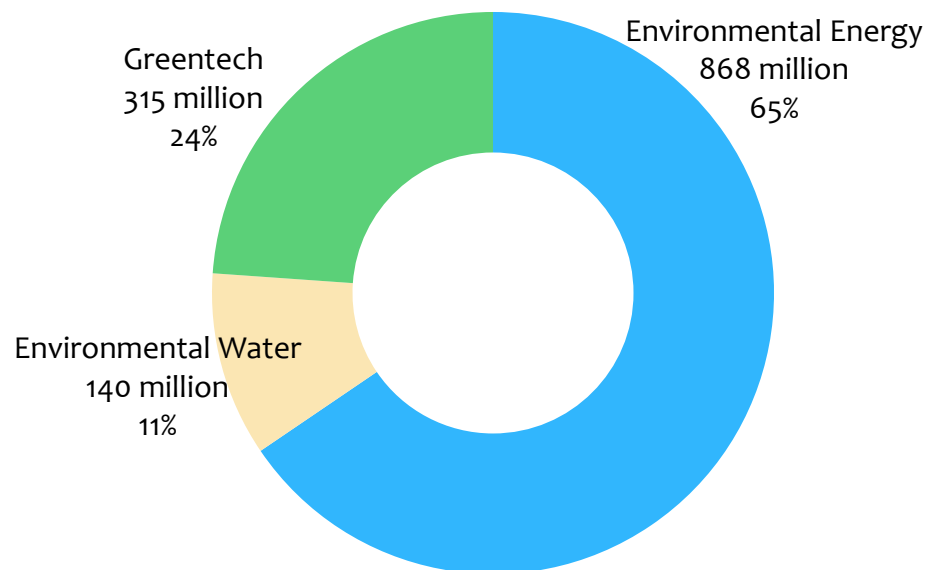
1H2016 EBITDA\* (HK\$)  
By Business segment



1H 2016: HK\$2,253,139,000 (up 28%)  
1H 2015: HK\$1,757,793,000

■ Environmental Energy ■ Environmental Water ■ Greentech

1H2016 Segment Net Profit\*\* (HK\$)  
By Business segment



1H 2016: HK\$1,322,680,000 (up 33%)  
1H 2015: HK\$994,327,000

■ Environmental Energy ■ Environmental Water ■ Greentech

\* Excluding the segment EBITDA of Envirotech

\*\* Excluding the segment contribution of Envirotech and before deduction of unallocated head office and corporate net expenses

# Investment Management (1)

## In terms of management:

- Fully implemented the Environmental, Safety, Health and Social Responsibility (“ESHS”) Management System and a new Risk Management System;
- Fully implemented the new model of centralized management by regions;
- Actively acquired both local and overseas management and technical professionals;
- Further enhanced the management of its talent pool;
- Launched a new compensation and benefits system.



# Investment Management (2)

## In terms of social responsibilities :

- Fulfilled its promise to the market and moved ahead of schedule in disclosing daily emission standards of its operating waste-to-energy projects since May 2016, to lead and promote information disclosure of the industry;
- Opened its operating projects to the public since June 2016. Joining hands with members of the public to help develop ecological awareness. Received over 1,660 visits with 28,800 domestic and foreign visitors in the first half of 2016;
- Actively promoted charitable environmental protection campaigns by organizing activities including Earth Hour Hong Kong, “6.5 World Environment Day” and Volunteer Teaching in Everbright International True Love School in Dangshan and others, which promoted green development concepts and practices;
- Continuously created job opportunities, adding 470 new employees in the first half of 2016;
- Invited by UNECE International PPP Centre of Excellence to lead the development of the United Nations PPP standards on waste-to-energy projects. This enhance the Group’s influence internationally and within the industry.



# Investment Results (1)

## In terms of investment results:

- Developed a number of industry-leading and world-class environmental protection projects;
- Formed a distinct model that covers the entire waste-to-energy industry chain, and possessed self-developed core technologies, proprietary intellectual property rights and a registered “Everbright Environmental Protection” trademark (the grate furnace product series received European Union’s CE mark);
- Acquired Jiangsu Design & Research Institute of Energy Conservation Engineering and Nanjing Science and Technology Building, and established Everbright Envirotech (China) Limited, three research institutes and two centers, laying a solid foundation for the Group’s scientific and technological R&D;
- Developed in new regions and new business sectors in China;
- As part of China’s “One Belt One Road” initiative, the Group set up an international business arm. It focused on entering the South East Asian, Southern Asian, Western Asian and Northern Asian markets, which delivered solid results.

# Investment Results (2)

## In terms of investment results:

- As at 30 June 2016, 108 projects completed construction and commenced operation, including:

23

Waste-to-energy  
Projects



63

Water Treatment  
Projects



2

Biomass Projects



5

Hazardous Waste  
Treatment Projects



8

Solar Energy  
Projects



2

Wind Power  
Generation Projects



2

Methane-to-energy  
Projects



1

Sludge Treatment  
and Disposal Project



2

Equipment  
Manufacturing Projects





# Investment Results (3)

## In terms of investment results:

- As at 30 June 2016, 27 projects were under construction, including:

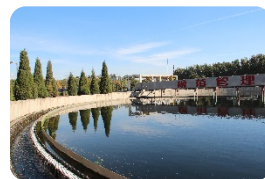
**12**

Waste-to-energy  
Projects



**3**

Water Treatment  
Projects



**5**

Biomass Projects



**2**

Hazardous Waste  
Treatment Projects



**4**

Integrated Biomass  
and Waste-to-energy  
Projects



**1**

Food Waste  
Treatment Project



# Investment Results (4)

## In terms of investment results:

- As at 30 June 2016, 45 projects were in the preparatory stage, including:

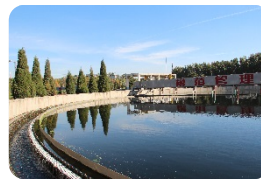
**18**

Waste-to-energy  
Projects



**4**

Water Treatment  
Projects



**4**

Biomass Projects



**8**

Hazardous Waste  
Treatment Projects



**10**

Integrated Biomass  
and Waste-to-energy  
Projects



**1**

Food Waste  
Treatment Project



# Development Outlook

- **Business Prospects**
- **Development Strategies**

# Business Prospects

- The year 2016 marks the beginning of China's 13th Five-year Plan.
- The government has set out five development principles: innovation, coordination, green development, opening-up and sharing.
- The full implementation of the new Environmental Protection Law of the PRC and the issue of the “Clean Water Action Plan”, “Clean Air Action Plan” and “Clean Soil Action Plan” have brought the environmental protection industry an enormous room to grow.
- The 21<sup>st</sup> annual session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) saw the signing of the Paris Agreement, which has established the long-term goal of tackling climate change and opened up new opportunities to expand environmental protection cooperation around the world.

# Development Strategies (1)

2016 marks the first year of the Group's new round of development. The Group will adhere to the "three strategies" to promote the development and innovations of its four core business segments.

## Adhering to the "three strategies":

- **"One Belt One Road" initiative:**
  - In line with the "One Belt One Road" initiative, the Group will seek business cooperation opportunities further afield through investment in various projects and taking its environmental technologies and equipment to overseas markets.
- **Coordinated development of Beijing-Tianjin-Hebei area:**
  - With a focus on ecological and environmental restoration, the Group seeks to promote the development of various business models such as the harmless treatment of urban and rural waste, the treatment and management of water resources, and the treatment of hazardous waste.
- **Yangtze River Economic Belt :**
  - The Group will strengthen its presence in regions where its existing projects are located and also seek expansion in other locations.

# Development Strategies (2)

## Promote the development and innovations of the Group's core businesses

### **E Envirotech:**

- The Group will seek to expand its businesses to cover the entire waste-to-energy industry chain, look to import new technologies and materials, and put its R&D results into practice.
- Seek technological breakthroughs in new business areas.

### **E Environmental Energy:**

- Push forward the development of its urban household waste-to-energy system of the entire waste-to-energy industry chain.
- Ensure the investment, planning process, construction and operations of environmental protection venous industrial parks are well managed.
- Convert waste to energy through the integrated recycling of solid waste.

### **E Environmental Water:**

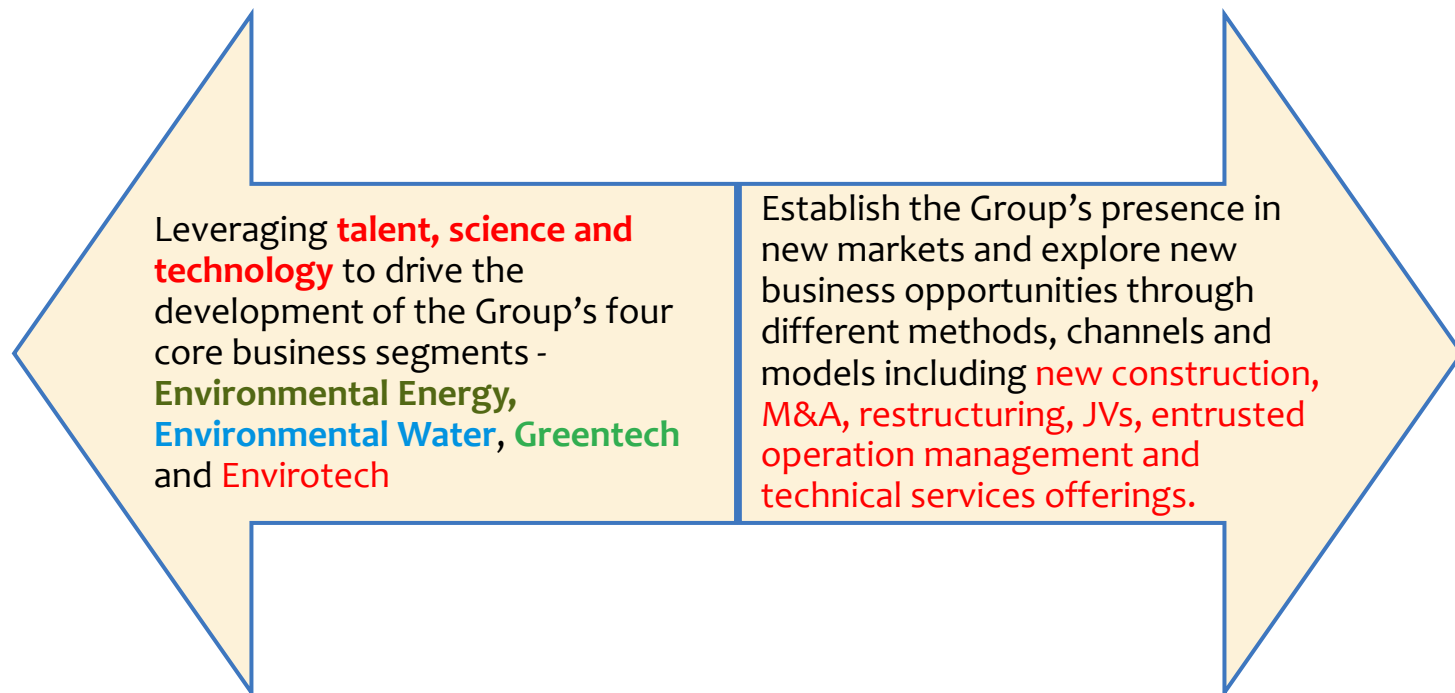
- Push forward the water control technological R&D.
- Seek breakthroughs in water treatment, the integrated utilization of water resources and the conservation of ecological water.

### **E Greentech:**

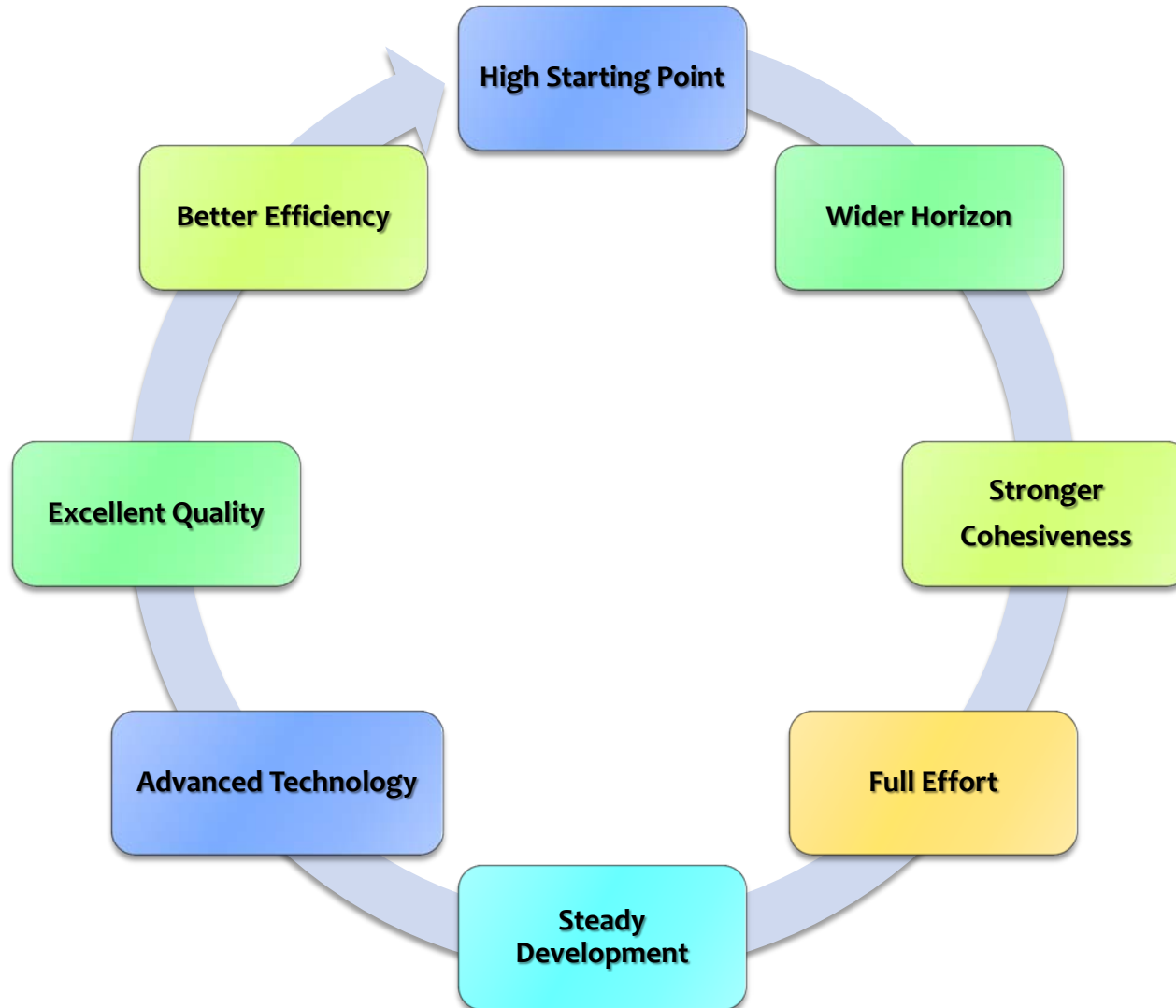
- Focus on new technologies to pursue new developments.
- Carry out the spin-off and separate listing of the greentech business in a timely and steady manner, and focus on the construction and operations of urban-rural integrated projects and hazardous waste treatment projects.

# Development Strategies (3)

- Continue to achieve growth in both scale and efficiency;
- Pursue its operating strategies aimed at delivering a satisfactory return for shareholders;
- Maintain its long-term commitment to sharing its achievements with society and its shareholders.

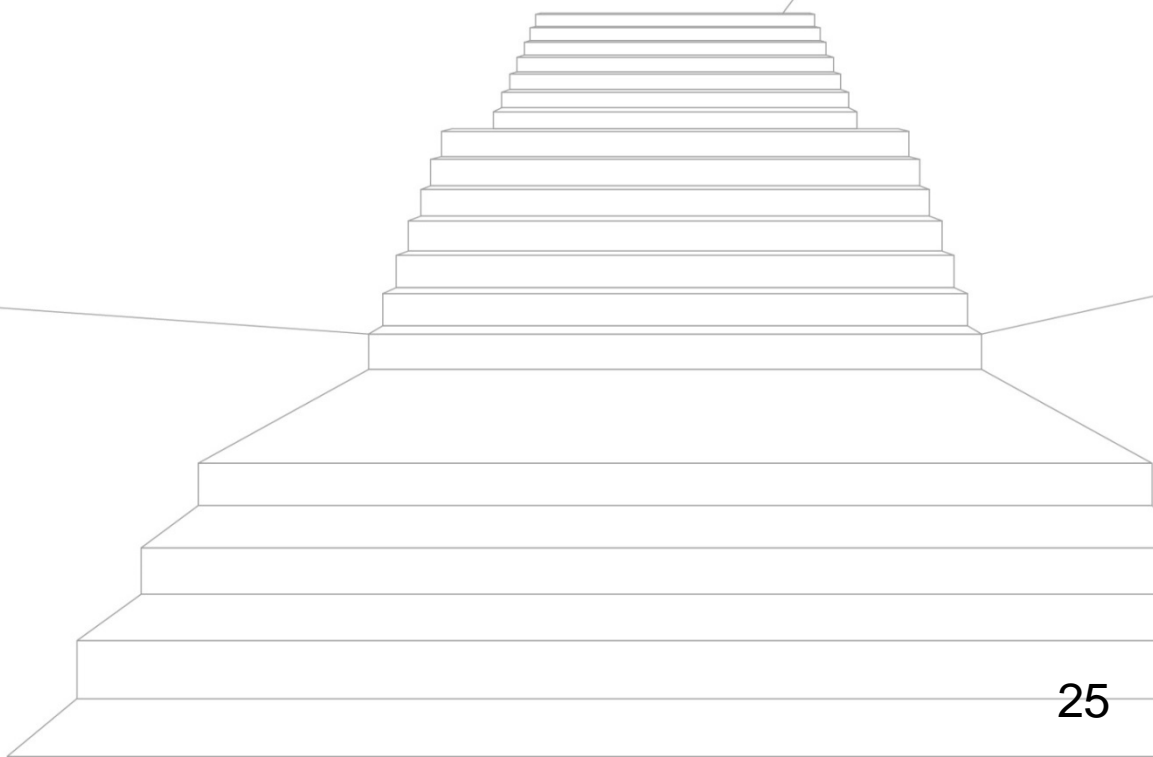


# Corporate Positioning

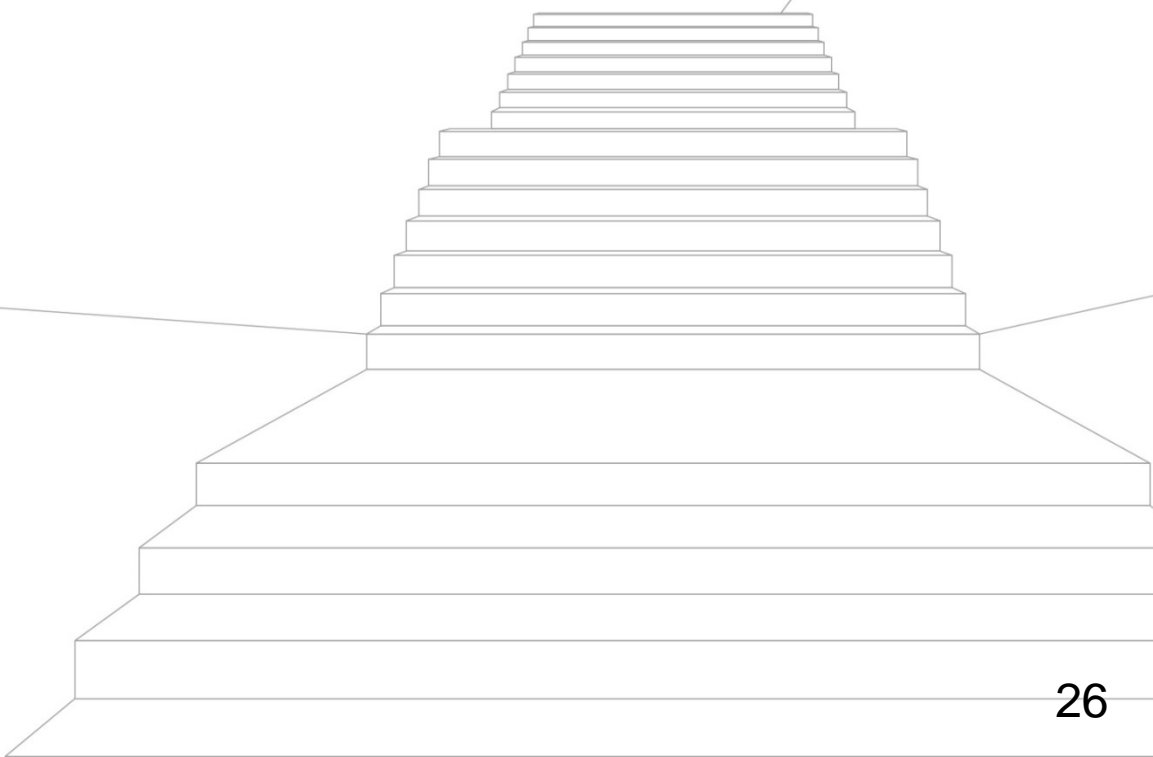




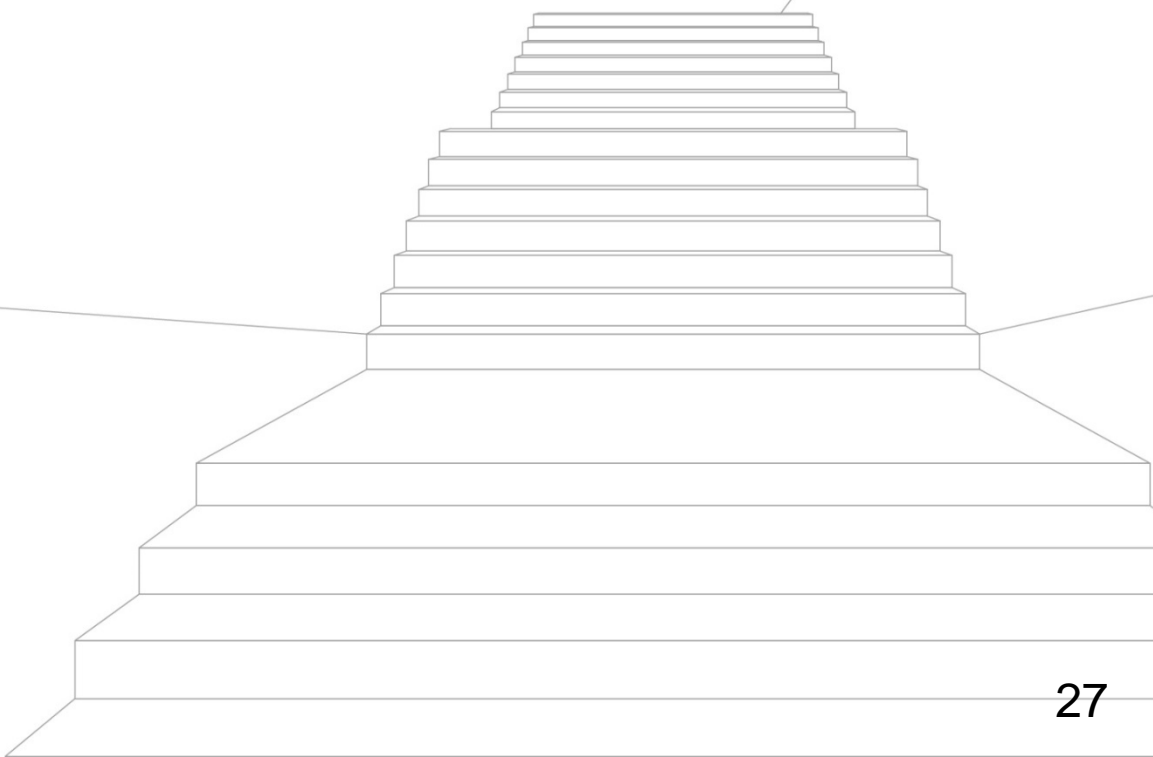
# Q&A



# Thank You

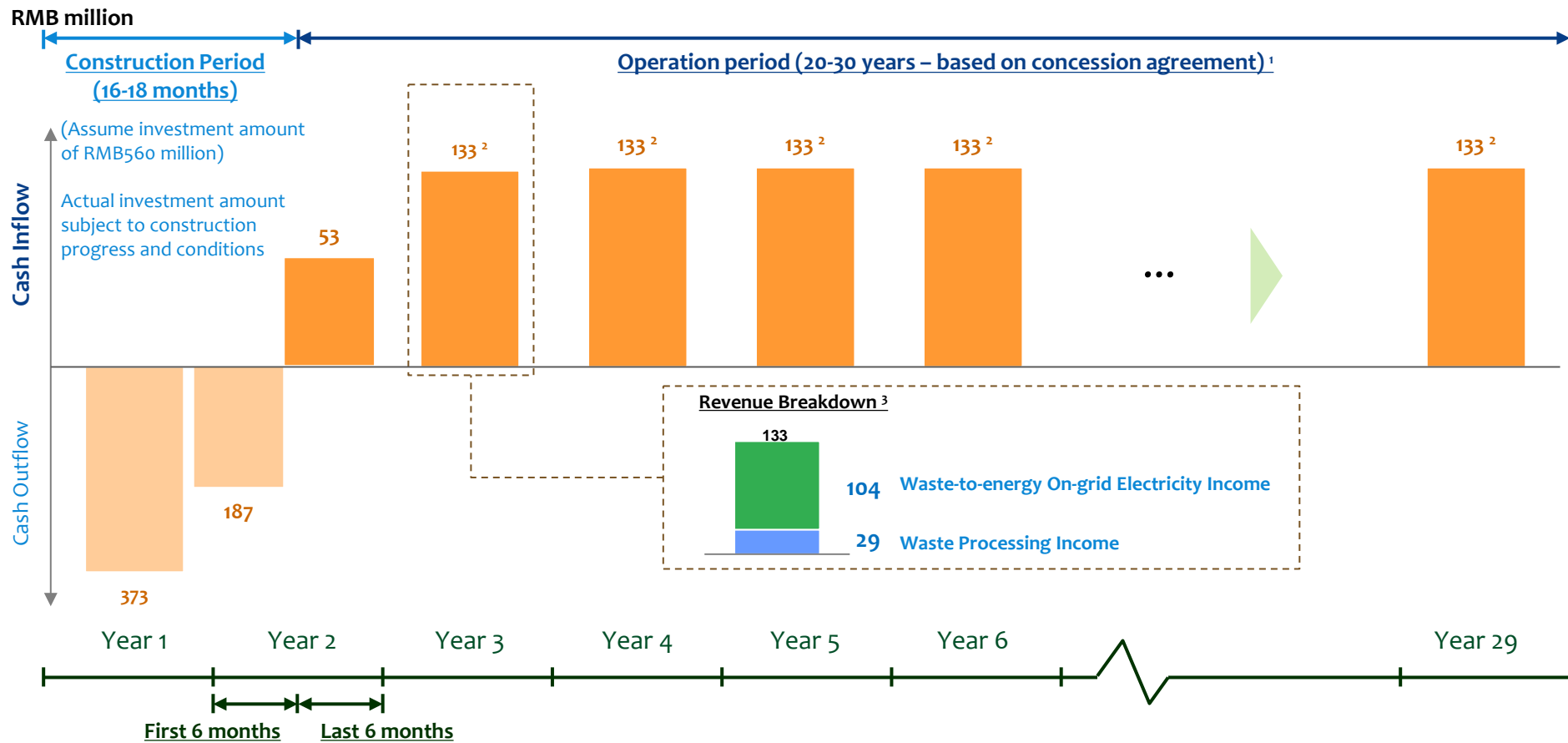


# Appendix



# Waste-to-energy Project – Cash Flow Illustration

(For reference only)



Capex requirement is typically funded by project financing (2/3) and equity capital (1/3), while the loans typically are long-term (8-12 years) loans

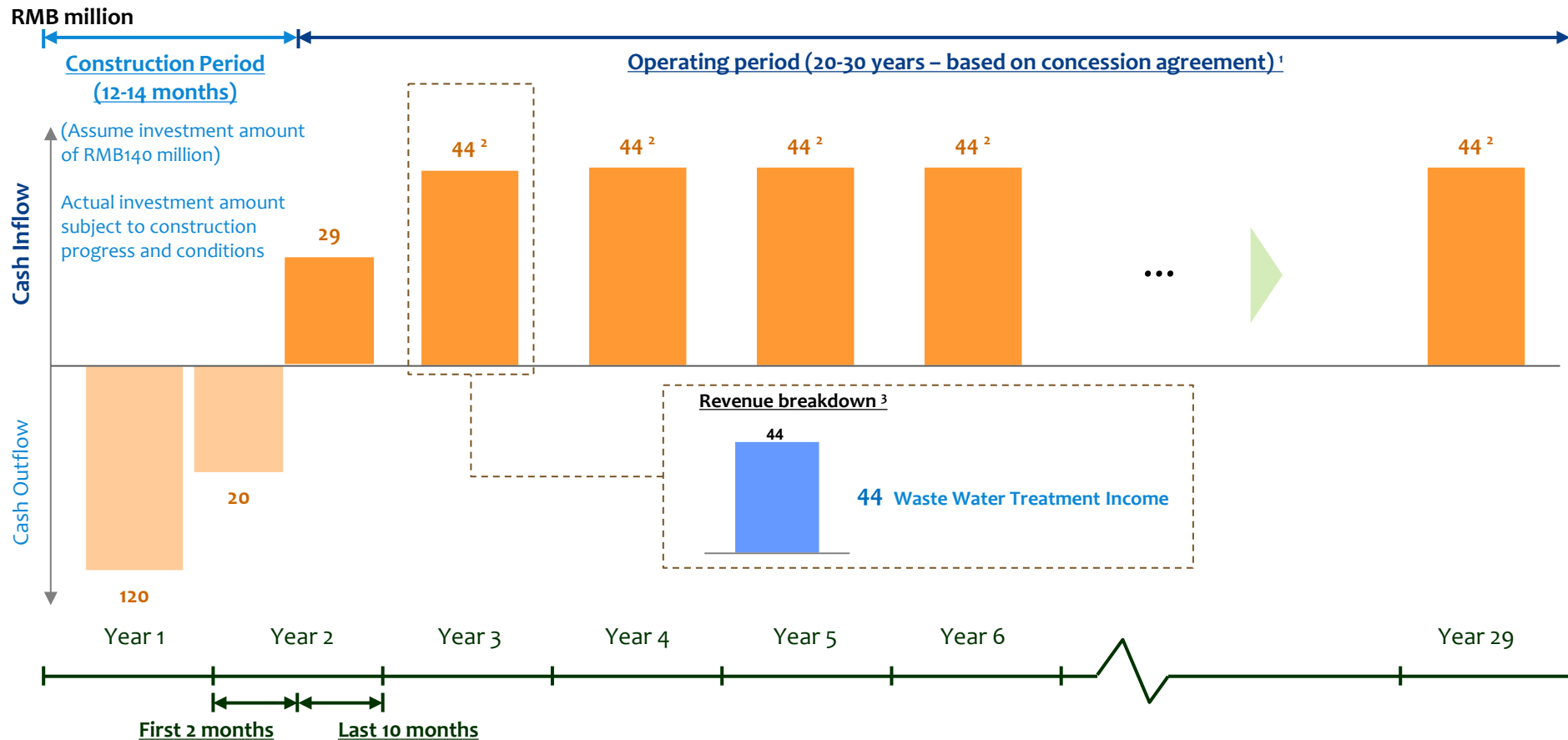
<sup>1</sup> Operating cash flows indicated above do not take into account operating costs, expenses and taxes

<sup>2</sup> Waste processing fee may be adjusted in accordance with changes in the consumer price index levels

<sup>3</sup> Assumptions: WTE's power generation capacity = 20MW; on-grid tariff for power generated by WTE = RMB0.65 per kWh (inclusive of VAT); annual WTE operating hours = 8,000 (~91% utilization rate); annual household waste processing capacity = 365,000 tonnes; waste processing fee = RMB80 per tonne; Utilization during the 1<sup>st</sup> year of operations assumes to be lower (80%)

# Waste Water Treatment Project – Cash Flow Illustration

(For reference Only)



Capex requirement is typically funded by project financing (2/3) and equity capital (1/3), while the loans typically are long-term (8-12 years) loans

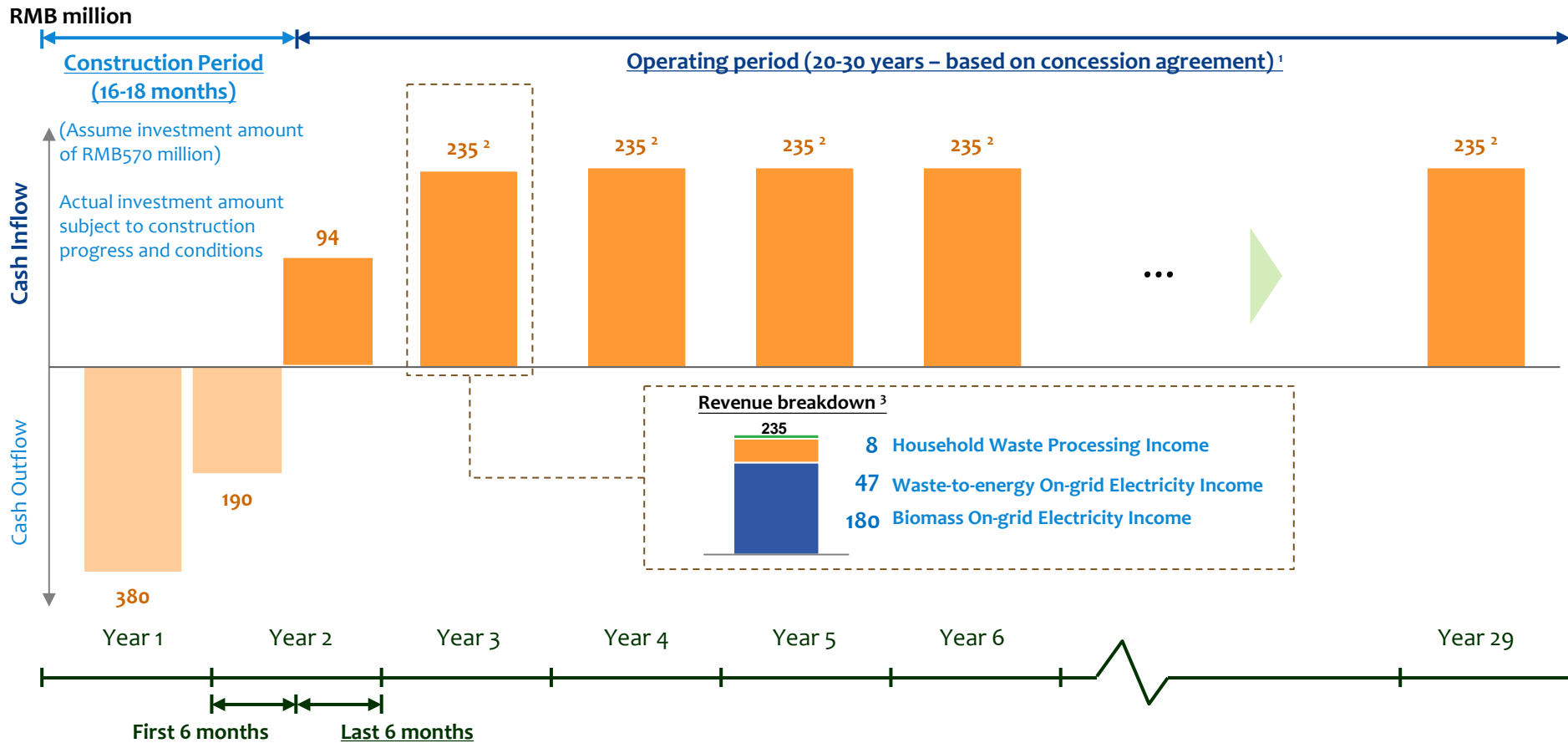
<sup>1</sup> Operating cash flows indicated above do not take into account operating costs, expenses and taxes

<sup>2</sup> Waste water treatment fee may be adjusted in accordance with changes in the consumer price index levels

<sup>3</sup> Assumptions: Daily waste water treatment capacity = 100,000 m<sup>3</sup>; waste water treatment fee = RMB1.2 per m<sup>3</sup>; Utilization during the 1<sup>st</sup> year of operations assumes to be lower (80%)

# Integrated Biomass and WTE Projects – Cash Flow Illustration

(For reference only)



Capex requirement is typically funded by project financing (2/3) and equity capital (1/3), while the loans typically are long-term (8-12 years) loans

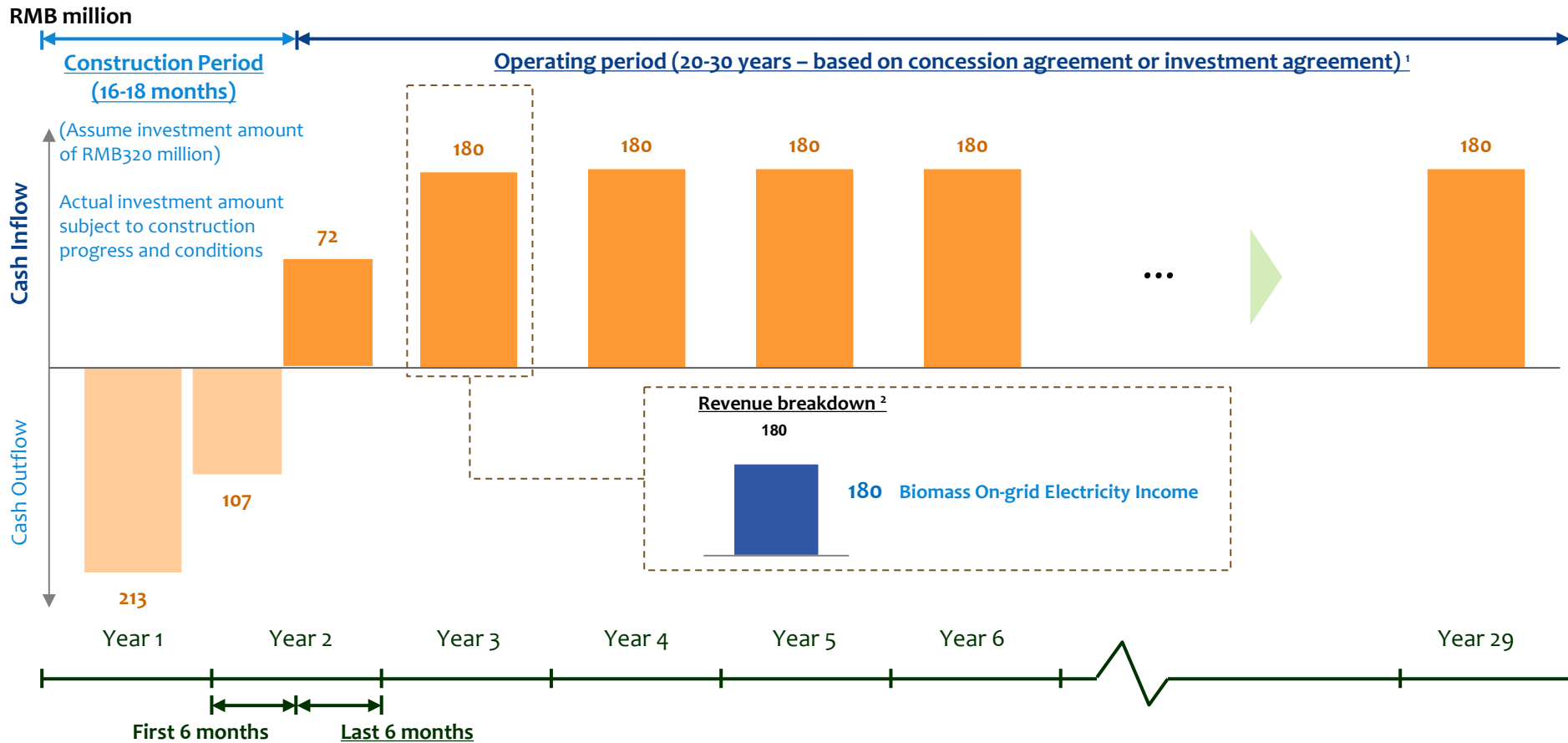
<sup>1</sup> Operating cash flows indicated above do not take into account operating costs, expenses and taxes

<sup>2</sup> Waste processing fee may be adjusted in accordance with changes in the consumer price index levels

<sup>3</sup> Assumptions: Biomass's power generation designed capacity = 30MW; on-grid tariff for power generated by biomass = RMB0.75 per kWh (inclusive of VAT); annual biomass operating hours = 8,000 (91% utilization rate); WTE's power generation capacity = 9MW; on-grid tariff for power generated by WTE = RMB0.65 per kWh (inclusive of VAT); annual WTE operating hours = 8,000 (91% utilization rate); annual household waste processing capacity = 146,000 tonnes; waste processing fee = RMB55 per tonne; Utilization during the 1<sup>st</sup> year of operations assumes to be lower (80%)

# Biomass Direct Combustion Project – Cash Flow Illustration

(For reference only)



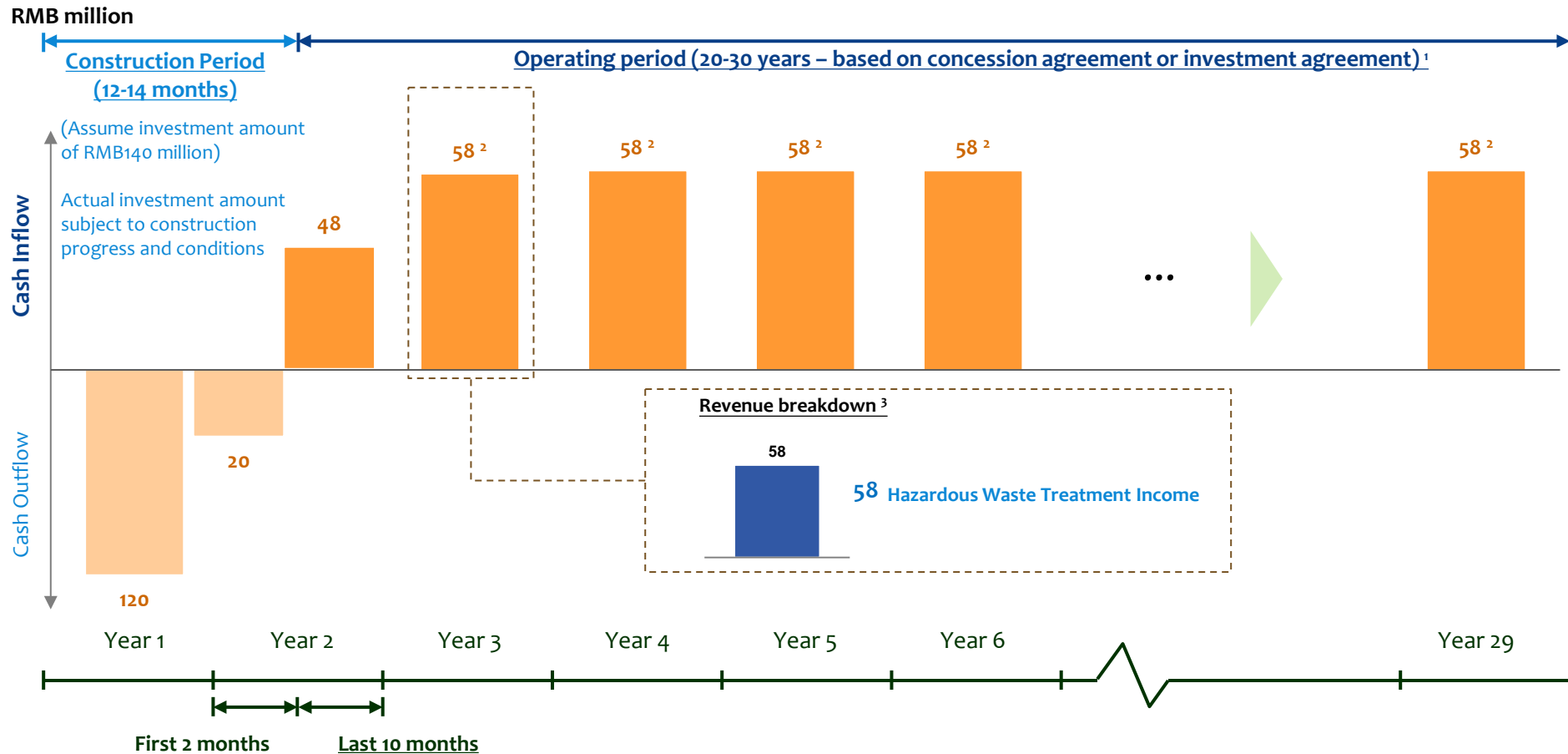
Capex requirement is typically funded by project financing (2/3) and equity capital (1/3), while the loans typically are long-term (8-12 years) loans

<sup>1</sup> Operating cash flows indicated above do not take into account operating costs, expenses and taxes

<sup>2</sup> Assumptions: Biomass's power generation designed capacity = 30MW; on-grid tariff for power generated by biomass = RMB0.75 per kWh (inclusive of VAT); annual biomass operating hours = 8,000 (91% utilization rate)

# Hazardous Waste Landfill Project – Cash Flow Illustration

(For reference only)



Capex requirement is typically funded by project financing (2/3) and equity capital (1/3), while the loans typically are long-term (8-12 years) loans

<sup>1</sup> Operating cash flows indicated above do not take into account operating costs, expenses and taxes

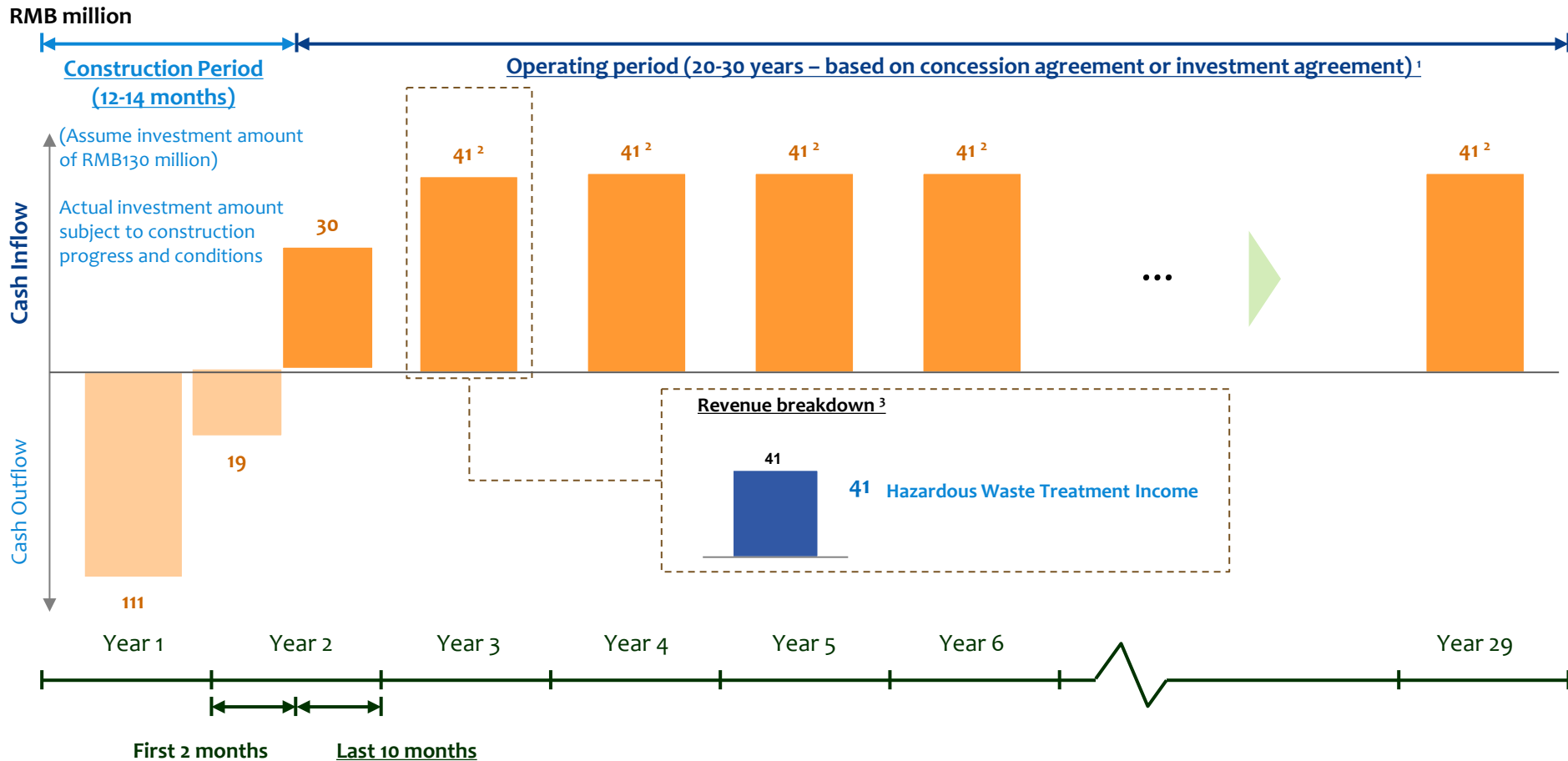
<sup>2</sup> Hazardous waste treatment fees may be adjusted in accordance with changes in the market price levels

<sup>3</sup> Assumptions: Hazardous Waste Landfill designed capacity = 20,000 tonnes annually; hazardous waste treatment fee = RMB2,900 per tonne (inclusive of VAT)



# Hazardous Waste Incineration Project – Cash Flow Illustration

(For reference only)



Capex requirement is typically funded by project financing (2/3) and equity capital (1/3), while the loans typically are long-term (8-12 years) loans

<sup>1</sup> Operating cash flows indicated above do not take into account operating costs, expenses and taxes

<sup>2</sup> Hazardous waste treatment fee may be adjusted in accordance with changes in the market price levels

<sup>3</sup> Assumptions: Hazardous Waste Incineration designed capacity = 9,900 tonnes annually; hazardous waste treatment fee = RMB4,500 per tonne (inclusive of VAT); annual project operating days = 333 days (91% utilization rate); Utilization during the 1<sup>st</sup> year of operations assumes to be lower (80%)