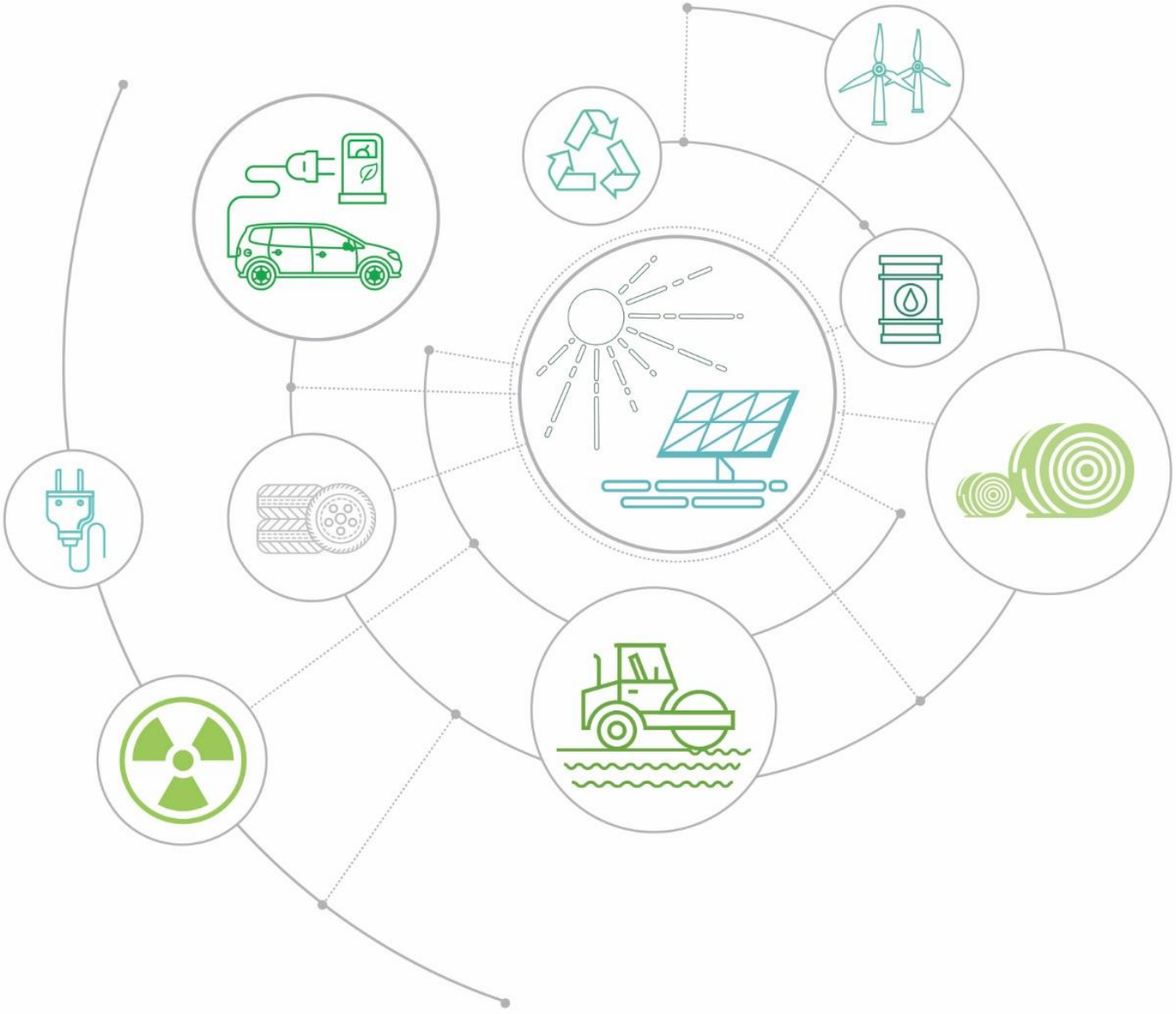
光大綠色環保
Everbright Greentech

(Incorporated in the Cayman Islands with limited liability)
Stock Code:1257



Evolve with Times and Pursuing Long -Term Stability

2021 Annual Results

Forward-looking Statements

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CONTENT

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01 Company Overview

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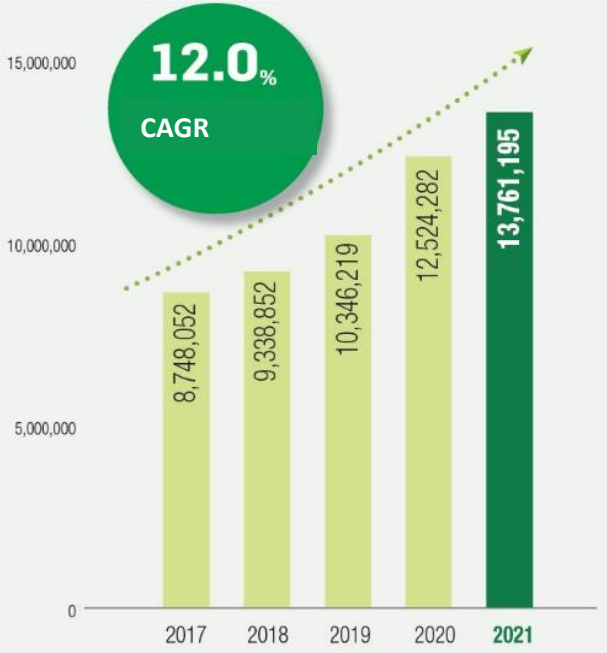
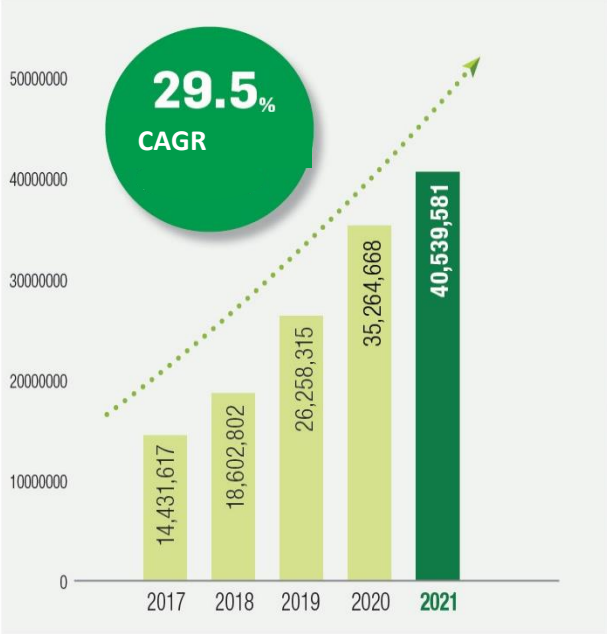
Steady development since IPO

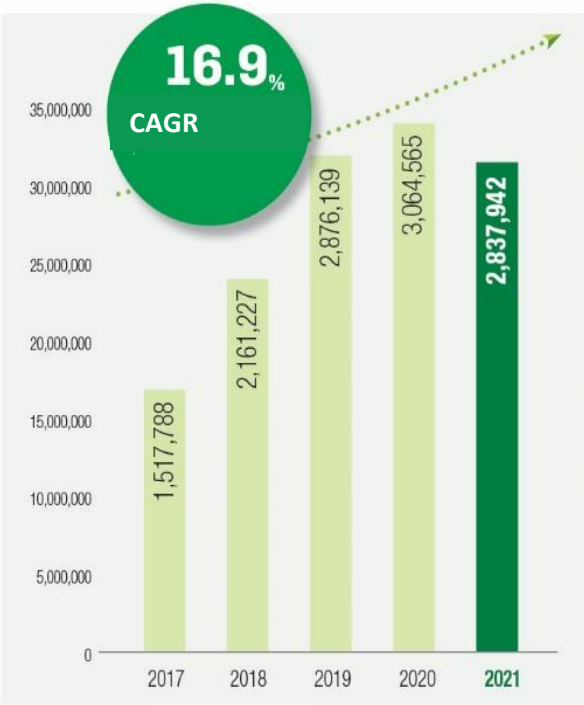
Equity attributable to equity shareholders



Total assets



EBITDA



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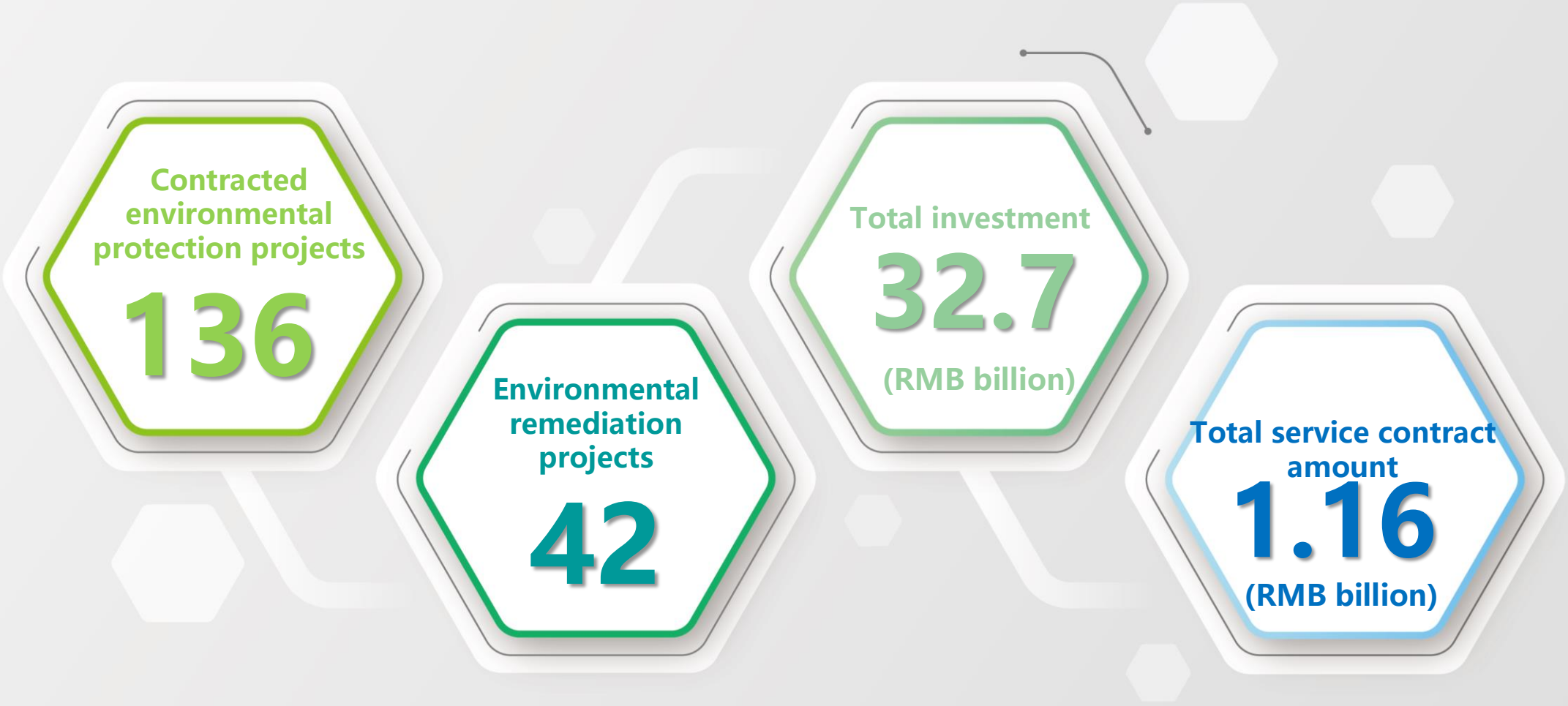
As of 31 December 2021



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02 Financial Analysis

Financial Analysis

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HK$' million	2021	2020	Changes
Revenue	***8,447***	9,835	-14%
Gross profit	***2,346***	3,012	- 22%
EBITDA	***2,838***	3,065	-7%
Profit attributable to shareholders	***1,110***	1,503	-26%
Basic earnings per share (HK cents)	***53.74***	72.72	-26%
Dividend of the year per share (HK cents)	***11.00***	15.00	-27%

- Revenue for 2021 amounted to HK$8,447 million, as total revenue decreased by 14% compared to HK$9,835 million for the previous year reflecting the 61% decrease in revenue from construction services, while revenue from operation services for the year increased substantially over the previous year with a 25% yoy growth;
- Decrease in profit attributable to shareholders at a greater margin than that in EBITDA was mainly attributable to a 36% increase in finance cost. Excluding the effect of one-off arrangement fees arising from the ABN issue, finance cost increased by 19% which was comparable to the growth rate of total borrowings;
- Gross profit decreased 22% yoy reflecting primarily rising costs of biomass raw materials and decline in unit price for solid waste treatment;
- Driven by the growth in projects in operation, continuous growth in the volumes of on-grid power generation, household waste treatment, steam supply of integrated biomass utilisation and the volume of hazardous and solid waste treatment was reported, as revenue from operation services increased by 25% from HK$5,099 million for 2020 to HK$6,351 million for 2021;
- Decrease in profit attributable to shareholders was mainly owing to change in national policies and industry conditions. The Company made proactive adjustments to its development strategy, which resulted in the decrease in revenue from construction services. Rising prices for biomass raw materials and decline in unit prices for hazardous waste treatment also caused decrease. However, if excluding the one-off arrangement fees of approximately HK$94.73 million arising from the ABN issue, profit attributable to shareholders would have decreased by approximately 20%;
- Final dividend for 2021 was HK$0.04 per share, representing an annual dividend rate of approximately 20.5% (2020: 20.6%).

Financial Analysis

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HK$' million	As at 31/12/2021	As at 31/12/2020	Changes
Total assets	*40,540*	35,265	+15%
Total liabilities	*26,394*	22,398	+18%
Shareholders' equity	*13,761*	12,524	+10%
Current ratio (%)	*137.5*	156.2	-18.70ppt
Gearing ratio (Total liabilities/Total assets) (%)	*65.11*	63.51	+1.60ppt

- As at the end of 2021, total assets and shareholders' equity increased by 15% and 10% respectively, as compared to the previous year-end; gearing ratio and current ratio were 65.11% and 137.5% respectively and maintained at a stable level;

- Successful issuance of the first asset-backed notes ("ABN") in relation to State subsidies receivables amounting to RMB589 million during the year followed by further purchase of RMB193 million ABN on a revolving basis, effectively cashing in on State subsidies receivables and removing the receivables from the balance sheet while enhancing operating cash flow and effectively controlling the gearing ratio to register an improvement of 1.6 ppt versus the previous year-end. Issuance of the remaining registered but unissued amount of RMB1,411 million will progress in a disciplined manner depending on market conditions.

Financial Analysis

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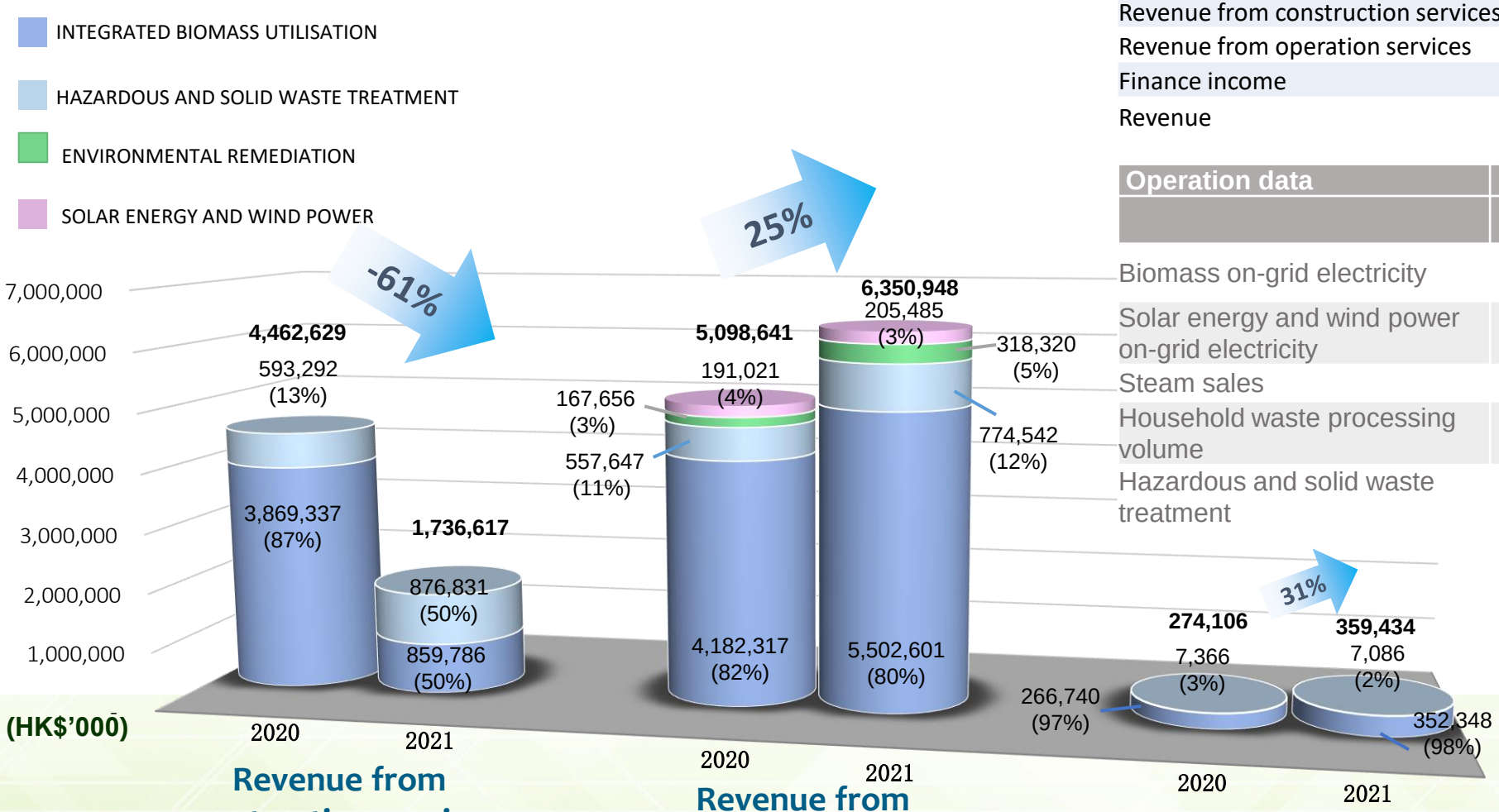
HK$' million	As at 31/12/2021		As at 31/12/2020		Changes
Short-term loans	*4,493*	22%	2,315	14%	94%
Long-term loans	*16,058*	78%	14,619	86%	10%
Total loans	***20,551***		**16,934**		21%
Unutilised facilities	*7,907*		7,592		4%
Total banking facilities	***28,458***		**24,526**		16%
Unutilised banking facilities	*7,907*		7,592		4%
Cash and bank balances	*2,644*		2,727		-3%
Cash and unutilised banking facilities available	***10,551***		**10,319**		2%
	For the 12 months ended 31/12/2021		For the 12 months ended 31/12/2020		
Effective interest rate	**3.41%**		**3.85%**		-0.44ppt

- As at the end of 2021, total bank loans amounted to HK$20.55 billion and increased by 21% compared to the end of last year. Long-term loan accounts for 78%. Besides, available cash and unutilised banking facilities totaled approximately HK$10.55 billion, continuously maintained strong cash position;
- Diversification of financing channels underpinned by issuance of panda bonds medium-term notes and ABN, domestic and overseas financing ratio optimized as a result and financing cost further lowered to 3.41%, down 0.44ppt compared to 3.85% for last year.

Revenue analysed by operating activities

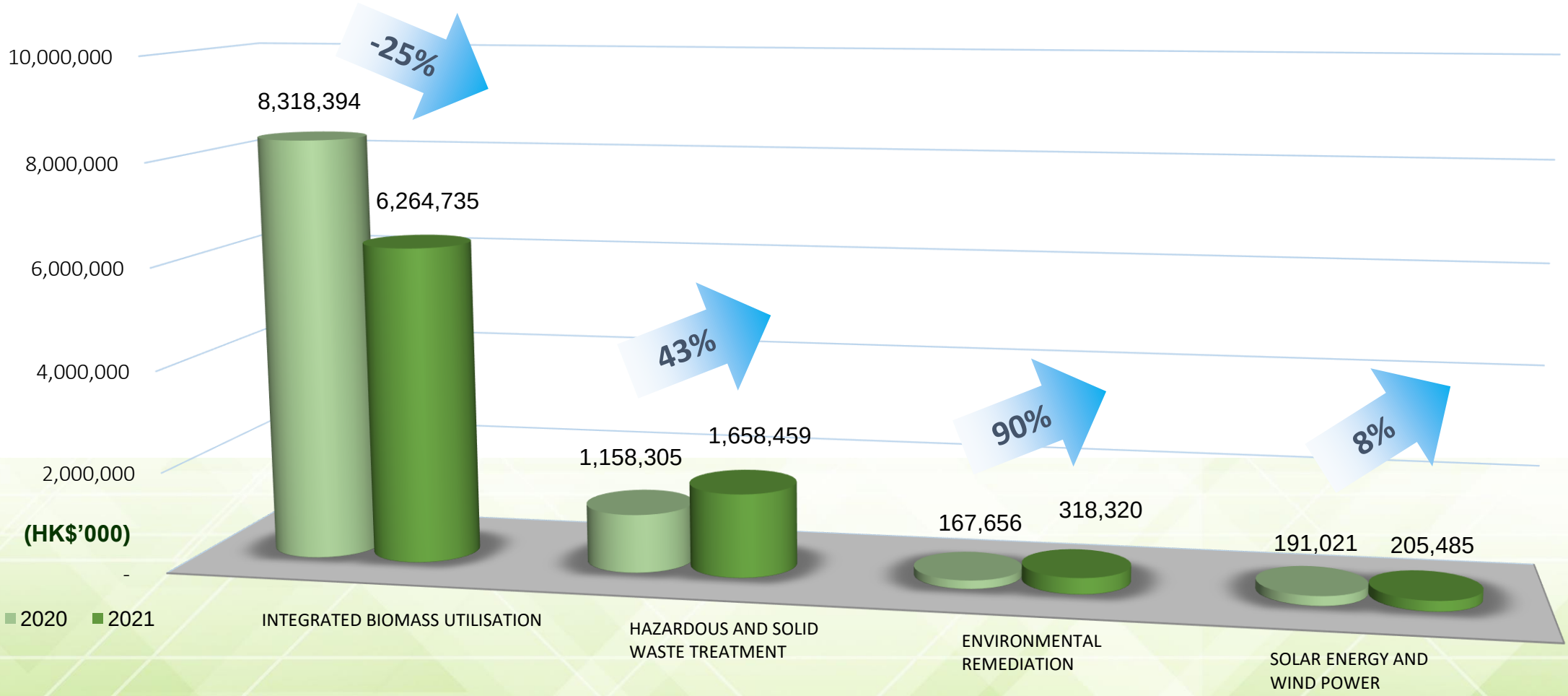
Revenue by portion	2021	2020
Revenue from construction services	**21%**	45%
Revenue from operation services	**75%**	52%
Finance income	**4%**	3%
Revenue	**100%**	100%

Operation data	2021	2020
	10,000 (kWh/ton)	10,000 (kWh/ton)
Biomass on-grid electricity	**602,714**	536,572
Solar energy and wind power on-grid electricity	**28,298**	25,778
Steam sales	**215**	134
Household waste processing volume	**292**	227
Hazardous and solid waste treatment	**26.87**	18.21



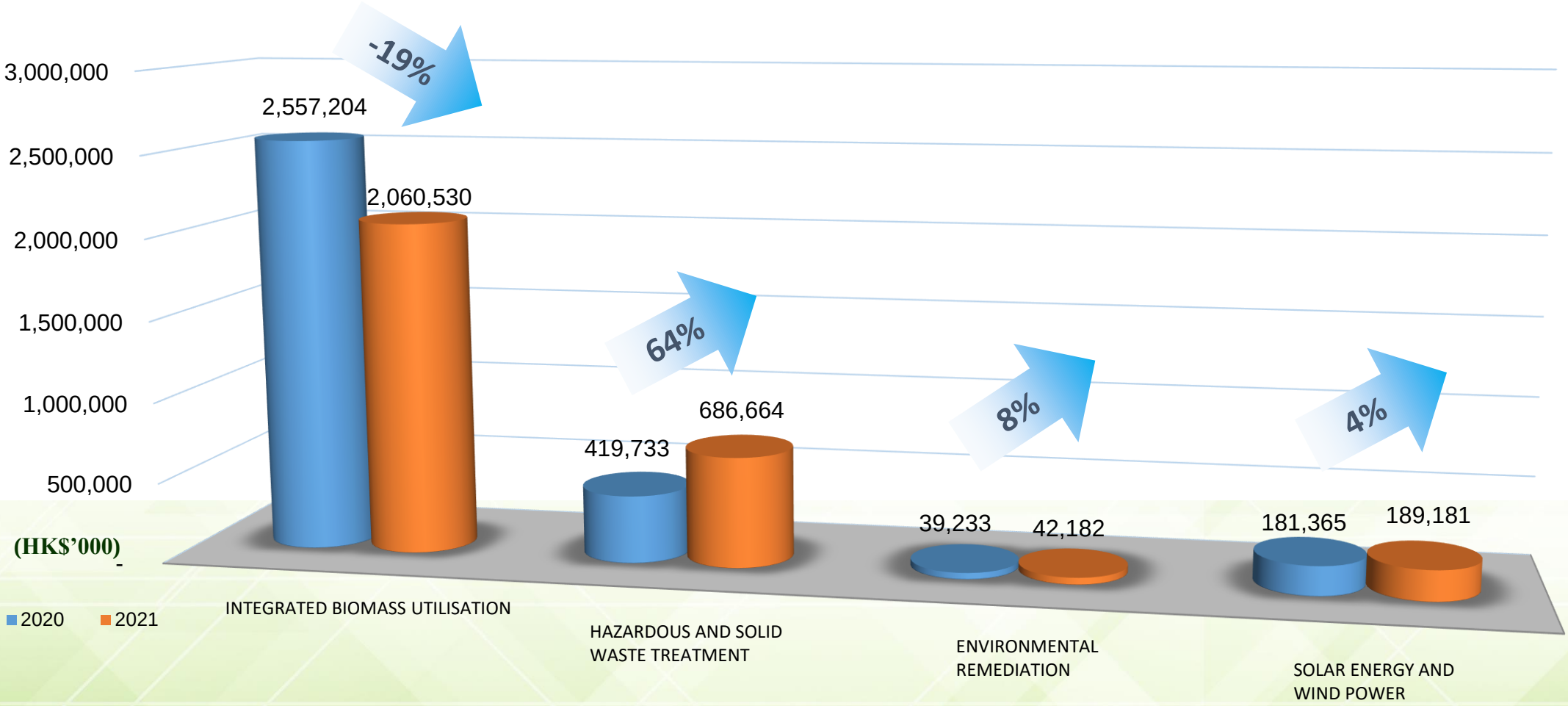
- Revenue from construction services: only 15 projects could recognize construction revenue resulting in 3 less projects under construction yoy. Less construction work during the year under review attributed to drop of 61%;
- Revenue from integrated biomass utilisation operation services: On-grid electricity were 6.02 billion kWh; Household waste processing volume were 2.92 million tonnes and steam generating volume were 2.15 million tons, up 12%、29%& 60% yoy respectively, contributing 25% increase in operation revenue.
- Revenue from hazardous and solid waste treatment operation services: Hazardous and solid waste processing volume were 268,700 tonnes up 48% yoy, but fierce market competition resulted in treatment fee of landfill and incineration projects down 28% and 15% respectively;
- Revenue from solar energy and wind power operation services: On-grid electricity were 280 million kWh, up 10% yoy ;
- Revenue from operation services: accounting for 75% of total revenue for 2021, exceeding non-cash flow driven revenue from construction services

Analysis of revenue from four business segments



Revenue:
2021: Approximately HK$8.447 billion; （down 14% yoy）
2020: Approximately HK$9.835 billion

Analysis of EBITDA from four business segments



EBITDA*:
2021: Approximately HK$2.979 billion
2020: Approximately HK$3.198 billion

*Exclude the unallocated head office and corporate net expenses

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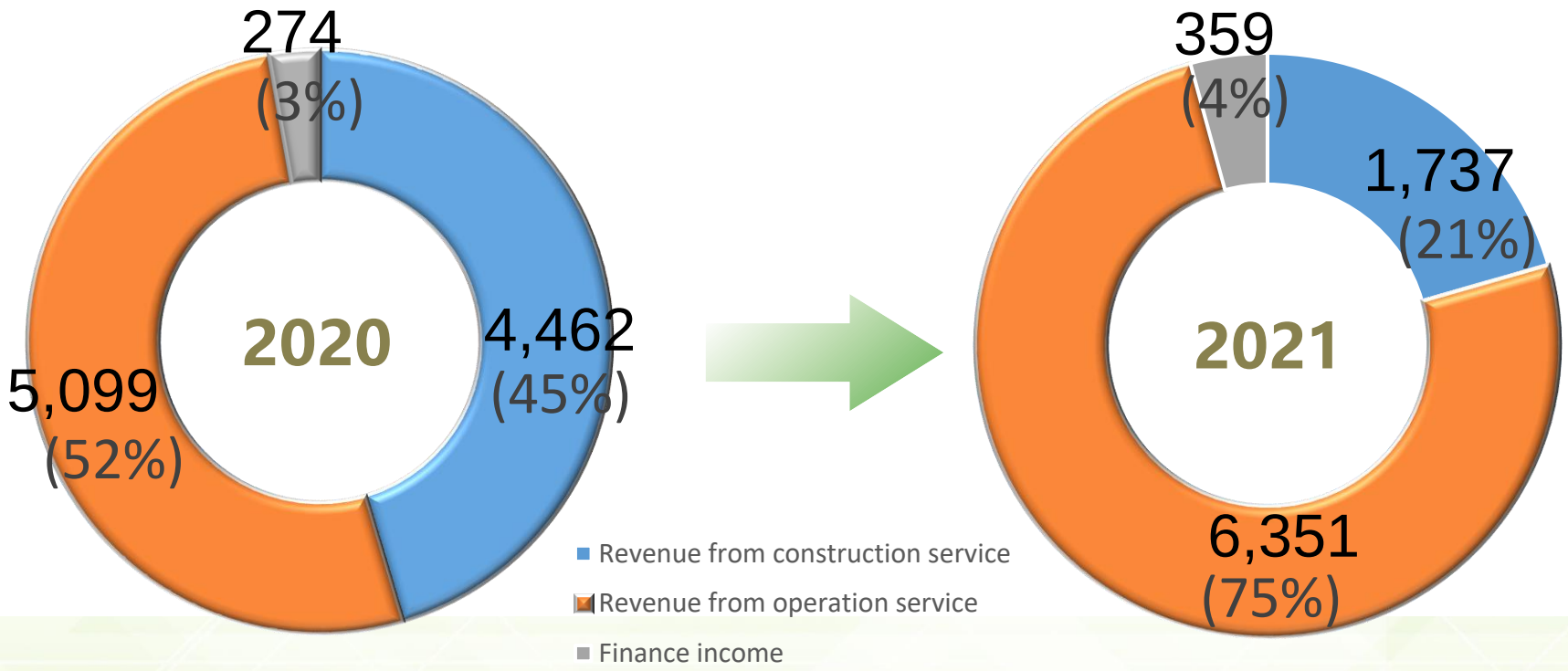
03 Operating Results

Quality of operating income – ongoing improvement



- Revenue from operating service: accounting for 75% of total revenue for 2021 (52% in 2020), operation revenue increase 25% yoy;
- Following massive under construction or in the preparatory stage projects completion and commencement of operation, revenue from operation services is expected to contribute further.

Operating cash – notable growth

- Integrated biomass utilisation projects vigorously engaged in non-electricity synergy business to record steam sales of more than 2 million tonnes for the first time in marked improvement of the projects' cash generation ability;
- Successful issuance of the first ABN amounting to RMB589 million followed by further purchase of RMB193 million ABN on a revolving basis in effective enhancement of operating cash flow;
- Successful collection of State subsidies in the amount of RMB500 million during the period further substantiating operating cash flow.

Steam sales CAGR for past 4 years exceeded **80%**; estimated steam sales for next 2 years in excess of **4 million tonnes / year**

Market expansion – systematic transition

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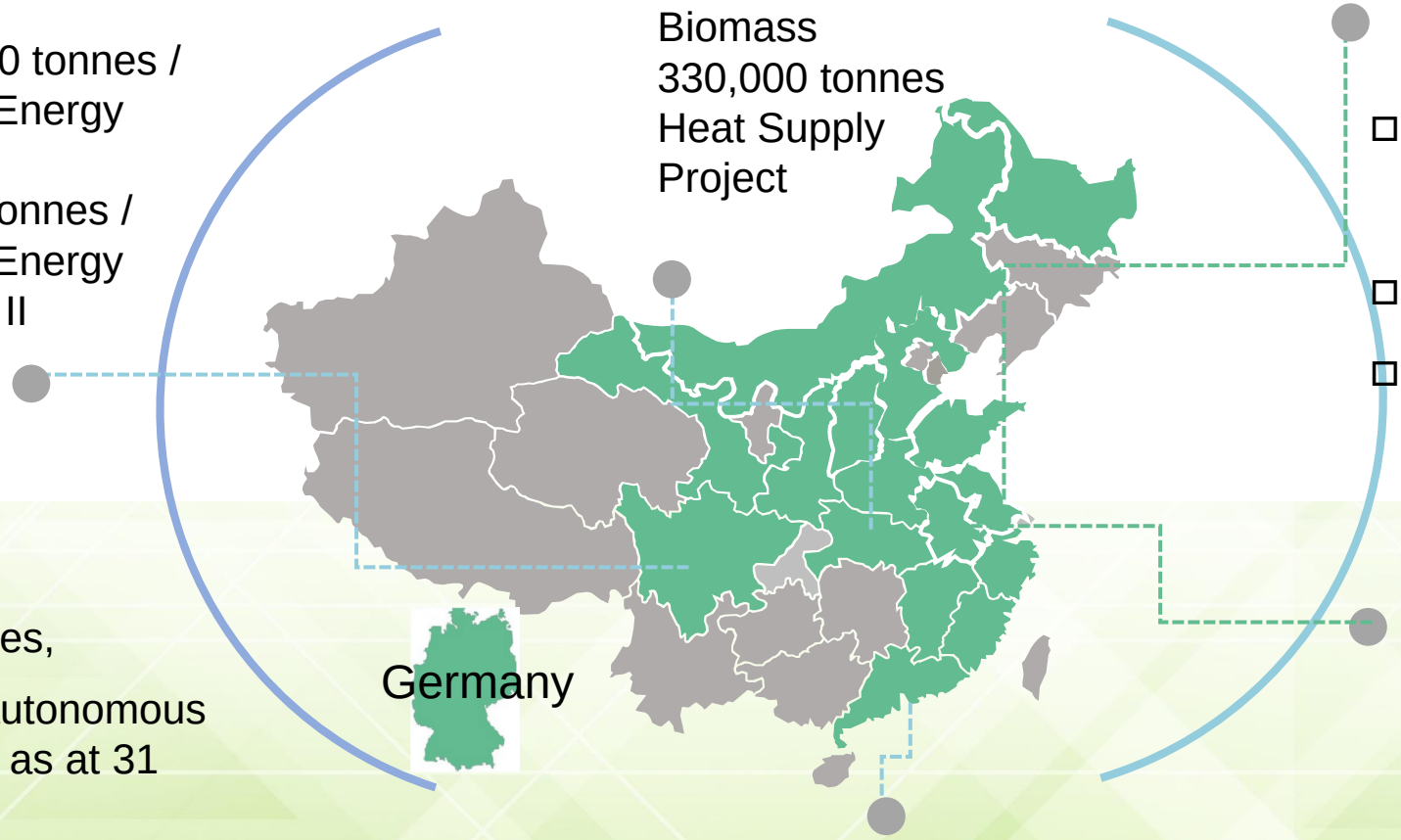
Sichuan

- Zhongjiang 500 tonnes / day Waste-to-Energy Project
- Mianzhu 300 tonnes / day Waste-to-Energy Project Phase II

Hubei

- Zhongxiang Biomass 330,000 tonnes Heat Supply Project



Jiangsu

- Xuzhou 100,000 tonnes ELT Integrated Utilisation Project
- Zhenjiang New District Distributed Solar Energy and Carbon Neutrality Project
- Feng County Carbon Neutrality and City Environment Stewardship Business
- Feng County Solar Energy Project
- Huaian 500 tonnes / day Waste-to-Energy Project(149,000 tonnes Heat Supply)

Anhui

- Nanqiao Biomass 120,000 tonnes Heat Supply Project

Hong Kong

- Acquisition of Kellon Green Solar Energy Project

15 provinces, municipalities, autonomous region and SAR as at 31 Dec 2021

Geographical business presence

Market expansion – systematic transition

- Ongoing expansion of the non-electricity biomass business with stable increase in heat supply, underpinned by the addition of 600,000 tonnes in annual heat supply capacity during the year; leveraging our strengths in traditional businesses to achieve synergy and efficiency enhancement through the treatment of medical waste, kitchen waste, gardening refuse, animal waste and utilisation of premium boiler ash and bottom ash, etc in counties and regions;
- In close tandem with the "Dual Carbon" strategy, projects such as the Zhenjiang Solar Energy Project and Feng County Solar Energy Project were implemented following intensive effort to identify development opportunities while we expanded our solar energy business to Hong Kong through the acquisition of Kellon Green Energy of Hong Kong (now known as Everbright Kellon Green Energy) in our project debut in the city, facilitating the Company's transformation into an integrated energy service provider;
- Development of solid waste recycling business underpinned by explorations in new technological breakthroughs, applications of models for coordinated treatment of multiple solid wastes, and commencement of new businesses such as end-of-life tyre disposal in Xuzhou.

Operational management – efficiency through synergy

- Establishment of a regional modulation mechanism to safeguard fuel supply at source by advancing front-end collection and transportation of biomass fuel, capped by a localised utilisation rate of 80% and straw utilisation rate of 31% with new varieties added each year;

- Biomass heat supply projects continued to yield solid output, completing 2.15 million tonnes of steam supply during the year in a 60% yoy growth;

- To address the complicated and volatile market for hazardous and solid waste, coordination was exercised in the handling of market resources to facilitate complementary benefits, information and resource sharing and disciplined customer development efforts, as a total of 268,700 tonnes of hazardous and solid waste were processed;

- Comprehensive roll-out of operational benchmarking management to solidify the foundation for delicacy management and drive quality and efficiency enhancement at the projects.

Financial planning through multi-pronged measures

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- Issuance of the first ex-balance sheet State subsidies ABN in the amount of RMB589 million followed by revolving purchase of RMB193 million at a coupon rate of 4.05% for the first three years, enabling us to cash in on trade receivables which replenishing our operating cash flow to achieve the dual objectives of securing finances and removing the receivables from the balance sheet;

- Successful issuance of the nation's first carbon-neutral and rural vitalisation green panda medium-term notes for an amount of RMB1 billion;

- Ongoing exploration of diverse financing options and optimisation of the ratio of domestic and overseas financing, further reducing finance cost by 0.44 ppt to 3.41% versus 3.85% for the previous year;

- Budget management has been strengthened with the comprehensive implementation of operating cost and administrative expense standardisation, trade receivable management and State subsidy list declaration;

- During the year 16 projects were added to the catalogue of State subsidies and RMB500 million was received, while another 6 projects will be included in the catalogue pending review by the National Renewable Energy Information Management Centre.

R&D-driven – ongoing strength

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- **Ongoing enhancement of innovative ability**

  Completed revision of the R&D management system and participated in the compilation of 2 national standards, 2 group standards and 1 guideline and obtained 8 patents including 1 invention patent, while establishing joint R&D mechanisms with a number of universities and scientific research institutions.

- **Well-positioned for development through carbon asset stock-taking**

  Preparations for carbon asset auditing and stock-taking underway as CCER was completed (pending verification and registration) for 8 integrated biomass utilisation projects, with a view to active participation in carbon emission trading when the time is right.

- **Ongoing improvements in technology R&D management**

  Improvements were made to our technology R&D management standards in view of the requirements of transformative development, while a platform for sharing technology standards for and industry updates on the solid waste business was created, with a special focus on technologies for carbon neutrality, solar energy storage and charging integration, power battery recycling and recycled use of bulk solid waste.

ESG management- continuously improving

Persisting in a green path for development

- Continued to contribute 6.31 million kWh of green power，enough for 5,258,432 families to utilise for a year;
- “Development and Application of Safe, Clean and Efficient Incineration Technology for General Combustible Industrial Solid Waste” listed as “Key Program for International Science and Technology Cooperation Projects” maintained by the Ministry of Science and Technology of China;
- Major effort in improving the environmental management regime

Fostering harmony in community

- Take targeted measures to help poverty allieviation on the back of integrated biomass utilisation projects;
- On-site visits to understand difficulties of local residents and propose solutions;
- Assisted members of underprivileged households to improve job skills so that they could secure employment with better work competence.

Priority of safety

- Occupational Health and Safety (“OHS”) management regime with 100% coverage of workers;
- Zero incident of staff fatality caused by work-related injuries;
- Training sessions for enhancement of staff knowledge in occupational diseases to eliminate related the risk of occupational disease at work.

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04 Business Prospects

1. Reinforcing principal business to fortify foundation

Enhancing efficiency through synergies

- Driving transformation of our existing business from sole power generation to the provision of integrated energy with vigorous efforts in the synergetic development of heat supply, kitchen waste and sludge businesses and coordination of the fuel regime to facilitate quality and efficiency enhancement.

Clean energy centre

Cost reduction and diversification of sources

- Driving for breakthroughs in recycling projects through coordination efforts among regional markets as well cost reduction and diversification of sources to enhance market competitiveness.

Hazardous and solid waste treatment centre

Empowering through technology

- Increased investment in technology R&D and innovation conducive to the Company's business development to negotiate breakthroughs in core technologies for the household waste and landfill restoration businesses.

Environmental remediation centre

2. Dual Carbon focus driving transformation

- Business positioning underpinned by integrated development in four areas: environment, resources, energy and climate, focusing on new opportunities under the Dual Carbon goal and exploring transition from end treatment to source treatment underpinned by coordinated waste reduction and carbon reduction businesses, with more emphasis on the synergy of environment, resources and energy;

- Expanding our landfill remediation EPC business or EPC+O business with a focus on prosperous regions such as Jiangsu, Shandong, Zhejiang and the Greater Bay Area and other regions where the Company claims business dominance, while increasing our effort in the development of businesses relating to contaminated sites, landfill remediation and leachate treatment;

- Vigorous efforts to drive the development of businesses such as integrated hazardous and solid waste utilisation, resources recycling, carbon emission reduction and carbon capture;

- Active development of the integrated energy service business tapping synergies between solar energy and “power source, power grids, loading and energy storage” integration on the one hand and the existing biomass projects on the other.

3. Cashing in on assets to enhance value

- Seizing opportunities in the carbon market according to the "Dual Carbon" goals to realise the economic benefits of carbon emission reduction by cashing in on existing and new carbon assets;

- Incubating new businesses related to carbon asset management in close tandem with national strategies and market developments to provide driving force for the Company's new cycle of development;

- Closely monitoring green finance products to seek enhancement of the Company's value.

4. Enhancing management to safeguard development

- Solidifying our operational and management regime and procuring standardisation, delicacy and intelligent operation of production to facilitate quality and efficiency enhancement for projects in operation;

- Improving the procurement management regime with ongoing optimisation of the tiered purchases while also improving management of the pools of supplier and experts to drive and organise centralised procurement with a view to maximum consolidation of procurement cost;

- Strengthening annual self-assessment of risks to effectively identify and analyse risks through self-assessment, while conducting comprehensive and scientific assessment of existing risk handling competence and effectiveness of internal control.

5. Technology-driven innovation

- Active consolidation of external technological resources for industry – academia – research cooperation with a special focus on biomass bottom ash and bulk solid waste recycling, landfill restoration, carbon monitoring and carbon capture, among others, in order to effectively solve technical bottlenecks encountered in the course of transformation, driving consistent enhancement of the technical standards of the Company's construction and operations;

- Closely monitoring the development of frontier technologies of the industry, with a special emphasis on the research of new technologies, materials and models for environmental protection, recycling and "Dual Carbon" to achieve synergetic development with existing businesses;

- Building an open-ended, integrated platform for technology, resources and business to guide the Company's transformative development.

6. Enabling transformation in close tandem with policies

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"Opinion on improving institutions and mechanisms for green and low-carbon transformation of energy sector and related policies and measures"

- By 2030, a complete, rudimentary system and policy regime for the green and low carbon development of energy will have been established in general, such that non-fossil energy will be able to basically meet the increment in energy demand while replacing existing fossil energy in scale;
- Subject to compliance with electricity distribution planning and operational safety requirements for power grids, the supply of power by renewable energy and power projects to industry parks or enterprises in proximity via innovative power transmission and operation modes is encouraged, and industry parks and enterprises are encouraged to purchase green power on the power market;
- Enhancing innovation in the technology, operation and power trading mode for rural power grids and supporting purchase of new energy power in nearby areas.

In adherence to the above policy, vigorous effort was made to develop the "power source, power grids, loading and energy storage" integration model to explore a system capable of complementary operation and co-supply of multiple energy sources integrating electricity supply, heat (cooling) supply and gas supply in a bid to transform the Company into an integrated energy service provider.

6. Enabling transformation in close tandem with policies

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“Implementation opinion on accelerating rural energy transformation to drive rural vitalisation”

- By 2025, a number of pilot operations in green and low carbon energy in rural areas will have been built, wind power, solar energy, biomass energy and geothermal energy will account for an increasing proportion of rural energy use, the supply security of rural power grids will be further enhanced, the development of distributed renewable energy will grow considerably, the green low carbon new model and new business format will be extensively applied, and the new energy industry will provide an important complement to the rural economy and an important channel for farmers to earn more income;

- Driving self-power generation for self-consumption by households in a mass number of villages, rendering support to regions endowed with resources, especially counties earmarked for special assistance under the rural vitalisation initiative, making use of unutilised land of farmers and rooftop of farmhouses to construct distributed wind power and solar energy power generation units through the model of “company + rural townships + farmers” on a county basis, such that each village is allocated a certain proportion of energy storage for self-generation and self-consumption at the same location.

In accordance with the above policy, we shall focus on new businesses with new business models such as distributed solar energy power, energy storage, carbon sink, carbon footprint capture and ecological restoration, etc.

6. Enabling transformation in close tandem with policies

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"Guide for accelerating development of regime for recycling of waste and retired items"

- Enhancing the planning and construction of facilities for the recycling of waste and retired items and improving the regime for the recycling and sorting of urban waste and retired items;
- Advancing the early construction of comprehensive regimes for the recycling and sorting of waste and retired items in 60 large or medium cities to provide an exemplary model for the rest of the nation;
- Implementing the centralisation of renewable resource industries as an important mission, encouraging the construction of regional industrial bases for the processing and utilisation of renewable resources in key city clusters in Beijing-Tianjin-Hebei, Yangtze River Delta region, Pearl River Delta region, Chengdu and Chongqing, central regions and Lanxi.

"Notice on accelerating the development of showcase project for integrated utilisation of bulk industrial solid waste"

- Local operations should emphasise the construction of showcase integrated bulk solid waste utilisation projects and drive implementation with stronger effort to ensure completion of construction targets according to plans, so as to accomplish the mission goal of "approximately 4 billion tonnes of integrated bulk solid waste utilization per annum by 2025";
- Production bases and backbone enterprises should conduct their operation with energy conservation and carbon reduction as guiding principles by giving priority to the use of renewable energy, optimising production processes, commencing energy conservation conversion projects, selecting technical equipment with a high standard of energy efficiency, recycling residual heat and energy, increasing energy efficiency level, realising the effect of coordinated carbon reduction that could be afforded by the substitution of natural resources with integrated bulk solid waste utilisation, and providing an example of carbon reduction achieved by industries using raw materials made from waste.

In accordance with the above policy, we shall focus on new businesses such as nano-silicon dioxide production, integrated utilisation of bulk industrial solid waste, integrated utilisation of waste salt, oil sludge treatment and ash wash, etc.

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Q&A