

Everbright International Announces 2018 Interim Results

Powering Ahead

Financial Highlights

| | For the six months ended 30 June | | |
|--|----------------------------------|------------------|--------|
| | 2018 HK\$'000 | 2017 HK\$'000 | Change |
| Revenue | 11,784,390 | 9,142,144 | 29% |
| Gross Profit | 4,483,808 | 3,307,648 | 36% |
| EBITDA | 4,414,814 | 3,260,177 | 35% |
| Profit attributable to equity holders of the Company | 2,200,900 | 1,795,568 | 23% |
| Basic earnings per share (HK cents) | 49.10 | 40.06 | 23% |
| Interim dividend (HK cents) | 12.0 | 12.0 | — |

14 August 2018, Hong Kong - China Everbright International Limited (“Everbright International” or the “Company”, together with its subsidiaries, collectively the “Group”) (SEHK: 00257), today announced its unaudited interim results for the six months ended 30 June 2018 (the “period under review”).

In the first half of 2018, Everbright International lived up to its philosophy of “Taking Quality as the Top Mission and Keeping Efficiency as the Priority with Support by Scale”, and undertook a number of important initiatives that aim to boost scale and efficiency, strengthen quality of services and brand, as well as drive growth through innovation and talent management. These initiatives fueled the Group’s rapid growth. During the period under review, the Group continued to fully facilitate the concurrent development of its six major business sectors, and delivered stellar results across the board – from market expansion, project construction, operation management, technological research and development (“R&D”) to corporate branding, environmental responsibility, sustainable development and industry influence.

In terms of operating results, during the period under review, the Group’s consolidated revenue amounted to HK\$11,784,390,000, an increase of 29% over HK\$9,142,144,000 in the first half of 2017. The EBITDA amounted to HK\$4,414,814,000, an increase of 35% over HK\$3,260,177,000 in the first half of 2017. Profit attributable to equity holders of the Company for the period under review was

HK\$2,200,900,000, 23% more than HK\$1,795,568,000 recorded in the same period of last year. Basic earnings per share for the first half of 2018 were HK49.10 cents, HK9.04 cents more than HK40.06 cents in the first half of 2017. The Group has ready access to financing channels – with abundant capital, a reasonable gearing ratio and a healthy financial position – and it performed well in all financial indicators.

During the period under review, the environmental energy, environmental water and greentech projects generated total revenue of HK\$11,373,093,000, of which construction service revenue increased by 12% to HK\$6,880,397,000 and operation service revenue increased by 74% to HK\$3,200,290,000, as compared with the corresponding period in 2017. The proportion of revenue were as follows: construction service revenue 61%, operation service revenue 28% and finance income 11%.

In terms of market expansion, during the period under review, the Group secured a total of 30 new projects, which command a total investment of RMB9.539 billion. These included 14 environmental energy projects, 4 environmental water projects, and 12 greentech projects. Both the amount of projects and investment amount reached historical high. The new projects contributed to an increase of household waste processing capacity by 11,650 tonnes/day, water treatment capacity by 30,000 m³/day, biomass treatment capacity by 580,000 tonnes/year, and hazardous waste treatment capacity by 217,000 tonnes/year. During the period under review, the Group achieved breakthroughs in new business areas by securing environmental remediation projects. Meanwhile, the Group forayed into 3 new provinces, namely Hebei, Gansu and Fujian provinces. As a result of these efforts, the Group has been able to further expand its presence to 21 provinces and municipalities, covering over 140 locations in China, as well as overseas markets including Germany, Poland and Vietnam.

In terms of project construction, the Group continued to uphold its construction philosophy of “Producing Quality Projects and Building a Quality Brand”. During the period under review, the number of construction sites had since reached 58, in which 24 projects commenced operation while 21 projects commenced construction.

As at 30 June 2018, the Group had secured 299 environmental protection projects with a total investment of approximately RMB82.649 billion. Among them, 184 projects had completed construction, commanding a total investment of approximately RMB41.259 billion; 43 projects were under construction, commanding investment of approximately RMB18.625 billion; and 72 projects

were in the preparatory stage, commanding a total investment of approximately RMB22.765 billion.

Environmental Energy

During the period under review, the Group's environmental energy projects processed a total of 8,620,000 tonnes of household waste, an increase of 65% when compared with the first half of 2017. All projects generated a total 2,519,605,000 kWh of on-grid electricity, an increase of 66% when compared with the first half of 2017. Environmental energy projects contributed an EBITDA of HK\$2,644,042,000, an increase of 33% when compared with the first half of 2017. Environmental energy projects contributed a net profit attributable to the Group of HK\$1,738,502,000, an increase of 32% when compared with the first half of 2017. The increase in profit was mainly attributable to the significant increase in operation service revenue, which was boosted by continuing increases in the total processing volume of operating projects during the period under review.

During the period under review, the Group secured 10 waste-to-energy projects, 2 landfill leachate treatment projects and 2 food waste treatment projects. The number of new projects secured is double that of the same period last year, commanding a total investment over RMB6.078 billion. As a result, the Group's designed daily household waste processing capacity was increased by 10,350 tonnes, resulting in a total daily waste processing capacity of 74,350 tonnes. Among these projects, some are located in new provincial markets, including Shaanxi and Jiangxi, while some are located in new areas in existing provincial markets or phase II or expansion projects of the Group's existing projects. The diversification of the new projects not only reflect the sustained and rapid growth of the waste-to-energy market, but also demonstrate the Group's strength in project construction and operation are well recognised by the local governments. Additionally, leveraging its experience in and technologies related to leachate treatment, the Group successfully expanded 2 landfill leachate treatment projects this year, which helped to extend its business chain. In addition to bidding for new projects, the Group also invested in and constructed waste-to-energy projects through acquisition, providing a thrust for its new round of rapid development.

Regarding project construction, during the period under review, the Group had 11 waste-to-energy projects completed construction and commenced operation, and 6 waste-to-energy projects commenced construction, representing a total designed daily household waste processing capacity of 6,700 tonnes and 6,000 tonnes, respectively.

As at 30 June 2018, the Group has 54 operating waste-to-energy projects with a designed daily household waste processing capacity of 45,800 tonnes; and 14 waste-to-energy projects under

construction, representing a designed daily household waste processing capacity of 13,700 tonnes. In addition, the Group had 17 waste-to-energy projects in the preparatory stage, with a designed daily household waste processing capacity of 14,850 tonnes.

Additionally, the Group signed an supplementary agreement on the Upgrading Project of Suzhou Waste-to-energy Plant in July 2018, which added 1,600 tonnes to the aggregated daily household waste treatment designed capacity and commands an investment of approximately RMB970 million.

Environmental Water

As at 30 June 2018, the Group had a 75.03% stake in China Everbright Water Limited (“Everbright Water”). During the period under review, the environmental water projects treated 612,498,000 m³ of waste water, an increase of 8% when compared with the first half of 2017. Environmental water projects contributed an EBITDA of HK\$782,598,000, an increase of 42% when compared with the first half of 2017. The environmental water projects’ net profit attributable to the Group was HK\$278,840,000, an increase of 42% when compared with the first half of 2017. The increase of the segment net profit was mainly due to the continuous growth in construction service revenue and improvement of operation performance during the period.

In terms of market expansion, during the period under review, Everbright Water has secured 4 waste water treatment projects, commanding a total investment of approximately RMB299 million. Additionally, during the period under review, Everbright Water further implemented multiple sub-projects under Zhangqiu Urban-Rural Integration Water Supply Project (“Zhangqiu Water Supply Project”), including Zhangqiu Baiyun Water Plant Water Supply Project and Zhangqiu Chengdong Industrial Water Supply Project, with a total investment of approximately RMB1.13 billion.

In terms of project construction, during the period under review, Everbright Water made steady progress in project construction, with 5 waste water treatment projects and the Yellow River Water Transfer and Water Resource Replenishment Project under Zhangqiu Water Supply Project commenced construction, and made smooth progress in the construction works of the water environment management projects.

In the first half of 2018, Everbright Water made substantial progress in terms of enhancing its core technology industrial chain. By incorporating a joint-venture with a German environmental protection company, Everbright Water has primed itself to create overseas business channels and promote its core technologies globally. Everbright Water also established Hebei Xiong’an Huashen

Water Engineering Technology Limited with its partner to focus on the R&D of wading and hydraulic engineering technology, equipment, new materials, among others. Finally, through its acquisition of Xuzhou Municipal Design Institute Co., Ltd. in Jiangsu Province, Everbright Water is set to enhance its capabilities and experience in the field of municipal engineering design, improve its capabilities in project design, and enhance its overall project construction and operation efficiencies.

Additionally, Everbright Water signed the Expansion of Shandong Ji'nan Waste Water Treatment Project (Plant 1 & 2) in July 2017, which added 200,000 m³ to the aggregated daily waste water treatment designed capacity and commands an investment of approximately RMB1.043 billion.

On 3 August 2018, Everbright Water announced that it proposed to seek a dual primary listing of its ordinary shares on the Main Board of the Stock Exchange. The new ordinary shares of Everbright Water will be offered for subscription by way of an initial public offering in Hong Kong and international placement to professional, institutional and other investors, the details of which have yet to be finalised. Please refer to the Company's announcement dated 3 August 2018 for further details.

Greentech

As at 30 June 2018, the Group had a 69.7% stake in China Everbright Greentech Limited ("Everbright Greentech"). During the period under review, the Group's greentech projects provided a total of approximately 1,257,400,000 kWh of on-grid electricity, an increase of 65% as compared with the same period last year. Greentech projects contributed an EBITDA of HK\$1,030,591,000, a 41% increase over the same period last year; its net profit attributable to the Group was HK\$450,885,000, a 5% increase over the same period last year. The increase in profit was mainly due to the significant increase in both construction and operation service revenues as compared with the same period last year.

Regarding market expansion, during the period under review, Everbright Greentech achieved breakthroughs by tapping into new environmental protection markets including Gansu, Hebei, Liaoning and Fujian provinces. Its businesses also expanded to the environmental remediation segment. The Group secured 12 new projects, including 5 integrated biomass utilisation projects, 5 hazardous waste treatment projects and 2 environmental remediation projects, commanding a total investment of approximately RMB3.162 billion. Everbright Greentech has achieved steady progress in project construction, with 7 projects completing construction and commencing operation; and 10 projects having started construction during the period under review.

Additionally, Everbright Greentech secured Jiangsu Environmental Remediation Project Phase II in July 2018, which commands an investment of approximately RMB45 million.

Envirotech

By adhering to its principle of driving development with technology and innovation, the Group's envirotech business sector is fully committed to enhancing its core technological competencies as it entered a new phase of development, seeking to transform the Group from a traditional company into an advanced high-tech enterprise. In the first half of 2018, the Group's Jiangsu Jiangyin Waste-to-energy Project Phase III completed construction and commenced operation. This project is China's first to have adopted the medium temperature with intermediate pressure, reaction reheat turbine with a header system that coordinates two-furnaces and one-turbine. The successful application of this technology on the project will effectively improve the efficiency of the project's power generation. In addition, the envirotech sector's design institute rolled out 9 design projects, of which 6 were internal projects and 3 were external projects. The Group also developed a standardised design capability for the main plants of its large-scale waste-to-energy projects, such as Shaanxi Xi'an Lantian Waste-to-energy Project and Jiangsu Yixing Waste-to-energy Project Phase II. This self-developed technological edge for large waste-to-energy projects helps to solve the problem concerning increasing demand for space as the sizes of equipment and pipelines are growing. It also helps to optimise design, improve efficiency, and reduce cost.

Additionally, the Group received approval to establish a substation under a national postdoctoral research center, which coincided with its greater efforts to cultivate technology talent.

During the period under review, the Group was granted a total of 76 patents and software copyright licenses, of which 4 were invention patents, 65 were utility invention patents and 7 were software copyright licenses.

Equipment Manufacturing

In the first half of 2018, the Group's equipment manufacturing sector demonstrated a strong momentum by delivering outstanding results in terms of production and sales. The equipment manufacturing business sector built its competitive edge in the environmental protection equipment market through various initiatives. These initiatives included: enhancing the professional team, actively bringing in new technologies and processes, strengthening market expansion efforts, promoting the standardisation of project services and enhancing supply chain management.

In terms of market development, during the period under review, the Group sold 35 sets of core

system equipment, including 19 sets of self-developed grate furnaces, 9 sets of gas purification systems, and 7 sets of leachate treatment systems. The sales volume of entire sets of systems has significantly increased when compared with the first half of 2017. The 750 tonnes/day grate furnace successfully entered the Indian market, while the external sales of leachate treatment systems hit a record high. In the first half of this year, the Group secured total contract sales of approximately RMB588.2 million, an increase of 202% as compared with the first half of 2017.

In terms of project servicing, in the first half of this year the equipment manufacturing sector provided 74 service assignments, consisting of 3 EPC projects and 71 equipment projects, spanning across 17 provinces in China, as well as Vietnam and Ethiopia. In addition, the sector supplied 9 sets of grate furnaces, 9 sets of gas purification systems, and 6 sets of leachate treatment systems, fulfilling the requirements for project construction in a timely fashion.

In terms of new technology and new product development, in the first half of the year, the equipment manufacturing sector's self-enhanced SNCR (selective non-catalytic reduction) spraying gun and its auxiliary systems were put into trial run at Ningbo Waste-to-energy Project. The new type of 750 tonnes/day high-efficiency atomising disk, which was used in Hangzhou Waste-to-energy Project, achieved satisfactory performance and results. The self-developed high-end membrane system and sludge drying system have entered into a crucial stage during the design process. The homemade large-scale 850 tonnes/day grate furnace has officially been put into mass production, which will soon complete the overall assembly and trial run. The self-designed and self-developed new generation sludge dehydration system, which can be controlled remotely, has already been available to the market.

International Business

During the period under review, the Group continued to closely follow the Chinese government's "Belt and Road" initiative. Accordingly, it fully leveraged its strengths in investment, operation, management, technology and equipment, etc. to exchange and cooperate with its global peers with an open, cooperative and win-win attitude, in an effort to increase the proportion of its overseas business in its overall business.

As of 30 June 2018, the Group had 3 overseas environmental protection projects, which are located in Germany, Poland and Vietnam respectively. During the period under review, the Group's German Ground Solar Energy Project operated smoothly, providing long-term and stable support for the local electricity supply. As the Group's first overseas acquisition project, NOVAGO Sp. z o.o contributed revenues of HK\$233,843,000 and an EBITDA of HK\$64,305,000 during the period under review.

In addition, the construction of the Group's first overseas waste-to-energy project, Can Tho Waste-to-energy Project in Vietnam, progressed smoothly during the period under review. The project is expected to complete construction and commence operation within the year. After commencing operation, the project will become Vietnam's first advanced household waste-to-energy project. The Group is committed to developing the project into a local and even regional benchmark project, whereby it is able to further tap into the Southeast Asian market. Meanwhile, the Group was granted again a loan of USD100 million from Asian Development Bank following the signing of a loan agreement in February this year. Pursuant to the agreement, both parties will work together to develop waste-to-energy projects in various cities in Vietnam, in order to promote the harmless treatment, reduction and reuse of local urban household waste in the country.

Mr. Wang Tianyi, CEO of Everbright International, said, "As China's ecological and environmental protection industry enters a new stage of development, the country is expected to draw up more strategic plans for further development on a national level. In light of the progress on the implementation of ecological environmental protection, the environmental protection market will accelerate its pace of expansion. The acceleration of reform of the ecological conservation system and "Building a Beautiful China" are the key missions for China's environmental protection industry in the future. This will drive the environmental protection business to transform from a single business model to an integrated model of development, which is expected to raise the bar on required business standards and the overall capabilities of environmental protection companies. Amidst positive policy and industry trends, environmental protection companies, especially industry leaders and centrally-administered state-owned enterprises that are obliged to operate with social responsibility, will take up more important roles. As the flagship of China Everbright Group's 'Four, Three, Three' Initiative, the Group will build on the solid momentum seen in the first half of 2018 and maintain its strategic focus as it continues to align with national policies and keeps pace with market trends. According to the Group's strategic positioning of 'Becoming a domestically leading and world-class ecological and environmental management group', it will further refine its strategic roadmap; foster collaboration across the Group; drive the proper synchronisation and concurrent development of its asset-light and asset-heavy businesses; consolidate its market position in China; and closely monitor opportunities in overseas markets, with an aim of scaling new heights in the next round of development."

The Company also announced today that it proposes to raise approximately HK\$9,962 million before expenses, by issuing 1,660,263,592 Rights Shares to the Qualifying Shareholders by way of the Rights

Press Release



Issue on the basis of 10 Rights Shares for every 27 Existing Shares at the Subscription Price of HK\$6.00 per Rights Share. The Company will provisionally allot 10 Rights Shares in nil-paid form for every 27 Existing Shares held by the Qualifying Shareholders on the Record Date. The estimated net proceeds of the Rights Issue will be approximately HK\$9,912 million (assuming no new Shares are issued (other than the Rights Shares) and no buy-back of Shares on or before the Record Date). The Group currently intends to apply the net proceeds from the Rights Issue to: (1) implement its existing and future waste-to-energy projects; (2) pursue other environmental protection businesses including but not limited to technological R&D, equipment manufacturing, waste sorting and management, and atmospheric monitoring and testing services; and (3) general working capital of the Group and repayment of bank loans.

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About China Everbright International Limited

China Everbright International Limited, a flagship company in the industrial investment sector of China Everbright Group Ltd., is listed on the Mainboard of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). Everbright International is a leading company in China's environmental protection industry, and the first one-stop integrated environmental solution provider in the country. It leverages talent, science and technology to drive the development of its six major business sectors, namely environmental energy, environmental water (China Everbright Water Limited is listed on the Mainboard of the Singapore Exchange Securities Trading Limited), greentech (China Everbright Greentech Limited is listed on the Mainboard of the Hong Kong Stock Exchange), envirotech, equipment manufacturing and international business. It also manages a large number of industry-leading, world-class projects, in the areas of waste-to-energy, water environment management, biomass integrated utilisation, hazardous waste treatment, environmental remediation, solar energy, wind power, environmental protection engineering, technological research and development, environmental protection equipment manufacturing, and the planning and construction of environmental protection industrial parks.

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