

2020 Interim Results Presentation

August 2020



中国光大水务有限公司

China Everbright Water Limited

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Operating Results

Operating Results

– Slight Decline in Operating Indicators

Revenue

(HKD'000)

2,485,366



1H2019

2,120,086



1H2020

14.7%

Gross Profit

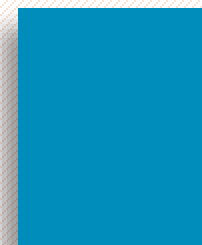
(HKD'000)

920,085



1H2019

881,648



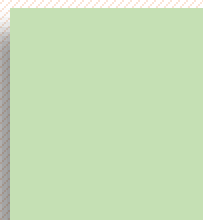
1H2020

4.2%

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)

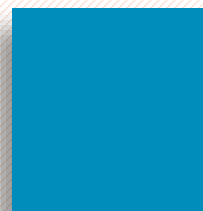
(HKD'000)

830,769



1H2019

813,116



1H2020

2.1%

Profit Attributable to Equity Holders of the Company

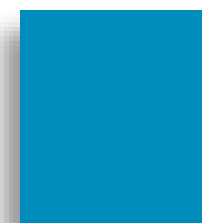
(HKD'000)

420,487



1H2019

404,473



1H2020

3.8%

Operating Results

– Steady Progress in Market Expansion

In 1H2020, Everbright Water expanded water treatment business steadily, securing 6 waste water treatment (“WWT”) projects and undertook 1 operation and management (“O&M”) project. This helped solidify the Company’s market position in several regions, such as the Yangtze River Economic Belt and the Bohai Bay Rim Economic Zone.

Total
investment of
new projects

RMB805 million

An additional
water treatment
capacity of

200,000 m³

Shandong Province

- Binzhou Development Zone WWT Project Phase II Expansion
- Dezhou Lingcheng WWT Project (Plant 2) Expansion
- Ji’nan Zhangqiu WWT (Plant 4) PPP Project (equipped with a reusable water facility)

Jiangsu Province

- Suzhou Wuzhong Chengnan WWT Plant Effluent Upgrading Project
- Lianyungang Xugou WWT Project Phase II

Liaoning Province

- Shenyang Dadong Zhuertun WWT Plant Retrofitting and Expansion Project
- Shenyang Dadong Zhuertun WWT Plant O&M Project

Operating Results

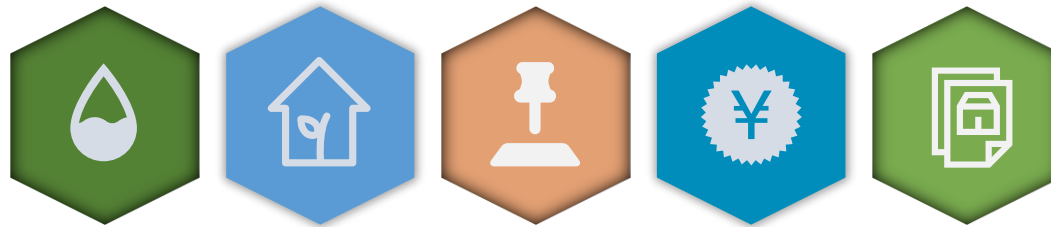
– Continued Growth of Business Scale

Business footprint spans across 10 provinces, municipalities and autonomous regions in China

Projects located in over 50 districts, counties and cities across 10 provinces, municipalities and autonomous regions in China, including Beijing, Jiangsu, Zhejiang, Shandong, Shaanxi, Henan, Hubei, Guangxi, Liaoning and Inner Mongolia.

Total project investment of approximately RMB24.3 billion

Total contract value of EPC projects of approximately RMB146 million



Total daily water treatment capacity of approximately 6,400,000 m³

Held 135 water projects, and undertook 4 EPC/O&M projects

- 115 WWT projects (including waste water pipeline network projects)
- 7 reusable water projects
- 6 river-basin ecological restoration projects
- 3 water supply projects
- 1 raw water protection project
- 1 leachate treatment project
- 2 waste water source heat pump projects

- 2 EPC projects
- 2 O&M projects

Operating Results

– Gradual Recovery of Construction Works

6 projects commenced construction

- ❑ 4 WWT projects, 1 raw water protection project and 1 reusable water project.
- ❑ Investment totaling approximately RMB2.26 billion.
- ❑ A total daily designed water treatment capacity of approximately 750,000 m³.

6 projects completed construction and commenced operation

- ❑ 4 WWT projects, 1 reusable water project and 1 sludge treatment and disposal project.
- ❑ Investment totaling approximately RMB890 million.
- ❑ A total daily designed water treatment capacity of approximately 120,000 m³, and a daily designed sludge treatment capacity of approximately 200 tonnes.

19 projects under construction

- ❑ 12 WWT projects, 2 reusable water projects, 2 river-basin ecological restoration projects, 1 raw water protection project and 2 EPC projects.
- ❑ Investment totaling approximately RMB7.37 billion, in addition to a contract value of RMB146 million for the EPC projects.
- ❑ A total daily designed water treatment capacity of approximately 1,080,000 m³ (inclusive of treatment capacity of EPC projects).

14 projects in preparatory stage

As at 30 June 2020,

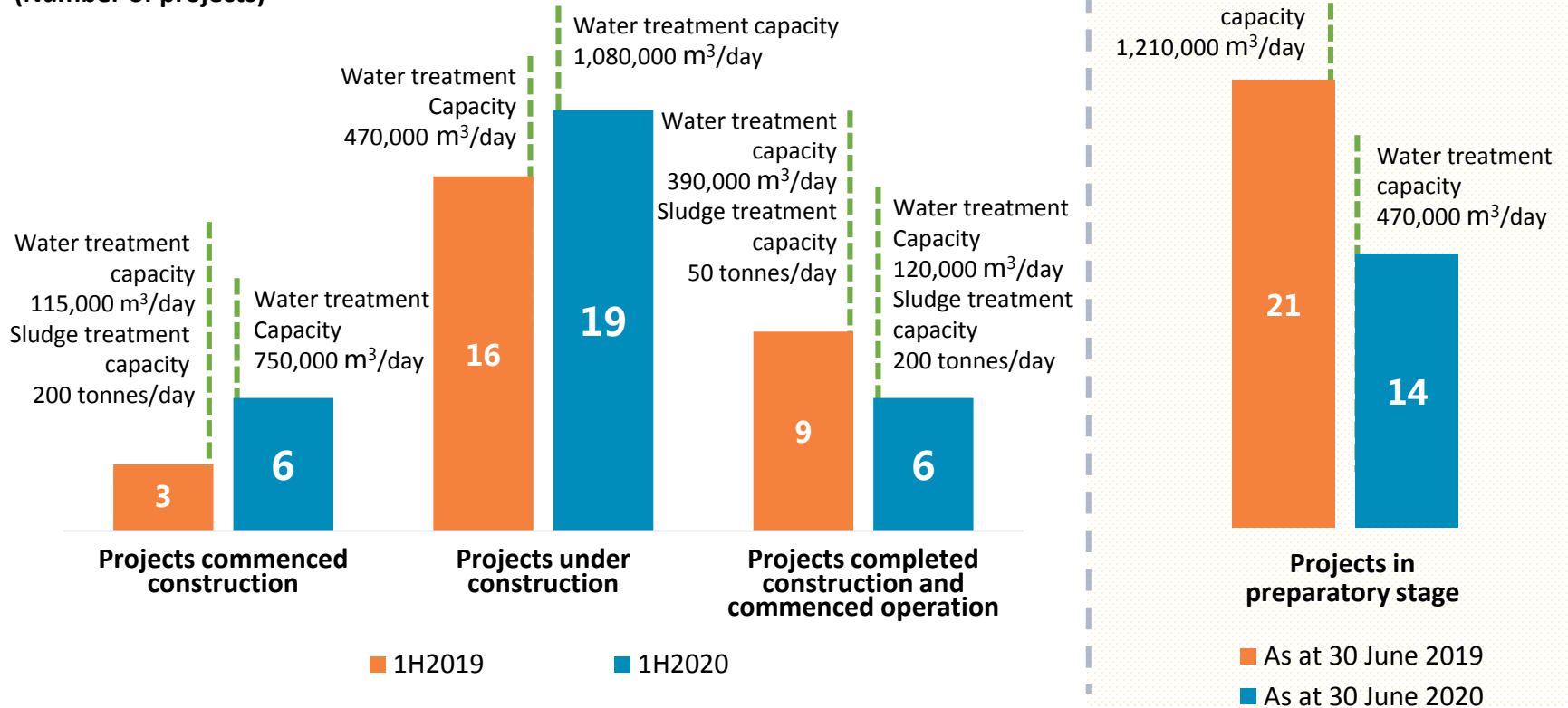
- ❑ 9 WWT projects, 1 water supply project, 1 reusable water project and 3 river-basin ecological restoration projects.
- ❑ Investment totaling approximately RMB3.98 billion.
- ❑ A total designed water treatment capacity of approximately 470,000 m³.

Operating Results

– Gradual Recovery of Construction Works

Construction Work Progress for the Six-month Period

(Number of projects)

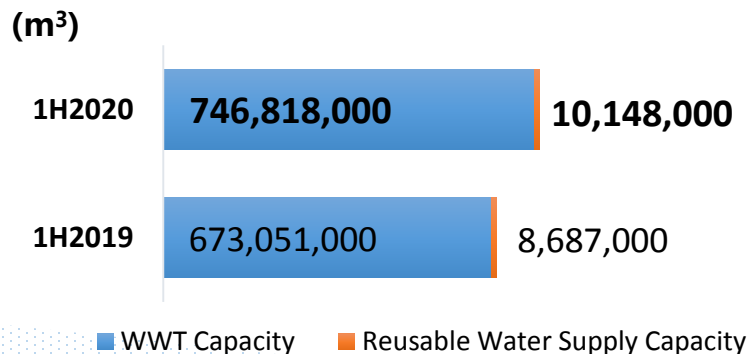


Operating Results

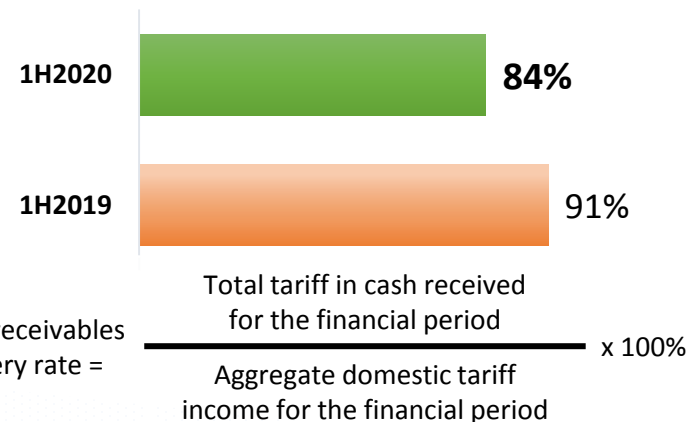
– Stable and Efficient Operations Management

- In 1H2020, Everbright Water attached great importance to both pandemic control and business operation. Under the premise of ensuring the health and safety of its employees, the Group operated its projects stably with compliant discharge, helping the local communities prevent secondary virus transmission through waste water and other types of waste.
- The Group continued enhancing efforts in the further application of management platforms such as the “Intelligent Water” system. It also published China Everbright Water Limited Intelligent Water Whitepaper, which analyses and discusses the application scenarios, technical options and implementation methods relating to intelligent water in the future.
- The Group was granted various subsidies of approximately RMB29.59 million in total.
- The Group’s projects treated approximately 747 million m³ of waste water and supplied 10.15 million m³ of reusable water, representing an increase of 11.0% and 16.8% respectively, compared with 1H2019.
- The Group’s trade receivables recovery rate slightly declined in 1H2020.

WWT/Reusable Water Supply Capacity for the Six-month Period



Trade Receivables Recovery Rate * for the Six-month Period



Operating Results

– Development Driven by Technological R&D



In 1H2020, the Group made good research and development (“R&D”) progress in areas of industrial WWT, precision control system and intelligent inspection system.



In 1H2020, the Group was granted 9 patents (including 1 invention patent, 6 practical new model patents, 1 software copyright and 1 design patent) and published 1 academic paper.



In 1H2020, the Group provided technical services and products externally, which amounted to a total contract value of approximately RMB45 million.

Operating Results

– First Issuance of Asset-backed Securities

On 17 June 2020, Everbright Water issued its first asset-backed securities (“ABS”) to qualified investors in the mainland China, which helps further optimise the Company’s financing structure, strengthen its capability in capital management, and maintain its financial cost within a reasonable range.

- ❑ Size of issue: RMB300 million.
- ❑ Use of proceeds: Replenishment of working capital of the Company and its subsidiaries.
- ❑ Original beneficiary: Everbright Water (Shenzhen) Limited, which is Everbright Water’s wholly-owned subsidiary.
- ❑ Underlying assets: The rights of Everbright Water’s subsidiaries to receive WWT service fees in connection with 4 WWT projects located in Liaoning Province.
- ❑ Types of the securities:
 - Preference ABS: An aggregate issue size of RMB285 million, maturity periods varying from approximately one to five years, and a composite interest rate of 3.54% per annum, with an “AAA” credit rating.
 - Subordinate ABS: An issue size of RMB15 million and subscribed for by Everbright Water (Shenzhen) Limited.

Financial Review

Financial Review

(HKD'000)	Six months ended 30 June		Change
	2020	2019	
Revenue	2,120,086	2,485,366	(14.7%)
Gross Profit	881,648	920,085	(4.2%)
Gross Profit Margin (%)	42	37	5ppt*
EBITDA	813,116	830,769	(2.1%)
Profit Attributable to Equity Holders of the Company	404,473	420,487	(3.8%)
Basic Earnings per Share (HK cents)	14.14	15.51	(8.8%)
Total Dividend per Share (HK cents) (equivalent in Singapore cent)	3.74	3.74	-
	0.67	0.65	3.1%

*ppt: percentage point(s)

Financial Review

(HKD'000)	As at 30/06/2020	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
Total Assets	23,270,896	22,683,031	19,584,389	18,047,919
Total Liabilities	13,554,792	13,134,279	10,920,692	9,506,114
Shareholders' Equity of the Company	8,947,121	8,810,069	7,983,190	7,857,183
Gearing Ratio (%) (total liabilities/total assets)	58.2	57.9	55.8	52.7
Return on Shareholders' Equity (%)	9.1*	9.9	8.5	7.0
Dividend Payout Ratio (%)	26	25	23	15

- The Company has quality assets and access to various financing channels, with reasonable gearing ratio and healthy financial position.
- The sustained and steady dividend payout over the years demonstrates the Company's adherence to its philosophy of "sharing the operating results with its shareholders".

*Annualised figure

Financial Review

(HKD'000)	As at 30 June 2020	As at 31 December 2019	Change
Short-term Borrowings	2,364,489	2,010,556	17.6%
Long-term Borrowings	7,498,940	7,069,140	6.1%
Total Borrowings [#]	9,863,429	9,079,696	8.6%
Current Ratio (%)	111	108	3ppt*
Unutilised Banking Facilities	5,403,549	4,134,030	30.7%
Bank Deposit Balance and Cash	1,866,674	2,074,803	(10.0%)
Cash/Banking Facilities Available [#]	7,270,223	6,208,833	17.1%

- As at 30 June 2020, the Group's bank deposit balance and cash was abundant, with the unutilised banking facilities of approximately HKD5.40 billion. These provide solid capital support for the Group's future development.
- As at 30 June 2020, total borrowings of the Group was approximately HKD9.86 billion, with long-term borrowings accounting for 76.0% of the total, demonstrating a healthy liquidity ratio.

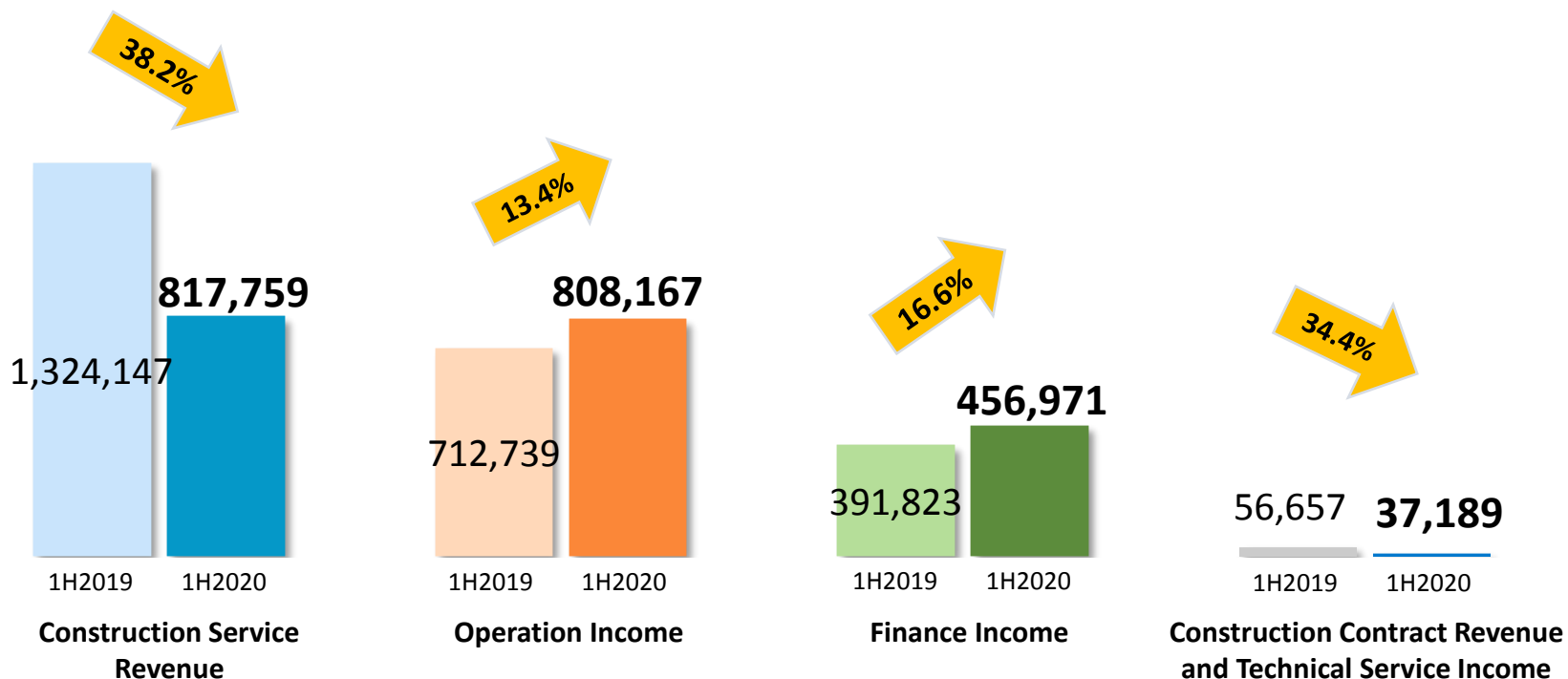
[#]Total borrowings = short-term borrowings + long-term borrowings

Cash/banking facilities available = unutilised banking facilities + bank deposit balance and cash

*ppt: percentage point(s)

Revenue Analysis by Categories for the Six-month Period

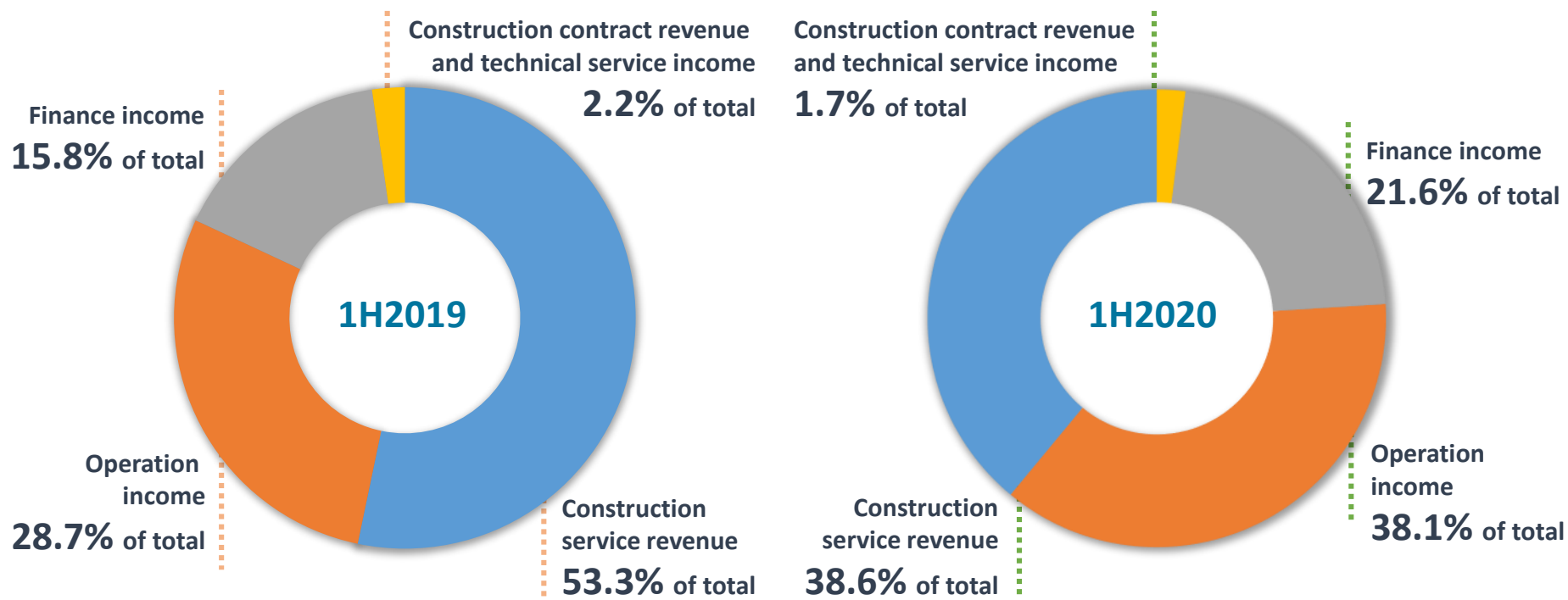
(HKD'000)



Total revenue in 1H2020: HKD2,120,086,000

Total revenue in 1H2019: HKD2,485,366,000

Proportion of Revenue in Each Category for the Six-month Period



The proportion of operation income out of total revenue increased from 28.7% in 1H2019 to 38.1% in 1H2020. Following the completion of construction and commencement of operation for the projects, which are in preparatory stage or under construction, the amount of the operation income is expected to increase further.

Subsequent Events

Subsequent Events

– A New Project

In July 2020, the Company secured Dandong WWT Project Phase II in Liaoning Province

- The project will be invested in, constructed and operated based on a BOT (Build-Operate-Transfer) model, for a concession period of 30 years (inclusive of construction period).
- It will have an aggregate designed daily WWT capacity of 200,000 m³, the construction and implementation of which will be carried out in multiple stages.
- The stage 1 of the project has a designed daily WWT capacity of 100,000 m³ and commands an investment of approximately RMB265 million.
- The discharged water will comply with the national Grade 1A standard according to the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002).
- Securing the project will substantially increase the daily WWT capacity of Dandong WWT Project, and marks the Company's enhancement in its water treatment service capacity in Dandong City and Liaoning Province.



Liaoning Dandong WWT Project Phase I

Subsequent Event

– Issuance of first tranche of medium term notes

In early August 2020, Everbright Water issued the first tranche of medium term notes (“MTNs”) to institutional investors in the inter-bank bond market in the mainland China, which helps further diversify the financing channels of the Company, replenish its working capital, optimise its financing structure and keep its financial costs within a reasonable range.

- ❑ Principal amount: RMB1 billion.
- ❑ Maturity period: 3 years.
- ❑ Interest rate: 3.60%.
- ❑ Subscription rate: 2.01 times.
- ❑ Use of the proceeds: Replenishment of working capital of the Company’s subsidiaries.
- ❑ Credit rating: The first tranche of the MTNs and the Company (as the issuer of the first tranche of the MTNs) had each been given a credit rating of “AAA” by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
- ❑ Underwriters: Bank of China Limited and Guosen Securities Co., Ltd.

Business Prospects

Business Prospects

– Industry Trends

- In 2020, with the impact brought by the novel coronavirus (“COVID-19”) pandemic, major economies around the world have all contracted to varying extents. Increased differences among countries and regions and intensified pressure on recovery of the global economy have added uncertainties to the world’s outlook. Amid the structural and cyclical downward pressure on the Chinese economy, although local economic activities have gradually resumed on the back of effective epidemic control measures, the domestic macro economy and all industries are expected to move forward with various burdens and challenges in the future.
- The Chinese government has been firmly committed to pollution prevention and control with strong support, in spite of pressure on the macro environment. In view of continued COVID-19 spread, the national environmental protection policies are expected to focus more on the water industry, unleashing room for the industry’s growth. Business trends have emerged in areas such as the development of intelligent water management systems, upgrading of water safety protection measures, construction of sludge treatment and disposal facilities, and improvement of the urban waste water pipeline network. These are expected to become the major directions for the development of water enterprises.

Business Prospects

– Digitalisation Development



Going Digital in Management

Going digital in all areas
Gradual development of smart WWT plants

Smart Water Plants

All management functions and business processes have gone digital, including general office work, finance, engineering construction, budgeting, tendering and procurement, operations management, technological R&D, internal audit, human resources, etc.

- An online procurement platform helps improve efficiency and cost control relating to tendering and procurement.
- An engineering budgeting management system facilitates cost control during the decision-making process, which covers investment, design and engineering construction.
- A digital operations management system has been widely adopted by WWT plants that have completed construction, optimising cost for the plants' whole life cycles.

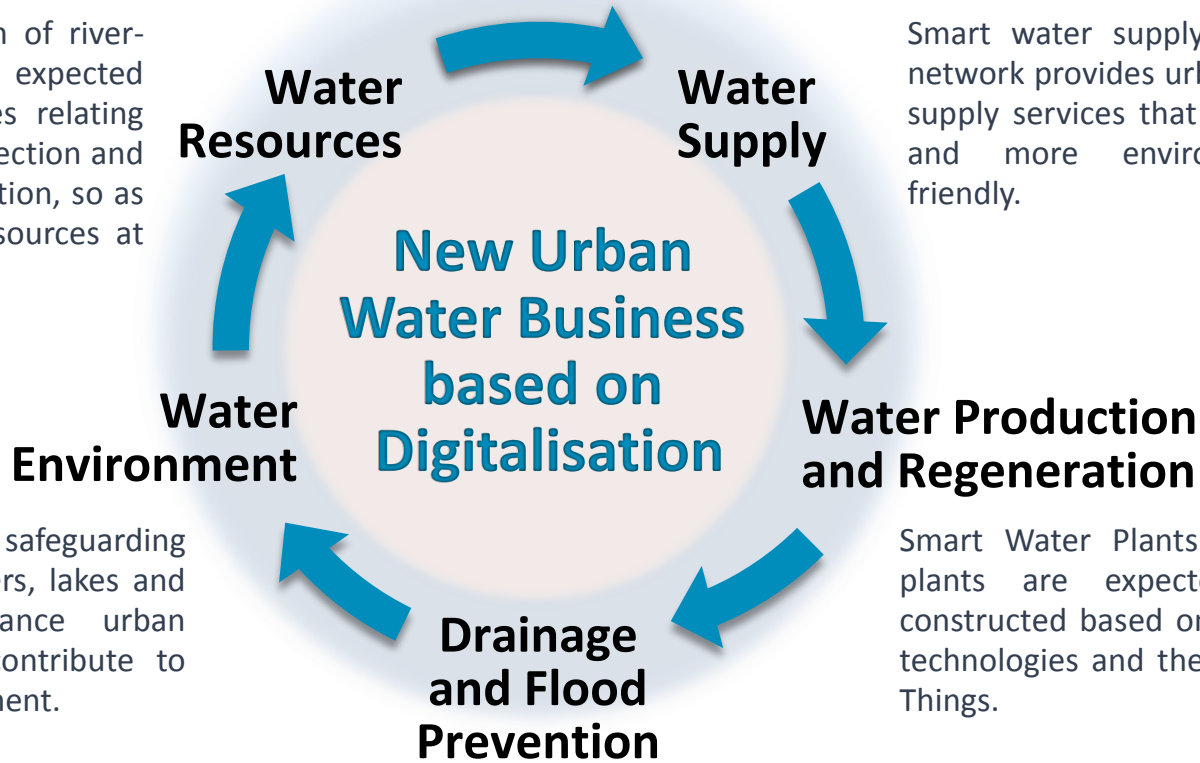
Results of developing smart WWT plants

- An accurate aeration and dosing system has been adopted, which helps better reduce energy consumption.
- Core processes of WWT plants can be carried out automatically.
- Development and application of smart inspection for WWT plants are underway.

Business Prospects

– Digitalisation-led Development of Urban Water Business

Computer simulation of river-basin water cycle is expected to inspire businesses relating to water source protection and sponge city construction, so as to protect water resources at the source.



Smart water supply pipeline network provides urban water supply services that are safer and more environmental-friendly.

Building capability in safeguarding water quality of rivers, lakes and reservoirs to enhance urban water safety and contribute to good water environment.

Smart Water Plants and WWT plants are expected to be constructed based on simulation technologies and the Internet of Things.

Integrated into smart cities, synergies between waste water network and drainage network in the region could substantially improve the cities' capability of preventing pollutant and flood.

Thank You!

