



CHINA EVERBRIGHT WATER LIMITED

FY2017 ANNUAL RESULTS PRESENTATION

CHINA EVERBRIGHT WATER LIMITED

FEBRUARY 2018

MERGE AND

INNOVATE TO LEAD

融合创新 涓滴成河

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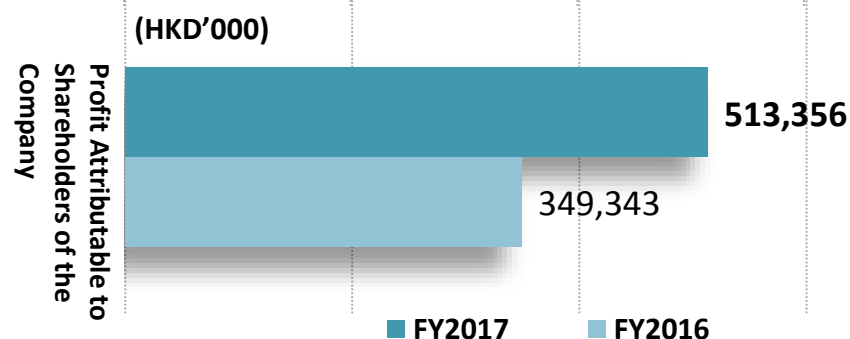
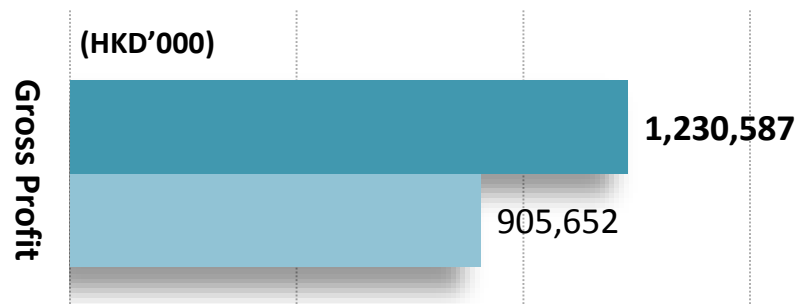
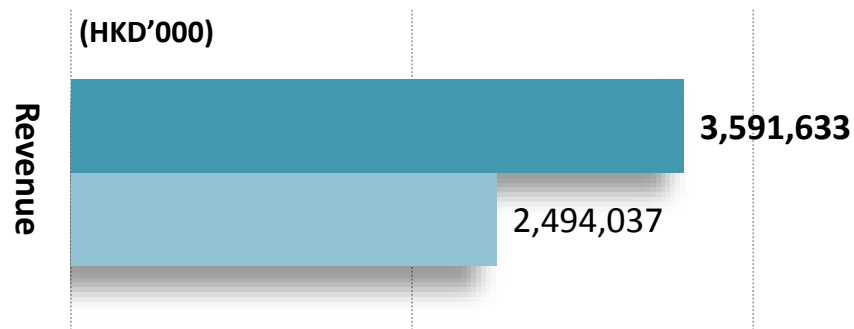
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Financial Review



Revenue

Revenue increased by 44% year-on-year (“yoy”) in FY2017, mainly attributable to the increase in revenues from construction services, operation services and finance income. The increase in construction revenue was mainly due to the construction of several water environment management projects in addition to the expansion and upgrading of several waste water treatment projects which were under construction during FY2017. The increase in operation service revenue was mainly the result of commencement of operation of new projects and tariff hikes for several projects during FY2017.

Gross Profit

Gross profit increased by 36% yoy in FY2017, mainly attributable to the increase in gross profit from construction services. The gross profit of construction services increased by 101% yoy in FY2017. The gross profit of operation services increased by 13% yoy in FY2017, due to water tariff hikes of several projects in FY2017.

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company rose by 47% yoy, mainly due to the significant growth in revenue driven by continual expansion of the business.

Financial Review






| (HKD'000) | As at 31 December 2017 | As at 31 December 2016 | Change |
|---|---------------------------|---------------------------|---------|
| Total assets | 18,047,919 | 14,081,232 | 28% |
| Total liabilities | 9,506,114 | 6,889,530 | 38% |
| Equity attributable to shareholders of the Company | 7,857,183 | 6,798,187 | 16% |
| Cash on hand | 2,716,692 | 1,902,741 | 43% |
| Current ratio | 1.37 | 1.33 | 3% |
| Gearing ratio (total liability/total assets) | 52.7% | 48.9% | 3.8ppts |
| Earnings per share (EPS) | 0.196 | 0.134 | 46% |

ppt: percentage point


Business Review


Robust Growth in Technology R&D





-  Adhered to the “Technology Leads Development” ethos, optimised and improved the organisational structure, and boosted efforts in talent recruitment. The Company’s in-house technology platform, which is based in Nanjing, Jiangsu Province, built a fairly comprehensive technology management talent pool with rich experience in different areas, including: water environment technology, water treatment technology, technological equipment, and technology management.
-  Achieved a series of key technological breakthroughs and accomplishments in areas, such as: biological deodorisation system, low-temperature sludge drying, biological aerated filter, high-efficiency sedimentation tank, ozone catalytic oxidation, nonpoint source pollution purification treatment, and rainwater treatment system. Some of the technologies have been successfully applied and installed to the Company’s projects, greatly enhancing the technological proficiency and operation efficiency of projects under construction.
-  Granted 21 patents in 2017, with some other patent applications still under review; the number of patent applications in 2017 exceeded the total sum of the patent applications filed in previous years.
-  The collaborative initiative “Guangdong Urban Water Recycling and Water Environmental Safety Engineering Technology Research Center” included in the “2017 Guangdong Engineering Technology Research Center Recognition List”; and the jointly-developed project “Development and Application of Intelligent Waste Water Treatment Control System” named as a key research project among the “2017 Chongqing Innovation Projects of Key Industrial Generic Technology”.
-  Continued to advance its industrial-academic collaboration model with research institutes and higher education institutes, including: organising technical exchanges with domestic and international higher education institutes, research institutes and business partners, forming expert advisory committee and establishing strategic cooperative relations, in order to promote the application and commercialisation of technological research results.

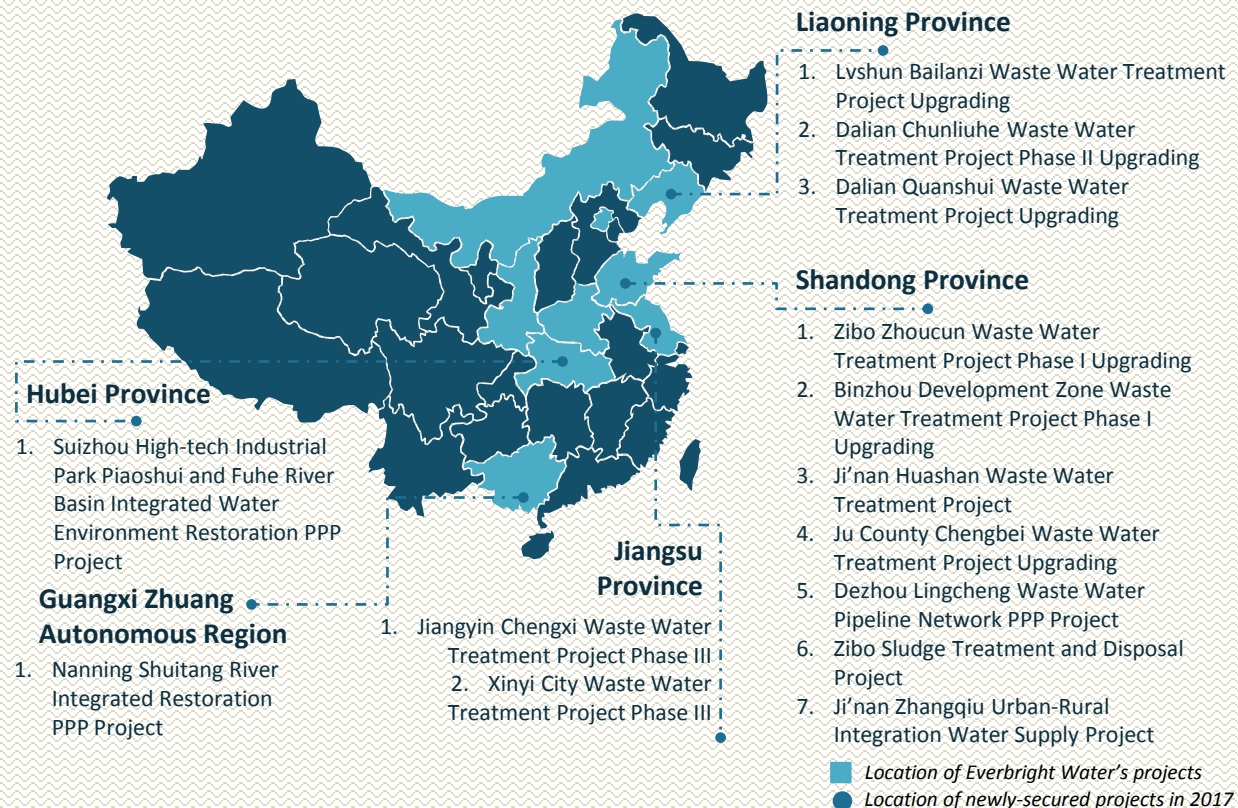
Steady Progress in Market Expansion

 Secured 14 new projects, which command a total investment of approximately RMB6.081 billion.

 Expanded its business scope to new areas, such as water supply and standalone pipeline network.

 Expanded its geographical presence to Hubei Province and Guangxi Zhuang Autonomous Region, while solidifying its existing markets.

 Enhanced its practical experiences in adopting different business models such as PPP (Public-Private Partnerships).



Continued Growth in Business Strengths

(As at 31 December 2017)

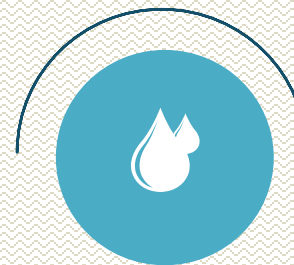
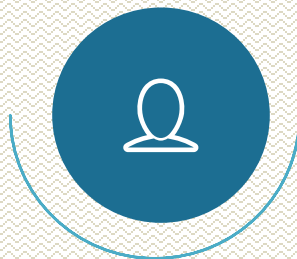


Secured 94 projects

- 77 municipal waste water treatment projects (including 1 waste water pipeline network project)
- 3 industrial waste water treatment projects
- 4 water environment management projects
 - 1 water supply project
 - 5 reusable water projects
- 2 waste water source heat pump projects
- 2 sludge treatment and disposal projects

Business footprint across 9 provinces & municipalities

Projects located across 9 provinces and municipalities including Shandong, Jiangsu, Beijing, Shaanxi, Liaoning, Inner Mongolia, Henan, Hubei and Guangxi, covering 40 districts, counties and cities



Water treatment capacity exceeded 5 million m³/day

Total project investment amounted to approximately RMB16.7 billion



Project Construction Posted a Record High



Recorded 11 projects that commenced construction and 14 projects that completed construction in 2017, hitting a record high.



Amended and improved a number of systems and protocols, which tightened the rules and standards of the project construction process, thereby increasing construction efficiency.



Fully streamlined the Environmental, Safety, Health and Social Responsibility (“ESHS”) construction management system and risk management system, which ensured the safety, quality and efficiency of project construction.

Projects
commenced construction

Liaoning Province

1. Dalian Quanshui Waste Water Treatment Project Upgrading
2. Dalian Chunliuhe Waste Water Treatment Project Phase II Upgrading
3. Lvshun Bailanzi Waste Water Treatment project Upgrading

Shandong Province

4. Zibo Zhoucun Waste Water Treatment Project Phase I Upgrading
5. Binzhou Development Zone Waste Water Treatment Project Phase I Upgrading
6. Ju County Chengbei Waste Water Treatment Project Upgrading

Beijing Municipality

1. Daxing Tiantanghe Waste Water Treatment Phase II and Upgrading

Henan Province

2. Sanmenxia Waste Water Treatment Project Phase I Upgrading

Shandong Province

3. Zibo Zhoucun Waste Water Treatment Project Phase I Upgrading
4. Ju County Shudong Waste Water Treatment Project
5. Binzhou Development Zone Waste Water Treatment Project Phase I Upgrading
6. Zibo Sludge Treatment and Disposal Project

7. Ji'nan Huashan Waste Water Treatment Project

8. Ji'nan Zhangqiu Urban-Rural Integration Water Supply Project

Jiangsu Province

9. Jiangyin Chengxi Waste Water Treatment Project Phase III

Hubei Province

10. Hubei Suizhou High-tech Industrial Park Piaoshui and Fuhe River Basin Integrated Water Environment Restoration PPP Project

Guangxi Zhuang Autonomous Region

11. Guangxi Nanning Shuitang River Integrated Restoration PPP Project

Jiangsu Province

7. Xinyi City Waste Water Treatment Project Upgrading

8. Xinyi Economic Development Zone Waste Water Treatment Project Phase II

9. Nanjing Pukou Industrial Waste Water Treatment Project Phase I

10. Nanjing Pukou Reusable Water Project Phase I

Liaoning Province

11. Pulandian Waste Water Treatment Project Phase I Expansion

12. Lvshun Bailanzi Waste Water Treatment Project Upgrading

13. Dalian Quanshui Waste Water Treatment Project Upgrading


14. Dalian Chunliuhe Waste Water Treatment Project Phase II Upgrading

Remarkable Results in Operations Management


Tariff Hike (%)



 Multiple waste water treatment projects effected tariff hikes in 2017, ranging from 8% to 86%.

 The pilot programme of the “Intelligent Water” information management system, which was tested at several projects, brought positive results.

 Achieved safe operation and met relevant environmental protection standards.

 Received approvals for special subsidy of approximately RMB49.70 million.

Continued Improvement in Financial Management



Explored new investment and financing models: The Company received approvals from the Shanghai Stock Exchange and China Securities Regulatory Commission to issue RMB-denominated corporate bonds of up to RMB2.5 billion in aggregate principal amount in a single or multiple tranches to qualified investors in the People's Republic of China. The initial tranche of the bonds was successfully issued in July 2017, with a principal amount of RMB1 billion and a coupon rate of 4.55% for a five-year maturity.



Replaced short-term borrowings with long-term loans to improve the Company's loan structure and reduce the financing cost, which helped to support the Company's next phase of healthy and rapid growth.







Subsequent Event

Incorporation of a Germany-based Joint Venture



The Company's wholly-owned subsidiary, Joyer International Limited, recently established a joint-venture company known as E+B Umwelttechnik GmbH in Germany, with RBH Reinhold Brenner Holding GmbH, an environmental protection company in Germany.

-  The Company holds an 80% equity stake in the joint-venture company through Joyer International Limited.
-  RBH Reinhold Brenner Holding GmbH has a number of key water technologies and a strong background in water industry.
-  The joint-venture company focuses on: R&D, engineering services, technology transfer, and equipment sale, procurement, installation and commissioning in areas related to water business; acting as an engineering, procurement, and construction (EPC) contractor for environmental projects; and business expansion in the area of environmental services.
-  The joint-venture company will serve as a key “technology R&D, application and commercialisation” platform, and facilitate the Company to create its overseas business channels, enhance international exchanges and collaborations, acquiring world-class talent and technologies from overseas, to promote the Company's core technologies globally and explore more opportunities for growth.

Business Outlook

Boost Investment in Technology R&D Uphold “Technology Leads Development” Ethos



The Company will continue to strengthen and optimise its water environment technology R&D structure, and further improve its in-house R&D capabilities.



The Company will continue to recruit technical talent and enhance the overall strength of its R&D team.



The Company will continue to promote the application and commercialisation of various research projects related to water environment management.



The Company will continue to advance the industrial-academic research collaboration model with research institutes and higher education institutes, and broaden the horizon of its R&D team by participating in various forms of collaborations and exchanges.



The Company will focus on several key research areas, including advanced treatment of waste water and water environment management.

Explore New Business Models Enhance Synergetic Effects



The Company will actively study the industry policies and updates, explore new business models for the sector, diversify business areas, optimise the mechanism to expand its market, so as to boost the diversity and sustainability of its business.



The Company will develop a mechanism to create synergy in market expansion, solidifying its existing market position, and explore new geographical areas.



The Company will strengthen the key merits of its business development team, such as the sensitivity to market opportunities, the responsiveness and the ability to execute plans.

Strengthen Efforts in Improving Management Systems Ensure Stable and Safe Operation of Projects



The Company will continue to enhance the ESHS management system and risk management system.



The Company will continue to enhance the proficiency of its project construction management, to ensure the stability of construction works being carried out and the safety of project operation, which would concurrently improve the business in scale and quality; in addition, the Company will build up experiences in managing the construction works for new types of projects, such as: sponge city construction and urban-rural water supply.



The Company will implement the “Intelligent Water” information management system and enhance corporate management proficiency with intelligent and information systems.



The Company will pay close attention and take actions to apply for water tariff hike and special fund support.

Diversify Investment and Financing Channels Enhance Financial Structure and Strength



The Company will diversify its investment and financing models, including pursuing further issuance of RMB-denominated bonds, exploring the development of a “water industrial fund”, the issuance of asset-based securities, and other channels.



The Company will optimise its funding structure at home and abroad to avoid foreign exchange risks.



The Company will continue to strengthen the traditional financing channels, such as credit facilities from commercial banks and policy banks.

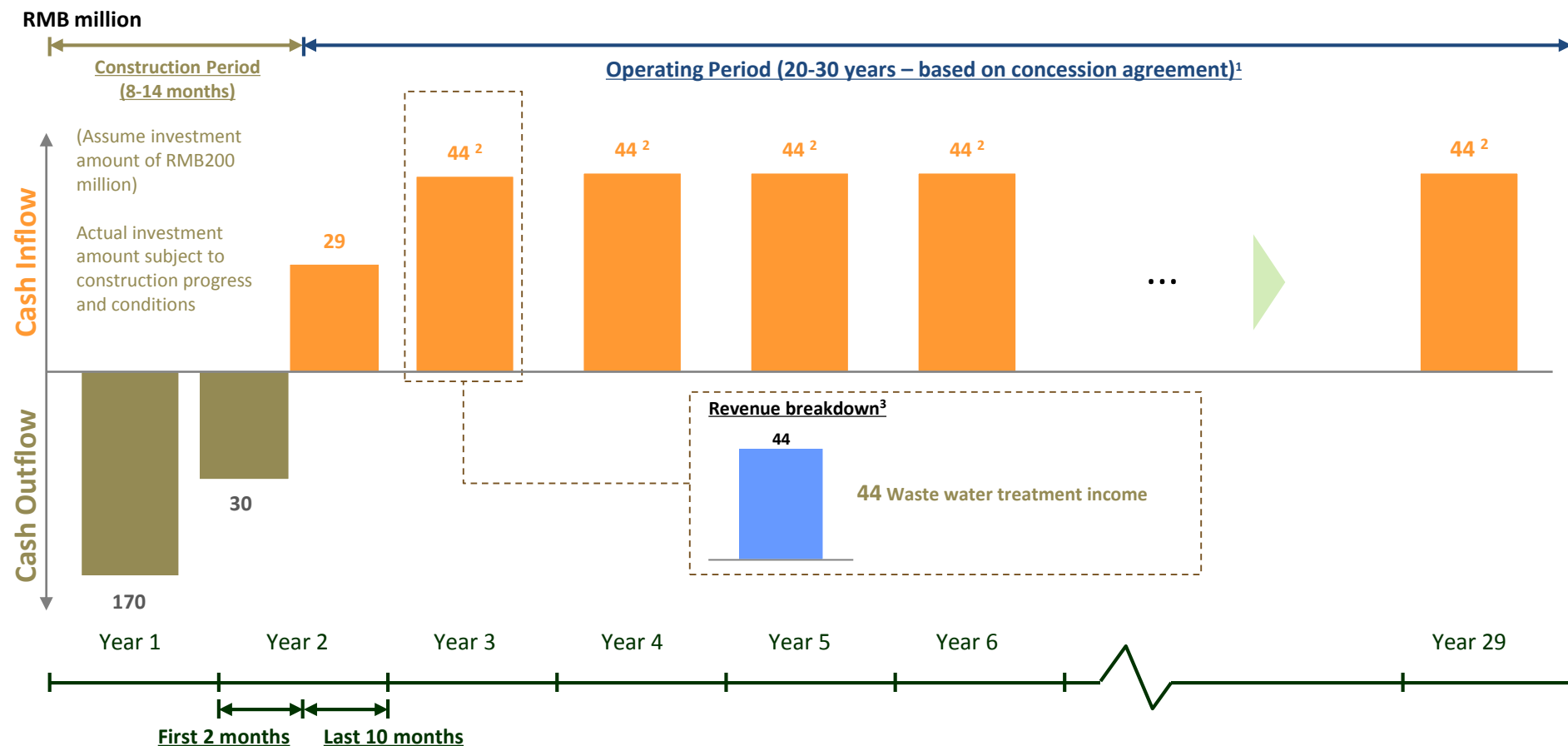


The Company will roll-out a complete planning and proper allocation to improve efficient and effective use of funds.

Appendix

Waste Water Treatment Project Cash Flow Illustration

(for reference only)



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

¹ Operating cash flows indicated above do not take into account operating costs, expenses and taxes.

² Waste water treatment fee may be adjusted in accordance with changes in the consumer price index levels.

³ Assumptions: Daily waste water treatment capacity is 100,000 tonnes; water discharge complies with the National Grade 1A standard; and waste water treatment fee is RMB1.2 per tonne.

Thanks!

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