

2023 Interim Results Presentation

August 2023
China Everbright Water Limited



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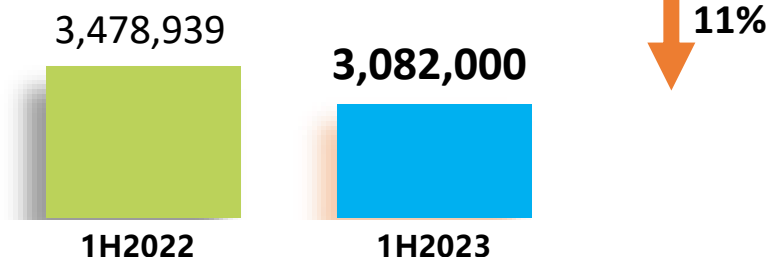


Operating Results

Operating Results – Stable Operating Indicators

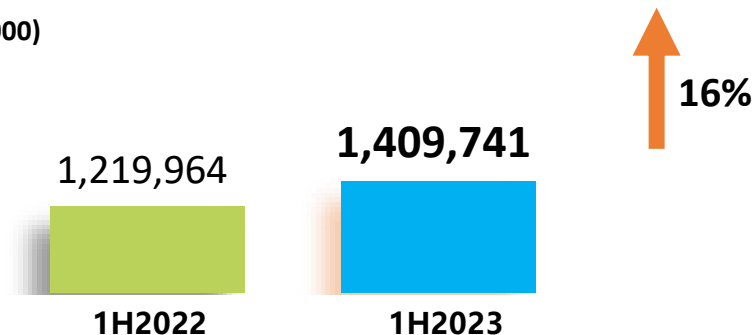
Revenue

(HK\$'000)



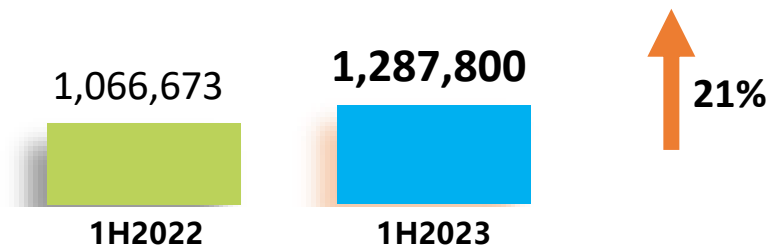
Gross Profit

(HK\$'000)



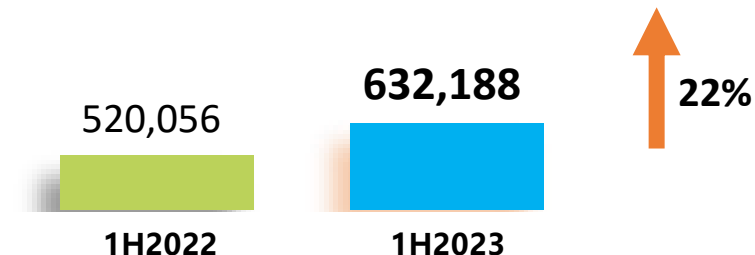
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)

(HK\$'000)



Profit Attributable to Equity Holders of the Company

(HK\$'000)



Operating Results – Remarkable Market Expansion

In the first half of 2023, with the “water-related” business being the key focus, Everbright Water continued its development on both the traditional and new business areas, balanced asset-light and asset-heavy businesses, and tapped into traditional business areas while exploring new business areas. Therefore, The Group achieved a remarkable result in business expansion.






In order to solidify its strengths, the Group secured a number of upgrading and expansion projects for its existing waste water treatment (“WWT”) projects and renewed contract for an existing operation and management (“O&M”) project.

- Jiangsu Jiangyin Chengxi WWT Project Phase IV
- Liaoning Anshan West 2nd WWT Project Upgrading
- Shandong Dezhou Lingcheng WWT Project (Plant 2) Second Upgrading
- Shandong Binzhou Development Zone WWT Project Upgrading
- Shandong Linyi Luozhuang Economic Development Zone WWT Plant and Ancillary Pipeline Network Project Phase I (supplementary agreement)
- Jiangsu Zhenjiang Zhengrunzhou WWT Plant O&M Project (contract renewal)



In terms of expanding into new areas, the Group marked its business footprint in a new county-level WWT market, and for the first time, secured asset-light projects through the EPCO (Design-Procurement-Construction-Operation) model, which has further enhanced the Group's ability in providing contracting services to external parties.

- Shandong Liaocheng Shen County WWT (Plant 3) and Ancillary Pipeline Network PPP (Public-Private Partnership) Project
- Jiangsu Huai’an Lianshui Konggang Industrial Park Industrial WWT Plant EPCO Project
- Jiangsu Jiangyin High-Tech Zone WWT Plant Phase I Stage 1 EPCO Project

	Additional Treatment Capacity*	180,000 m ³ /day
	New Investment	RMB1.163 billion
	New Contract Value	RMB1.07 billion

*Including treatment capacities of EPCO projects

Business footprint

The Group has a business presence in over 50 districts, counties and cities across 12 provinces, municipalities and autonomous regions in China, in addition to 1 overseas market.

Total project investment

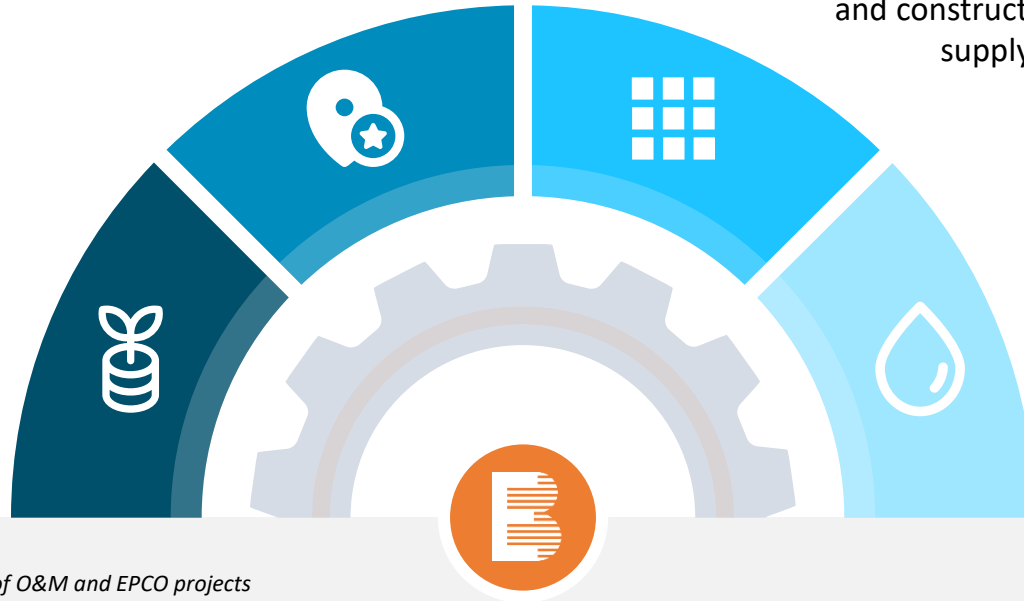
approx.
RMB30.8 billion

Total number of projects

The Group invested in and held 166 water projects and undertook 5 O&M projects, 2 EPCO projects, as well as various asset-light services of other types, such as engineering, procurement and construction (“EPC”), equipment supply and technical services.

Total designed water treatment and supply capacity*

approx.
7.43 million
m³/day



[#] As of 30 June 2023

* Including the treatment capacities of O&M and EPCO projects

In the first half of 2023, by continuously focusing on “Cost Reduction and Efficiency Enhancement”, Everbright Water continued launching its “Five Innovations” initiative, carrying out organisation-wide counselling for improvement in operations management practices, developing its intelligent water system, and promoting the “in-plant solar energy” pilot programme, to further enhance the efficiency and proficiency of its operations management.

01

In-plant solar energy

As at 30 June 2023, 5 in-plant solar energy pilot projects had commenced operation, with a total installed capacity of 9.01 MWp, which are expected to generate 5.1 million kWh of green electricity to the projects annually; in addition, 3 pilot projects were under construction, and 6 were in the preparatory and planning stages, with an expected total installed capacity of over 10 MWp.

02

Cost reduction & efficiency enhancement

The Group reviewed and undertook 175 major cost reduction measures relating to expenses for electricity, pharmaceuticals, sludge disposal, maintenance and other operations management items. As a result, the relevant expenses decreased significantly as compared with the first half of 2022.

03

Water treatment/ supply volume

The Group treated approx. 846 million m³ of waste water, an increase of 1% as compared with the first half of 2022.

The Group also supplied approx. 21.60 million m³ of reusable water, an increase of 13% as compared with the first half of 2022.

04

Subsidies/Tariff hike

1 WWT plant of the Group received regulatory approval for tariff hike, with an increase of 5%.

Subsidies of approx. RMB17.50 million in total were granted to the Group.

In the first half of 2023, Everbright Water prioritised quality and adopted a dynamic construction management mechanism for all of its construction works, strengthening the monitoring and control of the budget, progress and quality throughout the entire construction process, to cut costs and boost efficiency for project construction through refined and standardised management.

Smooth progress in construction works

- 9 projects[#] commenced construction, which command a total investment of approx. RMB548 million, with a total designed daily WWT capacity[#] of 40,000 m³ and a total designed daily sludge treatment capacity of 625 tonnes.
- 4 projects commenced operation upon completion of construction and 3 projects completed construction, which command a total investment of approx. RMB1.349 billion, with a total designed daily WWT capacity of 130,000 m³.



Significant results in cost reduction and efficiency enhancement

- The Group enhanced review and control of relevant designs from the source, to improve construction quality.
- The Group also continued adopting centralised procurement, which significantly improved the profit planning relating to construction procurement for the first half of 2023.
- The Group effectively reduced construction costs through various measures, such as design optimisation, adjustments to construction and enhancement of on-site management.



[#] Including EPCO project(s)

In the first half of 2023, Everbright Water has been adhering to “Development Driven by Technological Innovation” and boosting its efforts in the implementation of relevant works.



Technology R&D

The Group improved various internal policies and guidelines related to design and technology, in order to strengthen technical support for its projects.

It identified over 10 key topics for its research and development (“R&D”), covering areas such as intelligent water treatment plants, the micro-electrolysis-Fenton process and biological denitrification.

The Group also actively participated in the drafting of the organisational standards of “Technical Specification for Greenhouse Gas Monitoring of Sewage and Waste Water Treatment Plants”.



Technological Processes

The Group provided its in-house developed technological processes to internal and external clients, which amounted to a total contract value of approx. RMB86.00 million.



Patents

The Group was newly granted 14 patents, including 3 invention patents and 11 utility model patents.

Issuance of 2023 First Tranche SCPs[#]

Principal Amount	RMB1 billion
Maturity Period	180 days
Interest Rate	2.60%
Use of Proceeds	To repay Everbright Water's outstanding debts
Credit Rating	Everbright Water, as the issuer, had been given a credit rating of "AAA".

Issuance of 2023 First Tranche MTN^{*}

Principal Amount	RMB1 billion
Maturity Period	5 years (with an interest rate adjustment option to be exercised by the Company and a resale option to be exercised by the noteholders at the end of the third interest-bearing year)
Interest Rate	3.20%
Subscription Rate	2.37 times
Use of Proceeds	To replenish the working capital of Everbright Water's subsidiaries
Credit Rating	The 2023 first tranche MTN and Everbright Water (as the issuer) had each been given a credit rating of "AAA".

[#] SCPs: super & short-term commercial papers

^{*} MTN: medium term notes



02

Financial Review

(HK\$'000)		Six months ended 30 June		Change (increase/ decrease)
		2023	2022	
Revenue		3,082,000	3,478,939	(11%)
Gross Profit		1,409,741	1,219,964	16%
Gross Profit Margin (%)		46	35	11ppt*
EBITDA		1,287,800	1,066,673	21%
Profit Attributable to Equity Holders of the Company		632,188	520,056	22%
Basic Earnings per Share (HK cents)		22.10	18.18	22%
Interim Dividend per Share	(HK cents)	6.63	5.45	22%
	(equivalent to Singapore cents)	1.13	0.98	15%

*ppt: percentage point

(HK\$'000)	As at 30/6/2023	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Total Assets	33,522,929	33,446,151	32,969,256	26,907,534
Total Liabilities	20,275,589	20,445,273	19,806,024	15,501,675
Equity Attributable to Equity Holders of the Company	11,196,463	10,967,490	11,870,083	10,534,293
Gearing Ratio (%) (total liabilities/total assets)	60.5	61.1	60.1	57.6
Return on Shareholders' Equity (%)	11.4*	8.9	10.7	10.6
Dividend Payout Ratio (%)	30	30	30	27

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

*Annualised figure

Financial Review

(HK\$'000)	As at 30/6/2023	As at 31/12/2022	Change (increase/ decrease)
Short-term Borrowings	6,923,916	5,686,435	22%
Long-term Borrowings	8,563,106	9,575,700	(11%)
Total Borrowings [#]	15,487,022	15,262,135	2%
Current Ratio (%)	95	100	(5ppt*)
Unutilised Banking Facilities	2,784,972	3,893,924	(29%)
Bank Deposit Balance and Cash	2,265,171	2,845,907	(20%)
Cash and Banking Facilities Available [#]	5,050,143	6,739,831	(25%)

- As at 30 June 2023, the Group's bank deposit balance and cash were abundant, with the unutilised banking facilities of approx. HK\$2.785 billion, providing solid capital support for the Group's future development.
- As at 30 June 2023, the Group's total borrowings were approx. HK\$15.487 billion, with long-term borrowings accounting for 55% of the total.

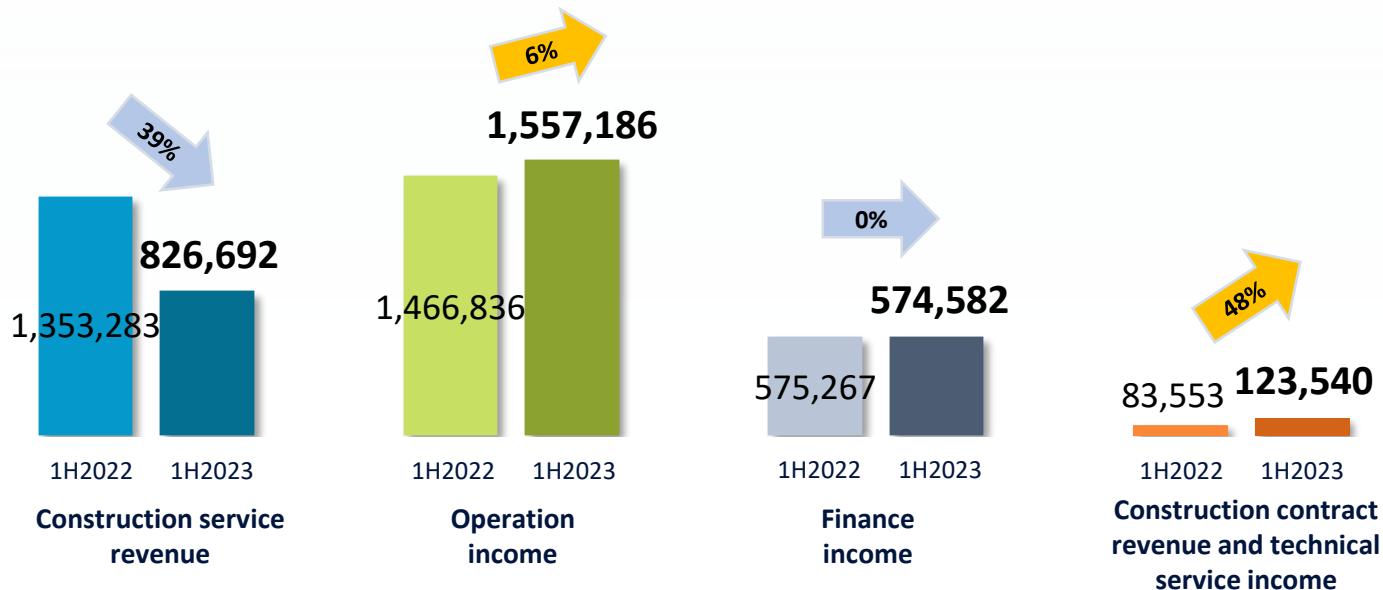
[#]Total borrowings = short-term borrowings + long-term borrowings

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

*ppt: percentage point

Revenue Analysis by Categories for the Six-Month Period

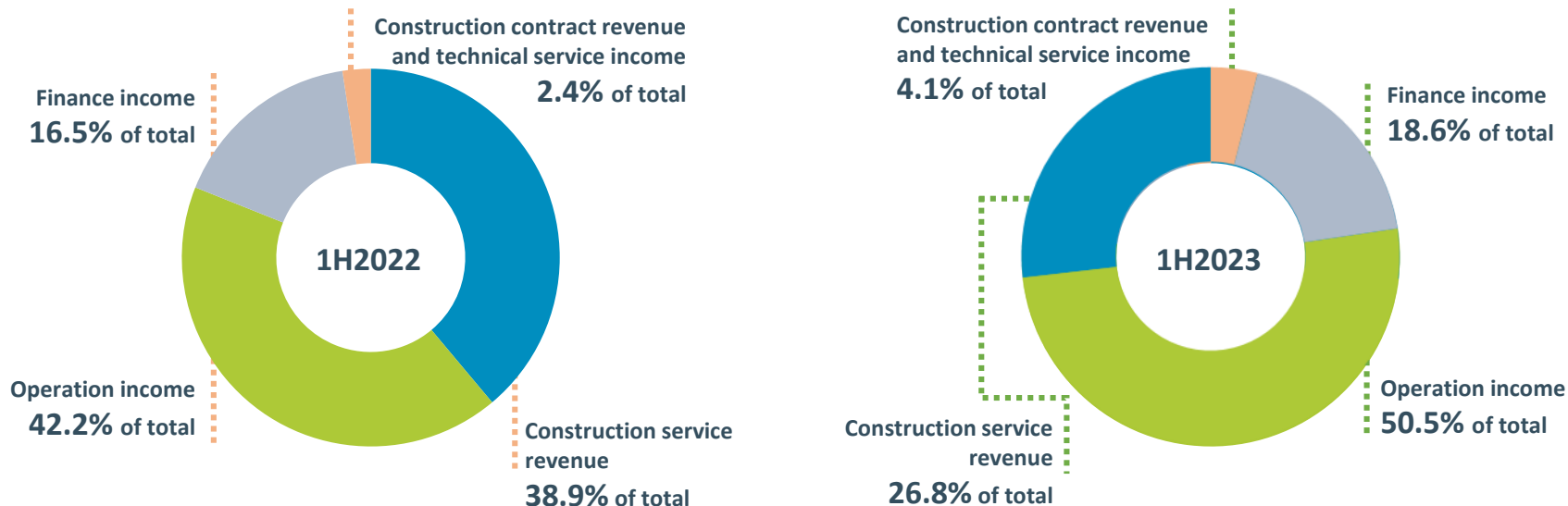
(HK\$'000)



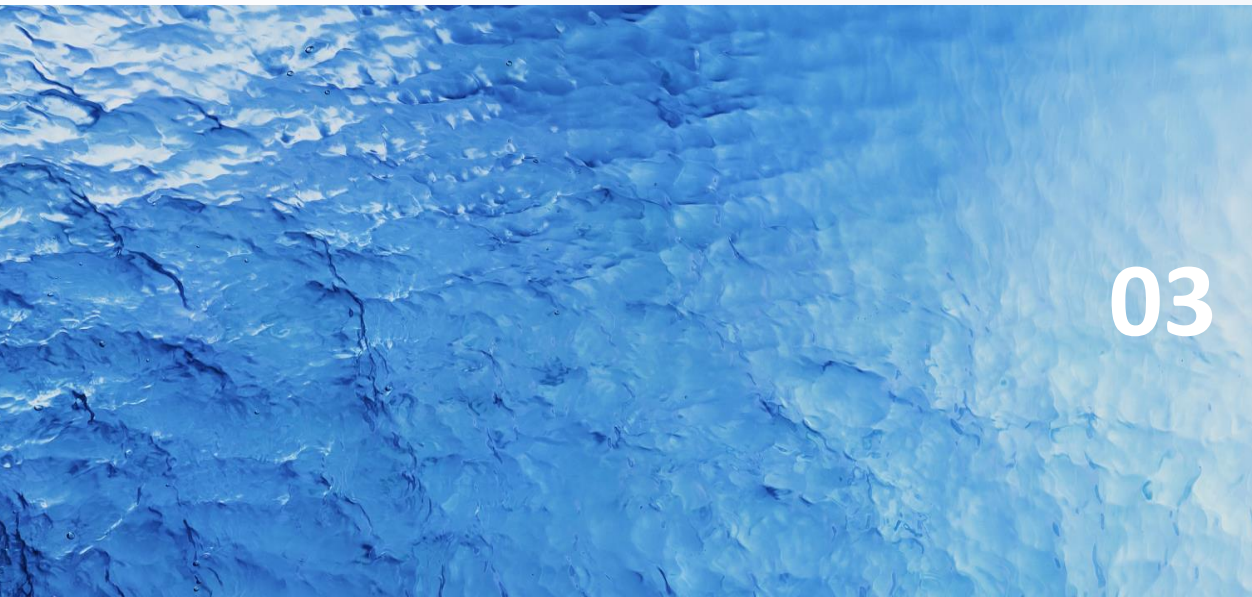
Total revenue in 1H2023: HK\$3,082,000,000

Total revenue in 1H2022: HK\$3,478,939,000

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



In the first half of 2023, the proportion of operation income out of total revenue increased as compared with the corresponding period of last year. Following the completion of construction and commencement of operation for the projects which are in the preparatory stage or under construction, the amount of operation income is expected to increase further.



Subsequent Event

Subsequent Event – MTN Issuance

In July 2023, Everbright Water had completed the issuance of the 2023 second tranche MTN, which was fully subscribed for by institutional investors in the national inter-bank bond market of mainland China, providing good capital security for the Company's steady development in a challenging industry and market environment.

Principal Amount	RMB1.5 billion
Maturity Period	5 years (with an interest rate adjustment option to be exercised by the Company and a resale option to be exercised by the noteholders at the end of the third interest-bearing year)
Interest Rate	2.97%
Subscription Rate	2.25 times
Use of Proceeds	To replenish the working capital of Everbright Water's subsidiaries and repay the interest-bearing debts of Everbright Water or its subsidiaries
Credit Rating	The 2023 second tranche MTN and Everbright Water (as the issuer) had each been given a credit rating of "AAA".





04

Industry Prospects



External Environment

Since 2023, the global economic outlook has remained slow amid the sluggish economic growth and constant external conflicts and uncertainties.

China has experienced rapid economic recovery as well as high-quality development which both provide important support to the stabilisation of the global economy. Concurrently, China's social and economic development has accelerated greening and low carbonisation, entering into a high-quality development stage.



Policy Trends

In July 2023, China organised the second National Conference on Ecological and Environmental Protection after five years. It was pointed out during the conference that the quality of the ecological environment in China continues to improve, but the construction of ecological civilisation still faces various pressures and difficulties. Therefore, a higher viewpoint, greater effort and wider perspective are necessary to plan and carry out ecological and environmental protection.

It was emphasised that China needs to gather resources from all fields and strengths from all areas to provide a strong foundation in various aspects, i.e. laws and regulations, markets, technologies and public policies for ecological and environmental protection. In turn, this will bring more confidence and provide better guidance to the environmental protection industry and enterprises, which are actively looking for transformation and high-quality development.

2023 marks the Group's 20th anniversary.

Despite the uncertainties of the future, Everbright Water will continue forging ahead, navigating through the challenges and seizing the opportunities with full determination and confidence. Furthermore, the Group will continue to enhance its foundation in different aspects, including strategy, operation and management, and to stabilise its future development. The Group will continue to drive and pursue its sustainable and high-quality development through innovative approaches in different areas, such as concepts, markets, technology and management.

Looking forward, the Group will continue focusing on **the “water-related” business** and forge ahead with confidence and determination towards its development vision of **“Creating Value to Industries through Various Water-Related Businesses”**, building a new development paradigm, and complying with the national strategies.





Enhancement of foundation and solidification of advantages

Strategy

The Group will stay committed to its strategic focus, maintain firm development confidence, and explore business transformation.

It will also improve management, enhance operations, and carry out digital transformation.

Operations

The Group will solidify the advantages of its traditional business, to provide stable support for its transformation.

It will ensure smooth construction progress, and improve construction management proficiency and efficiency.

It will also reduce expenditure and consumption, increase sources of income, and enhance the efficiency for operations management.

Management

The Group will strictly implement relevant systems and working standards.

It will also prevent and inspect various risks, to ensure a safe production baseline.



Pursuit of comprehensive innovation and expansion for development

Concepts

The Group will enhance awareness of innovation and adopt a problem-oriented approach. It will also encourage and maintain an open mind to innovation, boosting the team's work vigor.

Markets

The Group will keep up with China's policies and needs, to innovate business models and accelerate the launch of new businesses.

It will also enhance its efforts to replicate and promote its mature businesses such as in-plant solar energy and industrial WWT.

Technology

The Group will enhance its efforts to carry out technological research, development and innovation that serve market demand, public interest and relevant application scenario, to better empower its business.

It will also develop its intelligent management platform to improve management proficiency and efficiency.

Management

The Group will strive to promote and apply various innovative management methods, to boost team vigor and unleash management efficiency.

**20 Years of Commitment to
Water Environment
Leading to a Brighter Future**



光大水務
EVERBRIGHT WATER