

# FY2018 ANNUAL RESULTS PRESENTATION



CHINA EVERBRIGHT WATER LIMITED

FEBRUARY 2019

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# Financial Review

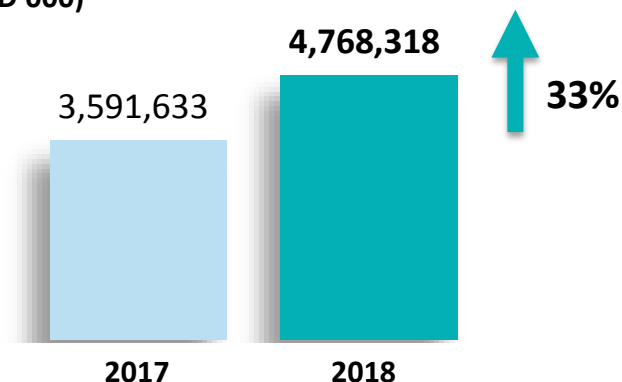
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# Financial Review

## Revenue

(HKD'000)

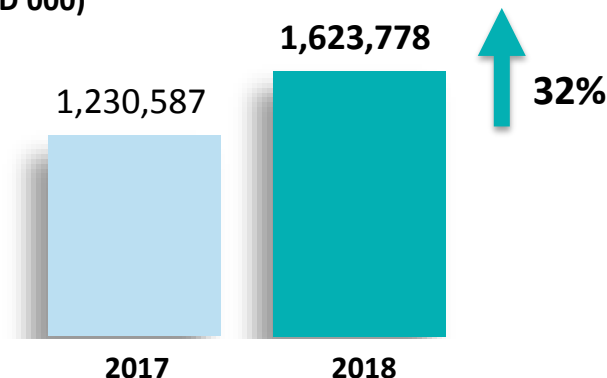


Revenue increased by 33% year-on-year (“yoy”) in 2018, mainly due to the increase in construction revenue, operation revenue and finance income.

- The increase in construction revenue was mainly attributable to construction of the sponge city project and the water supply projects in addition to the expansion and upgrading of several waste water treatment (“WWT”) projects which were under construction during 2018.
- The increase in operation revenue was the result of commencement of operation of new projects during 2018, tariff hikes for several projects effected during 2018, and recognition of one-off income arising from retrospective tariff adjustment in relation to two WWT projects in 2018.
- The increase in finance income was due to the increase in service concession financial receivables.

## Gross Profit

(HKD'000)

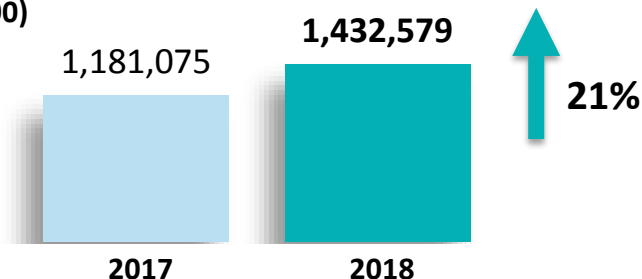


Gross profit increased by 32% yoy in 2018, mainly attributable to the commencement of operation of multiple projects and tariff hikes for multiple projects. The overall gross profit margin in 2018 was 34%, same as 2017.

# Financial Review

## EBITDA

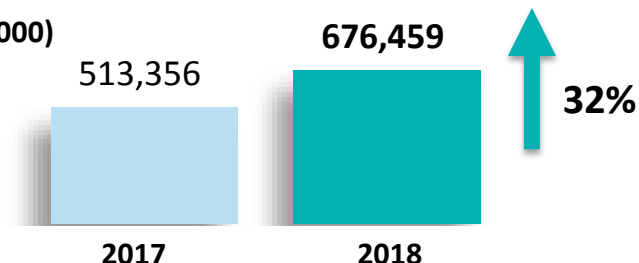
(HKD'000)



EBITDA increased by 21% yoy in 2018, mainly attributable to substantial increase in revenue driven by continual expansion of the business.

## Profit Attributable to Shareholders of the Company

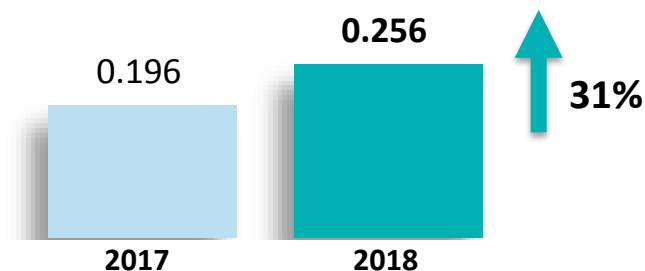
(HKD'000)



Profit attributable to shareholders of the Company increased by 32% yoy in 2018, mainly attributable to the significant growth in revenue driven by continual expansion of the business.

## Earnings per Share

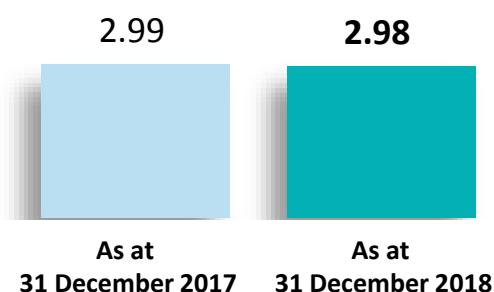
(HKD)



Earnings per share increased by 31% yoy in 2018 as profit attributable to shareholders of the Company in 2018 increased significantly.

## Net Asset Value per Ordinary Share

(HKD)

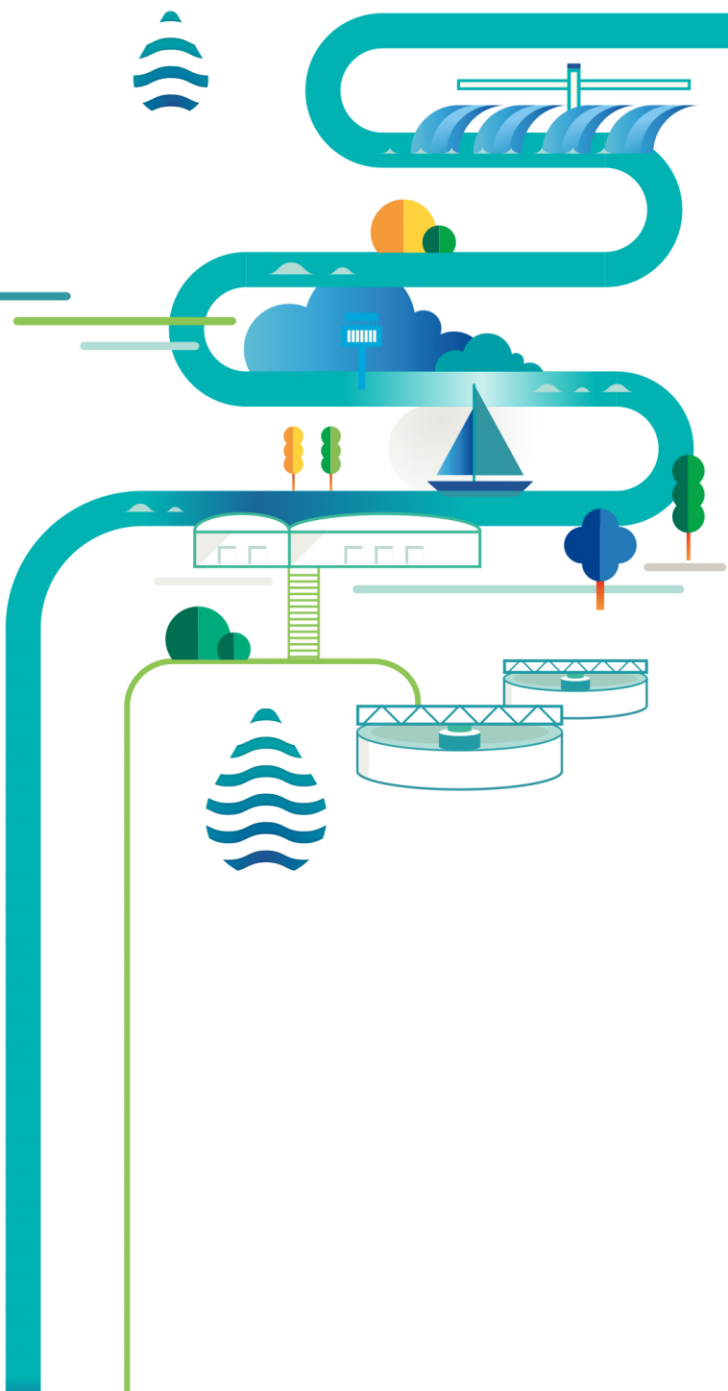


As at the end of 2018, net asset value per ordinary share stood at a similar level compared with the end of 2017.

# Financial Review

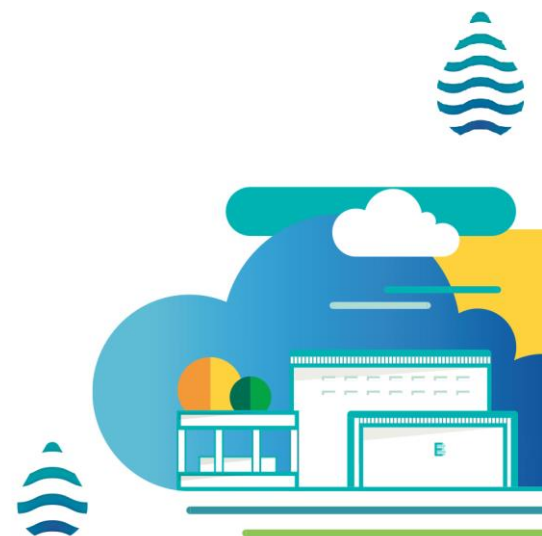
| (HKD'000)   | As at<br>31 December 2018 | As at<br>31 December 2017 | Change    |
|---|---------------------------|---------------------------|-----------|
| Total assets  | <b>19,584,389</b>         | 18,047,919                | ↑8.5%     |
| Total liabilities                                     | <b>10,920,692</b>         | 9,506,114                 | ↑14.9%    |
| Equity attributable to<br>shareholders of the Company | <b>7,983,190</b>          | 7,857,183                 | ↑1.6%     |
| Gearing ratio<br>(total liabilities/total assets)     | <b>55.8%</b>              | 52.7%                     | ↑3.1ppts  |
| Return on<br>shareholders' equity                     | <b>8.54%</b>              | 7.01%                     | ↑1.53ppts |

*ppt: percentage point*



# Business Review

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## Smooth progress in business expansion

- In 2018, the Company secured 15 new projects and signed 4 supplementary agreements for existing projects, which command a total investment of approximately RMB3.579 billion.
- The Company ventured into new area, i.e. leachate treatment, and solidified its market position in the areas of waste water treatment, water environment management, reusable water and sludge treatment and disposal.
- The Company further strengthened its market position in Shandong, Jiangsu and Liaoning provinces.

### Jiangsu Province

1. Nanjing Pukou WWT and Reusable Water Plant Project Phase II
  2. Xuzhou Yanqun Household Waste Landfill Leachate Treatment Project
  3. Yangzhou Jiangdu Development Zone Industrial Waste Water Centralised Pre-treatment and Ancillary Pipeline Network Project
  4. Jiangyin WWT Project (Binjiang Plant 2) and Ancillary Pipeline Project
- Supplementary agreement for Jiangyin WWT (Binjiang Plant and Shizhuang Plant) Upgrading Project

### Shandong Province

1. Dezhou Ling County WWT Project Plant 2 Upgrading
  2. Dezhou Nanyunhe WWT Project Phase II (including effluent defluoridation facility)
  3. Zibo WWT Project (Northern Plant) Relocation and Expansion
  4. Zibo WWT Project (Southern Plant) Upgrading
  5. Zibo High-tech Zone WWT Project Upgrading
  6. Binzhou Development Zone WWT Project Phase II
  7. Laiyang Water Environment Management Sub-Project
  8. Laiyang WWT Sub-Project
  9. Ji'nan WWT Project (Plant 1) Phase IV Expansion
  10. Ji'nan WWT Project (Plant 2) Phase III Expansion
- Supplementary agreement for Ji'nan Sludge Treatment Project
  - Supplementary agreement for Ji'nan Zhangqiu WWT (Plant 1, 2 & 3) Upgrading Projects

### Liaoning Province

1. Dalian Pulandian WWT Project Phase II
- Supplementary agreement for Dalian Pulandian Sludge Advanced Treatment Project

As at 31 December 2018

Secured **111** projects

- 94 WWT projects
- 1 leachate treatment project
- 6 water environment management projects
- 3 water supply projects
- 5 reusable water projects
- 2 waste water source heat pump projects

Total project  
investment amounted  
to approximately  
RMB**18.7** billion



Business footprint across  
**9** provinces, municipalities  
& autonomous regions

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

Water treatment  
capacity exceeded  
**5 million** m<sup>3</sup>/day

## Improvement in quality and quantity of project construction works

- In terms of its project construction, 2018 was an eventful year. The Company recorded a total of 19 projects under construction throughout the year. 9 projects commenced construction and 9 projects completed construction and commenced operation.
- Several projects received various construction subsidies of more than RMB56 million in total.
- A number of construction works received awards and recognitions at provincial and municipal levels.

### 19 projects under construction throughout 2018

|   |   |
|---|---|
| Ji'nan WWT (Plant 1) Phase IV Expansion                     | Xinyi City WWT Project Phase III  |
| Ji'nan WWT (Plant 2) Phase III Expansion                    | Jiangyin Chengxi Phase III Pipeline Network Pump Station                              |
| Ji'nan Huashan WWT Project                                  | Dalian Pulandian WWT Project Phase II   |
| Zibo High-tech Zone WWT Project Upgrading                   | Dalian Lvshun Bailanzi WWT Project Upgrading  |
| Binzhou Development Zone WWT Project Phase II               | Zhenjiang Sponge City Construction PPP Project  |
| Binzhou Development Zone WWT Project Phase I Upgrading      | Nanjing Municipal Water PPP Project   |
| Dezhou Ling County WWT Project Plant 2 Upgrading            | Suizhou Xihe County WWT Plant and Pipeline Network Project                            |
| Dezhou Ling County Waste Water Pipeline Network PPP Project | Nanning Shuitang River Integrated Restoration PPP Project                             |
| Ju County Chengbei WWT Project Upgrading                    | Ji'nan Zhangqiu Yellow River Water Transfer and Water Resources Replenishment Project |
|   | Ji'nan Zhangqiu Chengdong Industrial Water Supply Project                             |

### 9 Projects commenced construction in 2018

Dalian Pulandian WWT Project Phase II  
Xinyi City WWT Project Phase III  
Ji'nan WWT (Plant 1) Phase IV Expansion  
Ji'nan WWT (Plant 2) Phase III Expansion  
Binzhou Development Zone WWT Project Phase II  
Zibo High-tech Zone WWT Project Upgrading  
Ji'nan Zhangqiu Chengdong Industrial Water Supply Project  
Dezhou Ling County WWT Project Plant 2 Upgrading  
Dezhou Ling County Waste Water Pipeline Network PPP Project

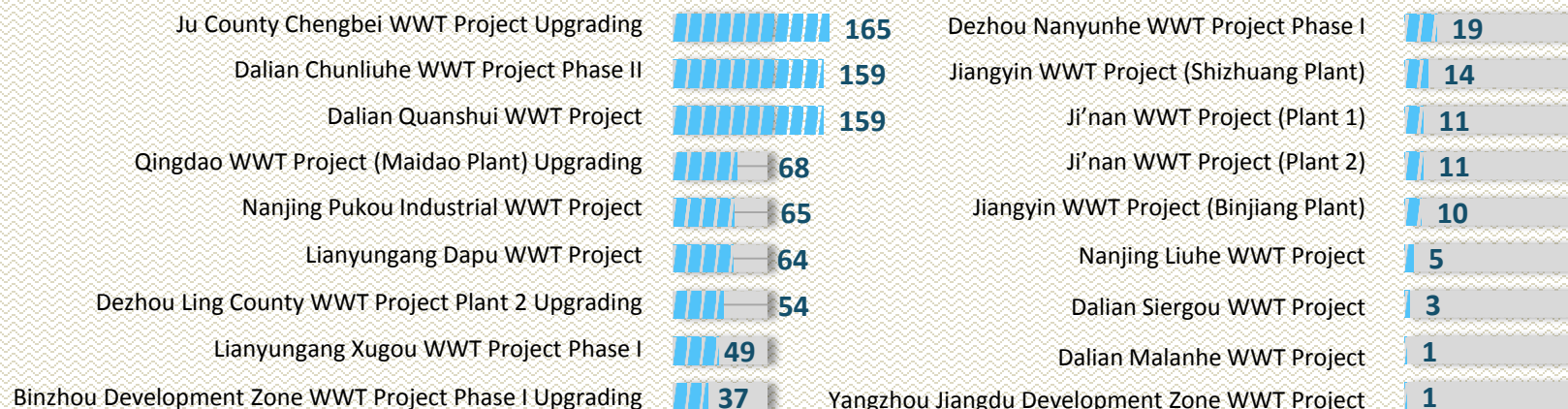
### 9 projects completed construction and commenced operation in 2018 (including projects in trail run)

Dalian Quanshui WWT Project Upgrading  
Dalian Chunliuhe WWT Project Phase II Upgrading  
Dalian Lvshun Bailanzi WWT Project Upgrading  
Nanjing Municipal Water PPP Project  
Ji'nan Huashan WWT Project  
Qingdao WWT Project (Maidao Plant) Upgrading  
Dezhou Ling County WWT Project Plant 2 Upgrading  
Binzhou Development Zone WWT Project Phase I Upgrading  
Ju County Chengbei WWT Project Upgrading

## Effective operations management

- 18 WWT plants were approved for tariff hikes, ranging from 1% to 165%.
- The Company promoted the “Intelligent Water” management system and established a large data analysis system, with an aim of improving level of intelligence in project management.
- The Company continued promoting environmental, safety, health and social responsibility (“ESHS”) management system and risk management system through a series of measures, such as “Safe Operation Month” activities, formulation of relevant standards, launch of trainings on relevant laws and regulations, etc.
- The Company further improved the rules and policies on operations management and standardised the practices of environmental information disclosure, so as to enhance the standards and transparency of operations management for its projects.

### Tariff Hike (%)



- The Company improved its technology industrial chain, by taking various steps including: the establishment of a German joint-venture company E+B Umwelttechnik GmbH, the acquisition of Xuzhou Municipal Engineering Design Institute Co., Ltd. (“Xuzhou Design Institute”), and the incorporation of Hebei Xiong’an Huashen Water Engineering Technology Limited with partners.
- The Company actively promoted commercialisation and application of technological research results. It has applied some research results to its projects in the areas of biological deodorisation, high-efficiency sedimentation tank, biological aerated filter, ozone catalytic oxidation, among others.
- The Company made efforts and substantial progress in applying for various technical qualifications.
- In 2018, the Company was granted a total of 27 patents.



**Significant  
progress in  
Technology R&D**

## Continued expansion of financing channels

In August 2018, the Company submitted its application for proposed dual primary listing on the Main Board of The Stock Exchange of Hong Kong Limited, with an aim of attracting different investors, expanding its shareholder base and promoting the long-term business development. The listing process is currently underway smoothly.

The Company completed the issuance of the second tranche of its RMB-denominated bonds (“Panda Bonds”), with an aggregate principal amount of RMB800 million. Some portion of the proceeds was used for the development of green projects, which were certified in accordance with the Directory of Green Bonds Supported Projects (2015 Version) composed by Green Finance Committee. This enabled the Company to gain valuable experience in green bond issuance. The remaining proceeds was used for the repayment of the existing indebtedness of the subsidiaries of the Company and replenishment of the general working capital of the subsidiaries.



# Subsequent Events

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# Subsequent Events



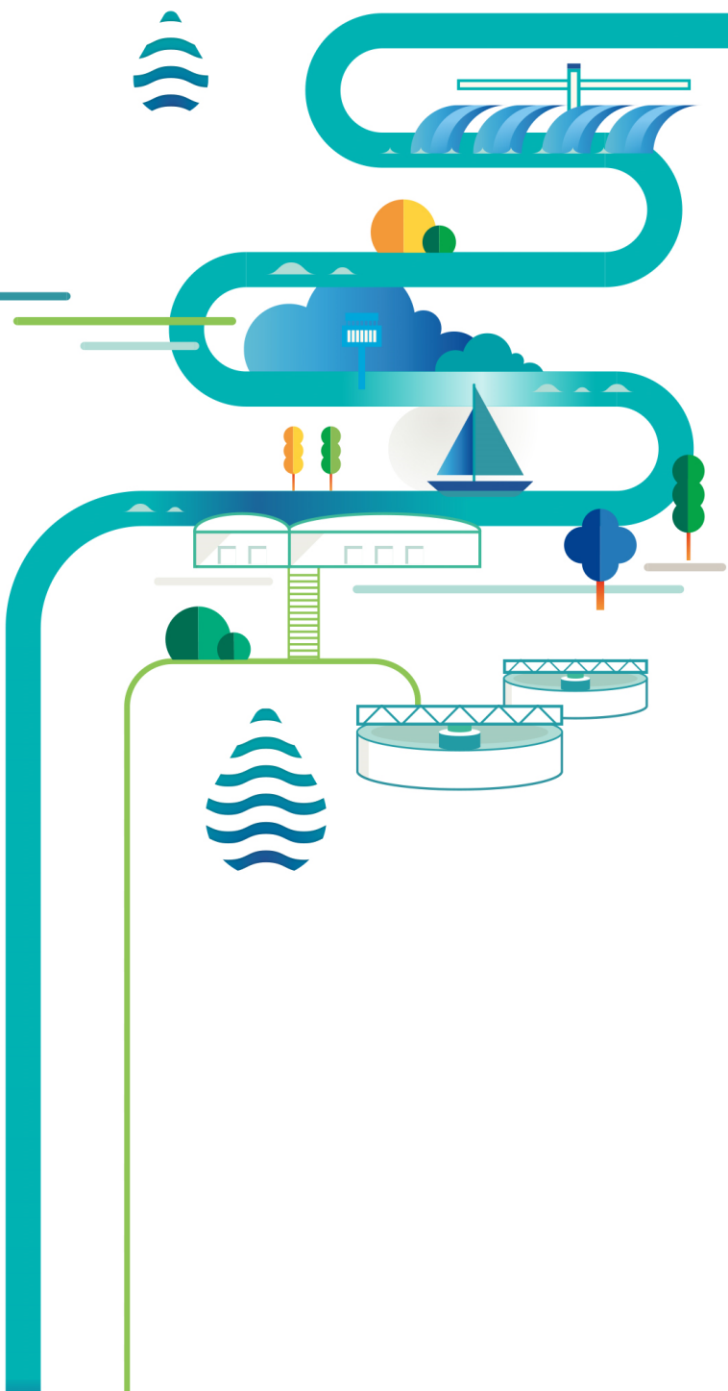
## Completion of issuance of third tranche of Panda Bonds

- Aggregate principal amount of RMB700 million with a five-year maturity period, and a coupon rate of 3.89%. The subscription rate was 2.2 times.
- The proceeds from the bond issue will be used for the replenishment of general working capital of the Company's subsidiaries.



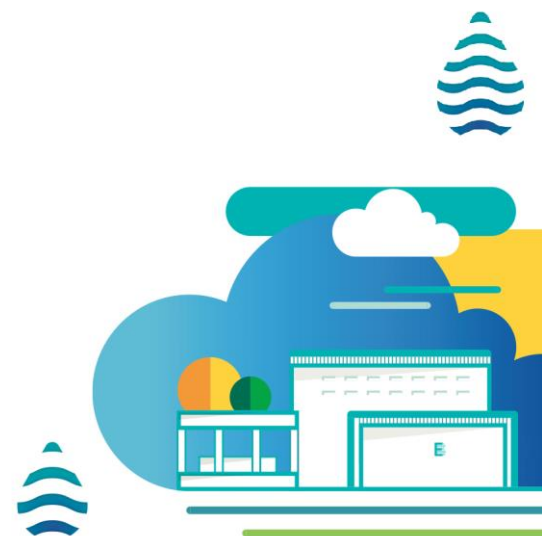
## Acquisition of remaining 10% equity interest in Dongda Water

Following the acquisition of 90% equity interest in Dalian Dongda Water Co., Ltd. ("Dongda Water") in 2015, the Company acquired the remaining 10% equity interest in Dongda Water in January 2019. Accordingly, Dongda Water has become a wholly-owned subsidiary of the Company. The acquisition facilitates the Company to carry out a comprehensive and in-depth integration of Dongda Water to further boost efficiency and profitability of Dongda Water's projects.



# Business Outlook

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## Develop new market & new model

- Riding on the macroeconomic and industry trends, the Company will continuously explore potential business opportunities in the areas of upgrading of existing projects, industrial waste water treatment services, water environment management, among others.
- The Company will solidify its position in the Bohai Economic Rim and Yangtze River Delta, and actively expand to regional markets with strong growth potential, such as the Pearl River Delta and Guangdong-Hong Kong-Macao Greater Bay Area.
- By leveraging on the integration of Xuzhou Design Institute, the Company will continue exploring asset-light business models such as municipal engineering design and technical consultancy, with an aim of properly synchronising its light- and heavy-assets with its businesses.

## Enhance efforts in technology R&D

- The Company has set “application-oriented research” as its technology research and development (“R&D”) direction, and will promote the commercialisation of research results to improve the Company’s competitiveness in its core businesses.
- The Company will integrate its new technology R&D resources and platforms, such as the Water Environment Technology Research Centre, the German joint-venture company and Xuzhou Design Institute, so as to encourage resource sharing and synergy effects, with an aim of enhancing the Company’s overall technological advantages and competitiveness.
- The Company will bring in management and technical talents in the area of R&D, and improve the development and training system for the technical team.
- The Company will continue promoting the industrial-academic research collaboration model, and encourage the commercialisation of research results, so as to widen the horizon of its employees.
- The Company will develop new business-customised technologies, with a focus on a number of areas, such as advanced waste water treatment, water environment management, sludge treatment and disposal, intelligent water, among others.

## Continue improvement in management systems

- The Company will reinforce the ESHS management system and risk management system, so as to keep all operational risks under control and improve management proficiency.
- The Company will adopt the “Intelligent Water” management system to improve the level of intelligence in business management, to reduce operational and maintenance costs and to improve efficiency and proficiency.
- The Company will enhance the entire management process for project construction, to ensure all construction works being carried out in accordance with relevant rules and regulations and in a safe and orderly manner, with effective engineering risk prevention measures.

## Diversify investment & financing channels

- The Company will continue strengthening the traditional financing channels, such as credit facilities from commercial banks and policy banks.
- The Company will leverage on the experience gained from the Panda Bonds issuance, and continue diversifying the investment and financing channels.
- Given the downward economic trend and cooling down of market, the Company will take active measures to prevent forex and financing risks, and further optimise its financing structure at home and abroad.
- The Company will comply with regulatory requirements and seek a suitable timing to proceed with the listing in Hong Kong with full strength.

# Thank You!

