

2020 Annual Results Presentation

February 2021



中国光大水务有限公司

China Everbright Water Limited

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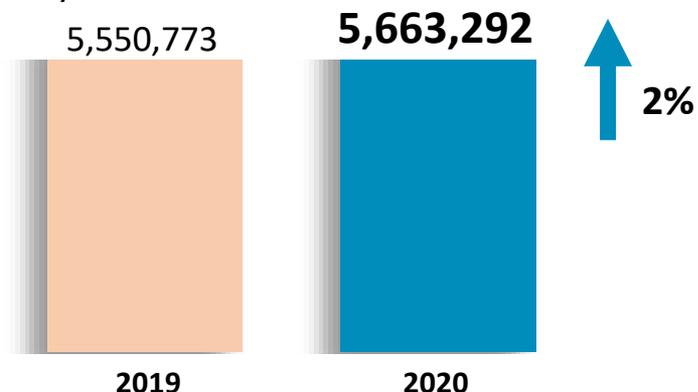
Operating Results

Operating Results

– Steady Growth of Operating Indicators

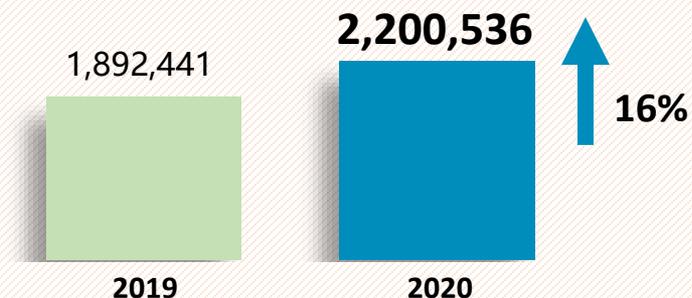
Revenue

(HKD'000)



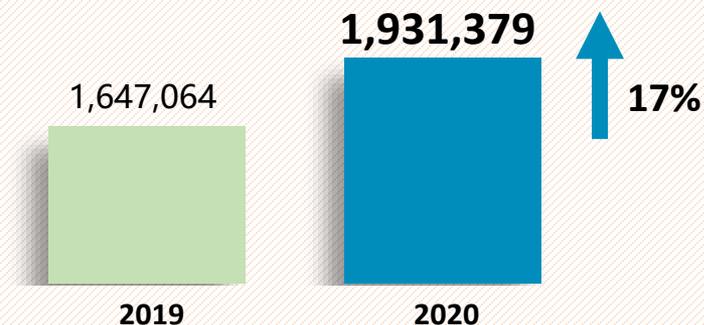
Gross Profit

(HKD'000)



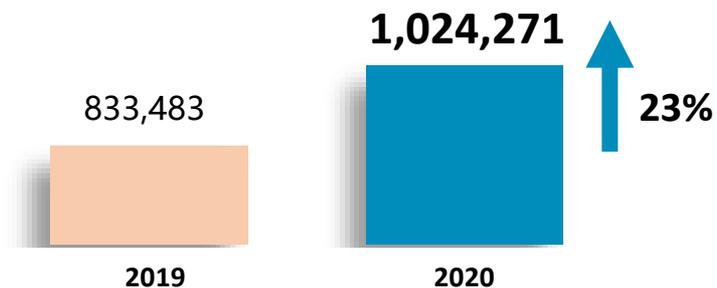
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)

(HKD'000)



Profit Attributable to Equity Holders of the Company

(HKD'000)



Operating Results

– Steady Progress in Market Expansion

In 2020, Everbright Water expanded water treatment business steadily, securing 9 waste water treatment (“WWT”) projects, as well as undertaking 1 operation and management (“O&M”) project and 1 engineering, procurement and construction (“EPC”) project. This helped solidify the Group’s market position in several regions, such as the Yangtze River Economic Belt and the Bohai Rim Economic Zone.

Total
investment of
new projects

RMB**1.19 billion**

An additional daily
water treatment
capacity* of

320,000 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
- Jiangyin WWT (Binjiang Plant and Chengxi Plant) Upgrading Project
- Changzhou Zhenglu WWT Project Phase II
- Feng County Reusable Water Plant and Water Pipeline Network Project (EPC)

Liaoning Province

- Dandong WWT Project Phase II (Stage 1)
- Shenyang Dadong Zhuertun WWT Plant Retrofitting and Expansion Project
- Shenyang Dadong Zhuertun WWT Plant O&M Project

** inclusive of the O&M project and
exclusive of the EPC 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 RMB24.7 billion



Total contract value of EPC projects of approximately RMB207 million

Total daily water treatment capacity exceeding 6,500,000 m³

Held 138 water projects, and undertook 5 EPC/O&M projects

- 118 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

- 3 EPC projects
- 2 O&M projects

Operating Results

– Strong and Reliable Construction Works

15 projects commenced construction

- ❑ 10 WWT projects, 3 reusable water projects*, 1 raw water protection project and 1 river-basin ecological restoration project.
- ❑ Investment totaling approximately RMB3.44 billion, in addition to a contract value of RMB61 million for the EPC project.
- ❑ A total daily designed water treatment capacity* of approximately 1.02 million m³.

8 projects completed construction and commenced operation

- ❑ 6 WWT projects, 1 reusable water project and 1 sludge treatment and disposal project.
- ❑ Investment totaling approximately RMB1.60 billion.
- ❑ A total daily designed water treatment capacity of approximately 270,000 m³, in addition to a daily designed sludge treatment capacity of approximately 200 tonnes.

28 projects under construction

- ❑ 20 WWT projects*, 4 reusable water projects*, 3 river-basin ecological restoration projects and 1 raw water protection project.
- ❑ Investment totaling approximately RMB8.63 billion, in addition to a contract value of RMB207 million for the EPC projects.
- ❑ A total daily designed water treatment capacity* of approximately 1.37 million m³.

9 projects in preparatory stage

As at 31 December 2020:

- ❑ 5 WWT projects, 1 water supply project, 1 reusable water project and 2 river-basin ecological restoration projects.
- ❑ Investment totaling approximately RMB3.08 billion.
- ❑ A total designed water treatment capacity of approximately 310,000 m³.

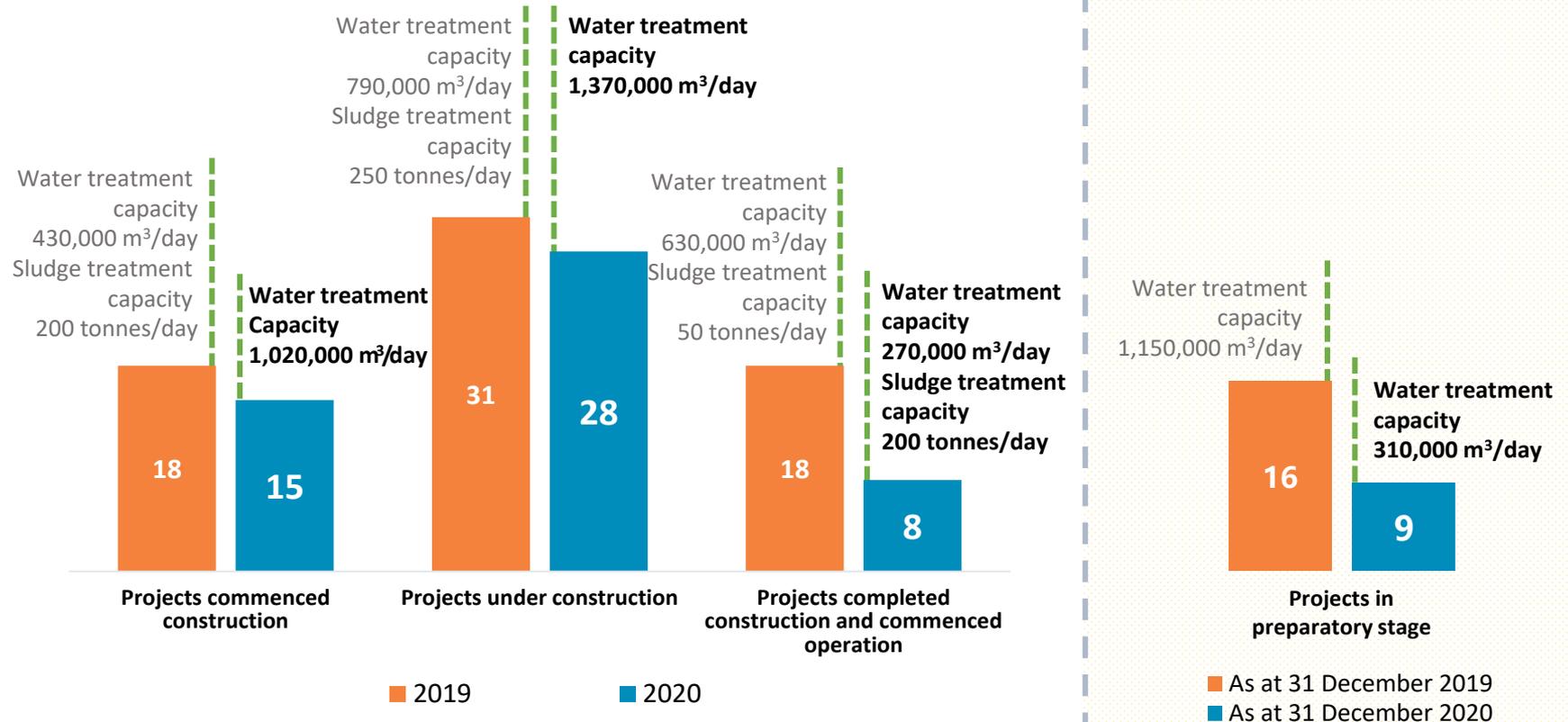
* Inclusive of the EPC project(s)

Operating Results

– Smooth Progress in Construction Works

Construction Work Progress for the Full-year Period

(Number of projects)



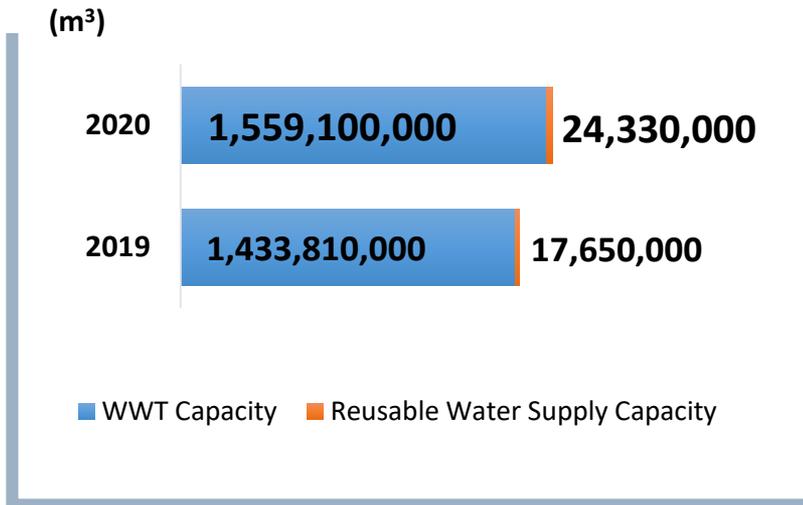
Operating Results

– Sound and Stable Operations Management

In 2020, Everbright Water's projects treated approximately 1.559 billion m³ of waste water and supplied 24.33 million m³ of reusable water, representing an increase of 9% and 38% respectively, compared with 2019.

The Company's trade receivables recovery rate remained stable in 2020.

WWT/Reusable Water Supply Capacity for the Full-year Period



Trade Receivables Recovery Rate for the Full-year Period*

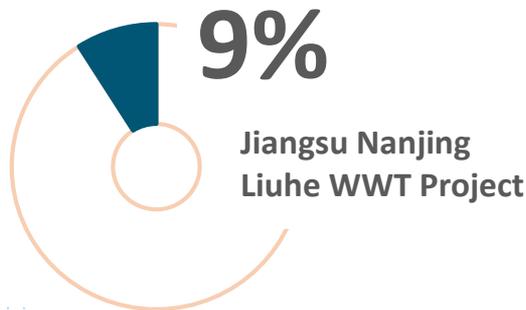


*Trade receivables recovery rate = $\frac{\text{Total tariff in cash received for the full-year period}}{\text{Aggregate domestic tariff income for the full-year period}} \times 100\%$

Operating Results

– Continued Optimisation of Operations Management

- In 2020, against the backdrop of the novel coronavirus (“COVID-19”) pandemic, Everbright Water achieved an effective pandemic control and business continuity. It ensured zero infection of its staff and established a multi-level managerial and coordination mechanism. As a result, the Group’s projects operated stably at full swing, providing high-quality water treatment services to facilitate the local communities to prevent secondary virus transmission through waste water and other types of waste.
- The Group adopted various measures to strictly control and effectively reduce main project operating costs, in spite of the impact brought by the COVID-19 pandemic.
- It continued standardising its operations and refining its management, and further promoted the “Intelligent Water” management system. The Group also composed and published the “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.
- In 2020, the Group was granted various subsidies of approximately RMB125.32 million in total.
- A total of 3 WWT plants received approval for tariff hikes, ranging from 9% to 26%.



Operating Results

– Development Driven by Technological R&D

In 2020, Everbright Water applied for the relevant qualifications. Its research and development (“R&D”) subsidiary in Nanjing City was recognised as a technological research center for advanced WWT technologies in the city, while its Shenzhen subsidiary was recognised as a high-tech enterprise.



The R&D project on the technologies and application of ecological recycling of urban reusable water received the first prize of the China Construction Science and Technology Award.



The Group was granted 25 patents (including 22 utility models, 1 invention patent, 1 software copyright and 1 design patent).



The Group secured a number of projects from internal and external clients to provide its in-house developed technological processes, with a total contract sum of approximately RMB168 million.

Operating Results

– Diverse Financing Channels

In 2020, Everbright Water proactively explored various financing channels to support the Group's business development needs and achieved good progress, further enriching the Company's financing channels, replenishing the working capital, optimising the financing structure, and keeping the financial costs under control.

ABS

In June 2020, Everbright Water issued its first asset-backed securities (“ABS”) to qualified investors in mainland China.

- Size of issue: RMB300 million.
- Composite interest rate: 3.54% per annum.
- Use of proceeds: Replenishment of working capital of the Company and its subsidiaries.
- Original beneficiary: Everbright Water (Shenzhen) Limited (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.

MTN

In August 2020, Everbright Water issued its first tranche of medium-term notes (“MTN”) to institutional investors in the inter-bank bond market in mainland China.

- Principal amount: RMB1 billion.
- Maturity period: 3 years.
- Interest rate: 3.60%.
- Subscription rate: 2.01 times.
- Use of proceeds: Replenishment of working capital of Everbright Water's subsidiaries.

Financial Review

Financial Review

(HKD'000)	Full year ended 31 December		Change
	2020	2019	
Revenue	5,663,292	5,550,773	2%
Gross Profit	2,200,536	1,892,441	16%
Gross Profit Margin (%)	39	34	5ppt*
EBITDA	1,931,379	1,647,064	17%
Profit Attributable to Equity Holders of the Company	1,024,271	833,483	23%
Basic Earnings per Share (Hong Kong cents)	35.80	30.07	19%
Final Dividend (Hong Kong cents) per Share (equivalent to Singapore cents)	6.07	3.74	62%
	1.04	0.67	55%
Total Dividend (Hong Kong cents) per Share (equivalent to Singapore cents)	9.81	7.48	31%
	1.71	1.32	30%

*ppt: percentage point

(HKD'000)	As at 31/12/2020	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
Total Assets	26,907,534	22,683,031	19,584,389	18,047,919
Total Liabilities	15,501,675	13,134,279	10,920,692	9,506,114
Shareholders' Equity of the Company	10,534,293	8,810,069	7,983,190	7,857,183
Gearing Ratio (%) (total liabilities/total assets)	57.6	57.9	55.8	52.7
Return on Shareholders' Equity (%)	10.6	9.9	8.5	7.0
Dividend Payout Ratio (%)	27	25	23	15

- 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 the operating results with its shareholders".

Financial Review

(HKD'000)	As at 31/12/2020	As at 31/12/2019	Change
Short-term Borrowings	2,246,673	2,010,556	11.7%
Long-term Borrowings	8,831,460	7,069,140	24.9%
Total Borrowings [#]	11,078,133	9,079,696	22.0%
Current Ratio (%)	112	108	4ppt*
Unutilised Banking Facilities	5,784,261	4,134,030	39.9%
Bank Deposit Balance and Cash	1,719,530	2,074,803	(17.1%)
Cash/Banking Facilities Available [#]	7,503,791	6,208,833	20.9%

- As at 31 December 2020, the Group's bank deposit balance and cash were abundant, with the unutilised banking facilities of approximately HKD5.78 billion. These provide solid capital support for the Group's future development.
- As at 31 December 2020, total borrowings of the Group were approximately HKD11.08 billion, with long-term borrowings accounting for 80% of the total, demonstrating a healthy liquidity ratio.

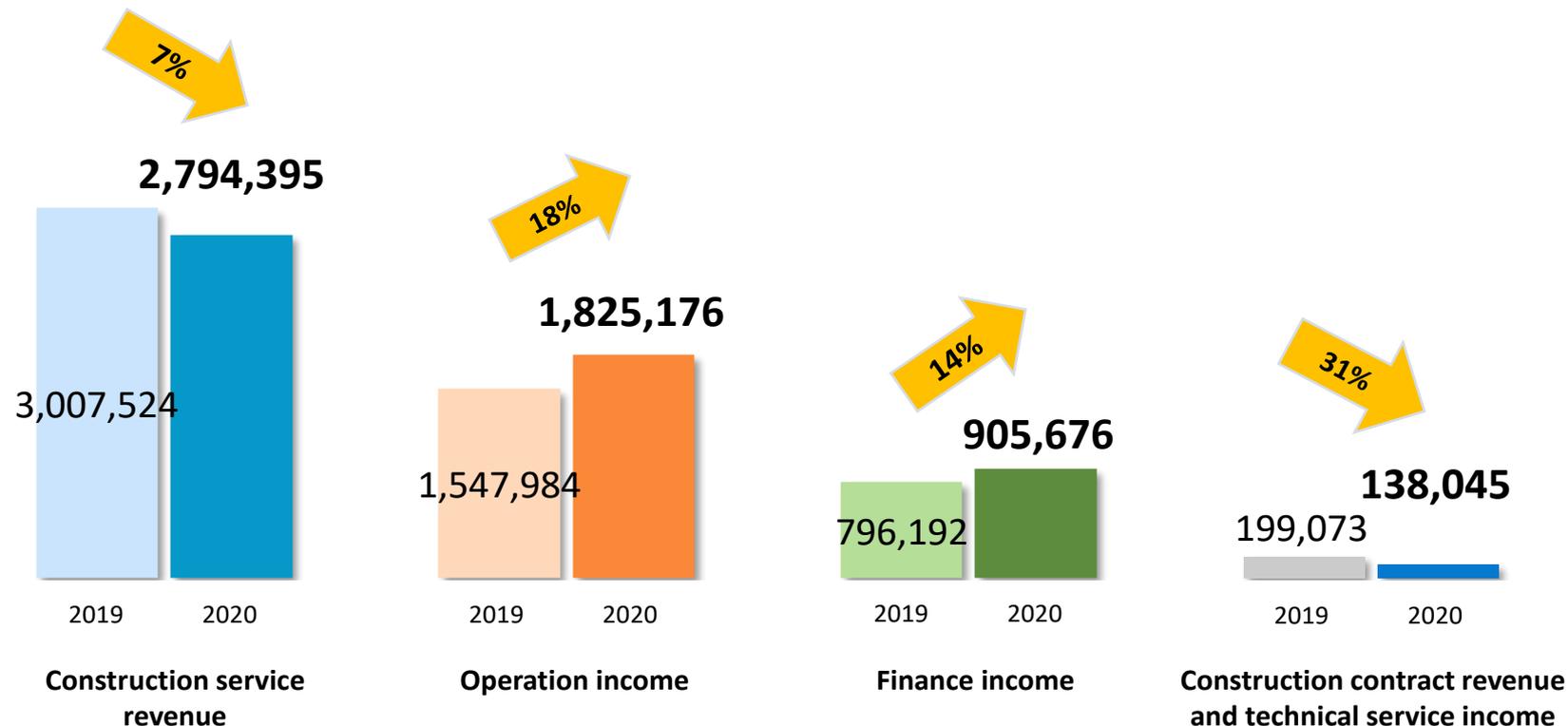
[#]Total borrowings = short-term borrowings + long-term borrowings

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

*ppt: percentage point

Revenue Analysis by Categories for the Full-year Period

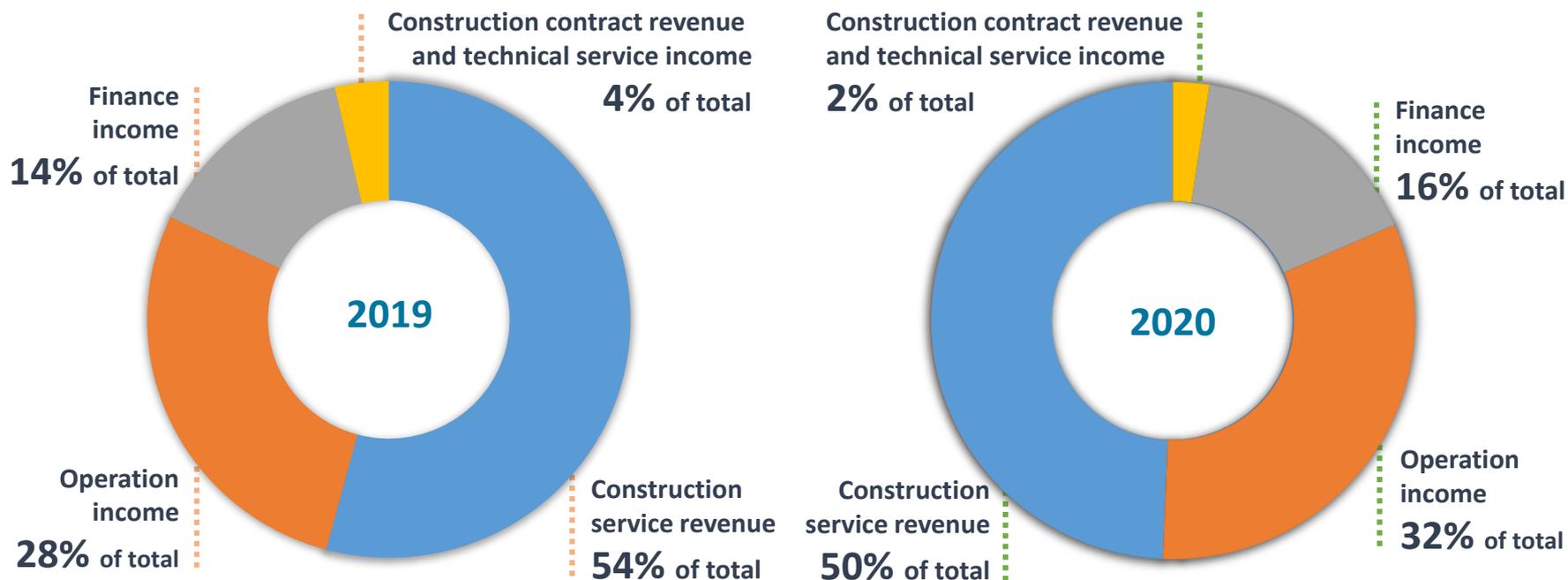
(HKD'000)



Total revenue in 2020: HKD5,663,292,000 (increased by 2%)

Total revenue in 2019: HKD5,550,773,000

Proportion of Revenue in Each Category for the Full-year Period



The proportion of operation income against total revenue increased from 28% in 2019 to 32% in 2020. Following the completion of construction and commencement of operation for the projects, which are in preparatory stage or under construction, it is expected that the amount of the operation income will increase further.

Subsequent Events

Subsequent Events

– A New Market, A New Business Model and New Projects

Securing the SOE Mixed-ownership Reform Project relating to Tianjin Binhai New Area Huantang Sewage Treatment Co., Ltd. (“Huantang Company”)

- In January 2021, Everbright Water purchased 65% equity interest in Huantang Company for a consideration of approximately RMB666 million.
- Huantang Company currently has 2 WWT projects and 1 reusable water project, with an aggregate designed daily water treatment capacity of 220,000 m³ and a pipeline network of 49km in length.
- The purchase of the majority equity interest in Huantang Company marks the Company’s first attempt under the mixed-ownership reform of China’s state-owned enterprises (“SOE Mixed-ownership Reform”) and is regarded as a precedent of the SOE Mixed-ownership Reform in Tianjin Municipality and its Binhai New Area. It also represents a good start for the Company in Tianjin’s water market.

Signing Jiangsu Huai’an Huaiyin Eastern District WWT Project (“Huaiyin Eastern District Project”) Phase II

- The project will be invested in, constructed and operated based on a build-operate-transfer (“BOT”) model, with a concession period expiring in July 2050.
- Huaiyin Eastern District Project Phase II commands an investment of approximately RMB150 million and has a designed daily WWT capacity of 50,000 m³.
- 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).
- Huaiyin Eastern District Project will be implemented in three phases based on a BOT model, with an aggregate designed WWT capacity of 150,000 m³. With a designed daily WWT capacity of 50,000 m³, Huaiyin Eastern District Project Phase I completed construction and commenced operation in 2020.

Subsequent Events

– Issuance of Second Tranche of MTN

In January 2021, Everbright Water issued the second tranche of MTN to institutional investors in the inter-bank bond market in mainland China. The second tranche of MTN was fully subscribed for by the institutional investors.

- ❑ Principal amount: RMB1 billion.
- ❑ Maturity period: 3 years.
- ❑ Interest rate: 3.75%.
- ❑ Subscription rate: 1.97 times.
- ❑ Use of proceeds: Replenishment of working capital of Everbright Water's subsidiaries.
- ❑ Credit rating: The second tranche of the MTN and the Company (as the issuer of the second tranche of the MTN) 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

– External Trends and Industry Policies

Amid the complicated global trends and the stable and improving domestic environment in China, China has begun its “14th Five-Year Plan” (the “Plan”) in 2021. While starting the country’s journey toward its second “centenary goal”, the Plan and long-range goals for 2035 have also clearly specified the requirements on ecological environmental protection. Carrying out works relating to peaking carbon dioxide emissions and achieving carbon neutrality have been recognised as one of the eight major tasks for 2021 at the Central Economic Work Conference, in particular the promotion of industrial transformation and upgrading as well as reduction of pollutants and carbon emissions. The water environment management has been elevated to an unprecedented strategic level as an important mission of China's ecological conservation and pollution prevention and control. “High-quality development” will become a key focus for the water environment management industry and the relevant enterprises during the “14th Five-Year Plan” period.

The Plan and long-range goals for 2035: During the five-year period, ecological conservation will be further advanced. By 2035, eco-friendly working cultures and lifestyles will be widely adopted in China; carbon emissions will steadily decline after reaching a peak; there will be a fundamental improvement in the environment; and the goal of building a “Beautiful China” is expected to be generally achieved.

China’s promise of peaking carbon dioxide emissions and achieving carbon neutrality: China aims to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060.

Guideline by the State Council of the PRC on Accelerating the Development of a Comprehensive Economic Mechanism on Green, Low-carbon and Circular Development: China aims to establish such a mechanism to ensure that the goal of peaking carbon dioxide emissions and achieving carbon neutrality will be fulfilled, and to take its green development to a new level.

Guideline on Promoting Waste Water Resource Recovery (the “Guideline”): By 2025, a regulatory framework and a market mechanism relating to waste water resource recovery are expected to be fundamentally established. By 2035, China targets to develop a layout with systematic, safe, environmentally-friendly and economic waste water resource recovery.



Waste Water Resource Recovery

- The Guideline is expected to help unleash market space of the water industry, expanding the industry chain relating to WWT and boosting reusable water capacity in general.
- Everbright Water has achieved some results in waste water resource recovery by implementing projects in the areas of reusable water, sludge utilisation and waste water source heat pump. The Group will leverage on its existing business and technical experience to explore business opportunities.



“Peaking Carbon Dioxide Emissions and Achieving Carbon Neutrality”

- Based on China’s promise to peak carbon dioxide emissions and achieve carbon neutrality, reduction of carbon emissions is expected to become a major theme for the future of the water industry.
- Everbright Water proactively pays attention to technologies relating to carbon emission reduction, and has carried out some good attempts in the areas of waste water source heat pump, methane-to-energy from sludge treatment process, etc.
- In the future, the Group will develop a systematic plan to continuously promote carbon emission reduction via various approaches like management, technologies and business models.

Build up Strength for Innovation and Forge ahead for Growth

