

FY2023 Annual Results Presentation

February 2024
China Everbright Water Limited



Forward-looking Statement

This presentation may contain forward-looking statements. Any such forward-looking statements are based on a number of assumptions about the operations of China Everbright Water Limited (“Everbright Water” or the “Company”, together with its subsidiaries, collectively the “Group”) and factors beyond the Company’s control and are subject to significant risks and uncertainties, and accordingly, actual results may differ materially from these forward-looking statements. The Company undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such dates.

The information in this presentation should be considered in the context of the circumstances prevailing at the time of its presentation and has not been, and will not be, updated to reflect material developments which may occur after the date of this presentation. The slides forming part of this presentation have been prepared solely as a support for oral discussion about background information about the Company. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of any information or opinion contained herein. It should not be regarded by recipients as a substitute for the exercise of their own judgment. Information and opinion contained in this presentation may be based on or derived from the judgment and opinion of the management of the Company. Such information is not always capable of verification or validation. None of the Company or financial adviser of the Company, or any of their respective directors, officers, employees, agents or advisers shall be in any way responsible for the contents hereof, or shall be liable for any loss arising from use of the information contained in this presentation or otherwise arising in connection therewith. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. It shall not be construed as a solicitation or an offer or invitation to buy or sell any securities or related financial instruments. No part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This presentation may not be copied or otherwise reproduced.

Contents

01. Operating
Results

02. Financial
Review

03. Subsequent
Event

04. Business
Prospects



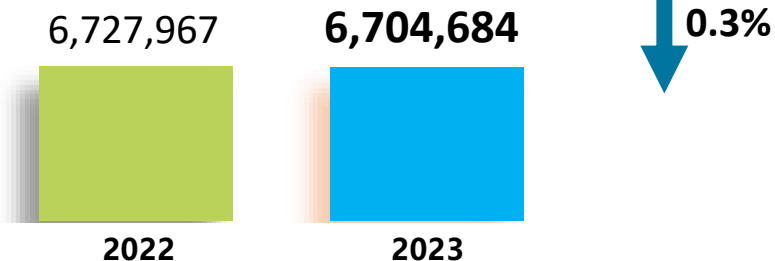
01

Operating Results

Operating Results – Stable Operating Indicators

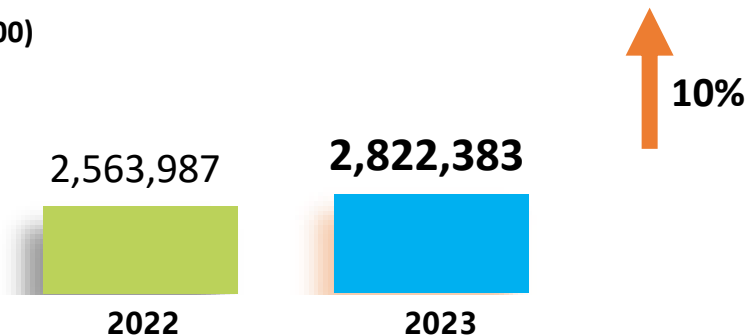
Revenue

(HK\$'000)



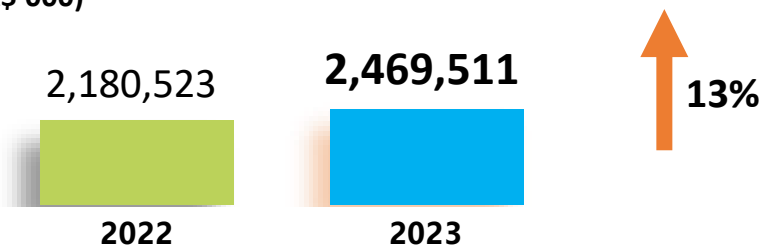
Gross Profit

(HK\$'000)



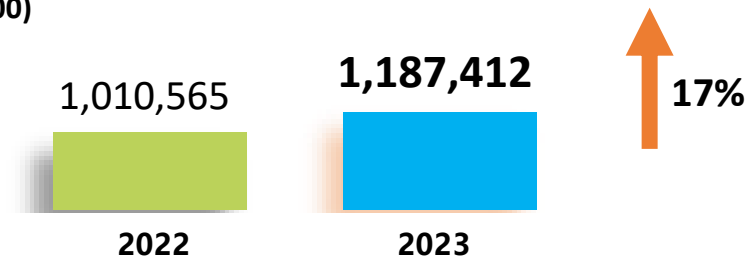
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)

(HK\$'000)



Profit Attributable to Equity Holders of the Company

(HK\$'000)



Operating Results

– Solidifying Strengths and Breaking New Ground in Market Expansion

In 2023, with a focus on the “water-related” business, Everbright Water solidified and enhanced its advantages in the traditional business and managed to achieve a balance between the asset-light and asset-heavy businesses in its business expansion and development, and achieved breakthroughs in various aspects, such as its geographical markets, scopes of business, and business models. The Group **invested in and secured 6 new projects and signed 1 supplementary agreement for an existing project**. It also **undertook 2 operation and management (“O&M”) projects** (excluding a renewed O&M project), **3 EPCO (Design-Procurement-Construction-Operation) projects and other asset-light projects and services**.



Solidifying and enhancing traditional business

- The Group secured multiple expansion and upgrading projects based on the existing projects in Jiangyin, Jiangsu Province, Anshan, Liaoning Province, and Dezhou and Binzhou, Shandong Province.
- It undertook a new supply and operation project building upon the ongoing projects in Huaí’an, Jiangsu Province.
- It renewed the contract for Jiangsu Zhenjiang Zhengrunzhou Waste Water Treatment (“WWT”) Plant O&M Project.



Actively making business breakthroughs

- The Group implemented its first livestock and poultry manure resource utilisation project in Nanxiong, Guangdong Province, marking a business breakthrough in market expansion in Guangdong Province and the Guangdong-Hong Kong-Macao Greater Bay Area.
- It secured a new county-level industrial WWT and pipeline network project in Liaocheng, Shandong Province.
- It undertook industrial WWT projects based on the EPCO model for the first time, further enhancing the Group’s capability to provide contracting services to external parties.



Additional
Treatment
Capacity*

220,000
m³/day



New
Investment

RMB1.213
billion



New
Contract
Value

RMB1.914
billion

* Including treatment capacities of O&M and EPCO projects

Operating Results – Steady Growth in Business Scale[#]

Business footprint

The Group has a business presence in 60 districts, counties and cities across 13 provinces, municipalities and autonomous regions in China, in addition to 1 overseas market.

Total number of projects

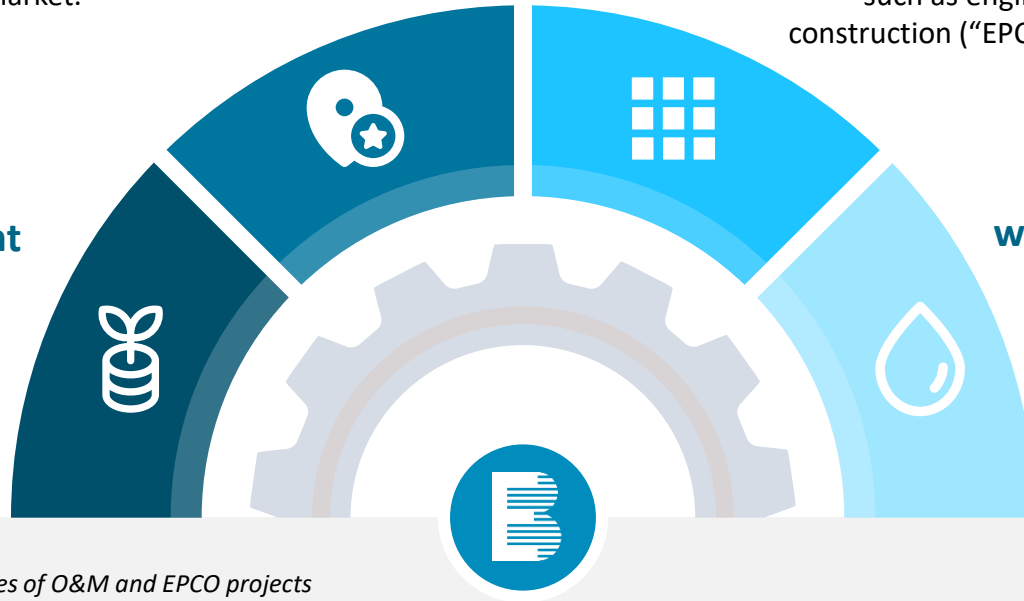
The Group invested in and held 166 projects and undertook 7 O&M projects, 3 EPCO projects, as well as various asset-light projects and services, such as engineering, procurement and construction (“EPC”), equipment supply and technical services.

Total project investment

approx.
RMB30.8 billion

Total designed water treatment and supply capacity*

approx.
7.47 million
m³ /day



[#] As at 31 December 2023

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

In 2023, Everbright Water focused on energy saving, cost reduction, efficiency enhancement, and opened up new revenue sources through green measures, to reduce its costs and enhance the efficiency of its operations management from different aspects.

On-site counselling on project operation

Nearly 50 operating projects of the Group participated in the on-site counselling program, resulting in significant optimisation and improvement of project management.

Intelligent water plants

The “Intelligent Water Plants” operations management system was applied to all the operating projects of the Group. A total of 14 water plants were granted with “Star Intelligent Plant” recognitions. The Group also issued and implemented standards, such as the *Standards for Everbright Water’s Intelligent Waste Water Treatment Plants*.

Five Innovations*

Over 20 achievements under the “Five Innovations” initiative were promoted across projects under the Group, effectively enhancing project management, cost control, energy saving, emission reduction, and efficiency.

In-plant solar energy

As at 31 December 2023, 4 solar power generation facilities projects were put into operation. These facilities generated over 10 million kWh of green electricity during 2023.

Water treatment/ Supply volume

The Group treated approx. 1.749 billion m³ of waste water, which slightly decreased by 1% compared with 2022; and supplied approx. 46 million m³ of reusable water, which increased by 5% compared with 2022.

Subsidies/Tariff hikes

11 WWT plants of the Group received regulatory approval for tariff hikes, ranging from 4% to 36%, and subsidies of approx. RMB33 million in total were granted to the Group.

*“Five Innovations” initiative refers to small inventions, small transformations, small innovations, small designs, and small suggestions.

In 2023, Everbright Water adhered to the principle of “Building for Use” by planning the progress of construction according to the operation needs, thereby enhancing the project construction capability and improving the quality of construction.

Smooth progress in construction works

- 18 projects[#] commenced construction, which commanded a total investment of approx. RMB2.522 billion, with a total designed daily water treatment capacity[#] of 325,000 m³ and a total designed daily sludge treatment capacity of 625 tonnes.
- 13 projects commenced operation upon completion of construction works, which commanded a total investment of approx. RMB3.117 billion, with a total designed daily water treatment capacity of 130,000 m³.



[#] Including EPCO project(s)

Consistent recognitions for construction quality

- Shandong Ji’nan East Station Area WWT Project received “the highest quality rating for municipal projects in 2023”.
- The Science Popularisation Base Construction Project (Sponge Park) of Jiangsu Zhenjiang Sponge City Construction PPP (Public-Private Partnership) Project won the Second Prize of “Jiangsu Sponge City Excellent Engineering Project in 2023”.
- Jiangsu Tongyong Environment Engineering Co., Ltd. was recognised as “the Enterprise that Uses Special and Sophisticated Technologies to Produce Novel and Unique Products and Services in Jiangsu Province”.



In 2023, Everbright Water adhered to the philosophy of “Development Driven by Technological Innovation” and continued its effort on carrying out relevant works.



Technology R&D

The Group improved multiple internal policies and guidelines relating to design and technology, to strengthen technical support for its projects.

It initiated more than 10 research and development (“R&D”) projects, covering various topics, including intelligent water plants, iris valves and venturi valves, and sludge ultra-high-pressure filtration test system, all of which resulted in multiple achievements.

It also participated in the formulation of industrial standards such as *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 both internal and external clients, which amounted to a total contract value of approx. RMB192 million.



Patents

The Group was newly granted 28 patents (including 7 invention patents and 21 utility model patents).

Operating Results

– Smooth and Consolidated Financing Channels

Issuance of 2023 First Tranche Super & Short-term Commercial Papers

Principal amount	RMB1 billion
Maturity period	180 days
Interest rate	2.60%
Use of proceeds	Repayment of Everbright Water's outstanding debts

Issuance of 2023 First Tranche Medium Term Notes (“MTNs”)

Principal amount	RMB1 billion
Maturity period	5 years *
Interest rate	3.20%
Use of proceeds	Replenishment of the working capital of Everbright Water's subsidiaries

Issuance of 2023 Second Tranche MTNs

Principal amount	RMB1.5 billion
Maturity period	5 years *
Interest rate	2.97%
Use of proceeds	Replenishment of the working capital of Everbright Water's subsidiaries and repayment of the interest-bearing debts of Everbright Water or its subsidiaries

Issuance of 2023 Third Tranche MTNs

Principal amount	RMB1 billion
Maturity period	5 years *
Interest rate	2.82%
Use of proceeds	Replenishment of the working capital of Everbright Water's subsidiaries

Everbright Water's 2023 first, second and third tranche MTNs had been issued with record-low interest rates, reflecting the Company's efforts to closely monitor market conditions and seize the appropriate window periods for the MTNs issuance, as well as the continued demand of the market for the Company's MTNs issuance and its abundant confidence in the Company's development prospects.

** 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*



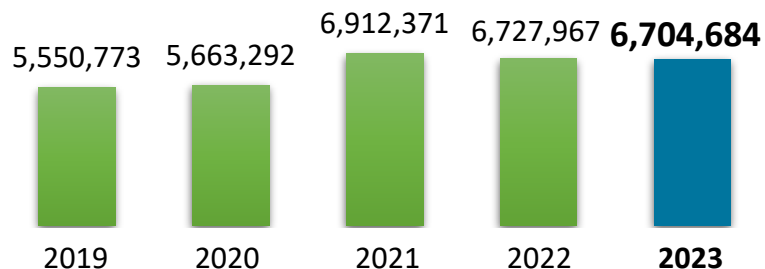
02

Financial Review

Revenue

(HK\$'000)

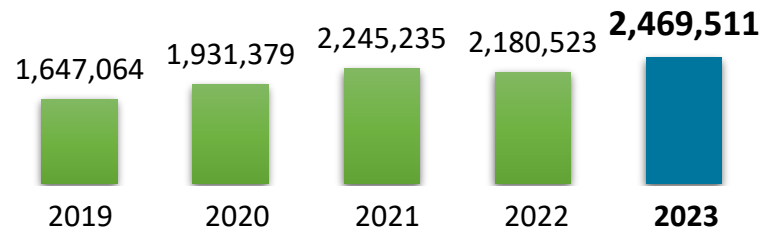
CAGR*: 5%



EBITDA

(HK\$'000)

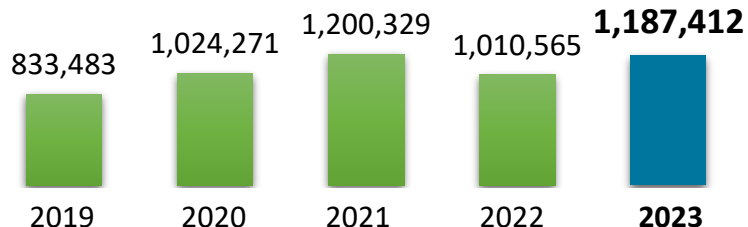
CAGR*: 11%



Profit Attributable to Equity Holders of the Company

(HK\$'000)

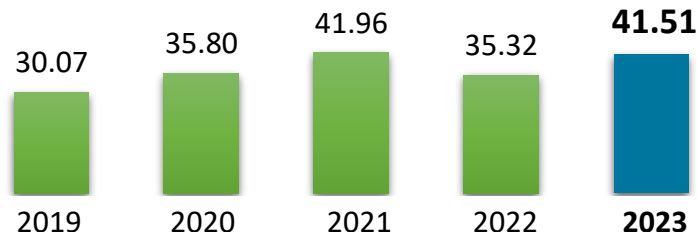
CAGR*: 9%



Basic Earnings per Share

(HK cents)

CAGR*: 8%

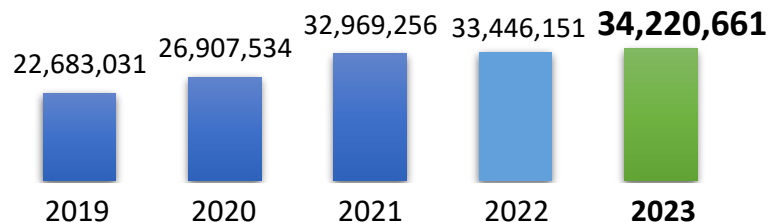


* CAGR: Compound Annual Growth Rate

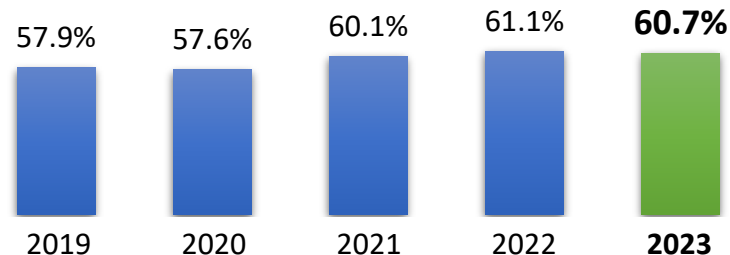
Total Assets

(HK\$'000)

CAGR*: 11%



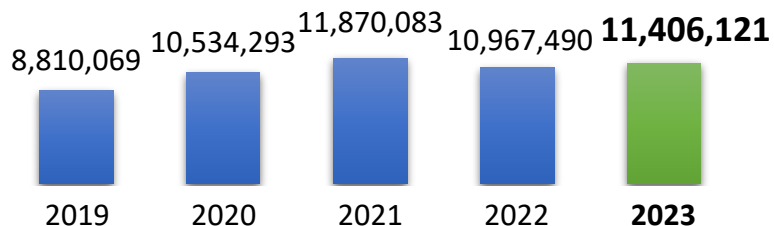
Gearing Ratio



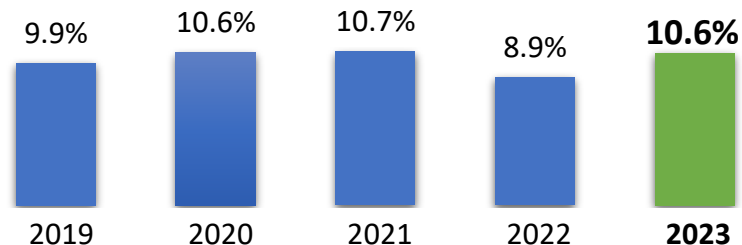
Equity Attributable to Equity Holders of the Company

(HK\$'000)

CAGR*: 7%



Return on Shareholders' Equity



* CAGR: Compound Annual Growth Rate

Financial Review

(HK\$'000)		Full Year Ended 31 December		Year-on-Year ("YoY") Change
		2023	2022	
Revenue		6,704,684	6,727,967	(0.3%)
Gross Profit		2,822,383	2,563,987	10%
Gross Profit Margin (%)		42	38	4 ppt*
EBITDA		2,469,511	2,180,523	13%
Profit Attributable to Equity Holders of the Company		1,187,412	1,010,565	17%
Basic Earnings per Share (HK cents)		41.51	35.32	17%
Final Dividend per Share	(HK cents)	5.81	5.14	13%
	(equivalent to Singapore cent)	0.99	0.86	15%
Full-year Dividend per Share	(HK cents)	12.44	10.59	17%
	(equivalent to Singapore cents)	2.12	1.84	15%

*ppt: percentage point

(HK\$'000)	As at 31/12/2023	As at 31/12/2022	YoY Change
Total Assets	34,220,661	33,446,151	2%
Total Liabilities	20,768,319	20,445,273	2%
Equity Attributable to Equity Holders of the Company	11,406,121	10,967,490	4%
Gearing Ratio (%) (total liabilities/total assets)	60.7	61.1	(0.4 ppt*)
Return on Shareholders' Equity (%)	10.6	8.9	1.7 ppt*
Dividend Payout Ratio (%)	30	30	No change

- 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".

*ppt: percentage point

(HK\$'000)	As at 31/12/2023	As at 31/12/2022	YoY Change
Short-term Borrowings	4,606,893	5,686,435	(19%)
Long-term Borrowings	10,798,480	9,575,700	13%
Total Borrowings[#]	15,405,373	15,262,135	0.9%
Current Ratio (%)	121	100	21 ppt*
Unutilised Banking Facilities	1,603,579	3,893,924	(59%)
Bank Deposit Balance and Cash	1,881,401	2,845,907	(34%)
Cash and Banking Facilities Available[#]	3,484,980	6,739,831	(48%)

- As at 31 December 2023, the Group's bank deposit balance and cash were abundant, with the unutilised banking facilities of approx. HK\$1.604 billion, providing solid capital support for the Group's future development.
- As at 31 December 2023, the Group's total borrowings were approx. HK\$15.405 billion, with long-term borrowings accounting for 70% of the total.

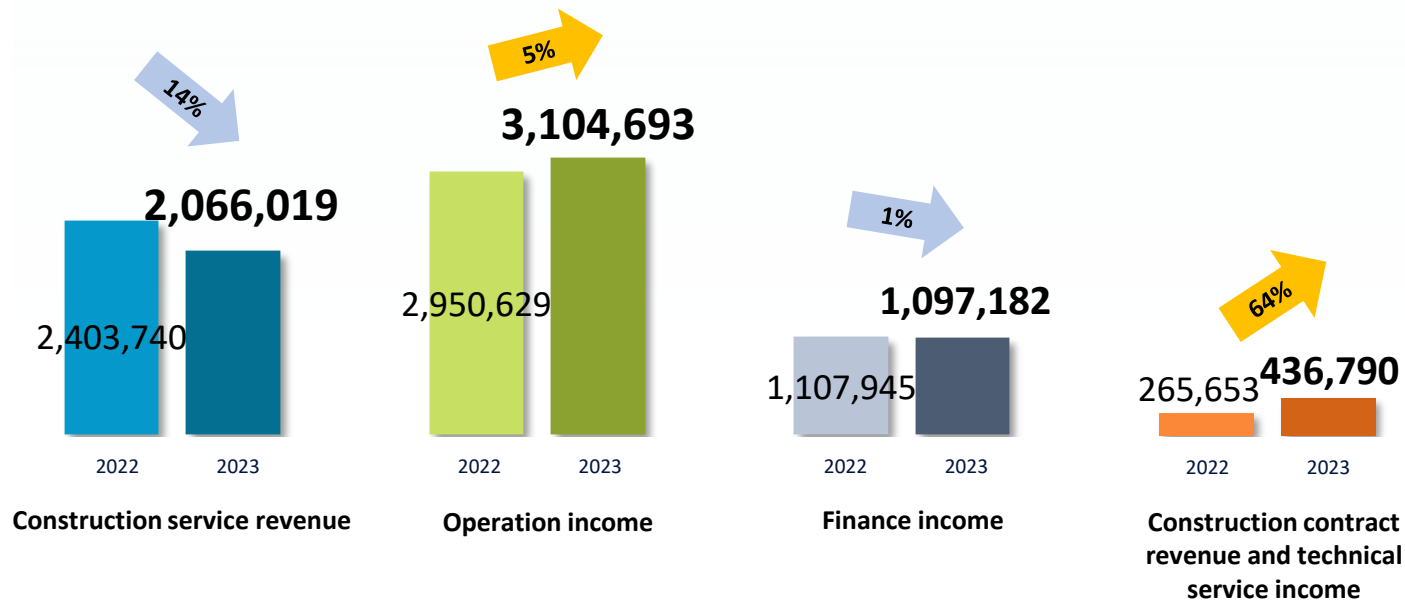
[#]Total borrowings = short-term borrowings + long-term borrowings

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

*ppt: percentage point

Revenue Analysis by Categories for the Full-year Period

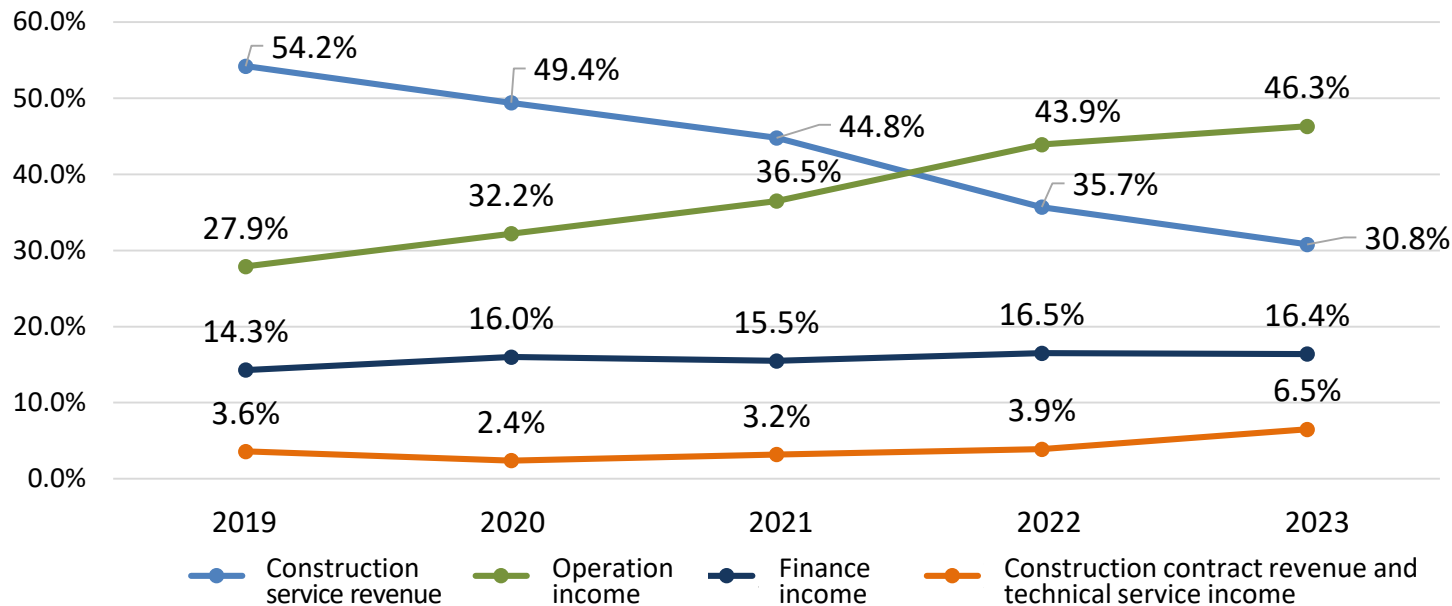
(HK\$'000)



Total revenue in 2023: HK\$6,704,684,000

Total revenue in 2022: HK\$6,727,967,000

Proportion of Revenue in Each Category from 2019-2023



Over the past five years, thanks to the continued increase in the number of operating projects, the proportion of the Group's operation income against the total revenue grew from 28% in 2019 to 46% in 2023. 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 – MTNs Issuance

In January 2024, Everbright Water completed the issuance of 2024 First Tranche MTNs, which was fully subscribed for by institutional investors in the national inter-bank bond market of mainland China, again reflecting the market’s confidence in the Company’s sound development.

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	2.80%
Subscription Rate	3.07 times
Use of Proceeds	Replenishment of the working capital of Everbright Water’s subsidiaries and repayment of the interest-bearing debts of the Company or its subsidiaries
Credit Rating	2024 First Tranche MTNs and Everbright Water (as the issuer) had each been given a credit rating of “AAA”





04

Business Prospects



External Environment

In 2023, the global landscape was characterised by a sluggish economic recovery and escalating global issues. However, amidst these new challenges and uncertainties, and in response to various pressures, China's economy overcame obstacles and forged ahead, continuing to demonstrate remarkable development resilience.

Following the implementation of China's ecological civilisation, its economy and society continued to forge ahead on an accelerated path towards a green and low-carbon development.



Policy Trends

The National Conference on Ecological and Environmental Protection held in July 2023 emphasised that the coming five years will be critical for “Building a Beautiful China” to uphold the idea that “lucid waters and lush mountains are invaluable assets”. The conference emphasised the need to support high-quality development with a high-quality ecological environment, and to maintain green and low-carbon development as the fundamental solution to ecological and environmental issues. It also called for efforts to improve the diversity, stability, and sustainability of the ecosystem. Meanwhile, it also encouraged to implement the “Dual Carbons” “1+N” policy framework to develop a clean, low-carbon, safe and efficient energy sector. In addition, the conference also highlighted the importance of coordinating resources across various fields such as the legal system, market, science and technology, and policies, to promote an effective synergy between efficient markets and competent government.

The relevant top-level design and deployment set forth by the Chinese government have provided positive guidance for the transformation, upgrading, and high-quality development of the environmental protection industry and the industry players in the face of transitional challenges.

Business Prospects

— Strategic Development Deployment

The year 2023 marks Everbright Water's 20th anniversary. The Group will remain true to its commitment to protecting the water environment, maintaining unwavering determination and embracing professionalism. With a focus on the “water-related” business field, the Group will uphold the direction of “Striving for Steady Progress in Pursuit of Stability”. It will ensure stability in strategy, operations and management to solidify the foundation for development, and explore opportunities in the market, recruit new talents and seek innovation to facilitate high-quality development and enhance industrial value.

Everbright Water will hold fast to its aspirations and forge ahead with confidence towards the development of its vision of “Creating Value to Industries through Various Water-Related Businesses”, striving to build a new development paradigm and align itself more effectively with national strategies.



Everbright Water will actively seek breakthroughs in investment and development in the “water-related” business areas in close alignment with the spirit of China’s Central Economic Work Conference and under the requirements and guidance of the *Implementation Opinions on Promoting Synergy and Efficiency of Wastewater Treatment, Pollution Reduction and Carbon Emission Reduction* and other important industrial policy requirements and guidelines of China.

Upstream

To expand businesses relating to pipeline network operation and maintenance, to control and manage from the source

Midstream

To promote digital transformation and intelligent water measures, to conserve energy, reduce carbon emissions and improve efficiency

Downstream

To explore measures to boost efficiency and proficiency, such as resource utilisation of waste water and sludge, and “Solar Power+”

- **To continuously solidify traditional business advantages, while promoting pollution and carbon emission reduction, and efficiency enhancement through synergies** (i.e. expansion of traditional business and industry chain, and industrial waste water treatment)
- **To proactively explore new business areas and foster a new source of growth** (i.e. “water-related+” business, construction of low-carbon industrial parks, and rural revitalisation)
- **To innovate collaboration models and emphasise the importance of asset-light businesses** (i.e. collaborating with enterprises owned by China’s local government authorities, and outsourcing technologies and technological processes to overseas clients)

To Develop Green and Low-carbon Benchmark Plants

Building on the ongoing “quality and efficiency enhancement” practices and “Five Innovations” initiative, Everbright Water will comprehensively optimise the WWT efficiency by strengthening source optimisation, promoting energy conservation and carbon reduction throughout the treatment processes, and fostering revenue sources through resource utilisation of waste water and sludge and other green measures.



To Construct a Batch of “Star Intelligent Plants”

Everbright Water will build a solid foundation for digital transformation through the application of intelligent platform, which seamlessly integrates big data, artificial intelligence and other technologies with WWT processes.

It will further construct a batch of “Star Intelligent Plants”, to reduce pollution and carbon emissions while achieving optimal efficiency.

Everbright Water will prioritise the following six key areas for optimisation and improvement to provide solid assurance and support for the Group's development.

Organisational structure

- To improve the level of corporate governance
- To actively adapt to the Group's development needs

Safety and environmental management

- To improve safety and environmental management leadership
- To strengthen safety and environmental management team building

Talent pool

- To enhance talent development and training
- To bring in high-calibre professionals

Trade receivables risk

- To solidify relevant work responsibilities
- To apply multiple measures and innovative thinking to effectively respond to and resolve relevant risks

Financing channels

- To continuously optimise its financing channels
- To effectively leverage the benefits of the domestic and overseas funding

Technology support

- To continuously enhance the role of technology in leading business transformation and upgrading
- To increase the R&D and application of low-carbon technologies in existing businesses

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



光大水務
EVERBRIGHT WATER