

FY2016 Results Presentation

CHINA EVERBRIGHT WATER LIMITED



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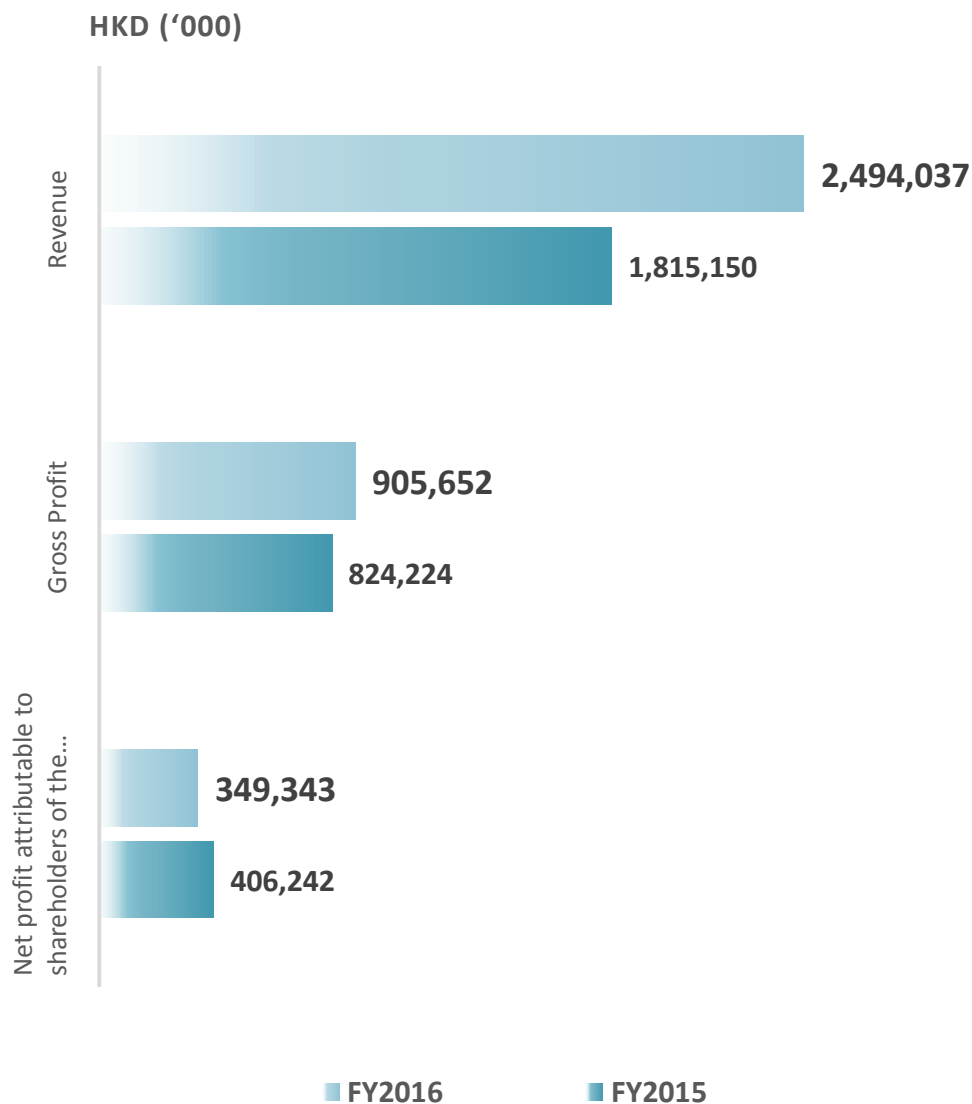
- **Financial Highlights**
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Financial Highlights



Financial Highlights



Revenue

Revenue increased by 37% year-on-year (“yoy”) in FY2016 mainly attributable to the increase in construction revenue. The increase in construction revenue was mainly due to the expansion and upgrading of several Build-Operate-Transfer projects that were completed or under construction in FY2016.

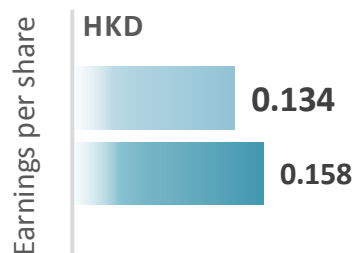
Gross profit

Gross profit increased 10% yoy in FY2016, mainly attributable to the increase in gross profit of construction services. The gross profits of construction services and operation services in FY2016 increased by 42% and 2% respectively as compared with FY2015.

Net profit attributable to shareholders of the Company

Net profit attributable to shareholders of the Company in FY2016 decreased from FY2015, mainly due to foreign exchange losses arising from borrowings pegged to USD as RMB depreciated against USD in FY2016. Such borrowings had been fully repaid in 2016.

Financial Highlights



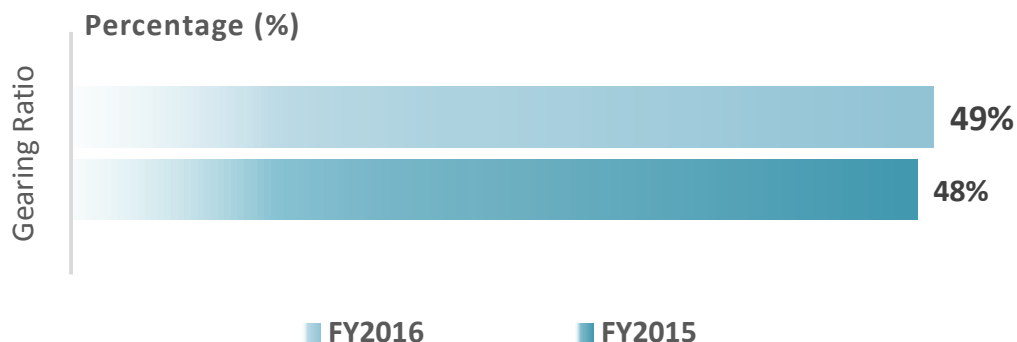
Earnings per share

Earnings per share decreased in FY2016, mainly due to the decrease in net profit attributable to shareholders of the Company in FY2016 from FY2015.



Dividend per ordinary share

A final dividend of SGD0.0037 per ordinary share for FY2016 was recommended, representing an increase of 6% as compared to that for FY2015.



Gearing Ratio

Gearing ratio for FY2016 was similar to that of FY2015.

Business Review

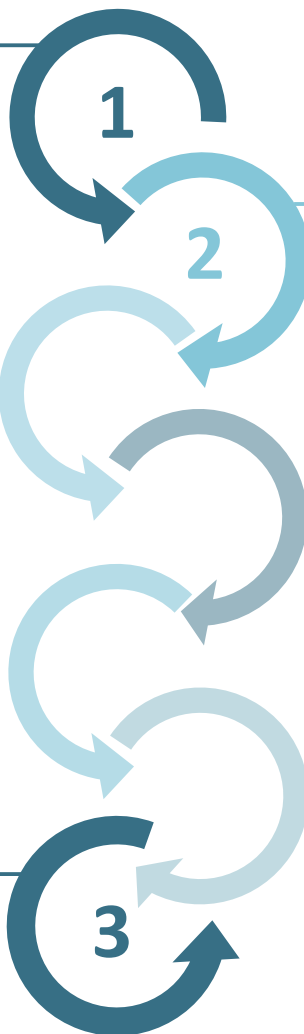


Business expanded steadily

- ❖ Secured **12** new projects for the financial year ended 31 December 2016 (“Year under review”), with a total investment of **RMB2.465 billion**.
 - Shandong: Zhangqiu Waste Water Treatment Project (Plant 1), Zhangqiu Waste Water Treatment Project (Plant 2), Qingdao Waste Water Treatment Project (Maidao Plant) Upgrading and Ju County Shudong Waste Water Treatment Project
 - Jiangsu: Xinyi City Waste Water Treatment Project and Upgrading Project, Xinyi Economic Development Zone Waste Water Treatment Project Phase I and Expansion Project, Nanjing Pukou Industrial Waste Water Treatment Project Phase I, Zhenjiang Sponge City Construction PPP Project and Nanjing Municipal Water PPP Project
 - Henan: Sanmenxia Waste Water Treatment Project Phase I Upgrading
- ❖ Broadened business scope to have included industrial waste water treatment, sponge city construction, river-basin ecological restoration, etc.
- ❖ Executed multiple Public-Private-Partnership (“PPP”) projects and gained rich experience in the area.
- ❖ Enhanced the leading position in markets like Jiangsu and Shandong provinces, where Everbright Water’s existing projects are located.

Further improvement in operation management

- ❖ Multiple projects effected tariff hike during the year under review:
 - Nanjing Liuhe Waste Water Treatment Project increased water tariff by 55.8%
 - Suzhou Wuzhong Chengnan Waste Water Treatment Project increased water tariff by 39.5%
 - Yangzhou Jiangdu Development Zone Waste Water Treatment Project increased water tariff by 9%



Construction progressed smoothly

- ❖ **8** projects completed construction during the year under review.
 - **Projects commenced operation:** Shandong Ji’nan Waste Water Treatment (Plant 1) Expansion, Shandong Ji’nan Xike Waste Water Treatment Project (Plant 4) Phase II and Jiangsu Wuzhong Chengnan Waste Water Treatment Project Phase II and Upgrading
 - **Projects completed construction:** Liaoning Dalian Liangjiadian Waste Water Treatment Project Phase I, Beijing Daxing Tiantanghe Waste Water Treatment Project Phase II and Upgrading, Liaoning Pulandian Waste Water Treatment Project Phase I Expansion, Sanmenxia Waste Water Treatment Project Phase I Upgrading and Jiangsu Nanjing Pukou Reusable Water Project Phase I
- ❖ **7** projects were under construction during the year under review.
 - Jiangsu Xinyi City Waste Water Treatment Project Upgrading, Jiangsu Xinyi Economic Development Zone Waste Water Treatment Project Expansion, Shandong Qingdao Waste Water Treatment Project (Maidao Plant) Upgrading, Shandong Ju County Shudong Waste Water Treatment Project, Jiangsu Nanjing Pukou Industrial Waste Water Treatment Project Phase I, Jiangsu Zhenjiang Sponge City Construction PPP Project and Jiangsu Nanjing Municipal Water PPP Project

Acquired projects successfully restructured

- ❖ During the first complete year after the acquisition of Dalian Dongda Water Co., Ltd., the Company improved the waste water treatment capacity and profitability of the acquired projects through upgrading works; strengthened communication with governments and increased effort in collecting receivables and increasing water tariff.

Development supported by sufficient funds

- ❖ Sufficient cash on hand with reasonable gearing level.
- ❖ Diversified financing channels; during the year under review, submitted an application to the Shanghai Stock Exchange and the China Securities Regulatory Commission for a proposed issuance of panda bonds.

Management structure further optimised

- ❖ Enhanced regional management model and set up four regional management centers to facilitate resource integration and synergy within the regions.
- ❖ Further enhanced the implementation of the Environmental, Safety, Health and Social Responsibility (“ESHS”) management system and risk management system.

Technological capabilities gradually enhanced

- ❖ Established an environmental water technology center, which focuses on the research of applied technologies, and continuously improved core technology strength through various means such as in-house R&D, technology import and academic-industry collaborations.



Market Coverage

Secured projects in **over 30** districts, counties and cities across **7** provinces and municipalities in China, such as Shandong, Jiangsu, Beijing, Liaoning and Inner Mongolia

Daily Reusable Water Supply Capacity

81,600 m³

Daily Waste Water Treatment Capacity

4,215,000m³

Aggregate Investment

RMB 10.99 billion

Jiangsu Zhenjiang Sponge City Construction PPP Project



Everbright Sponge City Development (Zhenjiang) Co., Ltd.

- Everbright Water's first sponge city project;
- The project is invested and constructed based on PPP model;
- Everbright Water and Zhenjiang Waterworks Corporation formed a joint-venture project company to invest in the project, with Everbright Water holding a 70% equity stake;
- Total investment of the project is approximately RMB2.585 billion, which comprises a RMB1.2 billion subsidy from the central government of the PRC and a RMB1.385 billion investment to be contributed by the project company;
- The concession period granted to the project company is 23 years;
- Responsibilities of the project company include: the construction and operation of the Zhengrunzhou waste water treatment plant and a series of rainwater pump stations, drainage networks, rainwater storage tanks and the ecological restoration and repair of certain rivers;
- The project is one of the 16 "sponge city" pilot projects which will receive financial support from the central government of the PRC, as jointly announced by the Ministry of Finance, the Ministry of Housing and Urban-Rural Development and the Ministry of Water Resources of the PRC. It is also one of the PPP demonstration projects of the Ministry of Finance of the PRC.

Jiangsu Nanjing Municipal Water PPP Project



Rendering of Yushan River, Nanjing Municipal Water PPP Project

- Everbright Water's first river-basin ecological restoration project;
- The project is invested and constructed based on PPP model;
- Total investment of the project is approximately RMB275 million;
- The operation concession period is 10 years (including a two-year construction period);
- The project will mainly serve the Chengnan River basin in Pukou District of Nanjing City, providing a number of treatment projects, and operation and maintenance works, such as river water quality improvement, river dredging, river training, river outfall remediation, river widening, transect restoring, riverbank greening and riverside environmental management.

Business Outlook



1

Leveraging on technology for development to enhance core competitiveness

- ◆ To leverage on the environmental water technology center as the R&D and technological innovation platform to build Everbright Water's water R&D system; to focus on research of applied technologies and enhance core technological competitiveness via in-house R&D, technology import, academic-industry collaborations, etc.;
- ◆ Key R&D areas: Sponge city construction, river-basin restoration, advanced treatment of municipal and industrial waste water, harmless treatment, resource recovery and utilisation of sludge, and comprehensive treatment of nuisance odor, etc.

Actively exploring new business areas and models

- ◆ To leverage on experience in areas like waste water treatment, watershed management and sponge city construction to explore new opportunities as a way to enhance business diversification and boost growth;
- ◆ To adopt different types of investment and operation models as appropriate; to collaborate with local governments and project partners to maximise the economic and social benefits of the projects.

2

3

Further optimising regional management model to enhance economies of scale

- ◆ To further optimise the regional management model, enhance four regional management centers, namely East Shandong, West Shandong, Jiangsu and Liaoning, and encourage resource integration and synergy within the regions to boost economies of scale;
- ◆ To carry out categorized management of projects in a synchronized manner to constantly improve the quality of project operation and management;
- ◆ To implement "Intelligent Water" information management to boost efficiency and proficiency of project operation and management.

4

Continuing exploration of new investment and financing models

- ◆ To push forward the development of “water industrial fund” and to seek good investment opportunities;
- ◆ To make necessary arrangements for panda bond issuance;
- ◆ To enhance cooperation with financial institutions like domestic and foreign banks;
- ◆ To explore emerging financing channels, such as asset securitization, so as to lay the foundation for the next round of development.

Further integrating acquired projects

- ◆ To further push forward the comprehensive integration of the acquired projects and improve the project quality and profitability through project upgrading, improving operation and management efficiency, enhancing awareness of risk prevention, incorporating the corporate culture and business ethos of Everbright Water.

5

6

Enhancing risk management and control

- ◆ To drive Everbright Water’s organic growth and bring out its full potential by further enhancing the implementation of the ESHS and risk management systems, via field research, internal rearrangement, trainings at all levels, periodical inspections and development of systems and guidelines.

Industry Policy



Since 2016, a number of blockbuster policies on water environment management have been launched. Together with the measures on eco-environmental protection and policies supporting the PPP model, it demonstrates the government's determination in addressing the water environment crisis, and therefore brings opportunities for the environmental water services sector to embrace a new round of rapid development.

Policy & issuing authority	Analysis
<p>Water Pollution Prevention and Control Law (Draft Amendment) —by the Ministry of Environmental Protection of the PRC</p>	<ul style="list-style-type: none"> • The draft amendment was passed in principle, placing water environment quality as its core mission; • To bolster efforts on protecting and improving water environment, increase fiscal investment in water pollution prevention and control, establish diversified investment streams combining government funds and social capital, encourage the establishment of funds dedicated to water pollution prevention and control, and support green financing.
<p>13th Five-Year Plan on National Urban Waste Water Treatment and Recycling Facilities Construction —by the National Development and Reform Commission and Ministry of Housing and Urban-Rural Development of the PRC</p>	<ul style="list-style-type: none"> • The investment in the construction of urban waste water treatment and recycling facilities during the 13th Five-year Plan period is expected to reach approximately RMB564.4 billion; • To transform urban waste water treatment facilities from "growth in scale" to "improvement of quality and efficiency", from "prioritizing waste water to sludge" to "paying attention to both segments", and from "waste water treatment" to "full recycling"; • By the end of 2020, all urban areas are expected to be equipped with waste water treatment and recycling facilities and the waste water treatment rate in cities and towns are expected to reach 95% and not lower than 85% respectively; black and odorous water bodies in cities of prefectural level or above are expected to be reduced to less than 10% of total water bodies; in municipalities, provincial capitals and built-up areas of cities specifically designated in the state plan, black and odorous water problem is expected to be dismissed by the end of 2017; sludge harmless treatment rate in cities of prefectural level and above is expected to reach 90%; the utilization of reusable water in cities and counties is expected to be further enhanced; and a nationwide monitoring system for water discharge and waste water treatment in urban areas will be preliminarily established; • The government will take the lead and enhance supervision, and the public-private partnership model will be further strengthened.

Policy & issuing authority	Analysis
<p>13th Five-Year Plan for Eco-Environmental Protection —by State Council of the PRC</p>	<ul style="list-style-type: none"> • To accomplish the mission of providing comprehensive environmental water treatment in 130,000 administrative villages by 2020, as outlined in the Water Pollution Prevention and Control Action Plan, ensure the efficient use of funds designated to energy saving and emission reduction in rural areas granted by the central government in 2016, and support continued efforts in comprehensive rural environment remediation; • To emphasize the comprehensive treatment of water resources, water environment and water eco-systems.
<p>National Urban Ecological Protection and Construction Planning (2015-2020) — by the Ministry of Housing and Urban-Rural Development and Ministry of Environmental Protection of the PRC</p>	<ul style="list-style-type: none"> • To strengthen urban water pollution control and management, enhance urban household waste water treatment, boost urban waste water pipeline network construction, speed up the construction and upgrading of waste water treatment plants, and carry out comprehensive treatment of black and odorous water bodies in cities.
<p>Opinions on Comprehensive Adoption of River Chief Mechanism — by the State Council of the PRC</p>	<ul style="list-style-type: none"> • To enhance the management of shorelines of rivers, lakes and water areas, enhance water pollution prevention and control, optimise locations of waste water outfalls near rivers and lakes, strengthen water environment treatment, boost efforts in treating black and odorous water, and enhance water ecological restoration.

Policy & issuing authority	Analysis
<p>Guidelines for the Implementation of the Public-Private Partnership Projects in Traditional Infrastructure Sectors — <i>by the National Development and Reform Commission of the PRC</i></p>	<ul style="list-style-type: none"> • In relation to traditional infrastructure sectors, such as energy, water conservancy, environmental protection and major municipal works, local governments are encouraged to adopt different modes under PPP models that suit local conditions and project needs; • Competent social capital candidates will be chosen as project partners according to legal and fair standards; social capital is also encouraged to form consortiums for project bidding.
<p>Notice on Further Advancing the Public-Private Partnerships in Public Service Sectors — <i>by the Ministry of Finance of the PRC</i></p>	<ul style="list-style-type: none"> • The PPP model is widely used in public service sectors with relatively more mature practices, such as waste water treatment and waste treatment sectors. New projects across all regions in the country are “required” to adopt the PPP model; • All types of companies, such as state-owned enterprises, private companies, mixed-ownership enterprises and foreign companies, are encouraged to participate in PPP projects in accordance with a uniform set of standards and treatment; • To optimise, and improve the interface between, the pre-commencement and the operational procedures, and to further streamline administrative and approval processes.

Thank You!

