

# 2019 Interim Results Presentation

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August 2019

**中国光大水务有限公司**  
**China Everbright Water Limited**



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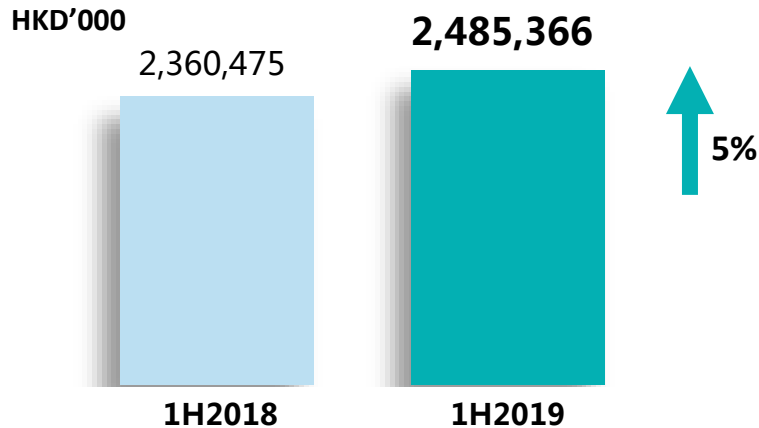
# Operating Results



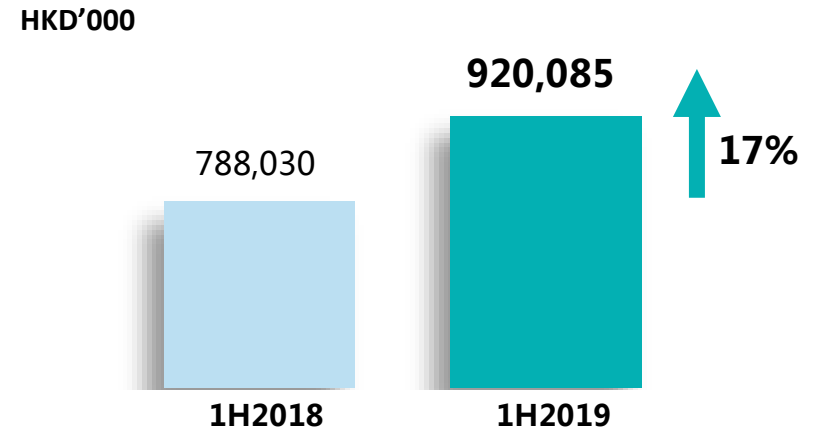
# Operating Results

## – Steady Growth of Operating Indicators

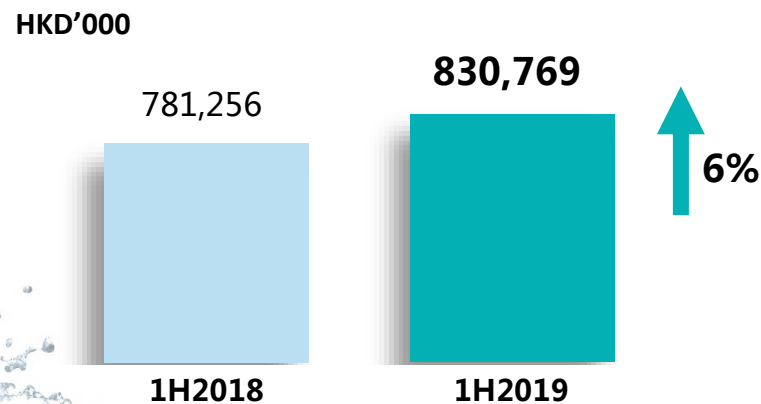
### Revenue



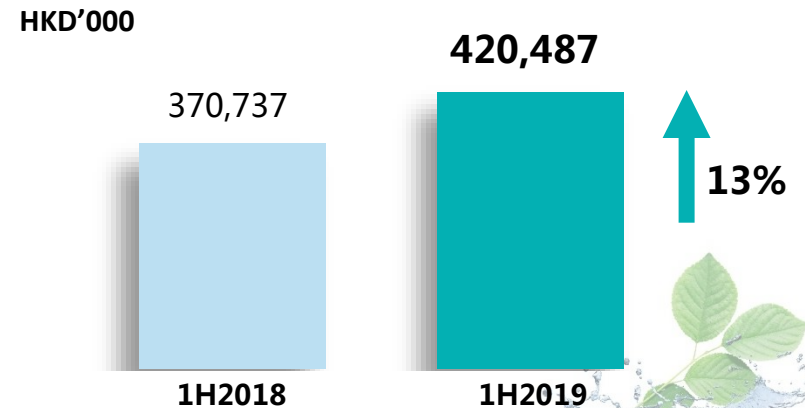
### Gross Profit



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

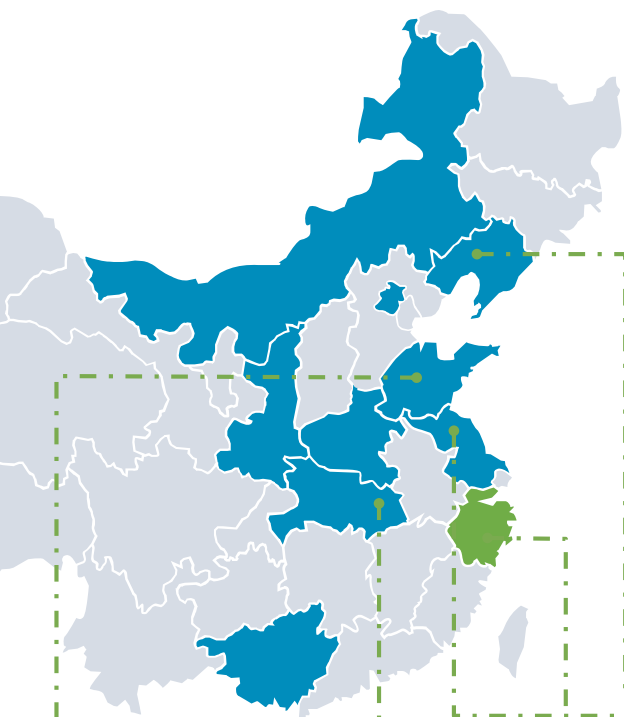


### Profit Attributable to Equity Holders of the Company



# Operating Results

## — Enhancement of Quantity and Quality in Market Expansion



- The Company secured 11 new projects and signed 1 supplementary agreement for the existing project, which command a total investment of approximately RMB3.674 billion.
- The Company undertook 2 engineering, procurement and construction (EPC) projects and 1 operations and maintenance (O&M) project, which have a total contract value of approximately RMB146 million.
- The new projects contribute an aggregate designed daily waste water treatment and reusable water supply capacity of 490,000 m<sup>3</sup> and a daily water supply capacity of 600,000 m<sup>3</sup>.
- The Company tapped into the water industry in Zhejiang Province, while solidifying its strategic market planning in Shandong, Jiangsu, Liaoning and Hubei Provinces.
- The Company actively expanded asset-light businesses, such as project planning and design, engineering consultancy, technical services, O&M and EPC, while further solidifying the existing business areas, such as waste water treatment (“WWT”), reusable water, water environment treatment, waste water and water supply pipeline network, sludge treatment and disposal.

### Shandong Province

1. Ju County Chengbei WWT Plant Expansion Project Phase I
  2. Ji’nan East Station Area Underground WWT Project
  3. Dezhou Lingcheng Waste Water Pipeline Network PPP Project Expansion
- Ji’nan Licheng WWT Project (Plant 3) Sludge Treatment Project (supplementary agreement)
  - Weihai Wendeng Chemical Industrial Park WWT Plant and Ancillary Pipeline Network Project (EPC)

### Zhejiang Province (new provincial market)

1. Tongxiang West Area Drinking Water Sources Protection PPP Project

### Hubei Province

- Zhongxiang Shuanghe Jiangbei Industrial Park WWT Project (EPC)

### Jiangsu Province

1. Nanjing Pukou Industrial WWT Project Phase II
  2. Jiangyin Lin’gang Economic Development Zone Xili Center WWT Plant and Ancillary Pipeline Network and Pumping Stations Project
  3. Haimen WWT Project and Upgrading
  4. Yancheng Flood Control Area III Water Environment Treatment PPP Project
  5. Jiangyin Chengxi WWT Plant Reusable Water Project
  6. Nanjing Pukou Industrial WWT Project Phase II Reusable Water Project
- Zhenjiang Zhengrunzhou WWT Plant O&M Project (O&M)

### Liaoning Province

1. Liaoning Dalian Pulandian Reusable Water Project





# Operating Results

## — Securing First Drinking Water Sources Wetland Project

In May 2019, Everbright Water secured Zhejiang Tongxiang West Area Drinking Water Sources Protection PPP Project, marking the first project of the Company in venturing into the business area of drinking water sources wetland protection, and is also the Company's first environmental water project in Zhejiang Province. After completing construction and commencing operation, the project will effectively improve the local water sources and water quality.

- The project commands an investment of approximately RMB1.253 billion.
- The project's total designed daily water supply capacity is 600,000 m<sup>3</sup>. It includes the construction of 1 pumping station and 2 raw water pipelines of 30 km in length.
- The project involves the investment in, construction and operation of a wetland ecological engineering project, a new water pumping station and new raw water pipeline network, which will take up an area of 5,400 mu in total.
- Major indicators of discharged water from the wetland of the project will comply with the Environmental Quality Standards for Surface Water (GB3838-2002) for Category III, while some indicators could even comply with the Surface Water Quality Standard for Category II.

# Operating Results

## – Continued Growth of Business Scale

### Business footprint spans across 10 provinces and municipalities

Projects located across 10 provinces and municipalities, including Beijing, Shandong, Jiangsu, Shaanxi, Liaoning, Inner Mongolia, Henan, Hubei, Guangxi and Zhejiang, covering over 40 locations.

Total project investment of approximately RMB22.4 billion

Total contract value of O&M/EPC projects of approximately RMB146 million

Total daily water treatment capacity exceeding 6,000,000 m<sup>3</sup>

121 water projects secured, in addition to 3 O&M/EPC projects

101 WWT projects  
(including waste water pipeline network projects)  
7 reusable water projects  
6 water environment treatment projects  
4 water supply projects  
1 leachate treatment project  
2 waste water source heat pump projects

2 EPC projects  
1 O&M project



# Operating Results

## – Dual Primary Listing in Singapore and Hong Kong



On 8 May 2019, Everbright Water became listed on the Main Board of The Stock Exchange of Hong Kong Limited, achieving dual primary listing status in Singapore and Hong Kong. Such listing status will help the Company to attract different investors, broaden its shareholders base, and contribute to its business development.

- The Company allotted and issued 103,970,000 ordinary shares under the global offering.
- The net proceeds from the global offering amounted to approximately HKD248.61 million.

### Use of Net Proceeds from Global Offering

(HKD'000)		Amount Allocated	Amount Utilised	Balance
1	Expanding the Group's market share in China's water industry and diversifying the Group's project portfolio and creating synergies	211,321	38,453	172,868
2	Enhancing the Group's core technologies through innovation research and development initiatives and acquisitions of advanced technologies	24,861	-	24,861
3	Working capital and other general corporate purposes	12,431	12,431	-
Total		248,613	50,884	197,729

# Operating Results

## – Smooth Progress in Construction Works

### 3 projects commenced construction

- a total investment of approximately RMB400 million;
- a total designed daily water treatment capacity of 115,000 m<sup>3</sup>, and a daily sludge treatment capacity of 200 tonnes.
- 13 WWT projects, 1 leachate treatment project, 3 water environment treatment projects, 2 water supply projects and 2 reusable water projects;

- a total investment of approximately RMB7.3 billion;
- a total designed daily water treatment capacity over 1,200,000 m<sup>3</sup>.

### 9 projects completed construction and commenced operation

- 1 WWT project, 1 reusable water project and 1 sludge treatment and disposal project;

### 16 projects under construction

- 6 WWT projects, 2 water supply projects and 1 sludge treatment and disposal project;
- a total investment of approximately RMB1.9 billion;
- a total designed daily water treatment capacity of 390,000 m<sup>3</sup>, and a daily sludge treatment capacity of 50 tonnes.

- 7 WWT projects, 2 waste water pipeline network projects, 2 water environment treatment projects, 1 reusable water project, 2 water supply projects and 2 sludge treatment and disposal projects;
- a total investment of approximately RMB4.3 billion;
- a total designed daily water treatment capacity of 470,000 m<sup>3</sup>.

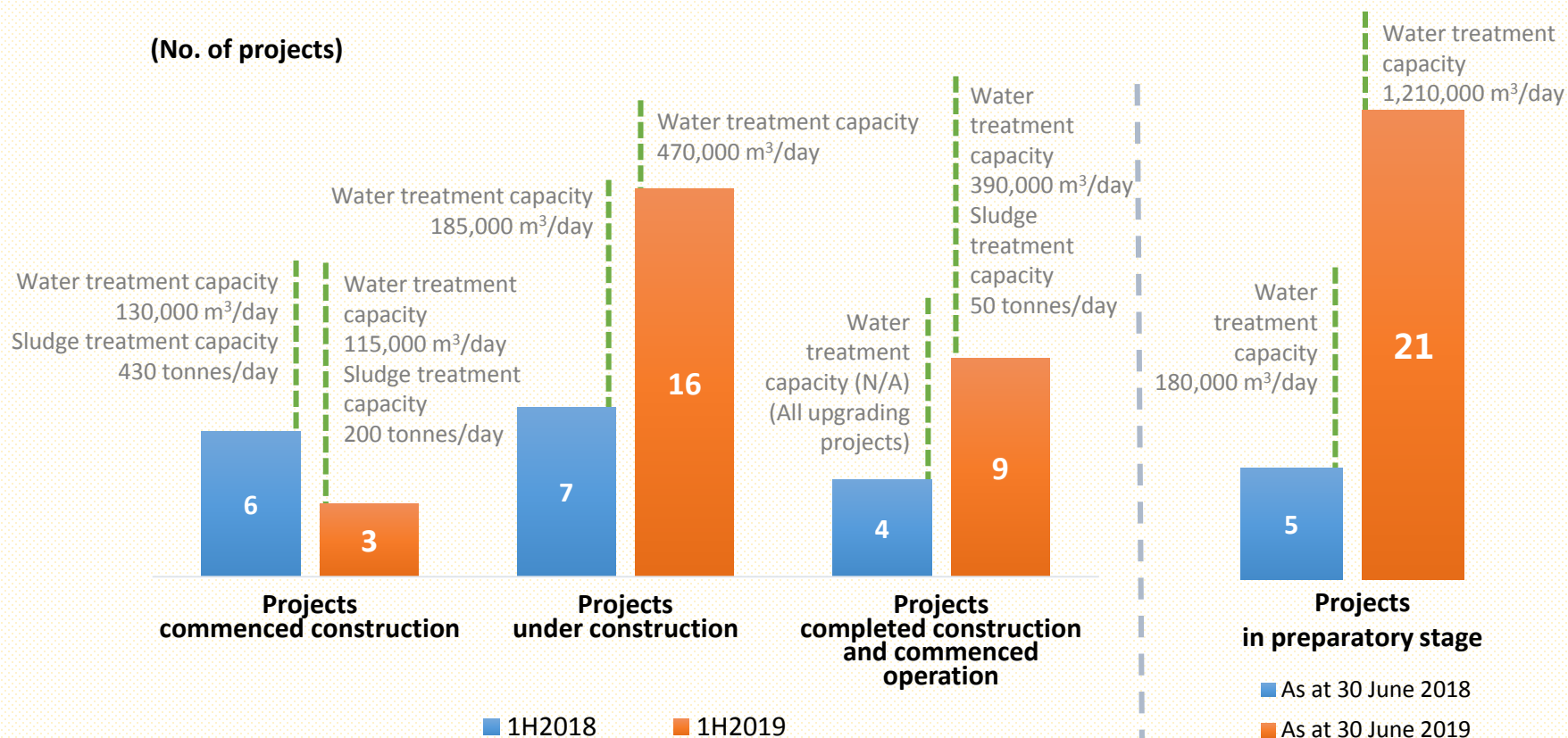
### 21 projects in preparatory stage (as at 30 June 2019)

# Operating Results

## – Smooth Progress in Construction Works

### Construction Work Progress for the Six-month Period

(No. of projects)



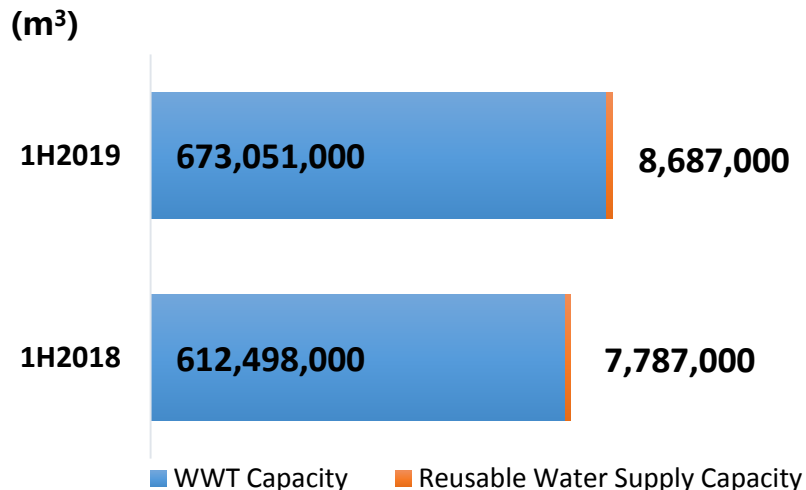
# Operating Results

## — Stable and Excellent Operations Management

In 1H2019, Everbright Water's projects treated approximately 673 million m<sup>3</sup> of waste water, and supplied 8.687 million m<sup>3</sup> of reusable water, representing an increase of 10% and 12% respectively, compared with 1H2018.

The Company's trade receivables recovery rate increased significantly in 1H2019.

### Waste Water Treatment/ Reusable Water Supply Capacity for the Six-month Period



### Trade Receivables Recovery Rate for the Six-month Period \*



\*Trade receivables  
recovery rate =

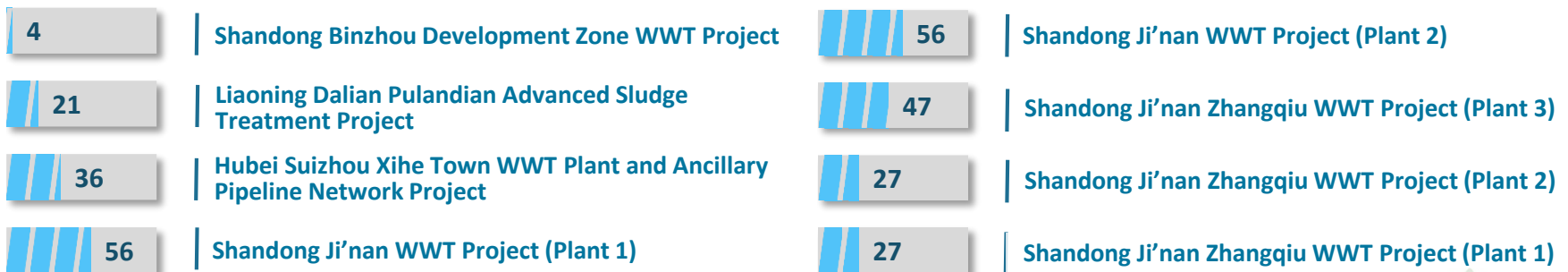
$$\frac{\text{Total tariff in cash received for the period}}{\text{Aggregate domestic tariff income for the period}} \times 100\%$$

# Operating Results

## — Stable and Excellent Operations Management

- The Company established the Department of Safety and Environmental Management, which will effectively develop a more comprehensive long-term environmental management mechanism.
- It also continued promoting the implementation and pilot programs of the “Intelligent Water” management system, while enhancing the Environmental, Safety, Health and Social responsibility (ESHS) management system and risk management system at all levels within the Company.
- In 1H2019, the Company was granted various subsidies exceeding RMB8 million in total.
- 8 WWT Plants received approval for tariff hikes, ranging from 4% to 56%.

### Tariff Hikes (%)





# Financial Review





(HKD'000)	Six months ended 30 June		Change
	2019	2018	
Revenue	2,485,366	2,360,475	5%
Gross Profit	920,085	788,030	17%
Gross Profit Margin (%)	37	33	4ppt*
EBITDA	830,769	781,256	6%
Profit Attributable to Equity Holders of the Company	420,487	370,737	13%
Earnings per Share (HK cents)	15.51	14.11	10%
Interim Dividend per Share (Singapore cents) (equivalent in HK cents)	0.65 (3.74)	0.49 (N/A)	33%

\*ppt: percentage point

(HKD'000)	As at 30/06/2019	As at 31/12/2018	As at 31/12/2017	As at 31/12/2016
<b>Total Assets</b>	<b>21,288,071</b>	19,584,389	18,047,919	14,081,232
<b>Total Liabilities</b>	<b>11,925,942</b>	10,920,692	9,506,114	6,889,530
<b>Shareholders' Equity of the Company</b>	<b>8,627,497</b>	7,983,190	7,857,183	6,798,187
<b>Gearing Ratio (%)</b> (total liabilities/total assets)	<b>56.0</b>	55.8	52.7	48.9
<b>Return on Shareholders' Equity (%)</b>	<b>10.1*</b>	8.5	7.0	5.0
<b>Dividend Payout Ratio (%)</b>	<b>25</b>	23	15	15

- The Company has quality assets, with reasonable gearing ratio and healthy financial position.
- The increase in the return on shareholders' equity year by year is a reflection of the Company's dedication in creating long-term returns for its shareholders.
- The increase on dividend payout ratio year by year demonstrates the Company's adherence to its philosophy of "sharing the operating results with its shareholders".

\*Annualised figure



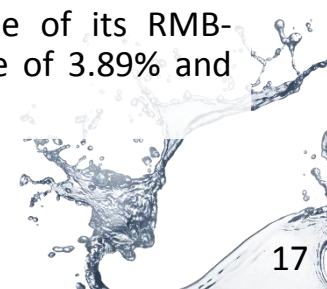
(HKD'000)	As at 30 June 2019	As at 31 December 2018	Change
Short-term Borrowings	1,290,402	2,160,400	(40%)
Long-term Borrowings	7,110,347	5,440,376	31%
Total Borrowings <sup>#</sup>	8,400,749	7,600,776	11%
Current Ratio (%)	149	116	33ppt*
Unutilised Banking Facilities	3,693,538	3,982,818	(7%)
Bank Deposit Balance and Cash	1,809,022	1,728,573	5%
Cash/Banking Facilities Available <sup>#</sup>	5,502,560	5,711,391	(4%)

- As at 30 June 2019, the Company's bank deposit balance and cash was abundant, with the unutilised banking facilities of approximately HKD3.69 billion. These provide solid capital support for the Company's future development.
- As at 30 June 2019, total borrowings of the Company was approximately HKD8.4 billion, with long-term borrowings accounting for 85% of the total, demonstrating a healthy liquidity ratio.
- In January 2019, the Company successfully completed the issuance of the third tranche of its RMB-denominated bonds, with an aggregate principal amount of RMB700 million, a coupon rate of 3.89% and subscription rate of 2.2 times.

<sup>#</sup>Total borrowings = short-term borrowings + long-term borrowings

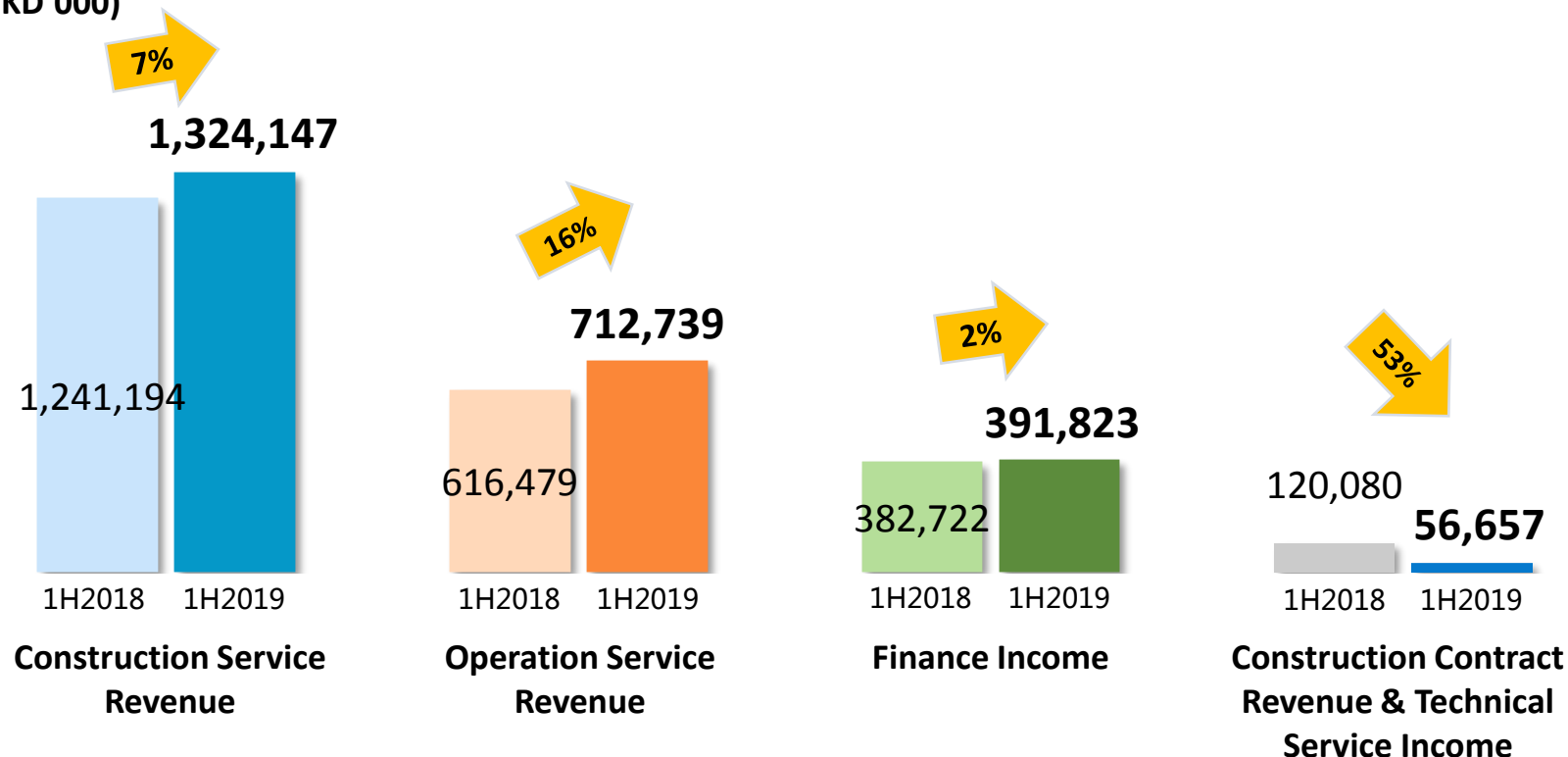
Cash/banking facilities available = unutilised banking facilities + bank deposit balance and cash

\*ppt: percentage point



## Revenue Analysis by Categories for the Six-month Period

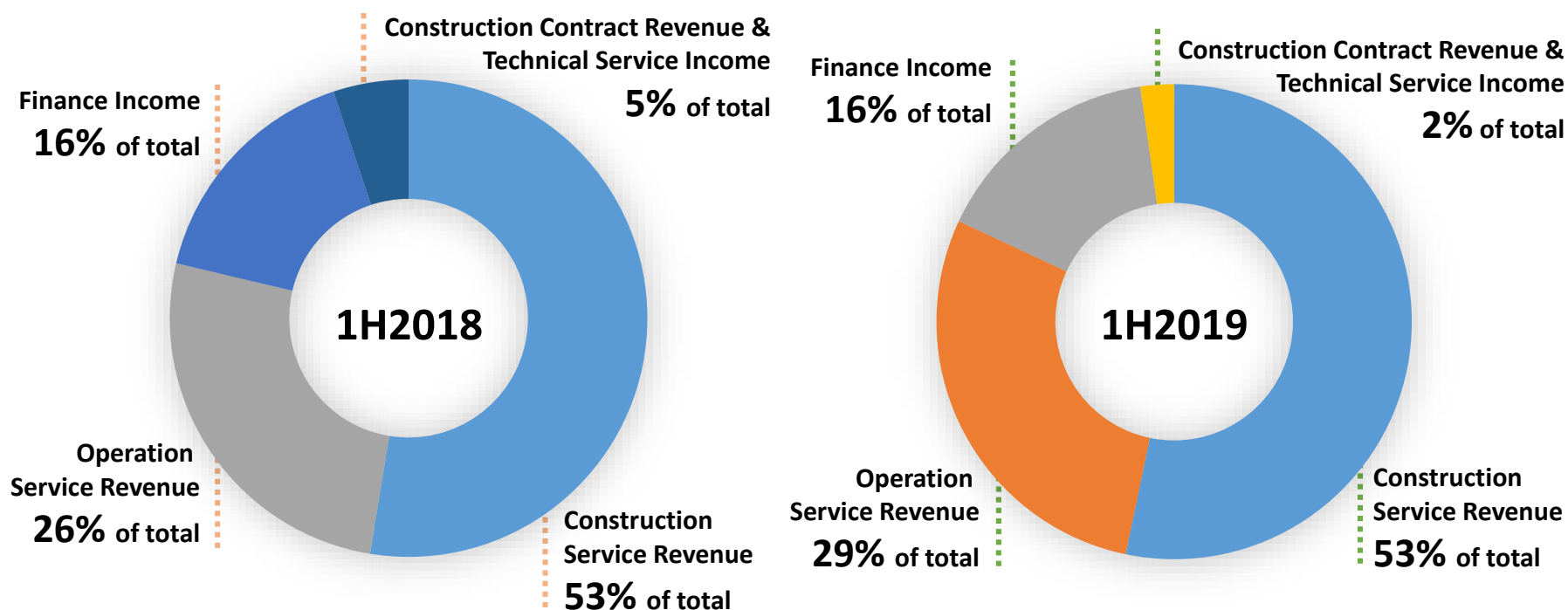
(HKD'000)



Total revenue in 1H2019: HKD2,485,366,000 (increase by 5%)

Total revenue in 1H2018: HKD2,360,475,000

## Proportion of Revenue in Each Category for the Six-month Period



The proportion of operation service revenue against total revenue was increased from 26% in 1H2018 to 29% in 1H2019. Following the completion of construction and commencement of operation for various projects, which are in preparatory stage or under construction, it is expected that the proportion of operation service revenue will further increase.







# Business Prospects





# Business Prospects

## – Industry Trends

- 
- As traditional areas in the water industry have become more mature, areas such as industrial waste water treatment for parks, sludge harmless treatment, water plant and pipeline integration, and the “mixed-ownership reform” of local state-owned water enterprises, are expected to become new development trends, which are expected to continue unleashing the industry’s potential for growth.
  - Asset-light business models focusing on areas, such as project planning and design, engineering consultancy, technical services and O&M, have also gradually become important sources of growth in future for companies that focus on the water environment management sector.
- 

# Business Prospects

## – Development Strategies

A water treatment platform of  
China Everbright Group Ltd., a large financial holdings group

A subsidiary of  
China Everbright International Limited,  
a leading player in  
China's ecological and environmental protection sector

A listed company  
with dual listing status in Singapore and Hong Kong

Capital-driven Integration  
and  
Innovation-driven Development

Aiming to become a  
comprehensive water enterprise  
with unique advantages

# Business Prospects

## – Development Strategies



### Dual Drivers

#### Investment

- Diverse, smooth and efficient channels for investment and financing.
- Healthy financial indicators and comparatively low funding cost.
- Good relationship with the government authorities.
- An efficient and professional market expansion team.

#### Operation

- A team with core members having an average of more than 10 years' experience in operations management.
- A comprehensive operations management system, with front-line staff accounting for 90% of the Company's total employees.
- An experienced operations management team.
- Good quality projects with safe and stable operational conditions.



### Parallel Strategies

#### Full-industry Chain

- The Company will continue improving its strategic planning on the development of a full-industry chain, which covers planning, design, investment, operation, construction, engineering, management, technology, among others.

#### Full-fledged Business

- The Company will continue strengthening its full-fledge business relating to water industry, such as water supply, waste water treatment, reusable water, water environment treatment, among others.



# Thank You!

**中国光大水务有限公司**

**China Everbright Water Limited**