

2021 Interim Results Presentation

August 2021

中国光大水务有限公司

China Everbright Water Limited

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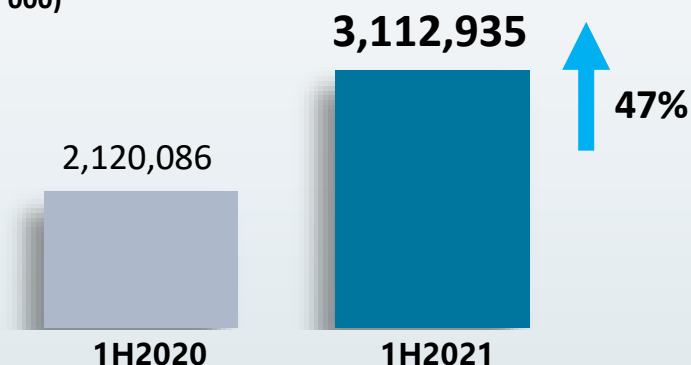


Operating Results

Operating Results – Steady Growth in Operating Indicators

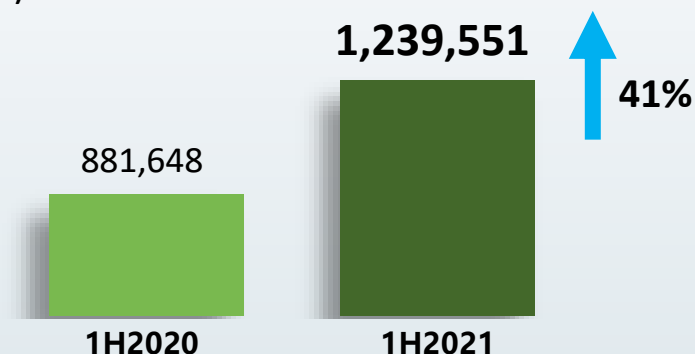
Revenue

(HK\$'000)



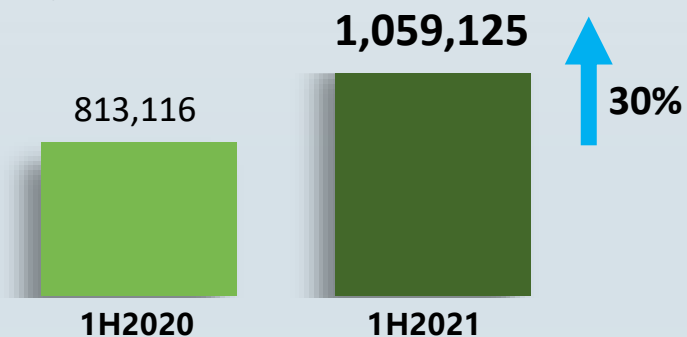
Gross Profit

(HK\$'000)



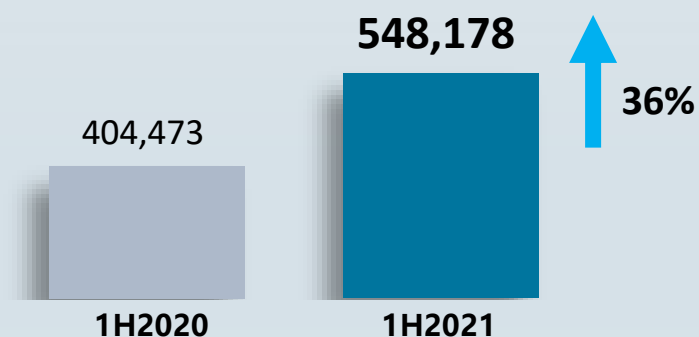
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)

(HK\$'000)



Profit Attributable to Equity Holders of the Company

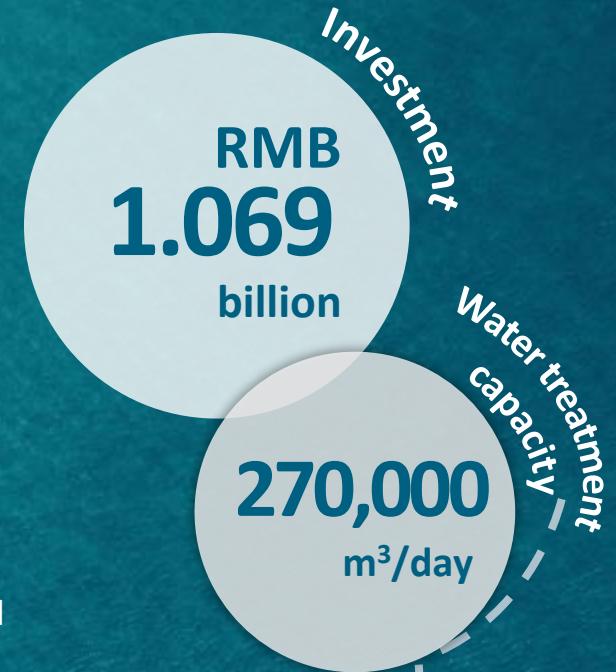
(HK\$'000)



Operating Results – Solid Improvement in Market Expansion

In 1H2021, Everbright Water secured 4 waste water treatment (“WWT”) projects, 1 reusable water project, and 1 engineering, procurement and construction (“EPC”) project. While solidifying its existing regional markets, the Group tapped into Tianjin’s water market.

- Tianjin Beitang WWT Project Phase I and Upgrading (acquired)
- Tianjin Gangdong WWT Project Phase I and Upgrading and Phase II (acquired)
- Tianjin Beitang Reusable Water Project (acquired)
- Jiangsu Huai’an Huaiyin Eastern District WWT Project Phase II
- Shaanxi Xianyang WWT Project Upgrading and Advanced Sludge Dewatering Project
- Jiangsu Xuzhou Tongshan District WWT Upgrading Project (Stage II) (EPC)



Operating Results – Steady Growth of Business Scale

Total project investment of approx.

RMB25.7 billion

Business footprint spans across **11** provinces, municipalities and autonomous regions in China

Projects located in over 50 districts, counties and cities across 11 provinces, municipalities and autonomous regions in China, including Beijing, Tianjin, Jiangsu, Zhejiang, Shandong, Shaanxi, Henan, Hubei, Guangxi, Liaoning and Inner Mongolia

Invested in and held **143** water projects, and undertook **6** O&M/EPC projects

122 WWT projects

(including waste water pipeline network projects)

8 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

2 operation and management (“O&M”) projects

4 EPC projects

Total water treatment capacity of approx. **6.8 million** m³/day

Operating Results – Smooth Progress of Construction Works

2 projects commenced construction

- 2 WWT projects
- Investment totaling approx. RMB338 million
- A total designed water treatment capacity of 40,000 m³/day

2 projects commenced operation upon completion of construction and 4 projects completed construction

- 6 WWT projects*
- Investment totaling approx. RMB607 million
- A total designed water treatment capacity* of 113,500 m³/day

26 projects under construction

- 20 WWT projects*, 2 reusable water projects, 3 river-basin ecological restoration projects and 1 raw water protection project
- Investment totaling approx. RMB7.483 billion
- A total designed water treatment capacity* of 1,226,500 m³/day

9 projects in preparatory stage

As at 30 June 2021,

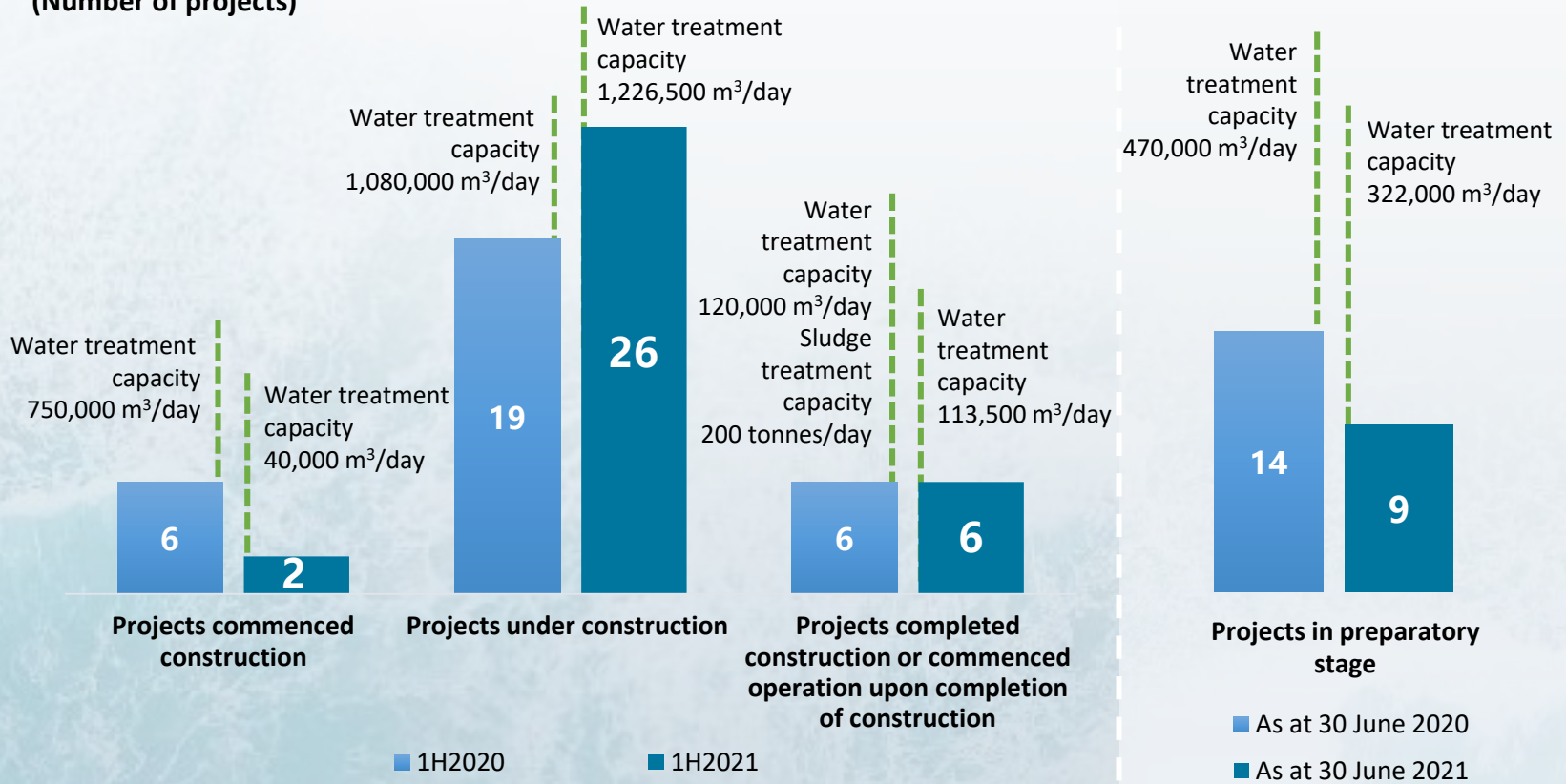
- 5 WWT projects, 1 reusable water project, 2 river-basin ecological restoration projects and 1 water supply project
- Investment totaling approx. RMB3.147 billion
- A total designed water treatment capacity of 322,000 m³/day

* Inclusive of the EPC project(s)

Operating Results – Smooth Progress of Construction Works

Construction Work Progress for the Six-month Period

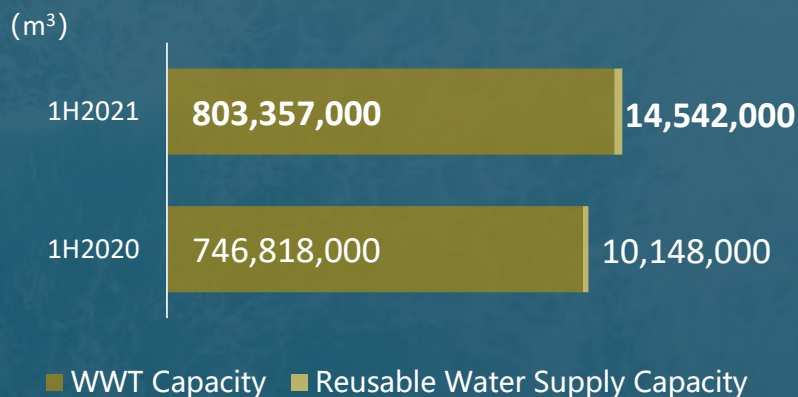
(Number of projects)



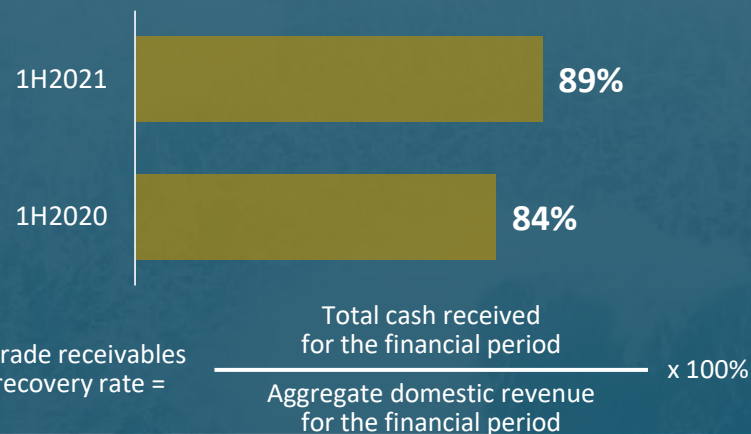
Operating Results – Stable and Innovative Operations Management

- In 1H2021, Everbright Water actively focused on China’s goals of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”. It rolled out a pilot programme at its projects to optimise WWT plants’ energy structure. The Group also participated in the pilot programme which was launched by the Ministry of Ecology and Environment of the PRC (“MEE”) in relation to monitoring of greenhouse gas emissions. This is expected to facilitate the Group’s exploration of energy optimisation and carbon emissions reduction for WWT plants.
- The Group was granted various subsidies of approx. RMB31 million.
- A total of 4 WWT plants received approval for tariff hikes, ranging from 8% to 58%.

WWT/Reusable Water Supply Capacity for the Six-month Period



Trade Receivables Recovery Rate* for the Six-month Period



Operating Results – Continued Progress in Technological Innovation

In 1H2021, in order to improve the intelligence level of its projects, Everbright Water has applied the operational management system to a number of projects. It has also completed the installation and testing of the accurate aeration equipment, trials of the smart dosing system, and application of the smart inspection system at selected projects. All these measures have effectively reduced workload of frontline staff, daily operational risks and project costs.

In 1H2021, the Group provided its in-house developed technological processes to internal and external clients, which amounted to a total contract value of approx. RMB69 million.

In 1H2021, the Group was granted 8 patents.

Operating Results – Issuance of Second Tranche of MTNs

In January 2021, Everbright Water issued the second tranche of medium term notes (“MTNs”) to institutional investors in the national inter-bank bond market in mainland China. The second tranche of MTNs was fully subscribed for by the institutional investors.

- Principal amount: RMB1 billion
- Maturity period: 3 years
- Interest rate: 3.75%
- Use of proceeds: Replenishment of working capital of the Company’s subsidiaries
- Credit rating: The second tranche of MTNs and the Company (as the issuer of the second tranche of MTNs) 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.



Financial Review

Financial Review

(HK\$'000)	Six months ended 30 June		Change	
	2021	2020		
Revenue	3,112,935	2,120,086	47%	
Gross Profit	1,239,551	881,648	41%	
Gross Profit Margin (%)	40	42	(2ppt*)	
EBITDA	1,059,125	813,116	30%	
Profit Attributable to Equity Holders of the Company	548,178	404,473	36%	
Basic Earnings per Share (HK cents)	19.16	14.14	36%	
Interim Dividend per Share	(HK cents)	5.75	3.74	54%
	(equivalent to Singapore cents)	1.01	0.67	51%

*ppt: percentage point

Financial Review

(HK\$'000)	As at 30/6/2021	As at 31/12/2020	As at 31/12/2019	As at 31/12/2018
Total Assets	30,601,657	26,907,534	22,683,031	19,584,389
Total Liabilities	18,117,835	15,501,675	13,134,279	10,920,692
Shareholders' Equity of the Company	11,241,366	10,534,293	8,810,069	7,983,190
Gearing Ratio (%) (total liabilities/total assets)	59.2	57.6	57.9	55.8
Return on Shareholders' Equity (%)	10.1*	10.6	9.9	8.5
Dividend Payout Ratio (%)	30	27	25	23

- 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".

* Annualised figure

Financial Review

(HK\$'000)	As at 30/6/2021	As at 31/12/2020	Change
Short-term Borrowings	3,226,594	2,246,673	43.6%
Long-term Borrowings	10,008,641	8,831,460	13.3%
Total Borrowings [#]	13,235,235	11,078,133	19.5%
Current Ratio (%)	108	112	(4ppt*)
Unutilised Banking Facilities	6,120,315	5,784,261	5.8%
Bank Deposit Balance and Cash	2,065,775	1,719,530	20.1%
Cash/Banking Facilities Available [#]	8,186,090	7,503,791	9.1%

- As at 30 June 2021, the Group's bank deposit balance and cash were abundant, with the unutilised banking facilities of approx. HK\$6.12 billion, providing solid capital support for the Group's future development.
- As at 30 June 2021, the Group's total borrowings were approx. HK\$13.24 billion, with long-term borrowings accounting for 76% of the total, demonstrating a healthy current ratio.

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

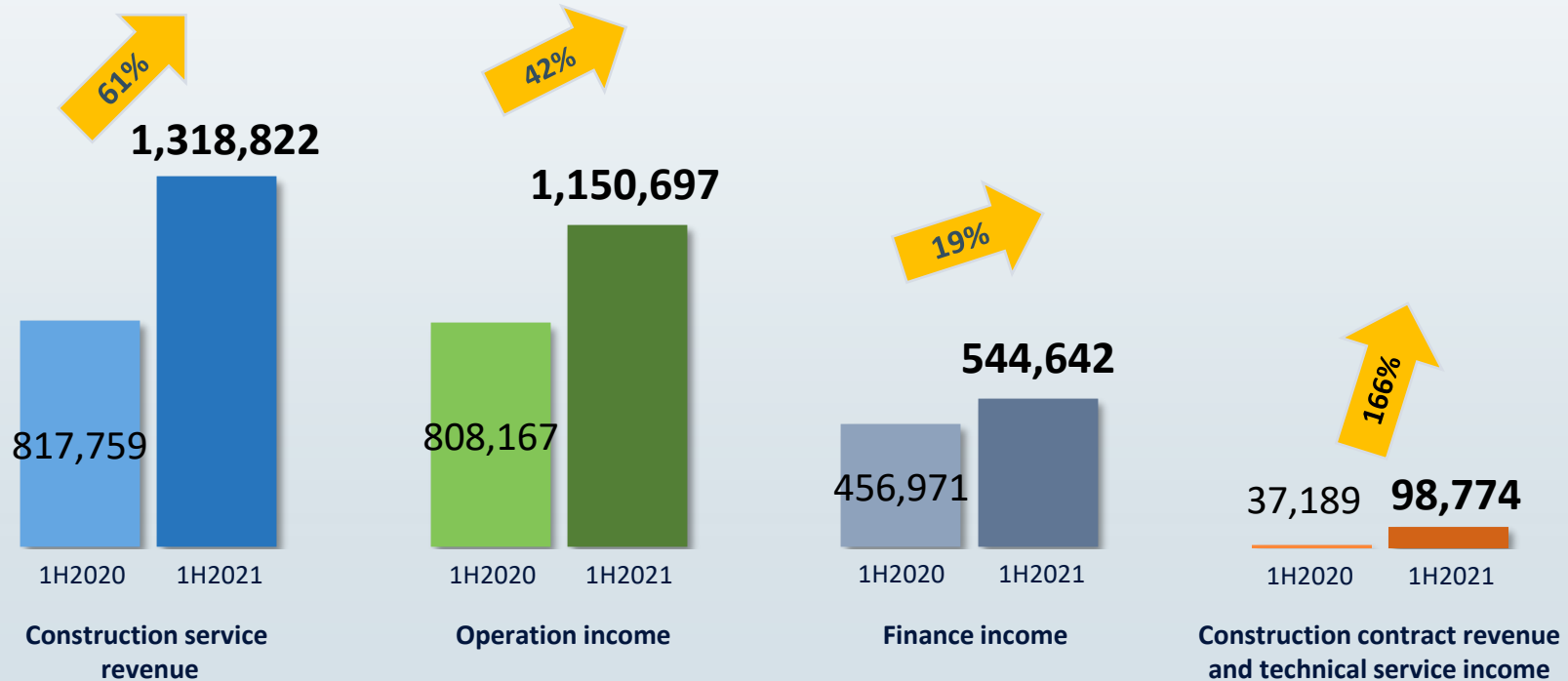
Cash/Banking facilities available = unutilised banking facilities + bank deposit balance and cash

*ppt: percentage point

Financial Review

Revenue Analysis by Categories for the Six-month Period

(HK\$'000)

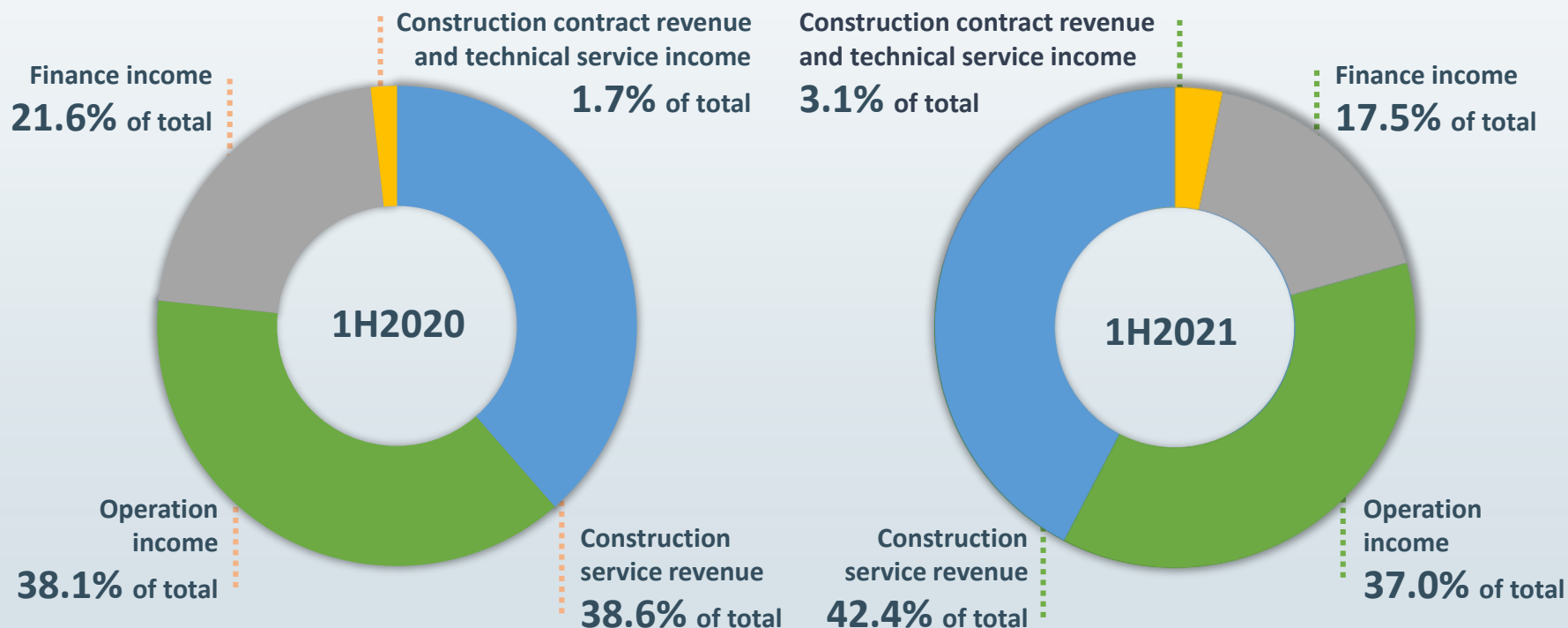


Total revenue in 1H2021: HK\$3,112,935,000

Total revenue in 1H2020: HK\$2,120,086,000

Financial Review

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



In 1H2021, the proportion of operation income out of total revenue in 1H2021 stood at a similar level as compared with the corresponding period of last year. Following the completion of construction and commencement of operation for the projects which are in preparatory stage or under construction, the amount of the operation income is expected to increase further.



Subsequent Events

Subsequent Events – Issuance of First Tranche of SCPs

In August 2021, Everbright Water issued the first tranche of RMB-denominated super & short-term commercial papers (“SCPs”) to institutional investors in the national inter-bank bond market in mainland China. The first tranche of SCPs was fully subscribed for by the institutional investors.

- Size of issue: RMB800 million
- Maturity period: 120 days
- Interest rate: 2.4%
- Use of proceeds: Replenishment of working capital of the Company’s subsidiaries
- Credit rating: The Company, as the issuer of the first tranche of SCPs, has been given a credit rating of “AAA” by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
- Lead underwriter: China Bohai Bank Co., Ltd.
- Joint lead underwriter: Bank of Ningbo Co., Ltd.



Business Prospects

Business Prospects – External Trends and Industry Policies

The topic of “carbon reduction” is the headline from all around the world – the decision of the United States to rejoin the Paris Agreement and China’s pledge of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality” have both reflected the determination of governments around the world to tackle climate change. In China, in order to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060, carbon emissions reduction has been included in the “14th Five-Year Plan” as the major task for China’s tough battle against pollution and climate change. This creates a clearer and more stable policy environment, which benefits the long-term development of related industries and enterprises and gradually promotes and ultimately achieves the low-carbon green development goals.

● China’s pledge of “Peaking Carbon Dioxide Emissions” and “Achieving Carbon Neutrality”

- China has started formation of the action plan to peak carbon dioxide emissions by 2030, and targets to continuously promote the society’s transformation into a green, low-carbon environment during the “14th Five-Year Plan” and “15th Five-Year Plan” periods.
- The country aims to accelerate the development of renewable energy, promote green and low-carbon technological innovation, and strive to achieve synergies relating to carbon emissions and pollution reduction.
- The country also aims to accelerate the development of a national carbon emissions trading market.

● China’s “14th Five-Year Plan”

- With an aim to win the tough battle against pollution, the Chinese government strives to strengthen environmental protection management at the source, with a systematic and integrated approach; the government also emphasises precise, science-based and regulated pollution control, in order to promote pollution prevention and control in key areas.
- In terms of water environment, the country aims to coordinate the management of water resources, water ecology and water environment, and continue to improve water quality, generate more ecological water, and enhance water ecology.

Business Prospects – External Trends and Industry Policies

“14th Five-Year Plan” on Urban Wastewater Treatment and Recycling

- China will overcome the shortcomings in municipal WWT systematically and strive to win the tough battle against pollution, in order to implement “China’s Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035”.
- The country will step up efforts to build a full-fledged, integrated, efficient, safe, energy-saving and low-carbon system for municipal waste water collection, treatment and recycling, by enhancing the relevant treatment facilities. This is to improve the quality of water environment, and boost efficiency of municipal waste water collection and treatment.

Opinions on Establishing and Improving Ecological Products Value-Realisation Mechanism

- By focusing on the innovation and reformation of relevant systems and mechanisms, China will promote the commercialisation of ecological solutions and eco-industrial development. It will boost efforts to improve value-realisation channels for ecological products, which are market-based and sustainable. Such channels will be led by government and participated by enterprises and all sectors of society.
- The country aims to improve pricing and fee collection mechanisms for waste water and waste treatment by reasonably establishing and adjusting the fee schedule.

Notice on Promoting Financing for Key Ecological and Environmental Projects in Support of Fighting against Pollution

- China will follow the “14th Five-Year Plan” on Ecological and Environmental Protection and provide main financial support to facilitate tough battles against pollution in key areas.

Business Prospects – Analysis of Industry Trends

Peaking Carbon Dioxide Emissions, Achieving Carbon Neutrality



“Carbon reduction” is expected to become the key development topic in the water environment management industry

- Everbright Water has established several working teams which specialised in different areas, such as carbon emissions reduction, in-plant solar photovoltaic, and waste water source heat pump to support future development through studying government policies, conducting researches and launching pilot projects.
- The Group has rolled out a pilot programme at its projects to optimise WWT plants’ energy structure, and also participated in the pilot programme which was launched by MEE in relation to monitoring of greenhouse gas emissions, in an attempt to continuously optimise energy structure and improve carbon emissions reduction work plans for WWT plants.
- In the future, the Group will further explore new business areas and models via various approaches, such as business development, operations management, engineering construction, and technology research and development (“R&D”), in order to reduce pollution and carbon emissions.

Business Prospects – Analysis of Industry Trends

Opportunities Arising from Industry Segmentation



Traditional segments such as municipal waste water treatment services are saturated and as such, overcoming the shortcomings and strengthening the weakness are emphasised; and market opportunities arise in other segments, such as water pipeline network, reusable water, and sludge treatment and disposal.

- Everbright Water is making efforts to reduce cost and enhance efficiency through its “Intelligent Water” management system and other digital/information management initiatives, while continuously solidifying its market position in traditional business segments.
- It has established working teams which specialised in areas including reusable water and sludge treatment and disposal, to conduct in-depth researches and assessments and formulate relevant development plans, in order to provide good references for the Group’s future business development.
- In the future, the Group will continue focusing on opportunities in various segments, strengthen technological innovation and R&D, and enhance digital/information management proficiency, to strengthen its business diversification and overall efficiency.

Business Prospects – Analysis of Industry Trends


Opportunities Arising from Industry Consolidation



The landscape of the water environment management industry is transforming, with consolidations and adjustments of business scale and industry chain taking place

Everbright Water is actively pursuing business diversification and extension of industry chain, while emphasising high-quality development of the traditional business.

- In recent years, the Group has demonstrated good progress in providing in-house development technological processes to its internal and external clients, and undertaking asset-light business and services. In the future, the Group will continue promoting asset-light business development by leveraging on its technology centre and design institute.
- In the future, the Group will keep an eye on new business models, such as the “Ecology-oriented Sustainable Development” (EOD) model, to further strengthen its integrated service capabilities in the water environment management sector.



Reducing Carbon Footprint to Embark A New Chapter