

Everbright International Announces 2017 Annual Results

Driving forward our Success Story

Financial Highlights

	For the year ended 31 Dec		
	2017 HK\$'000	2016 HK\$'000	Change
Revenue	20,043,116	13,971,204	43%
Gross Profit	7,132,515	5,309,566	34%
EBITDA	6,863,209	5,051,261	36%
Profit attributable to equity holders	3,509,990	2,784,863	26%
Basic earnings per share (HK cents)	78.30	62.12	26%
Total dividends (HK cents)	24.0	20.5	17%
Cash on hand	10,838,364	7,037,597	54%
Total assets	73,123,192	49,531,728	48%
Gearing ratio	61%	60%	1ppt

Hong Kong, 5 March 2018, Hong Kong - China Everbright International Limited ("Everbright International" or the "Group") (SEHK: 00257), today announced its audited annual results for the year ended 31 December 2017.

In 2017, the Group achieved notable achievements across all aspects of its development and concluded the year with exceptional results, which creates positive momentum for the Group's next round of growth. In the meantime, the Group also reached a new milestone in 2017. On 8 May 2017, it successfully spun off its greentech business on the Main Board of The Stock Exchange of Hong Kong Limited, raising fund of HK\$3.3 billion.

In terms of operating results, the Group fully facilitated the development of its six major business sectors during the year under review with remarkable results. The Group's revenue and profits both recorded robust growth. In 2017, the Group's construction service revenue hit a record high, as the management of projects in the preparatory stage was strengthened and construction works were carried out steadily. The Group also saw continuous growth in revenue from operation services as it

continued to reduce costs, expand its income streams and enhance efficiency. During the year under review, the Group's consolidated revenue amounted to HK\$20,043,116,000, an increase of 43% over HK\$13,971,204,000 in 2016. Profit attributable to equity holders of the Company for the year was HK\$3,509,990,000, 26% more than HK\$2,784,863,000 in 2016. Basic earnings per share for 2017 were HK78.30 cents, HK16.18 cents more than HK62.12 cents in 2016. The Group has ready access to financing channels, with abundance cash on hand which continues to rise, and it performed well in all financial indicators.

During the year under review, the environmental energy, environmental water and greentech projects generated a total revenue of HK\$19,231,453,000, of which construction service revenue increased by 47% to HK\$13,242,478,000 and operation service revenue increased by 45% to HK\$3,975,325,000, as compared with 2016. The proportions of revenue were as follows: construction service revenue 69%, operation service revenue 21% and finance income 10%.

In terms of market expansion, during the year under review, the Group secured a total of 54 new projects and signed 3 supplemental agreements for projects' capacity expansion. These included 20 environmental energy projects and 2 supplemental agreements for 2 environmental energy projects' capacity expansion; 14 environmental water projects; 19 greentech projects plus 1 supplemental agreement for a greentech project's capacity expansion; as well as the construction of Jiangsu Changzhou Equipment Manufacturing Project Phase III. The total investment of the new projects amounts to approximately RMB19,722,297,000. Both the number of projects and investment amount were the highest on record. With these, the Group further expanded its presence to 18 provinces or municipalities, covering over 120 locations in China, as well as overseas markets including Germany, Poland and Vietnam.

In terms of project construction, the number of project construction sites of the Group amounted to as many as 80 in 2017. During the year, 45 projects completed construction (of which, 37 projects commenced operation) and 40 projects started construction.

As at 31 December 2017, the Group secured 268 environmental protection projects with a total investment of approximately RMB72,892,846,000, while projects that completed construction commanded a total investment of approximately RMB36,476,077,000. Projects under construction commanded a total investment of approximately RMB19,150,935,000 and projects in the preparatory stage commanded a total investment of approximately RMB17,265,834,000.

Environmental Energy

During the year under review, the Group's environmental energy projects processed a total of 11,743,000 tonnes of household waste, an increase of 31% when compared with 2016. All projects generated a total 3,432,697,000 kWh of on-grid electricity, an increase of 39% when compared with 2016. Environmental energy projects contributed an EBITDA of HK\$4,190,705,000, an increase of 28% when compared with 2016. Environmental energy projects contributed a net profit attributable to the Group of HK\$2,697,881,000, an increase of 29% when compared with the previous year. The increase in profit was mainly attributable to the significant increase in construction service revenue during the year under review, as well as the increase in operation service revenue, which was boosted by continuing increases in the total processing volume of operating projects.

In 2017, the Group secured 14 waste-to-energy projects, 2 supplementary agreements for waste-to-energy projects' capacity expansion, 4 food waste treatment projects and 2 sludge treatment and disposal projects, commanding a total investment of RMB8,009,211,000. As a result, the Group's waste-to-energy projects have a total daily household waste processing capacity of 66,050 tonnes, remaining in the leading position in the industry.

In terms of project construction, the Group had 17 waste-to-energy projects and 2 food waste treatment projects that completed construction and commenced operation during the year under review. Additionally, there were 18 waste-to-energy projects, 1 sludge treatment and disposal project and 1 food waste treatment project that had commenced construction.

The Group's market development achievements during the year were largely attributable to the Group's effort in enhancing the operational transparency of its projects. The Group has set a new benchmark for the environmental protection industry in terms of information transparency and disclosure standards. Since the implementation of the "Four Steps" environmental information disclosure plan and the launch of "Open Days" for public visits, the Group had set a good example for the entire waste-to-energy industry: A number of its waste-to-energy projects, located in areas such as Nanjing, Zhenjiang, Wujiang and Yixing in Jiangsu Province, and also Yiyang in Hunan Province, have been recognised by local governments at provincial, municipal and county levels as hubs for environmental protection education and the popularisation of environmental science, demonstration sites for the circular economy, and industrial tourist attractions, among many other recognitions.

As at 31 December 2017, the Group had 43 operating waste-to-energy projects with a designed daily

household waste processing capacity of 39,100 tonnes, and had 19 waste-to-energy projects under construction, representing a designed daily household waste processing capacity of 14,400 tonnes. In addition, the Group had 13 waste-to-energy projects in the preparatory stage with a designed daily household waste processing capacity of 12,550 tonnes.

Environmental Water

As at 31 December 2017, the Group had a 74.85% stake in China Everbright Water Limited (“Everbright Water”). During the year under review, the environmental water projects treated 1,187,615,000 m³ of waste water (2016: 1,148,279,000 m³). Environmental water projects contributed an EBITDA of HK\$1,187,283,000, an increase of 41% when compared with 2016. Environmental water projects contributed a net profit attributable to the Group of HK\$397,434,000, an increase of 46% when compared with 2016. The increase was mainly due to the significant growth in revenue driven by continual expansion of the business.

As for market expansion, Everbright Water secured 14 new projects, with a total investment of approximately RMB6,080,950,000 during the year. It also got its first ever project in Guangxi Zhuang Autonomous Region and Hubei Province respectively.

As for project construction, during the year under review, Everbright Water had 11 new projects under construction and 14 projects that completed construction, of which 10 have commenced operation. In addition, during the year under review, 8 waste water treatment projects effected tariff hikes within the range of 8% to 86%. As at the end of 31 December 2017, Everbright Water had a number of projects under construction, including 4 household waste water treatment projects, 4 water environment management projects, and 1 water supply project.

In order to optimise the funding and financing structure, during the year under review, Everbright Water explored and implemented new approaches to obtaining investment capital. With approval from Shanghai Securities Exchange and China Securities and Regulatory Commission, Everbright Water issued RMB-denominated bonds in China of up to RMB2.5 billion in aggregate principal amount. In the second half of the year, Everbright Water issued its first tranche of Panda Bonds with a principal amount of RMB1 billion, bearing a coupon rate of 4.55% for a five-year maturity, which will provide support for Everbright Water’s stable development. In addition, Everbright Water also replaced its short-term debt with long-term debt and further lowered its financing costs.

Greentech

As at 31 December 2017, the Group held a 69.70% stake in China Everbright Greentech Limited (“Everbright Greentech”). During the year under review, the Group’s greentech projects provided a total on-grid electricity of 1,667,503,000 kWh, an increase of 87% compared with 2016. Greentech projects contributed an EBITDA of HK\$1,542,886,000, an increase of 51% compared with 2016. Greentech projects contributed a net profit attributable to the Group of HK\$785,918,000, an increase of 19% compared with 2016. The increase in profit was mainly due to the significant increase in both the construction service revenue and the operation service revenue compared with 2016.

In terms of market expansion, Everbright Greentech hit a new record in terms of the number of new projects in 2017, securing 19 projects and signing 1 supplementary agreement for an urban-rural integration project’s capacity expansion, with a total investment of approximately RMB5,473,136,000.

In terms of project construction, during the year under review, Everbright Greentech has completed construction of 12 projects, of which 8 projects commenced operation. Everbright Greentech had 9 projects which commenced construction, including 7 integrated biomass utilisation projects and 2 hazardous waste treatment projects. In addition, there were 35 projects in the preparatory stage, including 18 integrated biomass utilisation projects and 17 hazardous waste treatment projects.

Envirotech

During the year under review, the envirotech complex in Nanjing was fully put into use and successfully developed into a R&D platform for the Group. Operating as a center for R&D, design, technology management and international communications, and as a display of technological achievements, the complex serves to centralise the management of two institutes, three research facilities and one center. The two institutes comprise a research institute and a design institute, while the three research facilities are the Environmental Energy Research Institute, the Environmental Water Research Institute and the Greentech Research Institute. Together with the Analysis and Testing Center, the envirotech complex makes a major contribution to research efficiency and acts as the Group’s R&D hub.

During the year under review, the standard prototype unit of the Group’s self-developed 850 tonnes/day grate furnace was manufactured to meet technical standards and became ready for mass production. The standard prototype unit of the reciprocating water-cooled biomass grate

furnace was designed, manufactured for trial and passed the cold test. The plasma melting system for hazardous ash treatment fulfilled the criteria for production. The optimised auto combustion control (“ACC”) system for grate furnaces met its design targets and has been deployed in the Group’s projects. A new corrosion-proof technology was developed to be used in the water-cooled walls and super-heaters of boilers with high parameters. In addition, waste incineration projects with high parameters were able to meet systematic operation standards. With regards to environmental water business, the design and manufacturing process of low-temperature sludge drying prototype units was completed and proved to be effective during operation.

The Group continues to strengthen its collaboration with higher education and research institutions to enhance its holistic competitiveness. During the year, the Group reinforced its strategic partnership with Zhejiang University through the official co-founding of the “National Engineering Lab of Waste Incineration and Equipment”, through which the two sides cooperated on ultra-low flue gas emissions from waste incineration and optimisation of the computational fluid dynamics (“CFD”) of biomass grate furnaces. Apart from this, the Group also strengthened its partnerships with renowned local and overseas academic institutions and scientific research institutes, including Tsinghua University, Tongji University and Nanyang Technological University in Singapore.

During the year under review, the Group was granted 9 software copyright licenses and 91 patents, of which 9 were invention patents and 82 were utility invention patents.

Equipment Manufacturing

The equipment manufacturing sector was split as an independent business sector in 2017. During the year under review, the Group transformed the equipment manufacturing sector into a more energetic and competitive brand called “Intelligent Manufacturing by Everbright International” by redeveloping its marketing structure, enhancing its engineering design capabilities, adjusting its service models and improving its supply chain management.

The Group has currently established an integrated waste-to-energy system with a full set of intellectual property rights, covering grate furnaces, gas purification systems, leachate treatment systems and automatic control systems. The Group launched a series of cutting-edge products that demonstrate its technological strengths in environmental protection equipment manufacturing in China, which shows that it not only commands a top-tier position in the domestic environmental protection industry, but has also successfully strengthened its influence in the industry abroad.

During the year under review, the Group has witnessed a remarkable growth in its R&D,

manufacturing, sales, technical consultation and after-sales services of environmental protection equipment. In 2017, the Group completed the production of and commissioned 44 sets of grate furnaces, 28 sets of flue gas purification systems and 28 sets of leachate treatment systems in tandem with the construction progress of the Group's projects. In terms of external sales, through securing new customers and building good relationships with existing customers, the Group secured contracts with a total contract value of approximately RMB816 million and sold 60 entire sets of equipment, consisting of 35 sets of grate furnaces, 17 sets of flue gas purification systems and 8 sets of leachate treatment systems.

International Business

In the spirit of the Chinese government's "Belt and Road" initiative, during the year under review, the Group established its international business as an independent business sector. This laid a solid foundation from which it can further expand and grow in the overseas market.

Under the guidance of the national development strategy, during the year under review, the Group engaged in a series of fruitful activities along the "Belt and Road" route, in areas such as Southeast Asia, South Asia, Central and Eastern Europe as well as the Middle East. This helped the Group accumulate invaluable overseas market development experience and achieve substantial progress, while empowering it to introduce its self-developed equipment, technology and operating management experience abroad.

During the second half of 2016, the Group completed the acquisition of Novago sp. z o.o. ("Novago"), a leading solid waste treatment company in Poland. As the Group's first overseas acquisition project, the acquisition of Novago was not only beneficial for the Group in terms of the experience in conducting a foreign M&A transaction and implementing post-acquisition management, but also supported the development of the Group's international team. 2017 marked the first full financial year since the acquisition of Novago. After going through a period of integration during the year, Novago successfully seized upon the synergies with the Group's businesses, and was selected as one of the top ten "Belt and Road" PPP demonstration projects by the National Development and Reform Commission. During the year under review, Novago's revenue was HK\$455,017,000 and it contributed an EBITDA of HK\$146,944,000. Looking forward, the Group will continue to leverage existing strengths in mechanical and biological treatment ("MBT") and market development capabilities to extend its value chain and promote the application of the Group's advanced technical experience in environmental protection, renewable energy and equipment manufacturing in the environmental protection sector of Central and Eastern Europe.

In addition, the Group's first overseas waste-to-energy project, Can Tho Waste-to-energy Project in Vietnam, commenced construction during the year under review. The project is expected to complete construction and commence operation in 2018, becoming Vietnam's first high-standard household waste-to-energy project.

Mr. Wang Tianyi, CEO of Everbright International, said, "The Group has been proactively responding to the country's call for "lucid waters and lush mountains to be treated as invaluable assets", and following the country's "Belt and Road" initiatives. As a leader and pioneer in China's environmental protection industry, the Group leveraged talent, science and technology, upheld its 'Technology Leads Development' ethos as its main development theme, further enhanced the existing market and proactively expanded into new regions, further optimising its six major business sectors' development trajectories, simultaneously promoting their developments. Meanwhile, the Group proactively looked for new business opportunities in areas such as atmospheric monitoring and the 'Smart Environment'."

Mr. Wang Tianyi continued, "Looking ahead, the Group will seize opportunities arising from the country's efforts to boost ecological conservation and continuously devote itself to the environmental protection industry. The Group will continuously strive for stable growth by fully promoting the sustainable development at corporate and social levels. The Group will also uphold the concept of "Taking Quality as the Top Mission and Keeping Efficiency as the Priority with Support by Scale", achieving growth in both scale and efficiency. We will continue to pursue our development in a market-oriented, international and professional manner. We will strive to further enhance our business strengths, seek to diversify our businesses, extend our business chain, increase R&D investment, recruit talent worldwide, and optimise our business model, in order to build up a world-class enterprise that focuses on ecological and environmental protection in five years, enhance long-term value for our investors and shareholders. We will also endeavor to contribute to the sustainable development of China and the world. The management of the Group firmly believe that by leveraging the strong capabilities and resources of our parent company, China Everbright Group Ltd., together with the recognition and support from the society, the Group will be able to grasp opportunities in 2018, and ride the tide to sail forward to its new glorious future!"

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About China Everbright International Limited

China Everbright International Limited, a flagship company in the industrial investment sector of China Everbright Group Ltd., is listed on the Mainboard of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). Everbright International is a leading company in China's environmental protection industry, and the first one-stop integrated environmental solution provider in the country. It leverages talent, science and technology to drive the development of its six major business sectors, namely environmental energy, environmental water (China Everbright Water Limited is listed on the Mainboard of the Singapore Exchange Securities Trading Limited), greentech (China Everbright Greentech Limited is listed on the Mainboard of the Hong Kong Stock Exchange), envirotech, equipment manufacturing and international business. It also manages a large number of industry-leading, world-class projects, in the areas of waste-to-energy, water environment management, biomass integrated utilisation, hazardous waste treatment, solar energy, wind power, environmental protection engineering, technological research and development, environmental protection equipment manufacturing, and the planning and construction of environmental protection industrial parks.

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