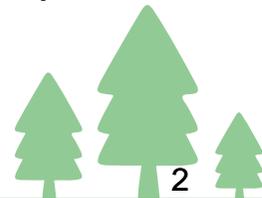


LAYING A SOLID FOUNDATION AND KEEPING PACE WITH TIMES

2020 Annual Results



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01 Results Highlights



Fighting the pandemic against all odds

◆ Building protective bulwark with prompt response

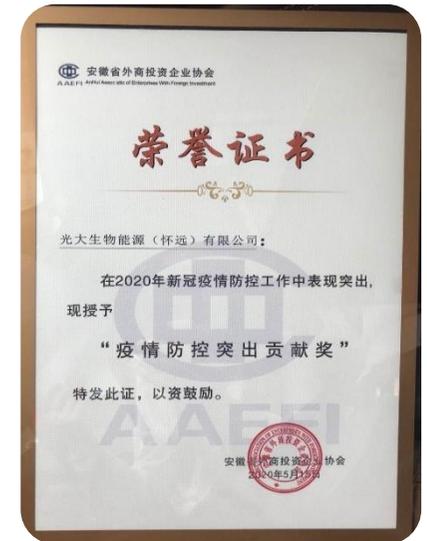
“Zero infection” in workplace on the back of a three-tier epidemic prevention mechanism

◆ Dauntless commitment in times of crisis

2,500 tonnes of highly infectious medical waste processed during the epidemic; subsidiaries awarded titles of “Vanguard Entities with Outstanding Contributions in Epidemic Prevention” and “Vanguard Enterprise in Epidemic Prevention”

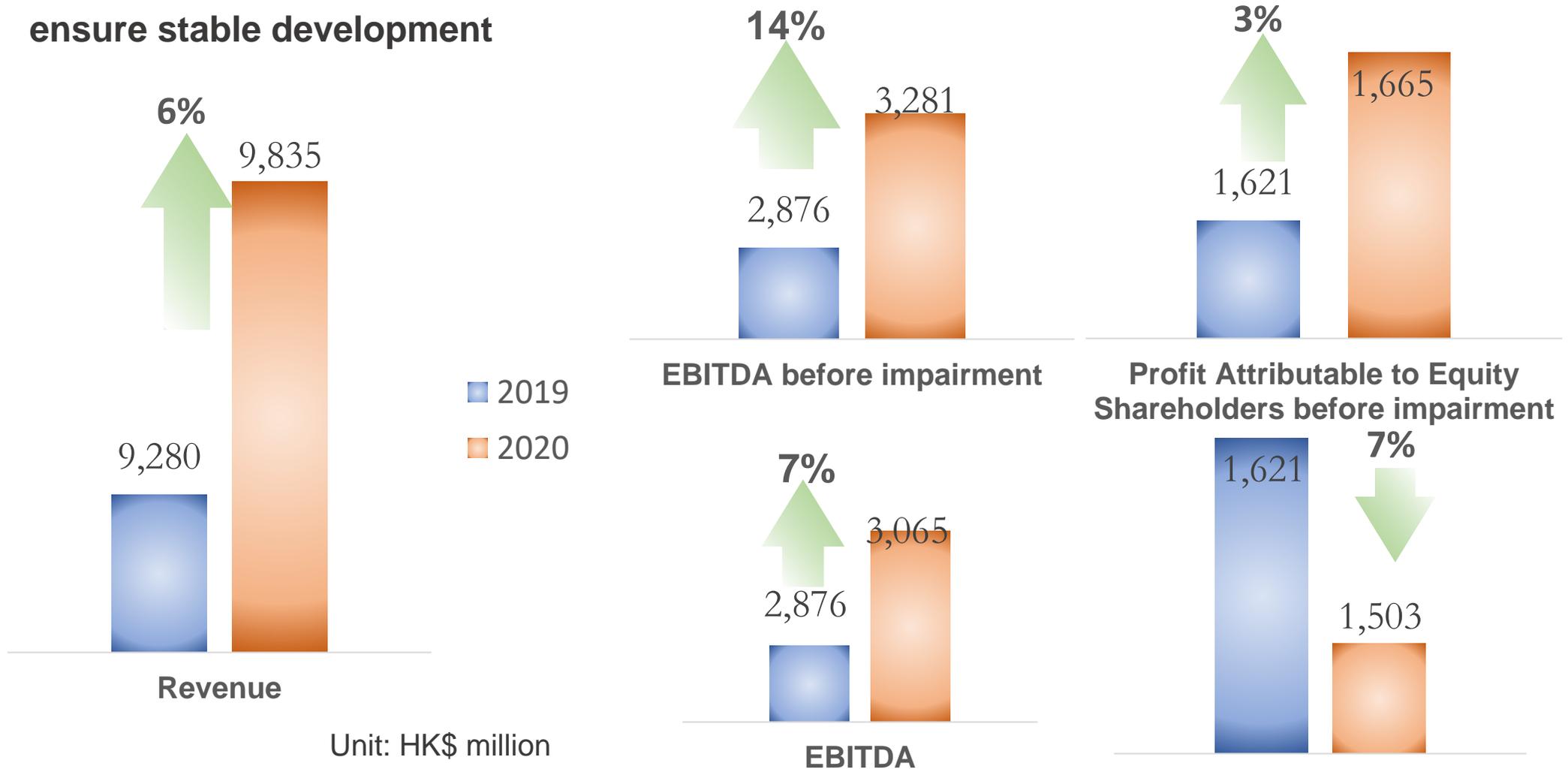
◆ Mutual aid and assistance expediting production

All operating projects were back in operation by mid-March with systematic resumption of production



Sustaining stable development through concerted effort to overcome challenges

- ◆ Active response to the epidemic, floods and changes in national subsidy policy to ensure stable development



*Due to changes in national policies during the year, the Group made a one-off impairment on intangible asset during the year. Excluding the impact of impairment, EBITDA increased by 14% and net profit increased by 3% year-on-year, indicating further improvement in profitability.

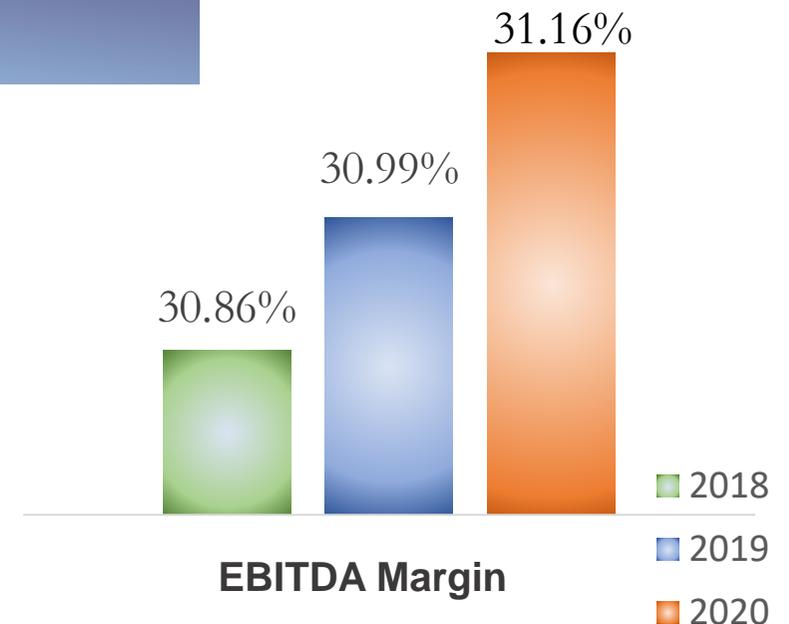
High-quality development through multiple initiatives

◆ Enhancing quality and efficiency with revenue-boosting and cost-saving measures

Fuel cost effectively stabilised thanks to fuel mix optimisation leveraging geographical distribution of biomass projects. Government subsidy granted during the year amounted to RMB137 million, while volumes of household waste processed and steam supplied increased by 58% and 64% year-on-year respectively.

◆ Tapping potentials through regional planning

Riding on development of hazardous and solid waste projects, 182,000 tonnes of hazardous and solid waste were processed during the year, including 15,000 tonnes of integrated resource utilisation and sales of 5,768 tonnes of recycled products, up 12% and 10% year-on-year, respectively.

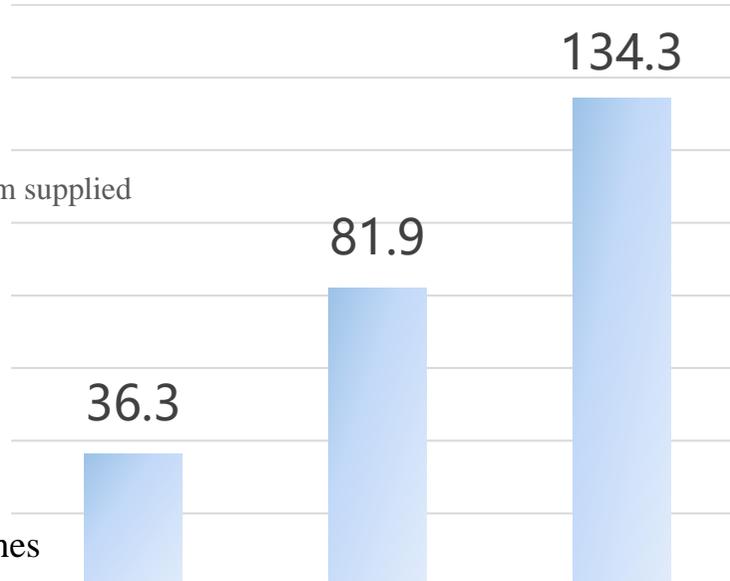


IV Progressive expansion and steady transformation

Integrated biomass utilisation

Cost reduction and efficiency enhancement facilitating transformation to non-electricity and synergetic businesses

■ Volume of steam supplied



Unit: ten thousand tonnes

	2018	2019	2020
■ Volume of steam supplied	36.3	81.9	134.3

The compound growth rate of steam sales in the past 3 years reached **92.3%**; 9 new steam supply projects in the pipeline and expect steam sales reach no less than **4 million tonnes per year** in next 3 years.

- Stronger efforts to tap heat generation business in existing projects
- Tapping synergetic processing business of existing projects with breakthroughs in kitchen waste project

IV Progressive expansion and steady transformation

Hazardous and solid waste treatment

Development from detoxification to recycling and from hazardous waste treatment to bulk solid waste treatment underpinning synergies of organic growth and external expansion

- Transformation of detoxification treatment to integrated utilisation
- Breakthrough in recycling of bulk solid waste and successful expansion into entrusted operation of oil sludge treatment
- Exploiting the general industrial solid waste market with Xiao County and Lianshui General Industrial Solid Waste Electricity and Heat Cogeneration Projects

Environmental remediation

Stronger efforts in market expansion and business mix optimization highlighted by 9 projects signed with contract value of approximately RMB280 million

New business

Successful tapping of the end-of-life tyre (ELT) disposal business in further enrichment of the business portfolio

V Financial planning with remarkable results

- ◆ RMB2 billion asset-backed notes (ABN) with account receivables as underlying assets in progress (approval obtained) to fulfil the dual purposes of financing and removal from balance sheet to control the debt-to-asset ratio;
- ◆ Successful issuance of RMB1 billion medium-term notes with an interest rate of 3.68% and drawdown of RMB700 million low-interest loans from a policy bank with an interest rate of 3.4% during the year resulting in optimised debt structure and reduction of Group's effective interest rate by 0.7% from 4.6% to 3.9%;
- ◆ New financing models explored with a view to reasonable match of maturity profiles of financing and cashing in on idle assets to address medium-and long-term working capital requirements;
- ◆ Improvements in tax management achieved as we maximised tax savings with the benefit of government policies such as tax concessions in relation to epidemic prevention and control and deferred tax payment for conversion of dividends into capital injection.

VI Technology-driven dynamics

◆ Continuous improvements in innovation capability

As at the end of 2020, the Group held 149 authorised patents, including 21 invention patents and 128 utility model patents, and 5 software copyrights

◆ Breakthrough in industry-academia-research platform

Joint research with Southeast University, Andritz of Austria and others successfully included as national key research and development projects under the Ministry of Science and Technology

◆ R&D regimes showing initial effectiveness

Technology management specialist regime and design and management regime were established and corresponding management systems were announced in further improvement of the technology management regime

Commitment highlighted by duty fulfillment

Defined poverty alleviation

- ◆ Fuel payment for integrated biomass utilisation projects during the year amounted to approximately RMB2 billion.
- ◆ Leveraging strengths of industry in poverty alleviation to conduct targeted purchase of biomass fuel and promote local industrial development, creating jobs for 5,077 people.
- ◆ Promoted star products of designated poverty alleviation counties and helped lifting impoverished households from poverty by creating jobs, benefitting 11.45 million farmers.



Energy conservation

- ◆ Processing of 2.27 million tonnes of household waste and consumption of 6.71 million tonnes of agroforestry biomass in replacement of 2.68 million tonnes of standard coal during the year, reducing GHG(Greenhouse Gas) emission by 4.56 million tonnes.



VIII

Internal improvement effort recognised by accolades and awards

Formation of ESG Committee and ESG Work Group headed by CEO has raised ESG management to the Board level while promoting ESG to all departments.



ESG ratings and awards in 2020



- Constituent stock of Hang Seng Corporate Sustainability Benchmark Index for three consecutive years
- 2019/2020 ESG Award of *Yazhou Zhoukan*
- “EcoChallenger” certificate in the “BOCHK Corporate Environmental Leadership Awards 2019”
- Hong Kong Council of Social Service — “Caring Company” 2019/20 logo



02 Financial Analysis



Financial Analysis

HK\$' million	2020	2019	Changes
Revenue	9,835	9,280	+6%
Gross profit	3,012	2,801	+8%
EBITDA	3,065	2,876	+7%
Profit attributable to equity shareholders	1,503	1,621	-7%
Return on shareholders' equity (%)	13.1	16.5	-3.4ppt
Basic earnings per share (HK cents)	72.72	78.48	-7%
Dividend for the year per share (HK cents)	15	16	-6%

- ▶ Group revenue for 2020 amounted to HK\$9.835 billion, a 6% increase from HK\$9.28 billion last year, as revenue from operation services increased by 22% year-on-year on the back of substantial increase in the number of projects commencing operation during the period as compared to the same period last year;
- ▶ Number of projects completed and in operation increased from 61 as at the end of last year to 76, as biomass projects overcame impacts of the epidemic to report steady growth in results, although the hazardous waste treatment market was harder hit while the environmental remediation business was also affected;
- ▶ Owing to adjustments to the national subsidy policy, a one-off impairment was made to concession rights (intangible assets) for individual integrated biomass utilisation projects, resulting in a HK\$163 million decrease in profit. Excluding the impact of the one-off impairment, profits attributable to equity shareholders was HK\$1,665 million, an increase of approximately 3% compared with 2019.
- ▶ EBITDA increased by 7% year-on-year, or 14% if excluding the impact of the one-off impairment, attributable mainly to significant increase in revenue and EBITDA driven by 26% increase in EBITDA of integrated biomass utilisation projects, 40% increase in on-grid power volume, 58% increase in volume of household waste processed and 64% increase in steam production volume during the year.
- ▶ Proposed final dividend for 2020 is HK\$7.0 cents per share, representing an annual dividend payout ratio of approximately 20.6% (2019: 20.4%).

Financial Analysis

HK\$' million	As at 31/12/2020	As at 31/12/2019	Changes
Total assets	35,265	26,258	+34%
Total liabilities	22,398	15,671	+43%
Shareholders' equity	12,524	10,346	+21%
Current ratio (%)	156.2	148.7	+7.5ppt
Gearing ratio (Total liabilities/Total assets) (%)	63.5	59.7	+3.8ppt

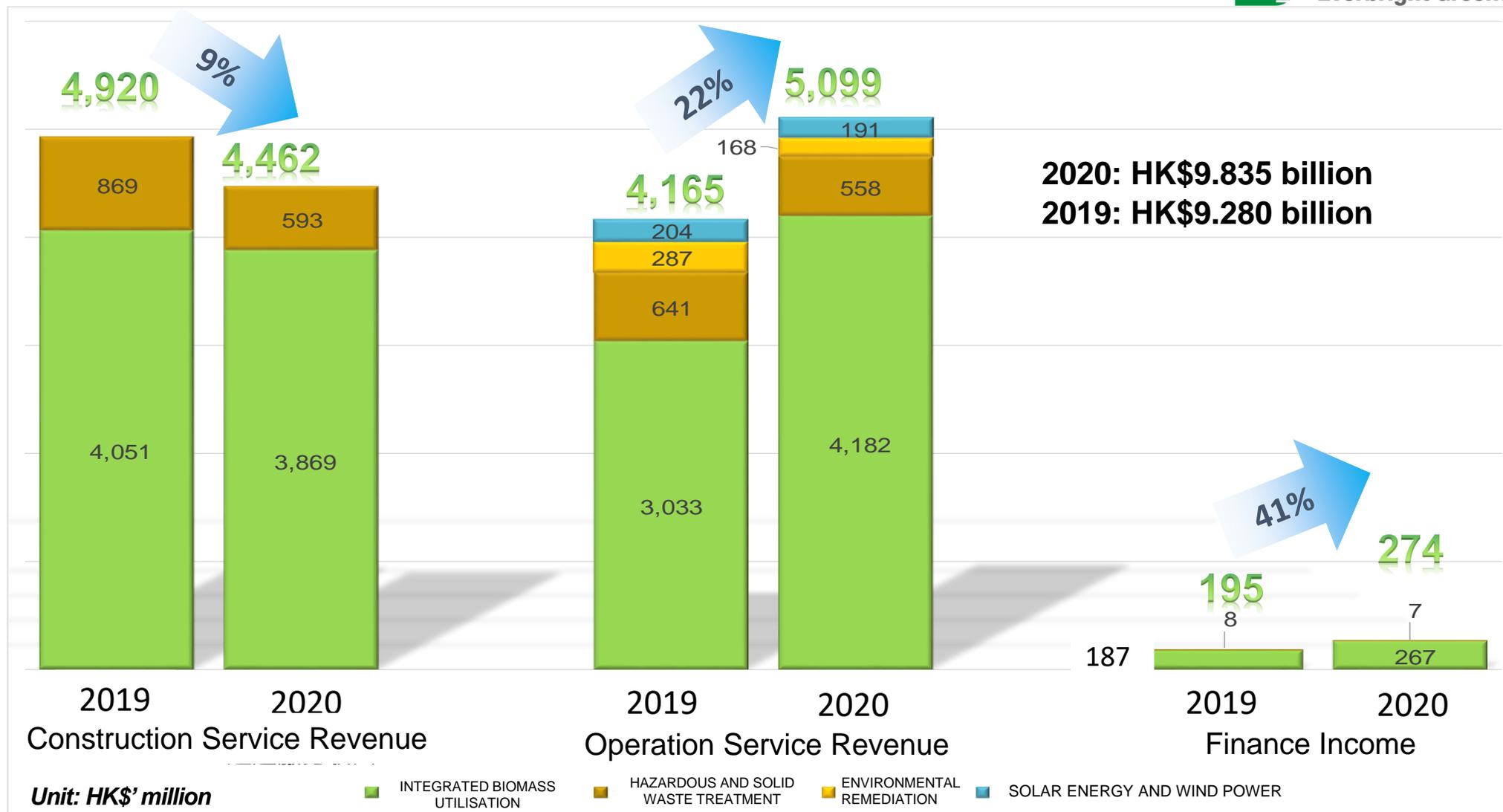
- ▶ At at end of December 2020, total assets and shareholders' equity increased by 34% and 43%, respectively, as compared with the end of last year. Gearing ratio stayed at a solid level while current ratio increased steadily by 7.5 base points in further improvement of the Company's solvency;
- ▶ The Group's effective interest rate decreased by 0.7% to 3.9% from 4.6% for the previous year following debt structure optimisation during the year, including the issuance of RMB1 billion medium-term notes at an interest rate of 3.68% and drawdown of RMB700 million policy bank loan at an interest rate of 3.4% in replacement of domestic projects loans with higher interest rate, efficiently lower the overall finance cost .

Financial Analysis

HK\$' million	As at 31/12/2020		As at 31/12/2019		Changes
Short-term loans	2,315	14%	2,022	18%	+14%
Long-term loans	14,619	86%	9,516	82%	+54%
Total loans	16,934		11,538		+47%
Unutilised banking facilities	7,592		6,329		+20%
Total banking facilities	24,526		17,867		+37%
Unutilised banking facilities and cash and bank balances					
Unutilised banking facilities	7,592		6,329		+20%
Cash and bank balances	2,727		2,897		-6%
Cash and unutilised banking facilities available	10,319		9,226		+12%

- ▶ As at the end of 2020, short-term and long-term loans in aggregate amounted to HK\$16.934 billion, an increase of HK\$5.396 billion over the end of last year, comprising loans drawn by project companies and Hong Kong head office and issuance of corporate bonds to support capital expenditure of projects in progress or under preparation amounting approximately HK\$4 billion and payments of other operating costs during the year;
- ▶ As at the end of 2020, unutilised banking facilities and cash in hand in aggregate amounted to HK\$10.319 billion, an increase of 12% from HK\$9.226 billion at the end of 2019, providing a solid foundation for the Company's sustainable development in future.

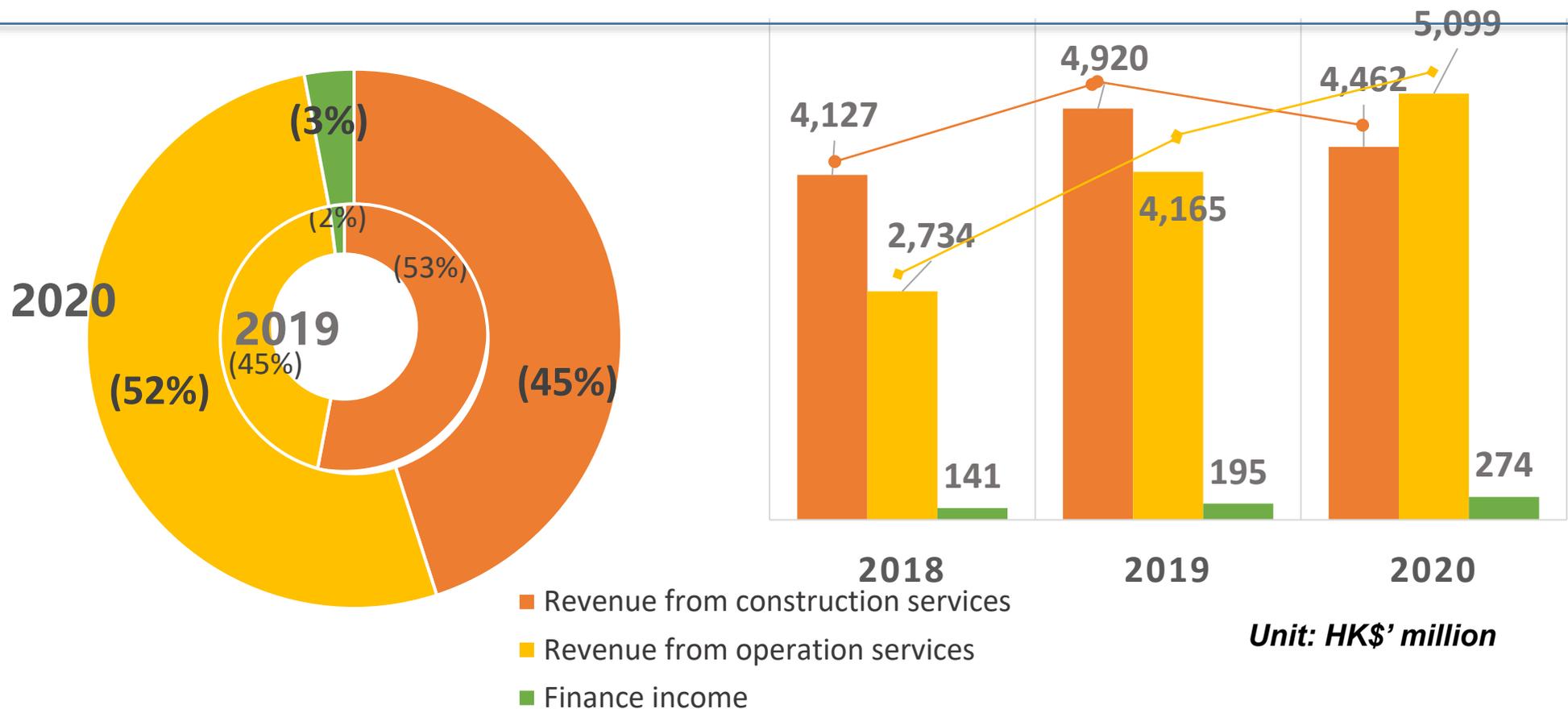
Revenue analysis by operating activities



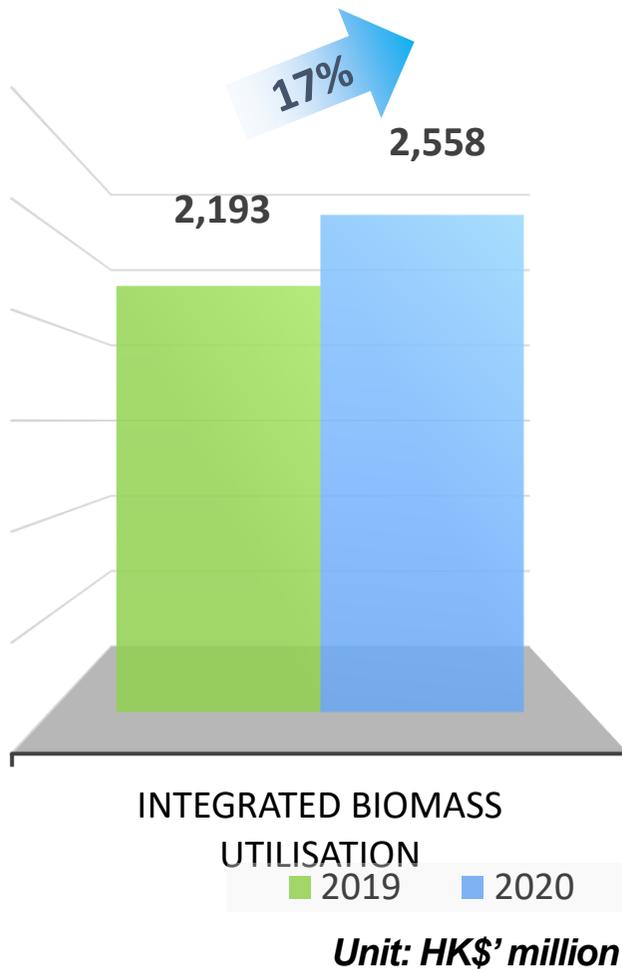
- Revenue from construction services: projects with recognisable revenue from construction services decreased during the period, resulting in a 9% decline, year-on-year, in revenue from construction services;
- Revenue from operation services: a total of 15 projects were newly completed and commenced operation whereas 5 environmental remediation projects are completed during the period, resulting in a 22% increase, year-on-year, in revenue from operation services;
- Revenue from integrated biomass utilisation operation services: volume of on-grid electricity, household waste treatment and steam supplied grew year-on-year by 40%, 58% and 64%, respectively;
- Revenue from hazardous and solid waste treatment operation services: volume of hazardous and solid waste treatment decreased by 9%;
- Revenue from solar energy and wind power: volume of on-grid electricity decreased by 4% due to power supply restrictions under the epidemic.

Ongoing optimisation with operation services accounting for higher share of revenue

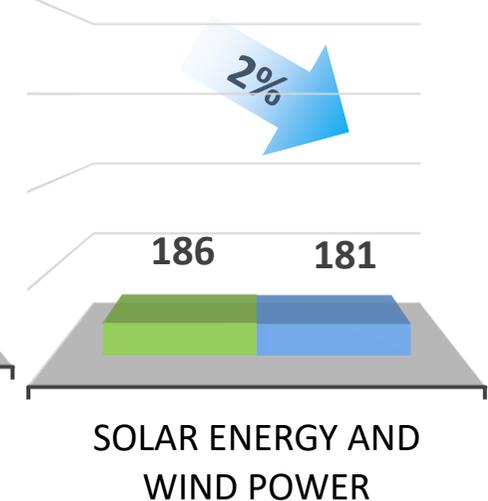
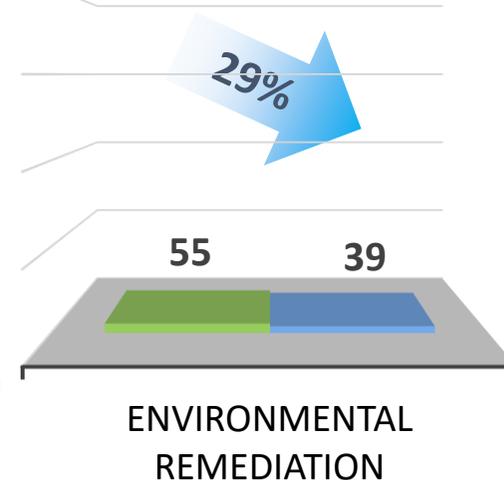
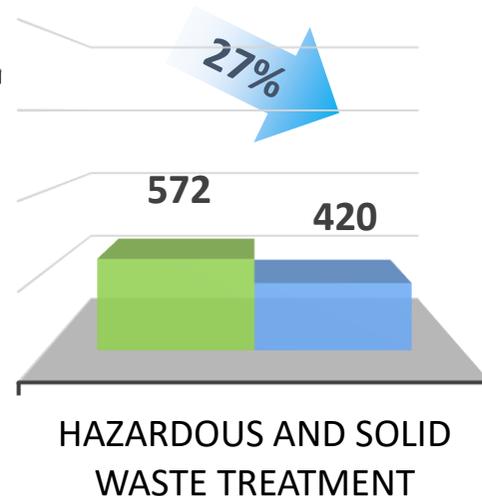
- ◆ Revenue from construction services recorded a decrease with a year-on year 9%; revenue from operation services increased by 22% over last year, accounted for **52%** of total revenue as compared to 45% last year to exceed construction services(45%) for the first time, the annual compound growth rate reached **36.6%**, further enhancing operating cash flow.
- ◆ Annual processing designed capacity of hazardous and solid waste treatment projects reached more than **2.84 million tons/year**, scheduled for commissioning in the next two to three years, hence the share of revenue from operation services will be further increased.



Analysis of EBITDA from four principal segments



- ◆ EBITDA from integrated biomass utilisation segment increased by 17%, year-on-year, attributable mainly to year-on-year increases of 40%, 58% and 64% in the volume of on-grid electricity, household waste treatment and steam supplied, respectively.
- ◆ EBITDA of hazardous and solid waste treatment segment decreased 27% due to pandemic causing the treatment volume fall. Recycling treatment volume amounted to 15,000 tonnes, a year-on-year increase of 12%. Sales of recycled products amounted to approximately 5,768 tonnes, increasing by 10%, year-on-year.

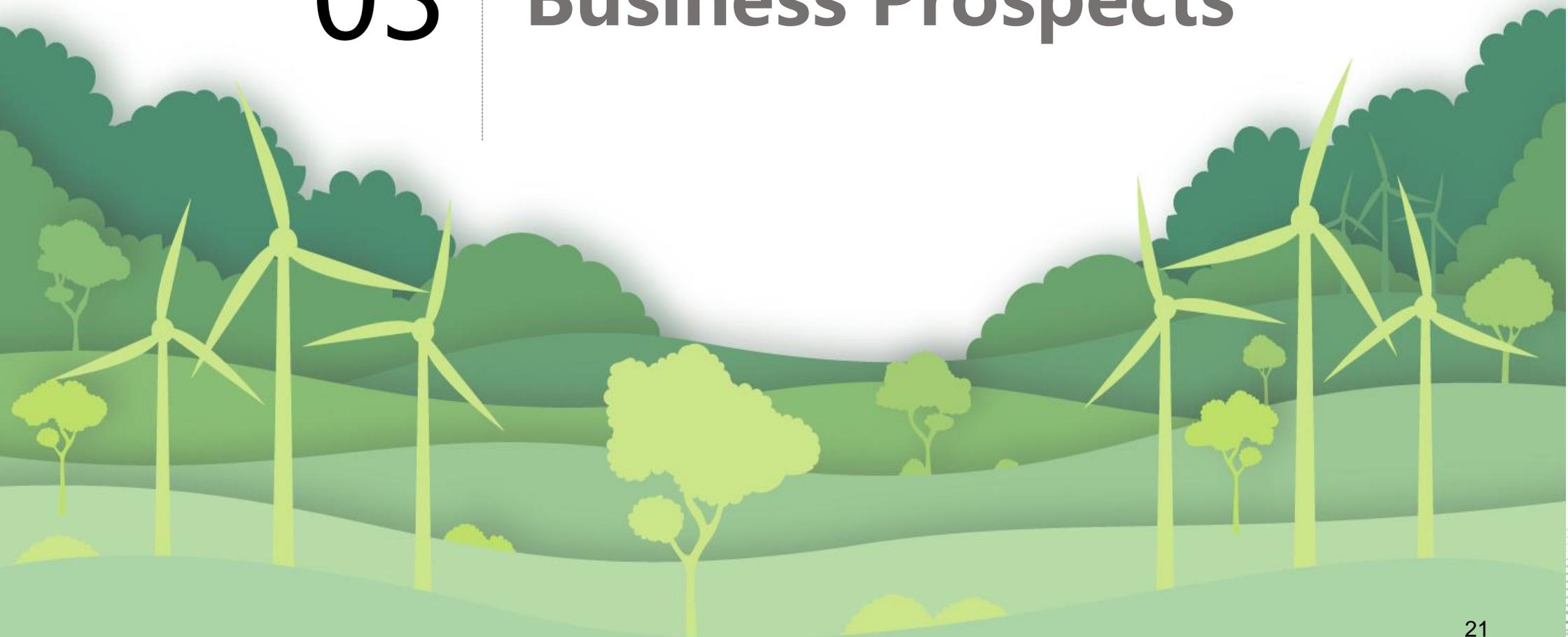


EBITDA*:

2020: Approximately HK\$3.198 billion (up 6% year on year);
2019: Approximately HK\$3.006 billion

* Before deducting net allocated expenses for head office and corporate

03 Business Prospects



I Focused on development and breakthrough

- With a special focus on “environment, resources and energy” and broader goal of “carbon peaking and carbon neutrality”, we will look into areas such as waste-free cities, resource recycling and tier-based energy utilisation with stronger market expansion effort;
- To enhance development of non-electricity and synergetic businesses of existing biomass projects, including steam supply, hot water, kitchen waste treatment and linen washing;
- To advance hazardous waste recycling with full strengths and seek breakthroughs in integrated utilisation of general industrial solid wastes;
- To develop the landfill remediation EPC or EPC+O businesses with vigorous efforts and increase our effort to develop the contaminated site remediation, and landfill remediation and leachate treatment business in developed regions such as Jiangsu, Shandong, Zhejiang and the Greater Bay Area as well as regions where we claim business dominance.

II Riding the trend to expedite transformation

- Transformation of biomass power generation projects towards non-electricity and synergetic businesses, hazardous waste detoxification towards integrated recycling treatment;
- Active exploration of new models such as EOD(Ecology-oriented Development) in the environmental remediation segment, land index trading and exchange of resources, with a view to forging a circle of friendly partners to facilitate development of large-scale businesses;
- Breakthroughs in new businesses such as energy storage and battery recycling and investigation of new business models such as smart energy management for the emerging business segment in tandem with the goal of carbon neutrality;
- Exploring diversified investment models to realise a balanced asset structure comprising both asset-light and asset-heavy operations.

Intensive reform to enhance staff motivation

◆ Reform of the assessment system

- Enhancing project synergy through the establishment of coordinated assessment system for regional projects
- Enhancing project efficiency through the establishment of a small-indicator assessment system

◆ Reform of the HR system

- Building flexible teams to adapt to market competition
- Trial implementation of the universal operation reward mechanism for all employees to enhance staff motivation
- Enhancing delivery of value by optimising the headquarters' assessment system

IV Capitalising on existing resources to enhance value

- Seeking revenue growth, cost reduction, quality improvement and efficiency enhancement through the implementation of refined, intensive, standardised and intelligent operations;
- Enhancing operational management capabilities and improve per capita efficiency with the establishment of a small-indicator assessment system;
- Facilitating rapid growth in the volume of heat supply through synergetic development in the biomass business;
- Increasing the localisation rate and utilisation rate for crop straw and developing new fuel types to ensure fuel supply with the establishment of standardised system for the collection, storage and transportation of biomass fuel;
- Enhancing market competitiveness with the establishment of a regionally coordinated market system for the hazardous and solid waste treatment business;
- Monitoring the carbon emissions trading market, overall planning on carbon-asset management.

Technology-driven organic development

◆ **Closely monitoring latest developments in frontier technologies**

Providing back-up and support for the Company's upgrade and transformation through focused research on new technologies, materials and models for environmental and recycling businesses.

◆ **Upgrading the Company's R&D platform**

Procuring maintenance required for a high-tech enterprise and the development and application planning of enterprise technology centers, building extensive R&D platforms supported by industry - academia – research collaboration for the establishment of a joint R&D mechanism with leading domestic universities / scientific research institutions.

◆ **Establishment of a platform for technology sharing**

Forging a channel for technological exchange covering the end-to-end process of technology R&D, project design, engineering construction and production operation.

VI Building solid foundation through sound financial planning

- Further improve the standardized budget model to enhance the accuracy, timeliness and controllability of budget management;
- Ongoing enhancement of financing with the completion of the first tranche ABN issue with national subsidy as underlying assets and issuance of second tranche mid-term notes as and when appropriate to reduce overall financing costs and enhance market confidence;
- Enhancing delicacy management of cost to improve the cost management system.

VII Fostering capabilities to ensure stable development



Staying vigilant in the prevention of and fight against the pandemic, ensuring proper management of the pandemic as a normalised condition

Strengthening project construction management in tandem with the principle of “Brand Building through Excellence in Quality”

Reinforcing our solid foundation and bolstering risk control management

Q&A

