



光大綠色環保
Everbright Greentech

(于开曼群岛注册成立之有限公司)

股份代号:1257

2022 Annual Results Presentation

Mar 2023



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Financial Analysis



Financial Analysis

HK\$' million	2022	2021	Changes
Revenue	8,048	8,447	-5%
Gross profit	1,683	2,346	-28%
EBITDA	2,176	2,838	-23%
Profit attributable to shareholders	340	1,110	-69%
Basic earnings per share (HK cents)	16.47	53.74	-69%
Final dividend paid per share (HK cents)	-	4.0	-4
Dividend of full-year per share (HK cents)	3.6	11.0	-7.4
Dividend payout rate (%)	21.9	20.5	1.4ppt

- ▶ As of the end of 2022, revenue decreased 5%, recording HK\$8.048 billion, among which revenue from construction service decreased 25% while revenue from operation service increased 1% yoy.
- ▶ Gross profit and EBITDA decreased yoy by 28% and 23%, respectively, affected mainly by rising operating costs for the biomass business and decline in unit prices for hazardous and solid waste treatment owing to domestic pandemic control measures and lackluster economic sentiments.
- ▶ Profit attributable to equity shareholders of the Company decreased by 69%, reflecting decreased profit margin for the two main business segments and effect of asset impairment.
- ▶ Interim dividend was HK3.6 cents per share representing 1H dividend payout ratio of approximately 20%. No final dividend is recommended owing to loss incurred for 2H, resulting in a higher full-year dividend payout ratio of 21.9%.

HK\$' million	As at 31/12/2022	As at 31/12/2021	Changes
Total assets	39,156	40,540	-3%
Total liabilities	25,622	26,394	-3%
Shareholders' equity	12,385	13,761	-10%
Current ratio (%)	137.31	137.50	-0.19ppt
Gearing ratio (Total liabilities/Total assets) (%)	65.44	65.11	0.33ppt

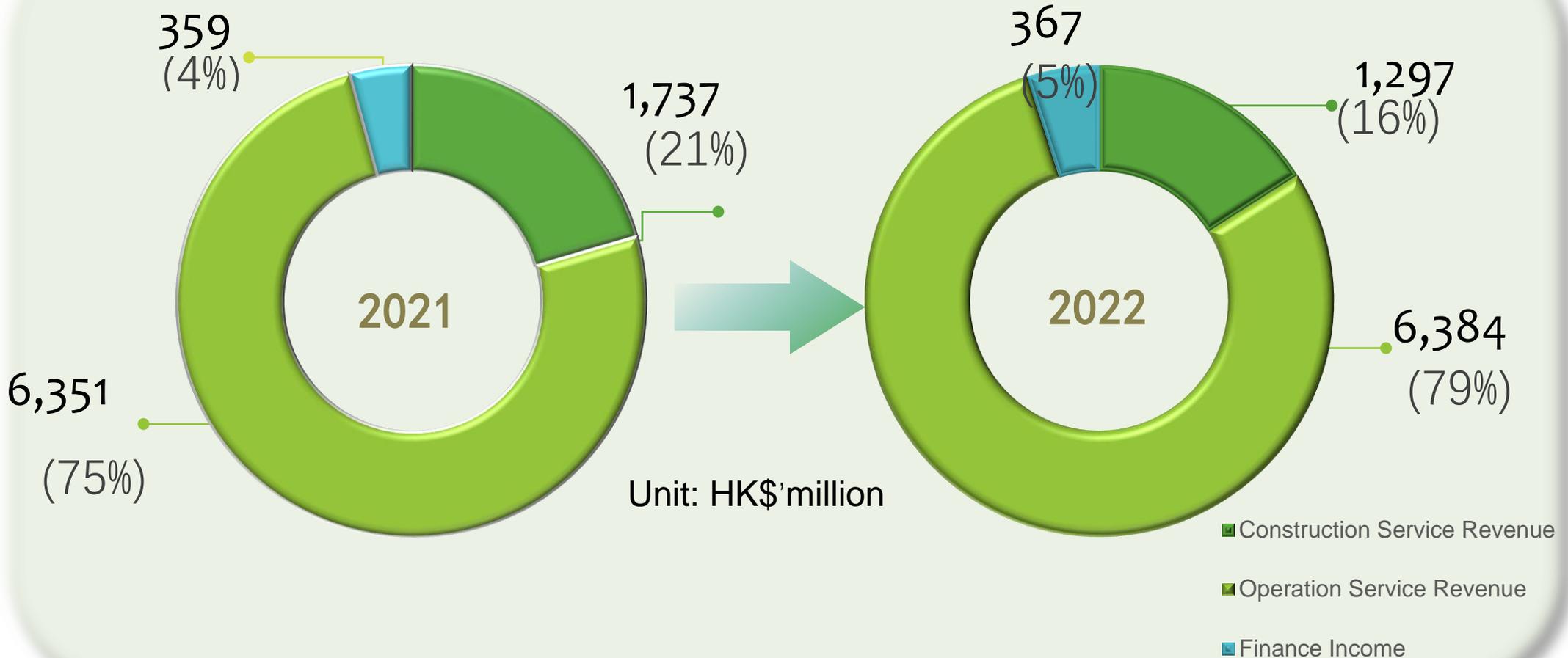
- ▶ Equity attributable to equity shareholders of the Company decreased yoy owing to RMB depreciation of close to 10%.
- ▶ Gearing ratio and liquidity ratio were stable thanks to control over capex, which declined 37% yoy. (2022: RMB 1.54 billion; 2021: RMB 2.454 billion) Borrowing remained stable and increased 1% yoy. During the year, issuance of RMB700 million first tranche of perpetual medium-term notes was completed in May 2022, which was included in equity.
- ▶ As at the end of 2022, RMB loans and HKD loans accounted for 74% and 26%, respectively, of total loans.

Financial Analysis

HK\$' million	As at 31/12/2022		As at 31/12/2021		Changes
Short-term loans	5,810	28%	4,493	22%	29%
Long-term loans	14,927	72%	16,058	78%	-7%
Total loans	20,737		20,551		1%
Unutilised facilities	8,546		7,907		8%
Total banking facilities	29,283		28,458		3%
Unutilised banking facilities	8,546		7,907		8%
Cash and bank balances	2,003		2,644		-24%
Cash and unutilised banking facilities available	10,549		10,551		0%
Effective interest rate	3.55%		3.40%		0.15 ppt

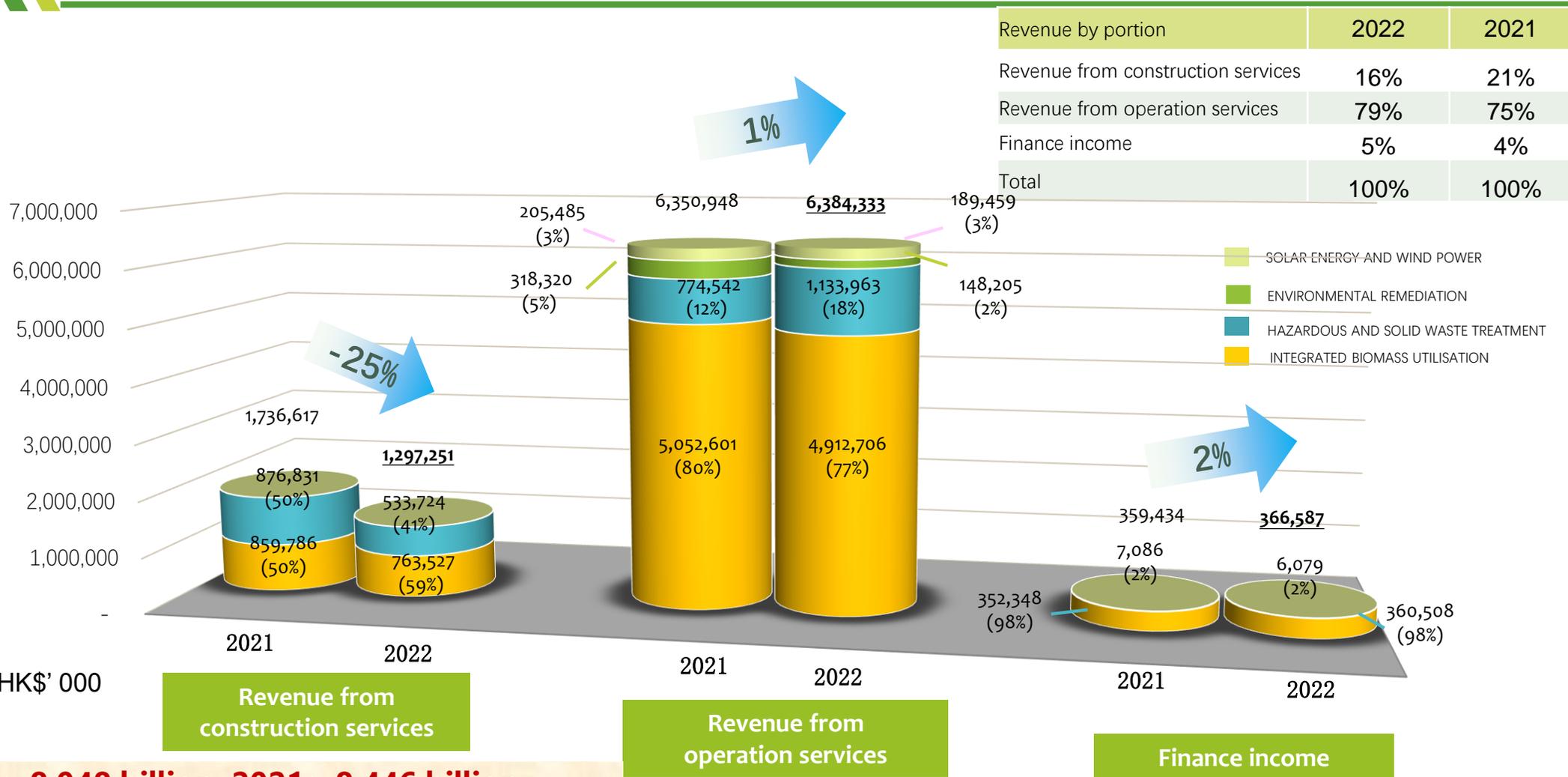
- ▶ Short-term loans increased by 29% to HK\$5,810 million for the year under review from HK\$4,493 million for last year, attributable mainly to plans to refinance during the year the first medium-term notes issued in 2020 (equivalent to HK\$1,117 million) which will mature in 2023 and arrange revolving loans to facilitate rollover.
- ▶ Unutilised bank loans and available cash maintained at HK\$10.55 billion, out of which cash and bank balances decreased by 24% yoy mainly owing to the establishment of a funding pool during the year to enable flexible fund application and reduce unutilised internal funds.
- ▶ Given ongoing hikes in offshore HIBOR rates in 2H 2022 versus downward adjustment of domestic LPR, the interest rates for nearly all domestic project loans and short-term loans were lowered (by an average of approximately 100BP) and replaced to hedge against steep hikes in offshore interest rates, as interest rate was effectively controlled at a low level.
- ▶ Completed the issuance of the third tranche of medium-term notes for an amount of RMB1.2 billion with a maturity period of 3+2 years at a coupon rate of 3.27% per annum for the first 3 years in April 2022. Completed the issuance of the first tranche of perpetual medium-term notes for an amount of RMB700 million with a base term of 3+N years in May 2022. The coupon rate is 3.35% per annum for the first 3 years.

Quality of operating income – ongoing improvement



Revenue from operation service: accounting for 79% of total revenue for 2022 (last year: 75%), operation revenue increase 1% yoy.

Revenue analysis by operating activities

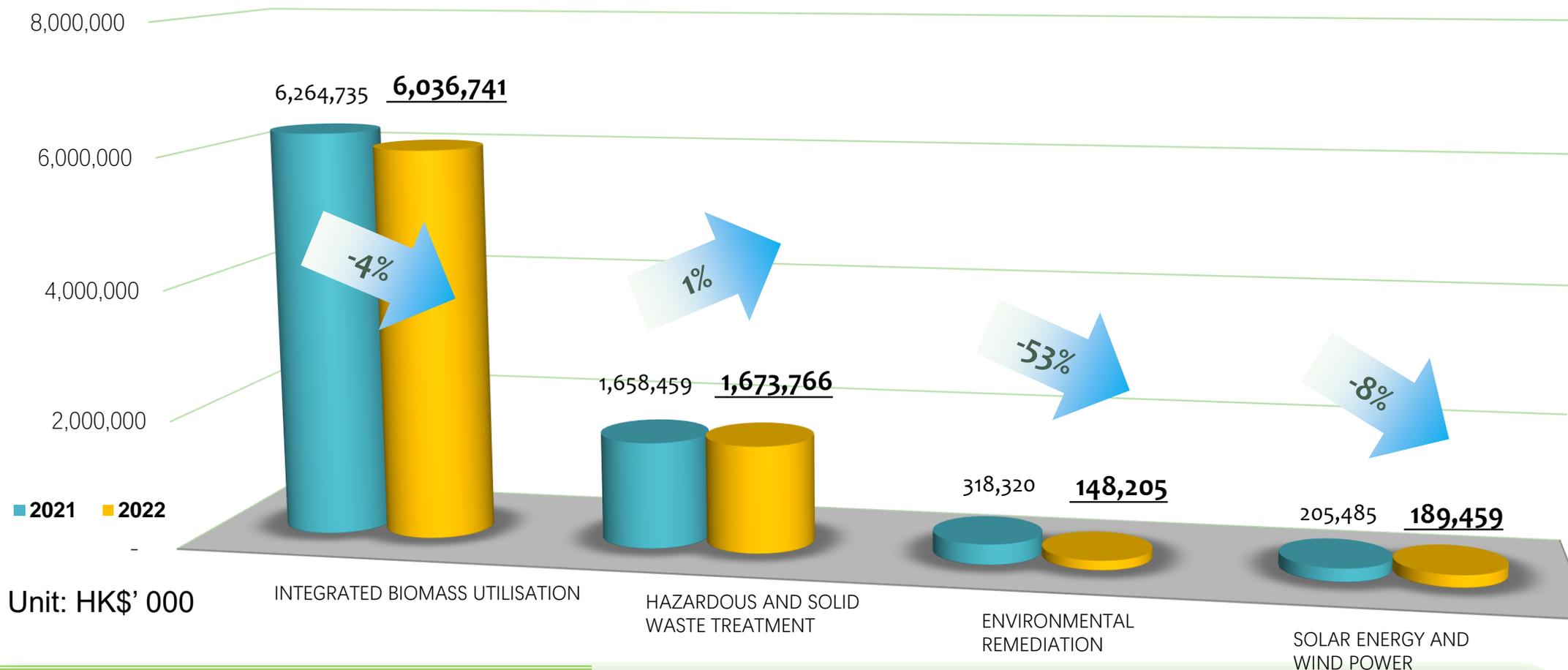


Unit: HK\$' 000

2022: 8.048 billion 2021: 8.446 billion

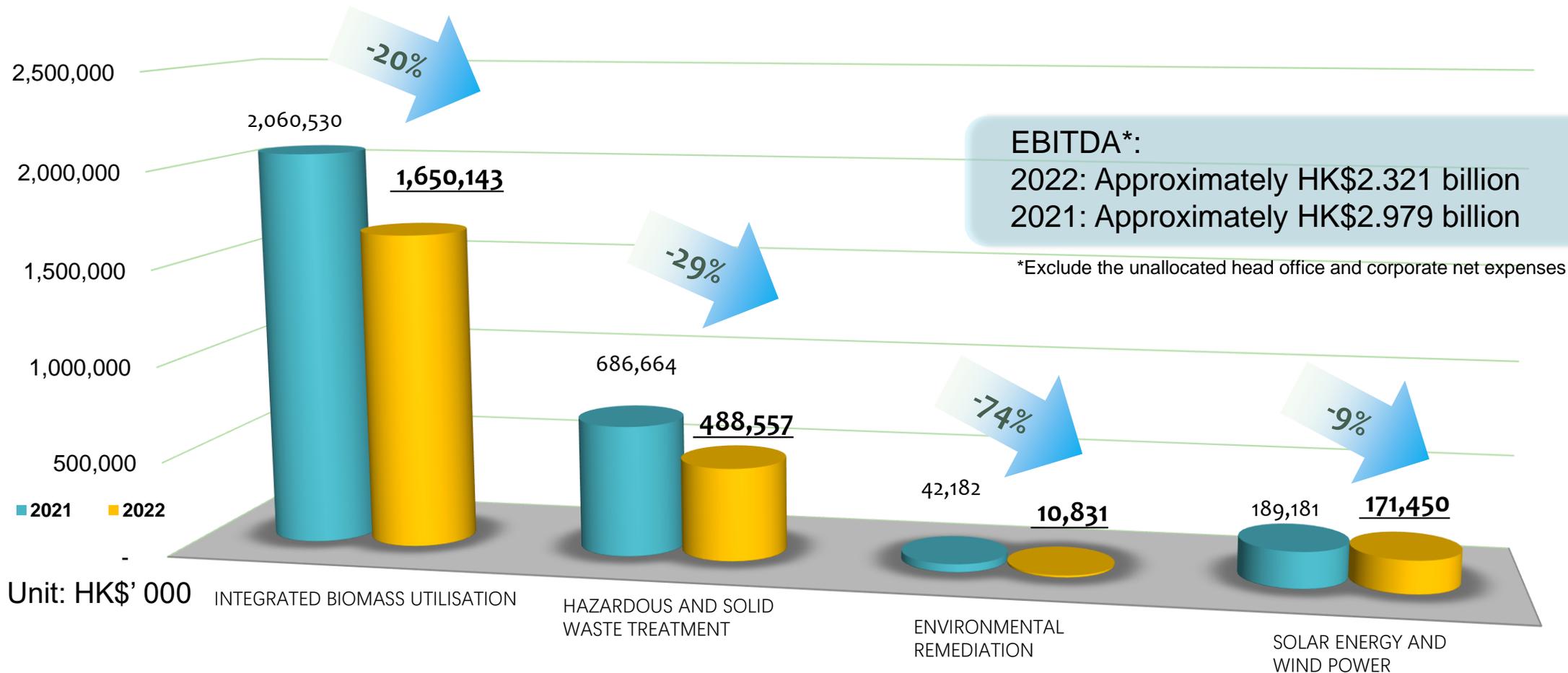
- Revenue from construction services: Revenue decreased by 25% mainly due to only 6 projects that could recognize construction revenue in 2022 compared to 15 projects of last year.
- Revenue from operation services:
 - Integrated biomass utilisation: Revenue decreased by 3%. On-grid power generation volume was flat compared to last year, while household waste treatment and steam supplied volumes increased by 18% and 12%, respectively. Decrease in revenue attributable mainly to RMB depreciation during the year (average exchange rate for 2022 declined 2-3% compared to that for 2021)
 - Hazardous and solid waste treatment: Revenue up 46% yoy mainly due to 60% increase in treatment volume from 268,679 tonnes of last year to 431,136 tonnes in 2022, but fierce market competition resulted in treatment fee of landfill and incineration projects down 17% to RMB 1,949, offsetting part of increase;
 - Environmental remediation: Revenue decreased by 53%, attributable mainly to pandemic control measures in force during the year affecting the progress of project execution and process of new project tenders;
 - Solar energy and wind power: Revenue decreased by 8%, attributable mainly to reduced power generation due to weaker wind resources and the inability to repair malfunctioning equipment owing to road blockade measures to contain the pandemic, as well as decline in power tariffs caused by electricity trades during the year.

Analysis of revenue from four business segments



- Integrated biomass utilisation:** Revenue from operation service decreased by 3%. On-grid power generation volume was flat compared to last year, while household waste treatment and steam supplied volumes increased by 18% and 12% respectively. Decrease in revenue attributable mainly to RMB depreciation during the year (average exchange rate for 2022 declined 2-3% compared to that for 2021); Revenue from construction service decreased by 11%, mainly due to less construction work that could recognize construction revenue.
- Hazardous and solid waste treatment :** Revenue from operation service up 46% yoy mainly due to 60% increase in treatment volume from 268,679 tonnes of last year to 431,136 tonnes in 2022, but fierce market competition resulted in treatment fee of landfill and incineration projects down 17% to RMB 1,949, offsetting part of increase; Revenue from construction service decreased by 39%, mainly due to less construction work that could recognize construction revenue.
- Environmental remediation:** Attributable mainly to pandemic control measures in force during the year affecting the progress of project execution and process of new project tenders.
- Solar energy and wind power:** Attributable mainly to reduced power generation due to weaker wind resources and the inability to repair malfunctioning equipment owing to road blockade measures to contain the pandemic, as well as decline in power tariffs caused by electricity trades during the year.

Analysis of EBITDA from four business segments



▶ **Integrated biomass utilisation:** EBITDA decreased by 20% mainly due to 11% decrease of revenue from construction service. Additionally, impacted by pandemic, cost of biomass raw material surged significantly which caused increase of operational cost.

▶ **Hazardous and solid waste treatment :** EBITDA decreased 29% yoy mainly due to 60% increase in treatment volume and 46% increase in revenue from operation service, but because of pandemic, less hazardous waste was generated from upper stream industrial companies. Additionally, collection, storage and transportation of hazardous waste have been influenced by the road blockade measures to contain the pandemic, together with unbalanced supply and demand, higher operation cost, fierce market competition resulted in treatment fee of landfill and incineration projects down 17% to RMB 1,949, offsetting part of increase;

▶ **Environmental remediation:** EBITDA decreased by 74%, attributable mainly to pandemic control measures in force during the year affecting the progress of project execution and process of new project tenders;

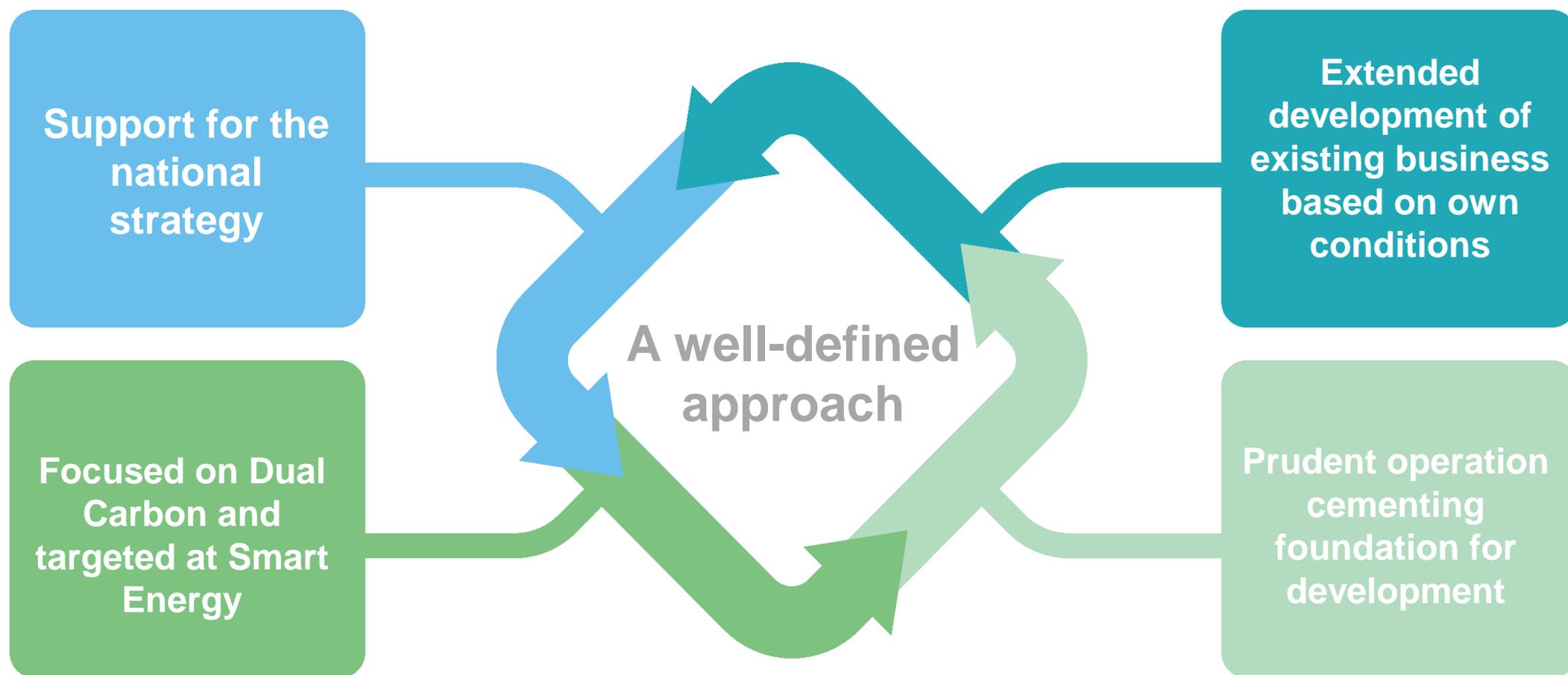
▶ **Solar energy and wind power:** EBITDA decreased by 9%, attributable mainly to reduced power generation due to weaker wind resources and the inability to repair malfunctioning equipment owing to road blockade measures to contain the pandemic, as well as decline in power tariffs caused by electricity trades during the year.

02

Business Review



Market development – focused on transformation



- Coordinated development of clean energy businesses within the system on the back of existing integrated biomass utilisation projects
- Development of core businesses including **distributed solar energy, energy storage, virtual power plant**, etc
- Forging a group of “Zero-carbon Industry Parks” based on integrated digitalisation technology to form an **online smart energy trading platform**

“Zero-Carbon Industry Park” and Smart Energy Model

Integrating operational and industrial strengths in new energy and environmental protection to expand presence in smart energy sector, providing comprehensive smart energy services in multiple dimensions such as “solar energy, storage, charging, cold, heat, steam, power, cloud and carbon.”

Smart energy solutions

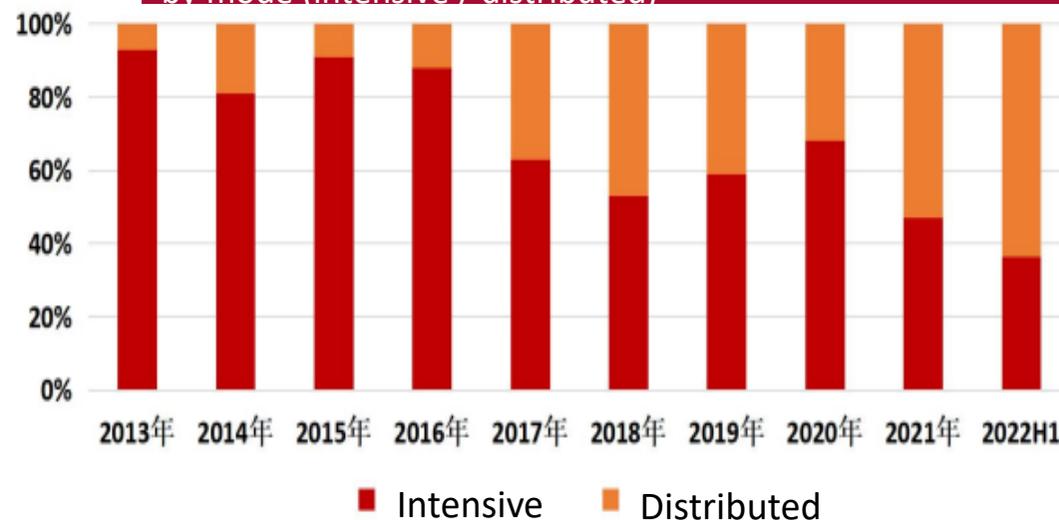
- Complementary energy forms such as biomass heat and electricity co-generation + distributed solar energy
- Equip with energy storage capacity to charge at low seasons and sell at peak seasons
- Establish trading platform of virtual power plant



Distributed Solar Energy

- Leveraging strengths of existing biomass waste-to-energy projects to seek expansion of distributed solar energy business
- Acquired 6 new distributed solar energy project during the year
- Domestic market size for distributed solar energy estimated at **approximately RMB1,000 billion by 2025**

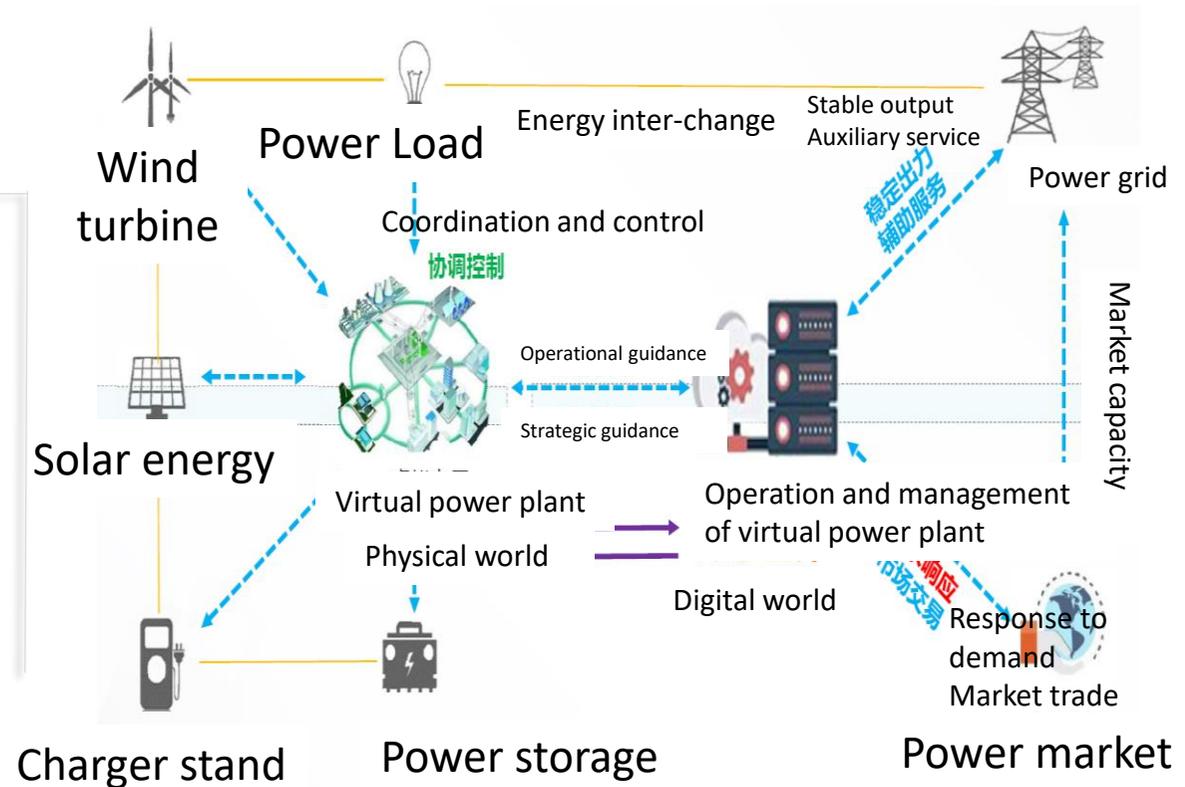
Breakdown of China's new installed solar energy capacity by mode (intensive / distributed)



	Project	Location	Total investment (RMB)	Installed capacity (MW)
1	Rooftop Solar Energy in Guanyun Economic Development Zone	Jiangsu Province	10,763,000	2.39
2	Rooftop Solar Energy at Everbright Centre, Wanchai	Hong Kong	725,299	0.042
3	Feng County Urban Investment Rooftop Solar Energy	Jiangsu Province	240,000	0.05
4	Feng County Agricultural and Water Works Building Rooftop Solar Energy	Jiangsu Province	240,000	0.05
5	Feng County Runcheng Food Centre Rooftop Solar Energy	Jiangsu Province	3,150,000	0.672
6	Feng County Wanggou Board Materials Home Decoration Industry Park Rooftop Solar Energy	Jiangsu Province	11,000,000	2.5
	Total		26,118,299	5.704

Virtual Power Plant

- Building reserve resources for “Zero-carbon Industry Park” and virtual power plants through integrated existing clean energy businesses such as biomass integrated business, distributed solar energy and energy storage, etc
- Market size for virtual power plant operation estimated **at over RMB450 billion** by 2030



- ❑ Cooperation agreement with Alibaba Cloud for mutual promotion of asset-light businesses such as new energy development and operation, integrated energy management and digital transformation, etc
- ❑ “Low-carbon City” and “Zero-carbon Industry Park” framework cooperation agreements with Huaiyin District and Lianshui County, respectively, in Huaian City, Jiangsu Province

Integrated Biomass Utilisation

- Promoting experience in the building of voluntary collection and storage regimes to facilitate cost optimisation;
- Improvement of regional allocation mechanism to coordinate and manage procurement, allocation and pricing of raw materials to ensure achievement of goals in quantity, quality, price control and efficiency enhancement;
- Ongoing progress in development of the heat supply market as scale of heat supply business estimated to exceed 4 million tonnes;
- Synergy and efficiency enhancement among businesses such as kitchen waste, gardening waste and domestic animal waste processing, and high-quality slag and ash utilisation.

2H Period-on-Period
**Yellow straw collection
and storage**

10.4%



**Consolidated heat
generation**

31 kcal/kg



2.41
Steam sales Million tonnes

Yoy 12%



Hazardous and Solid Waste Treatment

- Improving the “Major Market, Major Customer Service” mechanism to facilitate flexible allocation of information and resources and identification of market potentials;
- Active exploration of new channels and systematic customer development to ensure stable capacity utilisation rates;
- Implementing benchmarking management to achieve cost reduction and efficiency enhancement;
- Capable of safely disposing of 44 out of 46 categories of hazardous wastes listed in the National Catalog of Hazardous Wastes;
- First general industrial solid waste heat and electricity co-generation project commissioned during the year providing 6.36 million kWh in power generation and 8,146 tonnes of steam.

Detoxification
treatment **399,000
tonnes**

YoY **62%**



Recycled **32,000
tonnes**

YoY **40%**

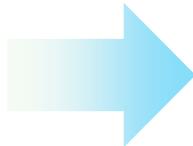


Huangshi end-of-life tyre recycling demonstration project in Hubei

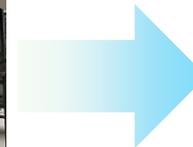
Huangshi end-of-life tyre disposal business

Reversing black pollution to green production and turning waste into valuables in fulfilment of green development, recycling development and low-carbon development.

End-of-life tyre



Pyrolytic process



Carbon black, fuel oil, steel wire and gas



Green and low-carbon: gases and by-products generated in the entire recycling process are clean and safe without causing pollution to the environment.

Environmental Remediation

- As at the end of 2022, remediation project contracts with an aggregate amount of RMB735 million were under execution;
- Won bid for remediation project in Daxing, Beijing in business debut in the Beijing region;
- Won bid for the dig-up and recycle of decayed household waste project in Suzhou, achieving a breakthrough in new business;
- Effectively promote R&D and commercialisation of microbial deodorant and chelation agent.

New contract amount
(external)

RMB244 mn

YoY **23%** 

3

New testing capacity

Financial planning- structural optimisation



Successfully issued first tranche of perpetual medium-term notes (“MTN”), remarking the first green and rural revitalisation perpetual MTN issued by an overseas issuer in China



Budget management has been strengthened with the comprehensive implementation of operating cost and administrative expense standardisation, trade receivable management and State subsidy list declaration



Ongoing exploration of diverse financing options and optimisation of the ratio of domestic and overseas financing



Domestic funding pool established to facilitate flexible application and effective reduction of unutilised funds

◆ Ongoing enhancement of innovative ability

As of 31 December 2022, held 228 authorised patents, including 32 invention patents, 191 utility model patents, and 5 software copyrights.

◆ Develop carbon assets all set to go

To generally enhance operation and management of carbon assets, work in carbon asset development has commenced to identify potential CCER resources in existing businesses and tap new energy markets with CCER development potential such as wind power, solar energy and integrated solar storage and charging.

◆ Ongoing enhancement in standard of technological R&D management

Staying focused on the requirements for transformation, enhancing standard of technological R&D management with special emphasis on biomass ash recycling, carbon capture and solid fuel battery (SOFC+SOEC), mobile power storage, spot trade in the power market, virtual power plant and energy Internet, in order to reserve driving force for transformation.

ESG performance- continuously improving

Environment

- Ongoing supply of green electricity and clean steam, reduce carbon dioxide emission by 3.05 million tonnes
- Hazardous waste generation amount and the intensity both reduced by 63% in 2022 yoy.
- NOx and SOx emissions decreased by 19% and 23%, respectively

Social

- Creating job opportunities for local farmers through the agricultural and forestry waste collection and storage regime developed by the biomass business
- Committed to the fostering of safe and healthy workplace as zero work injury and fatal incident was reported
- 1,974 training sessions throughout the year and 17.34 hours of average training time per employee

Governance

- Integrate 10 SDGs into our sustainability strategy
- Aiming for female directors to account for 20% of Board members in the next 3 to 5 years

- ✓ **Selected as a constituent stock of Hang Seng Corporate Sustainability Benchmark Index for 5 consecutive years**
- ✓ **“EcoChallenger” certificate and “3 Years + EcoPioneer” logo in the “BOCHK Corporate Environmental Leadership Awards 2021” jointly organized by the Federation of Hong Kong Industries and Bank of China (Hong Kong)**
- ✓ **“Corporate Governance Special Mention” under the H-share Companies and other Mainland Enterprises category in the Best Corporate Governance and ESG Awards 2022 presented by the HKICPA**

03

Business Prospects



Reinforcing principal businesses to drive qualitative development

- Advancing transformation of integrated biomass utilisation into a smart energy business to forge a leading domestic biomass green power trading platform and operator of “zero-carbon industry park”;
- Advancing transformation of hazardous and solid waste treatment into a recycling business and enhancing project efficiency by mending weak links and enhancing synergies;
- Advancing innovation in the environmental remediation business with a special focus on landfill remediation to forge a leading domestic enterprise specialised in remediation of waste landfill sites in operation.

Driving transformation with new strategies

- Seizing market opportunities in the new energy industry chain to actively explore new business forms in support of the national energy security strategy;
- Stepping up with business transformation driven by technological innovation to direct the Company's transformation in line with the national "Dual Carbon" goal;
- Focused on "Environment, Resources, Energy, Climate" to forge the "Four-in-One" carbon-neutral comprehensive service provider.

“Opinion on Improving the Physical Mechanism and Policy Measures for Low-carbon Green Energy”

- Support for standalone participation in power trade by emerging market entities such as operators of micro-power grid, distributed power source, energy storage and power load consolidation operators;
- Expanding the scope of implementation of power supply in response to demand, identifying various demand-side resources through multiple means and organising their participation in response to demand;
- Support for adjustable user-side resources such as user-side energy storage, electric vehicle charging facilities and distributed power generation, as well as load consolidation operators, virtual power plant operators and integrated energy service providers, to participate in power market trades and system operation adjustments.

“Basic Rules for Spot Power Market (Draft for Comment)”; “Administrative Measures for the Regulation of Spot Power Market (Draft for Comment)”

- Elucidating the goals of development and setting out regulatory market rules to usher the nation into the era of spot power, relaxing the power tariff mechanism and promoting market-based power tariffs. The spot power market is conducive to passing on power costs and identifying the real-time price level of power tariffs;
- After the mechanism has become smooth in operation, power tariffs will rise in general which is favourable for power supply operations to return to reasonable profit levels. The power market reform is gaining pace notably and the spot power market will expand nationwide from pilot operation in selected regions. Currently in trial operation in Shanxi, Shandong and Guangdong, it will be introduced in other parts of the nation during the year.

Q&A